

# INDIANA

*Comprehensive Annual Financial Report*  
For Fiscal Year Ended June 30, 2016

**Michael R. Pence, Governor**



Prepared by the Office of  
**Indiana Auditor of State**

**Suzanne Crouch**

Room 240 State House  
200 West Washington St.  
Indianapolis, IN 46204



**STATE OF INDIANA**

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Michael R. Pence, Governor



Prepared by:

The Office of the Auditor of State  
**Suzanne Crouch**  
**Auditor of State**  
Room 240  
State House  
Indianapolis, Indiana 46204

# Acknowledgments

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

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

Elected as Indiana's 56<sup>th</sup> State Auditor in 2014, Suzanne Crouch serves as the Chief Financial Officer for the State of Indiana. Auditor Crouch is a committed fiscal conservative who keeps taxpayers first, recognizing that each tax dollar is closely linked to the hard working Hoosier who earned it.

Before becoming Auditor, Crouch served as the State Representative for House District 78 which encompasses parts of Vanderburgh and Warrick Counties. She was elected to the seat in 2005, and served as the Vice Chairman of the Ways and Means Committee and on the Public Health Committee. While in the House, Crouch had several legislative accomplishments. She received the 2012 Public Policy Award from the Arc of Indiana for her work with people with disabilities and was named Legislator of the Year in 2011 by the Indiana Association of Rehabilitation Facilities.

Prior to serving in the House of Representatives, Crouch spent eight years as Auditor of Vanderburgh County, holding office from 1995-2002. During that time, the office received its first clean bill of health in decades from the Indiana State Board of Accounts. Crouch then went on to serve as a Vanderburgh County Commissioner until joining the House. She presided as president of that body during her third year in office.

As the State Auditor, Crouch has continued the long legacy of transparency and accountability demonstrated by the Indiana State Auditor's Office. The State's Comprehensive Annual Financial Report was awarded its 22<sup>nd</sup> consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 2014 calendar year. The State's Transparency Portal website also remained ranked as one of the best in the nation in 2014 by the U.S. Public Interest research group, giving the public access to information showing the State's contracts, subsidies, expenditures and revenue.



Suzanne Crouch  
Indiana Auditor of State

Suzanne and her husband Larry Downs have been married for 36 years. They have one daughter, Courtney, who recently moved to Indiana with her husband. Larry retired from Kahn, Dees, Donovan & Kahn, LLP in Evansville after practicing law for more than 40 years. Suzanne holds a degree in Political Science from Purdue University.

**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
1998-2007	Connie K. Nass	Republican
2007-2013	Tim Berry	Republican
2013-2013	Dwayne Sawyer	Republican
2014-	Suzanne Crouch	Republican

## STATE OF INDIANA

### Comprehensive Annual Financial Report For the Year Ended June 30, 2016

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# Introductory Section

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## Comprehensive Annual Financial Report

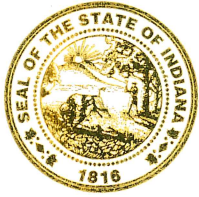
Indiana celebrated the 200<sup>th</sup> anniversary of its statehood in 2016. The Indiana Bicentennial Commission organized a statewide celebration to engage all Hoosiers in this memorable event and leave a lasting legacy for future generations.



### Bicentennial Plaza

In 1916, there was a proposition to create a Centennial Plaza to the west of the Indiana Statehouse. The idea was that it would protect the Capitol Building from environmental structures and the grounds would be protected for potential expansion. The plans never came to fruition – until this year. Bicentennial Plaza was dedicated at “Hoosier Homecoming” on October 15, 2016. Based on the Centennial Plaza plans, Bicentennial Plaza is centered on the intersection of Senate Avenue and Robert D. Orr Plaza. The new Plaza creates a public space that can be used by all citizens and visitors to Indiana. The Bicentennial Plaza is primarily a pedestrian space to be enjoyed year-round. The Plaza creates a physical legacy of the State’s Bicentennial celebration and serves to enhance the Statehouse and government center campus.





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December 21, 2016

Governor,  
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, 2016.

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 Federal 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.

Generally Accepted Accounting Principles 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.

Management's Discussion and Analysis (MD&A) in the Financial Section 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.

## 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 6,619,680 which makes Indiana the nation's 16th most populated State. The five largest cities are Indianapolis (the capital), Fort Wayne, Evansville, South Bend, and Carmel.

Indiana became the 19th State of the Union on December 11, 1816. The State 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 authorized and not prohibited by the State Constitution and not in conflict with the U.S. Constitution and laws made in pursuance thereof. 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, 315 Trial Courts (including 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, conservation, 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 agency of the State to another, with the exception of trust funds. The State Budget Agency 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 a 2015 Gross Domestic Product of \$336.4 billion, Indiana's economy ranked 16th largest in the U.S. in terms of the value of goods and services. Indiana's largest contributor to GDP growth was the manufacturing sector, which accounted for 34.1% of Indiana's GDP growth in 2015. The durable goods subset of the manufacturing sector was the biggest cause of Indiana's GDP growth in 2015.

As of June 2016, the manufacturing sector accounted for nearly 16.7% of the jobs in Indiana compared to 20.3% in 2002. The share of employment accounted for by the health care and social services sector increased from 10.2% in 2002 to 12.9% as of June 2016. Per capita personal income was \$41,940 in 2015, and the State's unemployment rate was 4.8% at the end of Fiscal Year 2016.

## Cash Management and Investments

Cash temporarily idle during the year was invested in deposit accounts, obligations of the U.S. Treasury and U.S. Agencies, money market mutual funds, and repurchase agreements. The pension trust funds' portfolios include other investments as outlined in Note I(E)(1) in the notes to the financial statements. The average yield on the General Fund investments was 0.29% for the fiscal year ended June 30, 2016. The average yield on the total investment of all funds, except for pension trust funds, was 0.65% for the fiscal year ended June 30, 2016. 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 held by the Treasurer of State 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 \$9.2 billion at June 30, 2016.

## Financial Policies

Indiana's Office of Management and Budget (OMB) serves as an umbrella organization to better coordinate the State's financial policies. The OMB consists of the Department of Government Efficiency and Financial Planning, the Department of Local Government Finance, the Board of Tax Review, Office of Technology, the Office of State Based Initiatives, the Department of Revenue, the State Budget Agency, the Indiana Public Retirement System, and the Indiana Finance Authority.

In June 2016, Indiana closed the books with \$2.245 billion in reserves, and a structurally balanced budget. Reducing general fund spending has enabled Indiana not only to maintain a prudent level of reserves, but also repay debts to local government, schools, and universities, which at their peak in FY 2005, totaled over \$750 million. One-time revenues, such as those generated by the Tax Amnesty program several years ago, have been used to repay one-time debt rather than being built into revenue forecasts to support on-going expenditures. The 2015 Tax Amnesty funded quality of place investment in Indiana's localities through the Regional Cities program.

Indiana is one of twelve states that has the highest credit rating assigned by all three independent credit rating agencies: Fitch, Moody's, and Standard & Poor's Ratings Service (S&P).

At the time of the upgrade by S&P, their report noted that the administration has made significant financial management changes and strengthened budgeting practices. S&P cited four areas in issuing the AAA credit rating: a stable and diversifying economic base despite continued manufacturing concentration, a conservative biennial budget that will add to the fund balance by the end of the biennium, property tax reform that has clarified the state's financial responsibilities, and low overall debt levels.

## Long-Term Financial Planning

The Indiana Finance Authority is charged with developing, implementing, maintaining and monitoring a debt management plan for all non-conduit debt or debt-related obligations issued by state issuers. This plan is intended to provide guidance in the structuring, sale, monitoring, and post-issuance compliance for all State-related debt.

The State of Indiana launched a new statewide accounting system in September 2009. The transition to the new system included a significant enhancement of internal controls, the implementation of a uniform chart of accounts, and the conversion of all financial data from the prior system into the new system. In addition to a successful go-live in September 2009, the state completed an upgrade in the spring of 2012 and again had a timely closing of the books in July 2016.

Executive Order 14-06 required the OMB to create the Governor's Management and Performance Hub (MPH) for the purposes of centralized data sharing, correlation, and analysis in order to drive innovation and efficiency across state agencies; improve information technology systems, practices, and procedures to enhance the security of data retained by state agencies; and to increase the transparency of state government.

In 2008, the Pew Center on the States and *Governing* magazine released a report from the Government Performance Project assessing the quality of management in the 50 states. In this report, Indiana was highlighted as having "moved into fiscal balance by going beyond one-time budget fixes" and for having a four-year horizon to make fiscal decisions.

## Major Initiatives

**K-12 Education** – Funding for elementary and secondary education is the State's largest operating expense. Prior to January 1, 2003, the State provided approximately 66% of school corporations' general fund budgets. As a result of the tax restructuring legislation enacted in 2002, the State provided approximately 85% of the school corporations' general fund budgets. As part of the property tax reform legislation enacted by P.L. 146-2008, the State assumed responsibility for the local share of tuition support and provides 100% of the tuition support for school corporation general funds beginning in January 2009.

Local school aid includes distributions for programs such as assessment and performance, as well as tuition support. The General Assembly established the State's calendar year 1972 funding level as the base for local school aid.

The K-12 tuition support for Fiscal Year 2016 totaled \$6,820.3 million. In addition, there was a distribution of \$29.4 million for adult learners.

**Higher Education** – Through the General Fund, the State supports seven higher education institutions: Ball State University, Indiana University, Indiana State University, Ivy Tech Community College of Indiana, Purdue University, University of Southern Indiana, and Vincennes University. Higher education expenditures from the General Fund for Fiscal Year 2016 were \$1,504.1 million, which includes funding for university operating, fee-replaced debt service, and line items. An additional \$421.6 million was appropriated for other higher education line items, university repair and rehabilitation, university capital projects, and State student aid.

Since Fiscal Year 1976, the General Assembly has appropriated to each State university and college an amount equal to the annual debt service requirements due on qualified outstanding student fee and building facilities fee bonds and other amounts due with respect to debt service and debt reduction for interim financings (collectively, "Fee Replacement Appropriations"). The Fee Replacement Appropriations are not pledged as security for such bonds and other amounts. Under the Indiana Constitution, the General Assembly cannot bind subsequent General Assemblies to continue the present Fee Replacement Appropriations policy; however, it is anticipated that the policy will continue for outstanding bonds and notes.

**Public Safety** – Appropriations for the Department of Correction, payable almost entirely from the General Fund, include funds for incarceration and rehabilitation of adult and juvenile offenders, as well as parole programs. Corrections expenditures were \$674.2 million for Fiscal Year 2015 and \$710.1 million for Fiscal Year 2016. The increases in spending were primarily due to increased funding for community corrections, staffing, and energy savings contracts.

Offender population is the most significant driver of corrections expenditures. The total offender population, including those in jail and contract beds, decreased by 6.2% to 26,420 at the end of Fiscal Year 2016 compared to 28,158 at the end of Fiscal Year 2015.

**Transportation** – As a result of the Major Moves program and the Major Moves 2020 program, Indiana has seen record construction, as the Indiana Department of Transportation (INDOT) is executing the \$12 billion construction program made possible in part by the lease of the Indiana Toll Road. INDOT is



aggressively working to advance as much work as possible from later construction years to take advantage of favorable price conditions. This also helps deliver the benefits of the new highways much earlier, and spurs job creation. In addition, \$100 million was appropriated from the General Fund for highway capacity enhancements in FY 2016.

For an eighth consecutive year, state and federal program expenditures for engineering, right-of-way, construction, and maintenance exceeded one billion dollars. Actual FY 2016 expenditures and obligations were \$1.24 billion.

**Conservation and Environment** - In FY 2016, the Department of Natural Resources (DNR) continued the largest land conservation initiative in the State's history, the Healthy Rivers Initiative (HRI). The HRI consists of two projects, one within the Wabash River and Sugar Creek floodplain (over 43,000 acres) and another along the Muscatatuck River known as Muscatatuck Bottoms (over 26,000 acres). Since the announcement in FY 2010, DNR has acquired over 12,400 acres along the Muscatatuck River and Wabash River corridors. Land acquisition efforts will continue for years into the future. To date, these efforts have added three new conservation areas for recreational use: Austin Bottoms, Sugar Creek, and Wabash River.

The Bicentennial Nature Trust (BNT) was launched in FY 2012 as a statewide land conservation initiative to celebrate Indiana's upcoming 200th anniversary in much the same way as the first 100 years of statehood were marked in 1916 with establishment of the state park system. The state committed \$20 million to help fund BNT and called on individuals, businesses and communities around the state to join the effort. Through FY 2016, nearly 200 BNT projects had been approved.

**Health and Human Services** – Medicaid is a state/federal shared fiscal responsibility with the State supporting 33.40% of the total program through a combination of State General Fund and dedicated funds over the biennium. Federal funding accounts for the remaining 66.60%. Indiana's base federal reimbursement rate equaled 66.52% for Federal Fiscal Year 2015 and 66.60% for Federal Fiscal Year 2016. In Fiscal Year 2015, State General Fund Medicaid expenditures totaled \$2,159.9 million. For Fiscal Year 2016, total State General Medicaid expenditures were \$2,027.2 million. Average monthly enrollment was estimated to be 1,214,817 for Fiscal Year 2015 and 1,386,806 for Fiscal Year 2016.

In 2015, Indiana received approval from the federal government to replace the traditional Medicaid program for non-disabled adults by expanding the Healthy Indiana Plan (HIP). HIP 2.0 has been designed to improve healthcare utilization and promote personal responsibility. In addition, HIP 2.0 will maintain financial sustainability and will not increase taxes for Hoosiers. The program will be funded by enhanced federal funding, the hospital assessment fee, and existing cigarette tax revenues previously used for HIP.

In its tenth year of operations, the Department of Child Services (DCS) continued the implementation of its practice to place children in the least restrictive, most family-like setting. This trending is important because research among child-advocate experts has shown that placing children in the least restrictive, most family-like setting produces the best outcomes for children and families and, consequently, is more cost effective.

In January 2010, DCS established the Indiana Child Abuse and Neglect Hotline to serve as the centralized reporting channel for all allegations of child abuse or neglect in Indiana. The Hotline is staffed with trained intake specialists and at least one supervisor per shift, 24 hours per day, seven days per week, and 365 days per year. DCS has seen the number of calls reported to the Hotline increase by 85% from 2009 to 2014, up from 109,489 in 2009 to 202,493 in 2015.

**Economic Development** – The Indiana Economic Development Corporation (IEDC) is the State of Indiana's chief economic development agency. The IEDC seeks to bring new job creation and capital investment opportunities to Indiana through competitive company attractions, expansions and consolidations. In 2016, Indiana received several accolades for its business environment. This includes ranking 1st in the Midwest and 5th in the nation in Chief Executive magazine's annual "Best & Worst States" survey (May 2016), 1st in the Midwest and 8th overall in the Tax Foundation's State Business Tax

Climate Index (Sept. 2016), and best in the Midwest and 8th overall in Area Development magazine's "Top States for Doing Business" study (Sept. 2016).

**General Government** – Legislation creating an Automatic Taxpayer Refund (ATR) was enacted in FY 2011, requiring any reserves greater than 10% of FY 2013 appropriations to be divided equally between various pension plans and a refundable tax credit to eligible taxpayers. The total amount of excess reserves at the end of FY 2012 was \$721.28 million, with \$360.64 million going to specified pension plans and an equal amount set aside for taxpayer refunds. The remaining \$360.64 million was issued as refundable tax credits to eligible taxpayers on their 2012 tax returns filed beginning January 1, 2013. For FY 2013, the amount of reserves needed to trigger a transfer was changed to 12.5% of FY 2014 appropriations plus \$50 million, but reserves did not meet that threshold. No calculation of excess reserve was required at the end of FY 2014. The reserve amounts at the end of FY 2015 did not trigger a transfer as the \$300.0 million balance in the Tuition Reserve Fund is no longer included as part of the calculation. The statute was again changed during Fiscal Year 2016 triggering a one-time transfer from the General Fund reserves of \$427.9 million after the end of the fiscal year for state and local road and bridge preservation.

The State continues to administer Retirement Medical Benefits accounts, established as Health Reimbursement Arrangements (HRAs), for most 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. Funding for the program comes from 4% of State cigarette tax revenues as well as charges to federal and dedicated funds for employees paid from those funds. The plan remained more than 100% funded at the end of FY 2016. These funds are then credited to each employee's account annually based upon their age. There is also a catch-up provision allowing for additional contributions based upon the number of years of service completed by the qualified retiree who retires prior to June 30, 2017.

## 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, 2015. This was the twenty-third 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,



Suzanne Crouch  
Auditor of State  
State of Indiana



Micah Vincent  
Director  
Office of Management and Budget



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

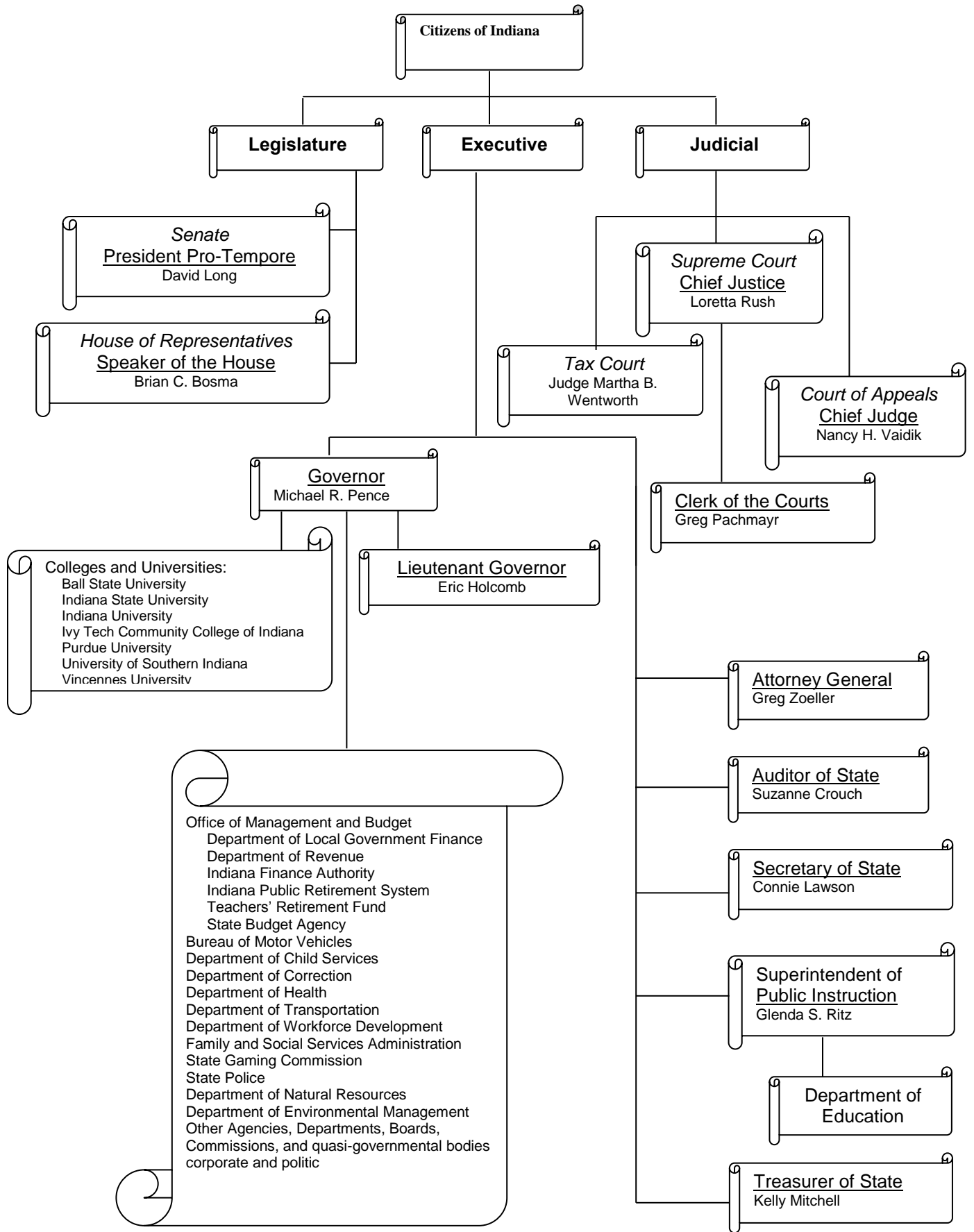
**State of Indiana**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is written in a cursive, flowing style.

Executive Director/CEO



# Financial Section

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## Comprehensive Annual Financial Report

### Statehouse Education Center

The Statehouse Education Center, located on the first floor of the [Indiana State Library](#), serves as an active learning site for the tens of thousands of visitors the [Statehouse](#) and State Library attract every year. The Education Center offers dynamic and participatory exhibits for school groups, families and tours. Visitors can take part in role-playing games that demonstrate how government works, discover and explore items from the Library's collections, and cast votes on issues that resonate with young Hoosiers. The Statehouse Education Center's learning exhibits support social studies and language arts curricula and enhance the learning experience regarding the three branches of government. The Center provides follow-up resources to teachers, students and their families to connect to the space after the tour.





**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDIANAPOLIS, INDIANA 46204-2769

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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

To: The Honorable Governor Michael R. Pence, the Members of the General Assembly,  
and the Citizens of the State of Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana (State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the local government investment pool, which represents 100 percent of the assets, net position, and revenues of the Investment Trust Fund. Nor did we audit the financial statements of certain component units of the State, as discussed in Note I(A), which represent 32.6 percent, 25.5 percent, and 3.4 percent, respectively, of the assets, net position, and revenues of the colleges and universities; 100 percent of the assets, net position, and revenues of the governmental discretely presented component unit; and 99.9 percent, 94.9 percent, and 100 percent, respectively, of the assets, net position, and revenues of the proprietary discretely presented component units. Nor did we audit the financial statements of the Indiana Public Retirement System, reported as a Fiduciary in Nature Component Unit in Note I(A), which represents 97.7 percent, 97.2 percent, and 95.5 percent, respectively, of the assets, net position, and revenues of the Pension and Other Employee Benefit Trust Funds. Nor did we audit the financial statements of the Indiana State Police Pension Fund, which represents 1.1 percent, 1.4 percent, and 0.4 percent, respectively, of the assets, net position, and revenues of the Pension and Other Employee Benefit Trust Funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those activities and component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Indiana State Fair Commission, Indiana Political Subdivision Risk Management Commission, and Indiana Public Retirement System were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State'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 State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, 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.

**Emphasis of Matter**

As discussed in Note IV(G) to the financial statements, the 2015 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Other Postemployment Benefits, Schedules of Employer Contributions for Employee Retirement Systems and Plans and Other Postemployment Benefits, Schedules of Changes in the Net Pension Liability and Related Ratios for Employee Retirement Systems and Plans, Schedules of the State's Proportionate Share of the Net Pension Liability for Employee Retirement Systems and Plans, Budgetary Information, Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Major Funds (Budgetary Basis), Budget/GAAP Reconciliation - Major Funds, and the Infrastructure - Modified Reporting Condition Rating of the State's Highways and Bridges and Comparison of Needed-to-Actual Maintenance/Preservation, as listed in the Table of Contents, 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 and other auditors 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

*Other Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual statements for the Non-Major Governmental and Proprietary Funds, Internal Service Funds, Fiduciary Funds, Non-Major Discretely Presented Component Units, Budget/GAAP Reconciliation Non-Major Special Revenue Funds, and the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual statements for the Non-Major Governmental and Proprietary Funds, Internal Service Funds, Fiduciary Funds, Non-Major Discretely Presented Component Units, and the Budget/GAAP Reconciliation Non-Major Special Revenue Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures as described above, and the report of the other auditors, the combining and individual statements for the Non-Major Governmental and Proprietary Funds, Internal Service Funds, Fiduciary Funds, and Non-Major Discretely Presented Component Units, and the Budget/GAAP Reconciliation Non-Major Special Revenue Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the State'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 State's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

December 21, 2016





# MANAGEMENT'S DISCUSSION AND ANALYSIS



**STATE OF INDIANA**  
**Management's Discussion and Analysis**  
**June 30, 2016**

The following discussion and analysis of the State of Indiana's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the State's financial statements, which follow this section. Because of prior period adjustments and reclassifications as described in Note IV(G) in the Notes to the Financial Statements, fiscal year (FY) 2015 numbers have been restated.

### Financial Highlights

- For FY 2016, on a government-wide basis, the assets and deferred outflows of the State of Indiana exceeded its liabilities and deferred inflows by \$11.2 billion. This compares with \$11.2 billion for FY 2015, as restated.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$835.8 million, or 6.6% of the total general fund expenditures.
- On a government-wide basis for the primary government, the State incurred expenses net of program revenue of \$16.3 billion, which are offset by general revenues totaling \$16.2 billion, giving a decrease in net position of \$0.1 billion.
- General revenue for the primary government increased by \$47.1 million, or .3%, from FY 2015. Sales tax revenues increased by \$70.0 million and individual and corporate income tax revenue decreased \$24.6 million. The increase in sales tax revenues can be attributed to a reduction in Indiana's unemployment rate, increases in the median household income, and growth in our GDP. The decrease in individual and corporate income tax revenues is due to reductions in the tax rates for both.
- Combined budget balances for FY 2016 were \$2,244.5 million. That balance consists of \$776.3 in the General Fund, \$577.6 million in the Medicaid Contingency Reserve Fund, \$345.9 million in the Tuition Reserve Fund, and \$544.6 million in the Rainy Day Fund.
- \$2,244.5 million represents 14.2% of the General Fund appropriations for FY 2017. These reserve balances will protect the state's critical operations during the next economic downturn.
- Indiana is one of only twelve states with the top bond rating from all three major credit rating agencies. According to the independent credit rating agency Fitch Ratings, the rating "reflects Indiana's historical pattern of low debt, balanced financial operations, and a commitment to funding reserves to provide a cushion in times of economic and revenue decline. These strengths are offset by an economy that, despite ongoing diversification, remains heavily concentrated in the cyclical manufacturing industry." According to Standard & Poor's Ratings Service (S&P), the rating "reflects our view of the state's strong financial position and management's commitment to maintaining structural balance and a high level of reserves. In addition, despite any negative variance from projected revenues, we expect the state to make adjustments as necessary to restore budgetary balance."

<b>Key Economic Indicators</b>			
	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>	<u>% Change</u>
Total Labor Force	3,274,687	3,233,576	1.3%
Total Employed Labor Force	3,125,715	3,055,987	2.3%
Total Goods and Service Employment	3,080,900	3,045,100	1.2%
Service-Providing Employment	2,425,700	2,397,400	1.2%
Goods-Producing Employment	655,200	647,700	1.2%
Unemployment Rate	4.5%	5.5%	-18.2%
Median Household Income	50,532	49,446	2.2%

Sources: Indiana Department of Workforce Development, Bureau of Labor Statistics, and U.S. Census Bureau.

Salaries and benefits for State employees represent approximately 7.5% of governmental fund expenditures. The following table shows a ten year history of the count of full time State employees.

<b>Full Time State Employees Paid Through The Auditor of State's Office</b>						
<b>Year</b>	<b>Governor's Authority</b>	<b>Judiciary</b>	<b>Other Elected Officials</b>	<b>On Disability Leave - In Pay Status</b>	<b>On Disability Leave - Not in Pay Status</b>	<b>Total</b>
2016	28,315	886	1,107	419	250	30,977
2015	28,157	865	1,083	455	289	30,849
2014	28,279	845	1,065	471	312	30,972
2013	28,398	831	1,049	511	345	31,134
2012	28,485	835	1,049	545	349	31,263
2011	28,472	830	1,067	610	351	31,330
2010	29,911	846	1,056	647	341	32,801
2009	31,254	835	1,093	624	358	34,164
2008	32,606	811	1,139	727	339	35,622
2007	31,524	772	1,123	789	313	34,521

For more information on personnel paid through the Auditor of State's Office, please read the Statistical Section.

## Overview of the Financial Statements

This Financial Section consists of four parts: management's discussion and analysis (this part), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the State. The first two statements are government-wide financial statements that provide both long-term and short-term information about the State's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements.

- The governmental fund statements tell how general government services such as public safety, education, and welfare were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Unemployment Compensation Fund.
- Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong, such as the retirement plan for the State's employees.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* and *other supplementary information* that further explain and support the information in the financial statements.

### Government-wide Financial Statements

The government-wide financial statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the State's net position and how they have changed. Net position which equals the State's assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, is one way to measure

the State's financial health, or position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State of Indiana is improving or deteriorating. To assess the overall health of the State, additional non-financial factors should be considered, such as changes in the State's tax base, the condition of the State's roads and the State's student population. The government-wide financial statements of the State are divided into three categories:

- **Governmental activities.** Most of the State's basic services are included here, such as the State's roads and bridges, and health and environmental programs. State sales and income taxes and federal grants finance most of these activities.
- **Business-type activities.** The State provides goods and services through these activities that are financed or recovered primarily through fees and user charges. The Unemployment Compensation Fund, the Inns and Concessions Fund, the Indiana Residual Malpractice Insurance Authority, and the Wabash Memorial Bridge Fund are included here.
- **Discretely Presented Component Units.** These are legally separate discretely presented entities for which the State is financially accountable. These include, among others, the Indiana Finance Authority, the State Lottery Commission of Indiana, the Indiana Bond Bank, the Indiana Housing and Community Development Authority, and colleges and universities that receive State funding.

### Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds, not the State as a whole. Funds are accounting devices that the State uses to keep track of specific sources of funding and spending for particular purposes. The State of Indiana uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The State has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

1. **Governmental funds.** Most of the State's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a

detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs.

*Relationship and Reconciliation.* Because the information provided in the governmental funds statements does not encompass the additional long-term focus of the government-wide statements, reconciliation pages are provided. On the page following each governmental fund's financial statement, these reconciliations explain the differences between the government-wide and the fund financial statement. Government-wide statements use full accrual accounting. Revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of related cash inflows and outflows. Governmental fund financial statements use the modified accrual basis of accounting. Revenues are recognized when earned so long as they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. Specific accrued liabilities are recognized as expenditures when payment is due because that is when they are normally liquidated with expendable available financial resources.

Non-current assets such as infrastructure, land, and property, plant and equipment appear on the government-wide statements but not on the governmental fund statements where they are expensed as acquired rather than capitalized. Non-current liabilities such as capital lease payables and net pension liabilities also appear on the government-wide statements but not on the fund statements. Internal service funds are

included as part of the governmental activities in the government-wide statements but not the governmental fund financial statements because they provide services to the governmental funds.

- 2. Proprietary funds.** Services for which the State charges customers a fee are generally reported in proprietary funds. These funds use the economic resources measurement focus and the accrual basis of accounting. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the State's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows. The State uses internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the State's other programs and activities. An example would be the State Employee Health Insurance Fund.
- 3. Fiduciary funds.** The State is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. All of the State's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

## Financial Analysis of the State as a Whole

### Net Position

The following is condensed from the Statement of Net Position:

State of Indiana Condensed Schedule of Net Position (in millions of dollars)						
Primary Government						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 12,409.4	\$ 11,650.9	\$ 352.4	\$ 355.3	\$ 12,761.8	\$ 12,006.2
Capital assets	15,896.8	15,522.1	0.2	0.1	15,897.0	15,522.2
<b>Total assets</b>	<u>28,306.2</u>	<u>27,173.0</u>	<u>352.6</u>	<u>355.4</u>	<u>28,658.8</u>	<u>27,528.4</u>
Deferred outflows of resources	1,668.0	1,034.6	-	-	1,668.0	1,034.6
<b>Total deferred outflows of resources</b>	<u>1,668.0</u>	<u>1,034.6</u>	<u>-</u>	<u>-</u>	<u>1,668.0</u>	<u>1,034.6</u>
Current liabilities	4,346.6	3,490.7	45.9	351.4	4,392.5	3,842.1
Long-term liabilities	14,421.5	13,018.6	26.1	27.4	14,447.6	13,046.0
<b>Total liabilities</b>	<u>18,768.1</u>	<u>16,509.3</u>	<u>72.0</u>	<u>378.8</u>	<u>18,840.1</u>	<u>16,888.1</u>
Deferred inflows of resources	332.8	426.1	-	-	332.8	426.1
<b>Total deferred inflows of resources</b>	<u>332.8</u>	<u>426.1</u>	<u>-</u>	<u>-</u>	<u>332.8</u>	<u>426.1</u>
Net position:						
Net investment in capital assets	14,900.3	14,468.0	0.2	0.1	14,900.5	14,468.1
Restricted	1,150.9	998.6	233.0	-	1,383.9	998.6
Unrestricted	(5,177.9)	(4,194.4)	47.4	(23.5)	(5,130.5)	(4,217.9)
<b>Total net position</b>	<u>\$ 10,873.3</u>	<u>\$ 11,272.2</u>	<u>\$ 280.6</u>	<u>\$ (23.4)</u>	<u>\$ 11,153.9</u>	<u>\$ 11,248.8</u>

At the end of the current fiscal year, net position for the primary government remained steady at \$11.2 billion.

Current and other assets increased by \$755.6 million due primarily to an increase in securities lending collateral

Capital assets increased by \$374.8 million. The principal reason for the increase in capital assets was the increase in land and infrastructure at the Indiana Department of Transportation of \$370.5 million

primarily due to the continued efforts of the State's infrastructure improvement initiative and other large construction commitments such as the Louisville-Southern Indiana Ohio River Bridges Project (LSIORBP).

Total liabilities increased by \$2.0 billion. This increase is mainly attributed to an increase in the net pension liability. The State's pension plans underwent an experience study in 2015 which resulted in changes to the actuarial assumptions, increasing the liability.

## Changes in Net Position

The following is condensed from the Statement of Activities:

State of Indiana Condensed Schedule of Change in Net Position (in millions of dollars)						
	Primary Government					
	Governmental Activities Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,369.6	\$ 2,220.3	\$ 656.8	\$ 1,201.3	\$ 3,026.4	\$ 3,421.6
Operating grants and contributions	11,974.8	10,872.3	-	4.2	11,974.8	10,876.5
Capital grants and contributions	1,187.3	1,261.2	-	-	1,187.3	1,261.2
General revenues:						
Individual and corporate income taxes	6,234.7	6,259.3	-	-	6,234.7	6,259.3
Sales taxes	7,336.6	7,266.6	-	-	7,336.6	7,266.6
Other	2,630.3	2,630.5	3.3	1.4	2,633.6	2,631.9
<b>Total revenues</b>	<u>31,733.3</u>	<u>30,510.2</u>	<u>660.1</u>	<u>1,206.9</u>	<u>32,393.4</u>	<u>31,717.1</u>
<b>Program Expense</b>						
General government	1,618.4	1,541.7	-	-	1,618.4	1,541.7
Public safety	1,415.1	1,269.3	-	-	1,415.1	1,269.3
Health	374.8	439.3	-	-	374.8	439.3
Welfare	14,274.3	13,142.0	-	-	14,274.3	13,142.0
Conservation, culture and development	555.6	588.5	-	-	555.6	588.5
Education	11,672.1	10,527.7	-	-	11,672.1	10,527.7
Transportation	2,178.9	1,857.7	-	-	2,178.9	1,857.7
Interest expense	45.6	49.0	-	-	45.6	49.0
Unemployment compensation fund	-	-	330.3	403.5	330.3	403.5
Other	-	-	23.2	23.0	23.2	23.0
<b>Total expenses</b>	<u>32,134.8</u>	<u>29,415.2</u>	<u>353.5</u>	<u>426.5</u>	<u>32,488.3</u>	<u>29,841.7</u>
Excess (deficiency) before transfers	(401.5)	1,095.0	306.6	780.4	(94.9)	1,875.4
Transfers	2.6	2.8	(2.6)	(2.8)	-	-
<b>Change in net position</b>	<u>(398.9)</u>	<u>1,097.8</u>	<u>304.0</u>	<u>777.6</u>	<u>(94.9)</u>	<u>1,875.4</u>
Beginning net position, as restated	11,272.2	10,174.4	(23.4)	(801.0)	11,248.8	9,373.4
Ending net position	<u>\$ 10,873.3</u>	<u>\$ 11,272.2</u>	<u>\$ 280.6</u>	<u>\$ (23.4)</u>	<u>\$ 11,153.9</u>	<u>\$ 11,248.8</u>

## Governmental Activities

Program expenses exceeded program revenues by \$16.6 billion. General revenues and transfers were \$16.2 billion. The decrease in net position was \$.4 million, which is -1.3% of total revenues and -1.2% of total expenses.

The decrease to excess (deficiency) before transfers was \$1.5 billion.

Revenues increased mainly in operating grants and contributions. This revenue increased \$1.1 billion over the previous fiscal year due to an increase in federal funding for Medicaid and the Healthy Indiana Plan (HIP 2.0).

Expenses increased overall by \$2.7 billion or 9.2%.

General government expenses increased slightly by \$76.7 million. This increase is due to distributions to other governmental units under the Tax Amnesty 2015 program.

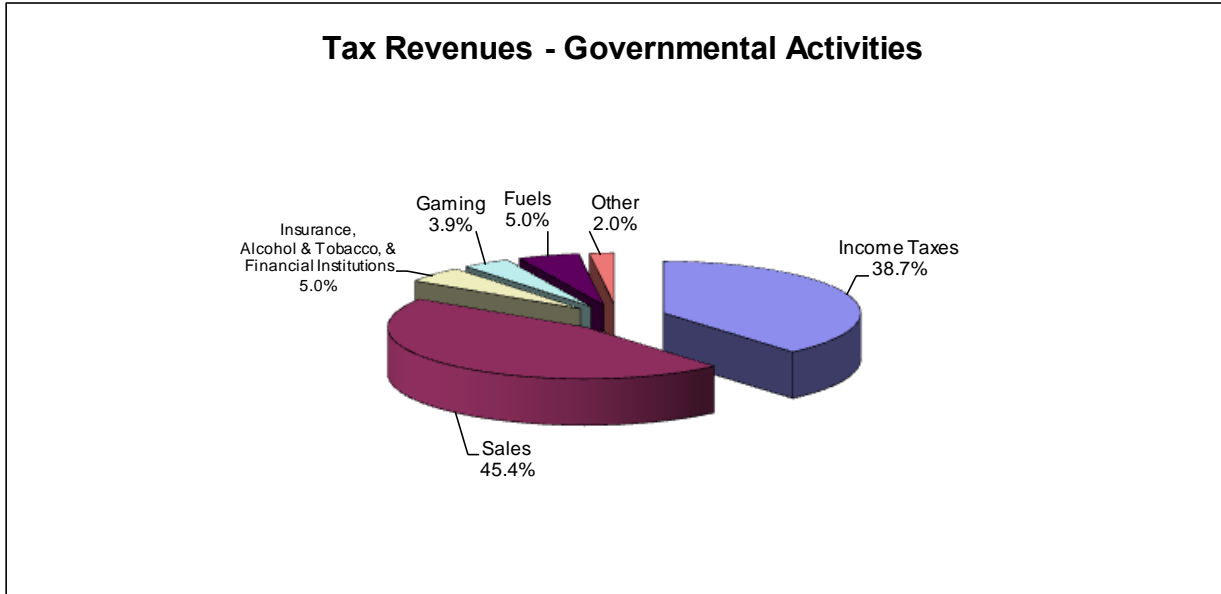
Welfare expenses increased \$1.1 billion primarily due to Medicaid and the Health Indiana Plan (HIP 2.0).

Education expenses increased \$1.1 billion due to the increase in the net pension liability for the Teachers Retirement fund.

Transportation expenses increased \$321.2 million. More expenses were capitalized for infrastructure than in the previous year.



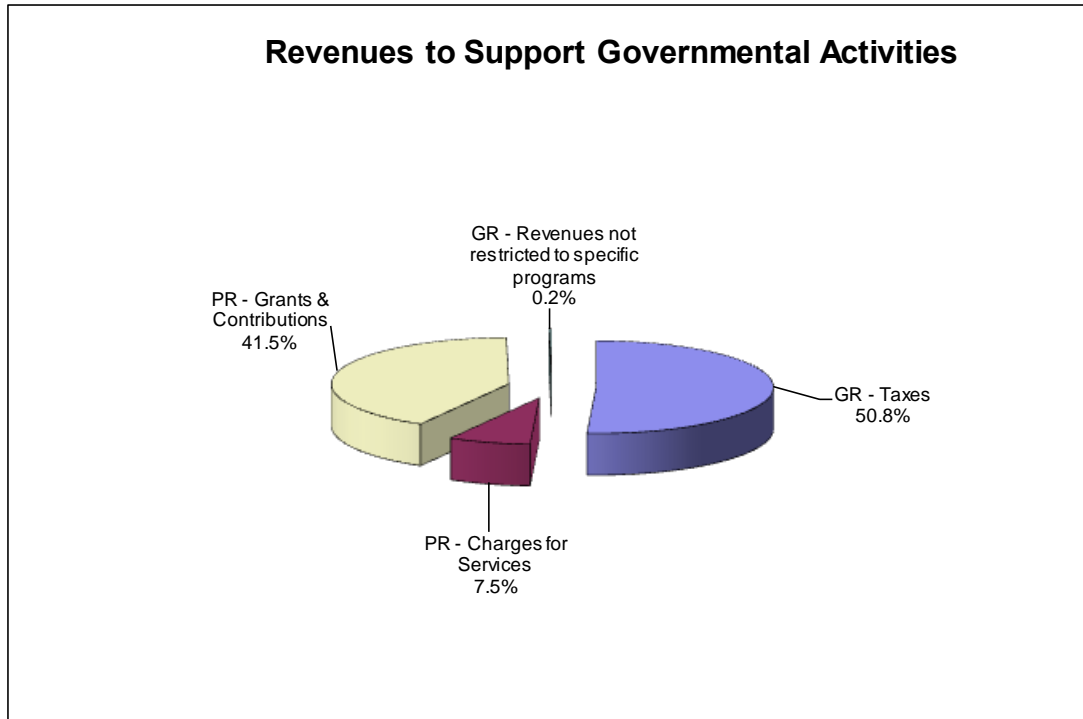
Tax revenues for governmental activities were broken down as follows:



Tax revenues of \$16.1 billion represent 50.8% of total revenues for governmental activities. This compares to \$16.1 billion or 52.7% of total revenues in FY 2015. Program revenues accounted for \$15.5 billion or 48.9% of total revenues. In FY 2015, program revenues accounted for \$14.4 billion or 47.0% of total revenues. General revenues other than tax revenues were \$70.5 million or 0.2% of total revenues. Of this \$38.3 million were investment earnings. This

compares to 2015, when general revenues other than taxes were \$74.2 million or 0.2% of total revenues and \$22.1 million was investment earnings. Investment earnings increased by \$16.2 million from FY 2015 to FY 2016 or 73.5% due to increased interest from securities on loan throughout the year, higher interest rates, and the implementation of GASB-S72, Fair Value Measurement and Application.

Total revenues for governmental activities were broken down as follows:



PR = program revenues  
GR = general revenues

Total revenues were 98.8% of expenses which was a decrease from 103.7% in FY 2015. Total revenues increased 4.0% from \$30.5 billion in FY 2015 to \$31.7 billion in FY 2016. Expenses increased 9.2% from \$29.4 billion in FY 2015 to \$32.1 billion in FY 2016.

The largest portion of the State's expenses is for Welfare, which is \$14.3 billion, or 44.4% of total expenses. This compares with \$13.1 billion, or 44.7% of total expenses in FY 2015. The change in welfare expenses was an increase of \$1.1 billion or 8.6%. \$3.3 billion of Welfare expenses in FY 2016 were funded from general revenues.

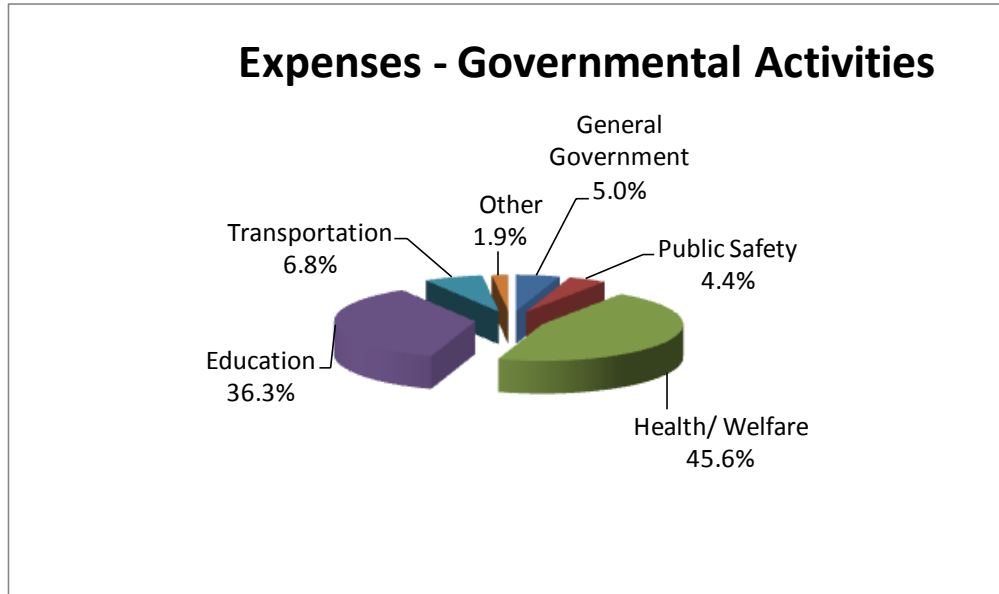
Some of the major expenses were Medicaid assistance, \$10.6 billion, the federal food stamp program in the U.S. Department of Agriculture Fund, \$1.3 billion, and the U.S. Department of Health and Human Services Fund, \$1.5 billion.

Education comprises 36.3%, or \$11.7 billion of the State's expenses. In FY 2015, Education accounted

for 35.8%, or \$10.5 billion, of expenses. The change in Education expenses was an increase of \$1.1 billion, or 10.9%. Some of the major expenses were tuition support and full day kindergarten, \$6.8 billion, General Fund appropriations for State colleges and universities, \$1.5 billion, Teachers' Retirement Pension, \$784.0 million, federal grant programs from the U.S. Department of Education Fund, \$634.4 million, federal grant programs from the U.S. Department of Agriculture Fund, \$416.1 million, and post-retiree pensions, \$73.5 million.

\$1.6 billion, or 5.0% of expenses, was spent for General Government. General Government comprised \$1.5 billion or 5.2% of expenses in FY 2015. General Government includes local distributions and money for State administration and those functions that serve the State as a whole. Overall, general government expenditures held steady from FY 2015 to FY 2016, with only a slight increase of \$76.7 million.

Total expenses for governmental activities were broken down as follows:



### Business-type Activities

Business-type activities represent 2.0% of the Primary Government’s revenues and 1.1% of the expenses. The Unemployment Compensation Fund accounts for 95.9% of business-type activities’ operating revenues and 94.8% of operating expenses. The change in net position for business-type activities was an increase of \$304.0 million.

The Unemployment Compensation Fund collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals and the fund covers general and

administrative expenses. Revenue in the fund exceeded benefits and administrative expenses paid by \$301.3 million. This compares to FY 2015 when this fund’s revenues exceeded expenses by \$793.9 million. Employer contributions into the fund decreased by \$0.6 billion, from \$1.2 billion in FY 2015 to \$0.6 billion in FY 2016. Federal revenues into the fund decreased by \$4.2 million, from \$4.2 million in FY 2015 to zero in FY 2016. The increase in the net position is due to paying off the title XII loan from the federal government.

The following schedule shows the net expense (revenue) attributable to each function of government. Each function of Indiana government is either self-supporting (a negative number) or requires additional general revenues to cover expenses (a positive number).

Net Cost of Primary Government (in millions of dollars)			
	June 30, 2016	June 30, 2015	% Change
<b>Governmental Activities:</b>			
General government	\$ 930.6	\$ 945.3	-1.6%
Public safety	740.5	639.5	15.8%
Health	(42.4)	54.5	-177.8%
Welfare	3,264.8	3,156.4	3.4%
Conservation, culture, and development	154.5	202.0	-23.5%
Education	10,614.2	9,481.3	11.9%
Transportation	895.3	533.3	67.9%
Interest expense	45.6	49.0	-6.9%
Other	-	-	0.0%
<b>Business-type Activities:</b>			
Unemployment Compensation Fund	(299.5)	(776.0)	-61.4%
Malpractice Insurance Authority	0.3	0.1	200.0%
Inns and Concessions	(4.0)	(3.9)	2.6%
Wabash Memorial Bridge	-	0.7	-100.0%
<b>Total</b>	<b>\$ 16,299.9</b>	<b>\$ 14,282.2</b>	<b>14.1%</b>

## Financial Analysis of the State's Funds

The following is an analysis of the State's major governmental funds. Please note that transfers in and transfers out for these funds are explained in much greater detail in note IV(B) in the Notes to the Financial Statements.

### General Fund

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government which are not required to be accounted for in another fund. The fund balance of the General Fund at June 30, 2016 was \$3.8 billion, which is 57.6% of assets. This compares to a fund balance at June 30, 2015 of \$3.7 billion, which was 63.8% of assets. This indicates that the State's financial position in the General Fund increased from the prior year by \$109.3 million. The fund balance of \$3.8 billion is composed of restrictions of \$547.9 million, commitments of \$2.6 million, and assignments of \$2.4 billion, leaving an unassigned balance of \$835.8 million. The restricted amount consists of the State's Rainy Day Fund, which is accounted for in the General Fund. For more information on the components of fund balance, see the chart in the Notes to the Financial Statements III(B).

The General Fund's revenues increased 1.0%, or \$152.2 million, from FY 2015, because of the increase in total tax revenue which included a \$54.1 million (0.87%) increase in income tax and a \$83.2 million (1.16%) increase in sales tax. The increase in tax revenues is explained by the reduction in unemployment, increase in Indiana's GDP, and revenues received under the Tax Amnesty 2015 program.

General Fund expenditures increased \$379.6 million, or 3.1% from FY 2015. Distributions in education expenditures for state schools for tuition support and full day kindergarten increased \$115.1 million. Distributions to higher education institutions increased \$21.6 million over fiscal year 2015. Contributions to the Indiana State Teachers Retirement Pension Plan increased \$42.2 million. Welfare expenditures increased \$104.0 million which is attributed to increased state support required for the Medicaid program.

General Fund transfers in decreased \$65.2 million or 4.8% from FY 2015. Transfers out were \$3.1 billion in FY 2016 as compared to \$3.4 billion in FY 2015. More detail on these transfers can be found in the Notes to the Financial Statements IV(B).

Overall, the net position of the General Fund increased \$109.3 million.

### Public Welfare-Medicaid Assistance Fund

Medicaid is an insurance program for low-income individuals. It is jointly funded by the Federal government and the State. The Medicaid Assistance Fund received \$7.8 billion in Federal revenue as compared to \$6.5 billion in FY 2015. State funding comes through transfers from the General Fund. Transfers in were \$2.4 billion in FY 2016 as compared to \$2.4 billion in FY 2015. Transfers out were \$356.6 million compared with \$389.5 million in FY 2015. The Fund distributed \$10.6 billion in Medicaid assistance during the year, which is an increase of \$1.3 billion over FY 2015. The change in fund balance decreased \$17.8 million from FY 2015 to FY 2016.

### Major Moves Construction Fund

The Major Moves Construction Fund was created in fiscal year 2006 as part of the leasing of the Indiana Toll Road to Cintra-Macquarie, a private company. This fund distributes money received from the Toll Road lease for new constructions and major preservation of highways and bridges throughout Indiana.

The Major Moves Construction Fund transferred \$205.8 million to the State Highway Fund. \$100.0 million was transferred into the fund from the Major Moves 2020 Trust Fund, which is part of the General Fund. \$83.2 million of interest earned by the Next Generation Trust Fund was transferred to the fund per IC 8-14-15-10. The fund also received \$14.7 million in investment income. The change in fund balance from FY 2015 to FY 2016 was a decrease of \$40.7 million.

## General Fund Budgetary Highlights

Actual State General Fund forecasted revenue collections decreased by \$78.5 million, or 0.5%, in FY 2016. Actual expenditure growth was 2.72% in FY 2015 and 0.63% in FY 2016 compared with average annual growth of nearly 5.9% between FY 1996 and FY 2004. The goal of Governor Pence's administration is to limit average year-over-year growth during the biennium to 2.5%, which is roughly the 5-year inflationary CAGR at the time the State budget passed. As noted above, at year-end, the State had \$2,244.5 billion in reserves, with \$776.3 million residing in the general fund, \$577.6 million in

the Medicaid Reserve Fund, \$345.9 million in the Tuition Reserve Fund, and \$544.6 million residing in the Rainy Day Fund. These changing funding balances are both the result of legislative requirements as well as FY 2016 close-out transactions. In FY 2016, \$45.1 million was transferred to the Tuition Reserve Fund. In addition, statute required a transfer of \$165.5 million to the Rainy Day Fund. Both transfers were from the General Fund.

## Capital Asset and Debt Administration

### Capital Assets

Capital assets were \$15.9 billion, which was 55.5% of total assets for the primary government. Related debt was \$0.8 billion. Net investment in capital assets for the primary government was \$14.9 billion. Related debt was 5.0% of capital assets. Total capital assets increased \$374.8 million or 2.4% and is attributable to increases in the Indiana Department of Transportation's land and infrastructure. The net increase in capital assets is comprised of increases for INDOT's capital assets of \$370.5 million, \$85.3 million in software development in progress, and \$7.5

million in internal service funds' capital assets with a decrease of \$89.5 million in capital assets of the primary government. INDOT's \$370.5 million increase is comprised of increases in land, \$52.0 million, and infrastructure consisting of interstate roads, non-interstate roads, and bridges, \$522.0 million, and a decrease in CIP consisting of right of way and work in progress, \$203.5 million. More detailed information about the State's capital assets is presented in Note IV(D) to the Financial Statements.

The following table shows the percentage change from fiscal year 2015 to fiscal year 2016.

State of Indiana Capital Assets (in millions of dollars)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2016	2015	2016	2015	2016	2015	
Land	\$ 2,122.5	\$ 2,067.6	\$ -	\$ -	\$ 2,122.5	\$ 2,067.6	2.7%
Infrastructure	11,633.1	11,111.1	-	-	11,633.1	11,111.1	4.7%
Construction in Progress	959.3	1,076.5	-	-	959.3	1,076.5	-10.9%
Property, plant and equipment	2,905.9	2,807.2	0.7	0.5	2,906.6	2,807.7	3.5%
Computer software	115.2	116.1	-	-	115.2	116.1	-0.8%
Less accumulated depreciation	(1,839.2)	(1,656.4)	(0.5)	(0.4)	(1,839.7)	(1,656.8)	11.0%
<b>Total</b>	<b>\$ 15,896.8</b>	<b>\$ 15,522.1</b>	<b>\$ 0.2</b>	<b>\$ 0.1</b>	<b>\$ 15,897.0</b>	<b>\$ 15,522.2</b>	<b>2.4%</b>

## Long-term Obligations

Major long-term obligations items are included in the following table. These items comprised 100% of total long-term liabilities and 76.8% of total liabilities.

The following table shows the percentage change from fiscal year 2015 to fiscal year 2016.

<b>State of Indiana Long-term Liabilities (in millions of dollars)</b>							
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total % Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
Accrued liability for compensated absences	\$ 145.8	\$ 141.5	\$ 0.7	\$ 0.5	\$ 146.5	\$ 142.0	3.2%
Capital lease payable	1,000.2	1,057.9	-	-	1,000.2	1,057.9	-5.5%
Claims payable	-	-	25.4	26.8	25.4	26.8	-5.2%
Net pension liability	13,109.6	11,635.8	-	-	13,109.6	11,635.8	12.7%
Other postemployment benefits	130.3	136.8	-	-	130.3	136.8	-4.8%
Pollution remediation	35.6	46.6	-	-	35.6	46.6	-23.6%
<b>Total</b>	<b><u>\$14,421.5</u></b>	<b><u>\$13,018.6</u></b>	<b><u>\$ 26.1</u></b>	<b><u>\$ 27.3</u></b>	<b><u>\$14,447.6</u></b>	<b><u>\$13,045.9</u></b>	<b><u>10.7%</u></b>

Total long-term liabilities increased by 10.8% or \$1.4 billion. The largest increase was in net pension liability of \$1.5 billion. Accrued liability for compensated absences also increased by \$4.5 million. Long-term liabilities to decrease were capital leases by \$57.7 million, pollution remediation by \$11.0 million and other postemployment benefits by \$6.5 million.

The increase in NPL is primarily attributed to changes in the actuarial assumptions resulting from the experience study completed in 2015.

The decrease in capital lease payable is due to the repayment of principal by the State Highway Fund for the highway revenue bonds held by the Indiana Finance Authority.

Claims payable for business activities decreased by \$1.4 million. This was the amount of decrease in claims payable for the Indiana Residual Malpractice Insurance Authority.

More detailed information about the State's long term obligations is presented in Note IV(F) to the Financial Statements.

## Infrastructure

As required by GASB Statement No. 34, the State has capitalized its infrastructure. This amounts to \$11.6 billion in roads and bridges using the modified approach, \$1.8 billion in right of way classified as land, and \$23.1 million in property (septic, sewer, and water systems; and streets/sidewalks/curbs) and dams being depreciated. In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.

- Document that the assets are being preserved approximately at or above the established condition level.

Under the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 11,000 centerline road miles of pavement along 214 routes and approximately 5,700 bridges that the State is responsible to maintain.

The State has consistently maintained the assessed conditions of roads over the past three years. It is the State's policy to maintain a network average International Roughness Index based on the right wheel path (IRI RWP) of no more than 101 for Interstate Roads, NHS Non-Interstate and Non-NHS Roads (a good rating is in the range of 80–114). The most recent condition assessment, completed for FY 2016, indicated that the average IRI RWP for roads was in an acceptable range.

The State has maintained the assessed conditions of bridges at levels which are above the established benchmarks. It is the State's policy to maintain Interstate bridges at an average sufficiency rating of 87%, NHS Non-Interstate bridges at an average sufficiency rating of 85%, and Non-NHS bridges at an average sufficiency rating of 83% (a good rating is 80% - 90%). The most recent condition assessment,

## Economic Factors

The economic and revenue forecasts upon which the FY 2015 – FY 2016 State budget was based were presented to the State Budget Committee on April 16, 2015. At that time, the U.S. real Gross Domestic Product (real GDP) was forecast to increase by 4.3% in FY 2016. Indiana's personal income was forecast to increase by 3.8%.

With a 2015 Gross Domestic Product of \$336.4 billion, Indiana's economy ranked 16th largest in the U.S. in terms of the value of goods and services. Indiana's largest contributor to GDP growth was the manufacturing sector, which accounted for 34.1% of

completed in FY 2016, indicated that the average sufficiency rating for bridges exceeded the minimum acceptable standard.

Total actual maintenance and preservation costs for roads were lower than planned during fiscal 2016 in all road classes. Various factors contributed to these costs being less than planned including bids under estimates, the deferral of projects as priorities changed, and "shrinkage" which results when the scope of work to be done is refined during the final bidding process. The average IRI RWP for all road categories was in the good condition rating range. The State's standard of having less than 12.5% of all roads rated in poor condition was met.

Total actual maintenance and preservation costs were more than planned for bridges on the Interstate and NHS Bridges Non-Interstate road classes and less than planned on the Non-NHS road class. In total, the maintenance and preservation costs for bridges on all three road classes were greater than planned by approximately \$20.4 million. This was due to the Indiana Department of Transportation placing an emphasis on the improvements to bridges in 2016. Bridge sufficiency ratings were within the State's policy for the maintenance of bridges in all road classes.

Indiana's GDP growth in 2015. The durable goods subset of the manufacturing sector was the biggest cause of Indiana's GDP growth in 2015.

As of June 2016, the manufacturing sector accounted for nearly 16.7% of the jobs in Indiana compared to 20.3% in 2002. The share of employment accounted for by the health care and social services sector increased from 10.2% in 2002 to 12.9% as of June 2016. Per capita personal income was \$41,940 in 2015, and the State's unemployment rate was 4.8% at the end of Fiscal Year 2016.

## **Contacting the Auditor of State**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional

financial information, contact the Auditor of State, Room 240 State House, 200 West Washington Street, Indianapolis, Indiana 46204-2793, telephone (317) 232-3300.





# BASIC FINANCIAL STATEMENTS



# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

## 24 - State of Indiana - Comprehensive Annual Financial Report

**State of Indiana**  
**Statement of Net Position**  
**June 30, 2016**  
(amounts expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash, cash equivalents and investments - unrestricted	\$ 6,144,677	\$ 77,588	\$ 6,222,265	\$ 5,569,415
Cash, cash equivalents and investments - restricted	544,617	47,344	591,961	7,896,010
Securities lending collateral	2,217,324	-	2,217,324	99,083
Receivables (net)	2,908,901	226,484	3,135,385	2,267,460
Due from primary government	-	-	-	44,311
Due from component unit	15,485	-	15,485	-
Inventory	3,700	666	4,366	13,742
Prepaid expenses	83,450	89	83,539	24,317
Loans	455,496	-	455,496	2,209,322
Investment in direct financing lease	-	-	-	2,160,756
Net pension and OPEB assets	34,471	-	34,471	50,769
Other assets	1,343	148	1,491	156,801
Capital assets:				
Capital assets not being depreciated/amortized	14,714,924	63	14,714,987	1,700,894
Capital assets being depreciated/amortized	3,021,088	644	3,021,732	13,172,202
less accumulated depreciation/amortization	(1,839,246)	(469)	(1,839,715)	(5,979,048)
Total capital assets, net of depreciation/amortization	15,896,766	238	15,897,004	8,894,048
<b>Total assets</b>	<b>28,306,230</b>	<b>352,557</b>	<b>28,658,787</b>	<b>29,386,034</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	-	-	-	161,282
Debt refunding loss	-	-	-	115,147
Outflows of resources related to pensions	1,668,013	-	1,668,013	145,657
Swap termination	-	-	-	76,396
<b>Total deferred outflows of resources</b>	<b>1,668,013</b>	<b>-</b>	<b>1,668,013</b>	<b>498,482</b>
<b>LIABILITIES</b>				
Accounts payable	1,863,257	40,628	1,903,885	579,756
Interest payable	-	503	503	95,778
Tax refunds payable	45,445	-	45,445	-
Payables to other governments	174,953	-	174,953	-
Due to component unit	44,311	-	44,311	-
Due to primary government	-	-	-	15,485
Unearned revenue	5	4,364	4,369	395,896
Advances from federal government	-	-	-	28,714
Securities lending collateral	2,217,324	-	2,217,324	99,083
Derivative instrument liability	-	-	-	161,282
Other liabilities	1,347	318	1,665	244,736
Long-term liabilities:				
Due within 1 year	147,930	2,974	150,904	989,120
Due in more than 1 year	14,273,534	23,154	14,296,688	9,231,354
<b>Total liabilities</b>	<b>18,768,106</b>	<b>71,941</b>	<b>18,840,047</b>	<b>11,841,204</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced payment for service concession agreement	-	-	-	3,210,710
Service concession arrangement receipts	-	-	-	287,888
Related to pensions	332,845	-	332,845	55,307
<b>Total deferred inflows of resources</b>	<b>332,845</b>	<b>-</b>	<b>332,845</b>	<b>3,553,905</b>
<b>NET POSITION</b>				
Net investment in capital assets	14,900,321	238	14,900,559	4,936,129
Restricted - nonexpendable:				
Permanent funds	520,124	-	520,124	368,803
Instruction and research	-	-	-	884,135
Student aid	-	-	-	927,938
Other purposes	83,450	-	83,450	104,505
Restricted - expendable:				
Grants/constitutional restrictions	547,293	-	547,293	167,896
Future debt service	-	-	-	539,844
Instruction and research	-	-	-	753,096
Student aid	-	-	-	798,961
Endowments	-	-	-	718,351
Capital projects	-	-	-	1,671,942
Other purposes	-	233,046	233,046	311,693
Unrestricted	(5,177,896)	47,332	(5,130,564)	2,306,114
<b>Total net position</b>	<b>\$ 10,873,292</b>	<b>\$ 280,616</b>	<b>\$ 11,153,908</b>	<b>\$ 14,489,407</b>

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**  
 (amounts expressed in thousands)

Functions/Programs Primary government:	Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Program Revenues		Capital Grants and Contributions	Primary Government			
		Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-type Activities	Total	Component Units
Governmental activities:								
General government	\$ 1,618,364	\$ 615,099	\$ 71,162	\$ 1,366	\$ (930,737)	\$ -	\$ (930,737)	\$ -
Public safety	1,415,053	530,775	130,423	13,376	(740,479)	-	(740,479)	-
Health	374,818	149,554	267,641	-	42,377	-	42,377	-
Welfare	14,274,342	822,463	10,187,115	-	(3,264,764)	-	(3,264,764)	-
Conservation, culture and development	555,637	167,467	233,686	-	(154,484)	-	(154,484)	-
Education	11,672,117	2,583	1,055,337	-	(10,614,197)	-	(10,614,197)	-
Transportation	2,178,933	81,642	29,472	1,172,561	(895,258)	-	(895,258)	-
Interest expense	45,551	-	-	-	(45,551)	-	(45,551)	-
Total governmental activities	32,134,815	2,369,583	11,974,836	1,187,303	(16,603,093)	-	(16,603,093)	-
Business-type activities								
Unemployment Compensation Fund	330,419	629,899	-	-	-	299,480	299,480	-
Malpractice Insurance Authority	1,299	976	-	-	-	(323)	(323)	-
Inns and Concessions	21,935	25,948	-	-	-	4,013	4,013	-
Wabash Memorial Bridge	-	-	-	-	-	-	-	-
Total business-type activities	353,653	656,823	-	-	-	303,170	303,170	-
Total primary government	\$ 32,488,468	\$ 3,026,406	\$ 11,974,836	\$ 1,187,303	(16,603,093)	303,170	(16,299,923)	-
Component units:								
Governmental	75,029	716	5,389	-	-	-	-	(68,924)
Proprietary	2,040,970	1,647,508	441,860	41,167	-	-	-	89,565
Colleges and universities	6,777,180	3,262,083	2,016,660	101,886	-	-	-	(1,396,551)
Total component units	\$ 8,893,179	\$ 4,910,307	\$ 2,463,909	\$ 143,053	-	-	-	(1,375,910)
General Revenues:								
Income tax					6,234,704		6,234,704	
Sales tax					7,336,630		7,336,630	
Fuels tax					806,895		806,895	
Gaming tax					629,910		629,910	1,573
Alcohol & Tobacco tax					443,214		443,214	
Insurance tax					235,310		235,310	
Financial Institutions tax					120,226		120,226	
Other tax					324,172		324,172	
Total taxes					16,131,061		16,131,061	1,573
Revenue not restricted to specific programs:								
Investment earnings					38,318	3,343	41,661	(53,200)
Payments from State of Indiana					-	-	-	1,728,142
Other					32,217	-	32,217	80,170
Transfers within primary government					2,550	(2,550)	-	-
Total general revenues and transfers					16,204,146	793	16,204,939	1,756,685
Changes in net position					(398,947)	303,963	(94,984)	380,775
Net position - beginning, as restated					11,272,239	(23,347)	11,248,892	14,108,632
<b>Net position - ending</b>					<b>\$ 10,873,292</b>	<b>\$ 280,616</b>	<b>\$ 11,153,908</b>	<b>\$ 14,489,407</b>

The notes to the financial statements are an integral part of this statement.

# **FUND FINANCIAL STATEMENTS**

**State of Indiana**  
**Balance Sheet**  
**Governmental Funds**

**June 30, 2016**

(amounts expressed in thousands)

	General Fund	Public Welfare- Medicaid Assistance Fund	Major Moves Construction Fund	Non-Major Governmental Funds	Total
<b>ASSETS</b>					
Cash, cash equivalents and investments-unrestricted	\$ 2,103,744	\$ 235,799	\$ 662,915	\$ 3,007,152	\$ 6,009,610
Cash, cash equivalents and investments-restricted	544,617	-	-	-	544,617
Securities lending collateral	2,217,324	-	-	-	2,217,324
Receivables:					
Taxes (net of allowance for uncollectible)	1,352,260	-	-	119,756	1,472,016
Accounts	8,575	188,201	-	34,967	231,743
Grants	-	480,718	-	402,527	883,245
Interest	7,741	-	25	119	7,885
Interfund loans	331,961	-	-	8,000	339,961
Due from component unit	-	-	-	15,485	15,485
Prepaid expenditures	83,105	-	-	344	83,449
Loans	2,700	-	-	452,796	455,496
Other	1,241	-	51	51	1,343
Total assets	<u>6,653,268</u>	<u>904,718</u>	<u>662,991</u>	<u>4,041,197</u>	<u>12,262,174</u>
<b>Total assets and deferred outflow of resources</b>	<b><u>\$ 6,653,268</u></b>	<b><u>\$ 904,718</u></b>	<b><u>\$ 662,991</u></b>	<b><u>\$ 4,041,197</u></b>	<b><u>\$ 12,262,174</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 184,131	\$ 438,346	\$ 41	\$ 544,073	\$ 1,166,591
Salaries and benefits payable	43,307	-	-	30,331	73,638
Interfund loans	-	-	-	339,961	339,961
Interfunds services used	6,171	6	-	4,748	10,925
Intergovernmental payable	41,407	-	-	133,546	174,953
Due to component unit	9,222	-	-	89	9,311
Tax refunds payable	38,349	-	-	7,096	45,445
Accrued liability for compensated absences-current	2,721	-	-	2,583	5,304
Other payables	1,241	-	51	82	1,374
Securities lending collateral	2,217,324	-	-	-	2,217,324
Total liabilities	<u>2,543,873</u>	<u>438,352</u>	<u>92</u>	<u>1,062,509</u>	<u>4,044,826</u>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Unavailable revenue	277,140	-	-	18,321	295,461
Total deferred inflow of resources	<u>277,140</u>	<u>-</u>	<u>-</u>	<u>18,321</u>	<u>295,461</u>
<b>FUND BALANCE</b>					
Nonspendable	83,105	-	-	520,468	603,573
Restricted	547,931	-	-	-	547,931
Committed	2,551	-	-	850,019	852,570
Assigned	2,362,888	466,366	662,899	1,974,581	5,466,734
Unassigned	835,780	-	-	(384,701)	451,079
Total fund balance	<u>3,832,255</u>	<u>466,366</u>	<u>662,899</u>	<u>2,960,367</u>	<u>7,921,887</u>
<b>Total liabilities, deferred inflow of resources, and fund balance</b>	<b><u>\$ 6,653,268</u></b>	<b><u>\$ 904,718</u></b>	<b><u>\$ 662,991</u></b>	<b><u>\$ 4,041,197</u></b>	<b><u>\$ 12,262,174</u></b>

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2016**  
(amounts expressed in thousands)

**Total fund balances-governmental funds** \$ 7,921,887

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. These assets consist of:

Land	\$ 2,154,236	
Infrastructure assets	11,656,188	
Construction in progress	959,317	
Property, plant, and equipment	2,755,604	
Computer software	115,192	
Accumulated depreciation	<u>(1,773,554)</u>	
Total capital assets, net of depreciation		15,866,983

Some of the state's receivables will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Taxes receivable	295,461	
Accounts receivable	<u>272,538</u>	
Total receivables		567,999

Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Accounts payable	(520,814)	
Litigation liabilities	(42,806)	
Pollution remediation	<u>(17,610)</u>	
Total liabilities		(581,230)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

122,630

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued liability for compensated absences	(135,432)	
Other postemployment benefits	(95,790)	
Loan from the Indiana Board for Depositories	(35,000)	
Capital lease payable	(1,000,258)	
Net pension liability and related deferrals	<u>(11,758,497)</u>	
Total long-term liabilities		<u>(13,024,977)</u>

**Net position of governmental activities** \$ 10,873,292

The notes to the financial statements are an integral part of this statement.



**State of Indiana**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	General Fund	Public Welfare- Medicaid Assistance Fund	Major Moves Construction Fund	Non-Major Governmental Funds	Total
<b>Revenues:</b>					
Taxes:					
Income	\$ 6,300,756	\$ -	\$ -	\$ 152	\$ 6,300,908
Sales	7,268,933	-	-	82,855	7,351,788
Fuels	2,116	-	-	807,576	809,692
Gaming	52,932	-	-	577,009	629,941
Alcohol and tobacco	270,918	-	-	172,274	443,192
Insurance	230,321	-	-	4,989	235,310
Financial Institutions	185	-	-	119,160	119,345
Other	309,824	-	-	14,678	324,502
Total taxes	14,435,985	-	-	1,778,693	16,214,678
Current service charges	179,337	784,312	-	1,402,695	2,366,344
Investment income	36,340	-	14,727	17,193	68,260
Sales/rents	378	-	-	19,302	19,680
Grants	1,019	7,764,986	-	5,353,918	13,119,923
Other	31,839	1	-	68,060	99,900
Total revenues	14,684,898	8,549,299	14,727	8,639,861	31,888,785
<b>Expenditures:</b>					
Current:					
General government	1,310,960	-	-	389,497	1,700,457
Public safety	922,131	-	-	460,518	1,382,649
Health	45,383	-	-	330,233	375,616
Welfare	802,150	10,559,314	-	2,986,299	14,347,763
Conservation, culture and development	72,500	-	-	474,144	546,644
Education	9,553,259	-	-	1,387,755	10,941,014
Transportation	157	-	32,814	2,466,624	2,499,595
Debt service:					
Capital lease principal	7,154	-	-	54,611	61,765
Capital lease interest	5,218	-	-	40,333	45,551
Capital outlay	-	-	-	15,715	15,715
Total expenditures	12,718,912	10,559,314	32,814	8,605,729	31,916,769
Excess (deficiency) of revenues over (under) expenditures	1,965,986	(2,010,015)	(18,087)	34,132	(27,984)
<b>Other financing sources (uses):</b>					
Transfers in	1,284,727	2,348,825	183,156	2,198,415	6,015,123
Transfers (out)	(3,143,762)	(356,616)	(205,769)	(2,306,484)	(6,012,631)
Proceeds from capital lease	2,330	-	-	3,812	6,142
Total other financing sources (uses)	(1,856,705)	1,992,209	(22,613)	(104,257)	8,634
<b>Net change in fund balances</b>	109,281	(17,806)	(40,700)	(70,125)	(19,350)
<b>Fund Balance July 1, as restated</b>	3,722,974	484,172	703,599	3,030,492	7,941,237
<b>Fund Balance June 30</b>	<u>\$ 3,832,255</u>	<u>\$ 466,366</u>	<u>\$ 662,899</u>	<u>\$ 2,960,367</u>	<u>\$ 7,921,887</u>

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

Net change in fund balances-total governmental funds	\$ (19,350)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report net capital outlays for infrastructure as expenditures. However in the statement of activities these outlays are capitalized and under the modified approach not depreciated. This is the amount of the net capital outlays for infrastructure under the modified approach in the current period.	370,549
Governmental funds report net 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 net capital outlays (\$266,018) exceeds depreciation (\$211,786) in the current period.	54,232
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Tax revenue	(88,687)
Non-tax revenue	22,633
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.	
Operating expenses	(19,586)
The change in net pension liability does not provide or require the use of current financial resources:	
Increase in net pension liabilities	(746,459)
The change in other postemployment benefits do not provide or require the use of current financial resources.	7,408
Internal service funds are used by management to charge the costs of certain activities, such as insurance, data processing, telecommunications, fleet management, and printing, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.	20,313
Change in net position of governmental activities.	<u>\$ (398,947)</u>

The notes to the financial statements are an integral part of this statement.



**State of Indiana**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2016**

(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash, cash equivalents and investments - unrestricted	\$ -	\$ 77,588	\$ 77,588	\$ 135,069
Cash, cash equivalents and investments - restricted	47,344	-	47,344	-
Receivables:				
Accounts	58,691	515	59,206	23,508
Interest	-	306	306	-
Interfund services provided	-	-	-	10,925
Inventory	-	666	666	3,700
Prepaid expenses	-	89	89	-
Other assets	-	148	148	-
Total current assets	<u>106,035</u>	<u>79,312</u>	<u>185,347</u>	<u>173,202</u>
Noncurrent assets:				
Accounts receivable	166,972	-	166,972	-
Capital assets:				
Capital assets not being depreciated/amortized	-	63	63	-
Capital assets being depreciated/amortized	-	644	644	95,475
less accumulated depreciation/amortization	-	(469)	(469)	(65,692)
Total capital assets, net of depreciation/amortization	-	238	238	29,783
Total noncurrent assets	<u>166,972</u>	<u>238</u>	<u>167,210</u>	<u>29,783</u>
<b>Total assets</b>	<b><u>273,007</u></b>	<b><u>79,550</u></b>	<b><u>352,557</u></b>	<b><u>202,985</u></b>
<b>Deferred Outflows of Resources</b>				
Related to pensions	-	-	-	11,070
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,070</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	39,458	661	40,119	57,853
Claims payable	-	2,760	2,760	-
Salaries and benefits payable	-	509	509	1,558
Interest payable	503	-	503	-
Accrued liability for compensated absences	-	214	214	2,814
Unearned revenue	-	4,364	4,364	5
Other liabilities	-	318	318	4
Total current liabilities	<u>39,961</u>	<u>8,826</u>	<u>48,787</u>	<u>62,234</u>
Noncurrent liabilities:				
Accrued liability for compensated absences	-	475	475	2,220
Claims payable	-	22,679	22,679	-
Net pension liability	-	-	-	24,320
Total noncurrent liabilities	<u>-</u>	<u>23,154</u>	<u>23,154</u>	<u>26,540</u>
<b>Total liabilities</b>	<b><u>39,961</u></b>	<b><u>31,980</u></b>	<b><u>71,941</u></b>	<b><u>88,774</u></b>
<b>Deferred Inflows of Resources</b>				
Related to pensions	-	-	-	2,651
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,651</u>
<b>Net position</b>				
Net investment in capital assets	-	238	238	29,783
Restricted-expendable:				
Other purposes	233,046	-	233,046	-
Unrestricted (deficit)	-	47,332	47,332	92,847
<b>Total net position</b>	<b><u>\$ 233,046</u></b>	<b><u>\$ 47,570</u></b>	<b><u>\$ 280,616</u></b>	<b><u>\$ 122,630</u></b>

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
<b>Operating revenues:</b>				
Sales/rents/premiums	\$ -	\$ 26,758	\$ 26,758	\$ 582,473
Employer contributions	629,899	-	629,899	-
Charges for services	-	-	-	9,863
Other	-	166	166	734
<b>Total operating revenues</b>	<b>629,899</b>	<b>26,924</b>	<b>656,823</b>	<b>593,070</b>
Cost of sales	-	5,064	5,064	19,371
<b>Gross margin</b>	<b>629,899</b>	<b>21,860</b>	<b>651,759</b>	<b>573,699</b>
<b>Operating expenses:</b>				
General and administrative expense	1,501	17,397	18,898	171,126
Claims expense	-	708	708	-
Health / disability benefit payments	-	-	-	366,044
Unemployment compensation benefits	327,085	-	327,085	-
Depreciation and amortization	-	32	32	11,175
Other	-	33	33	-
<b>Total operating expenses</b>	<b>328,586</b>	<b>18,170</b>	<b>346,756</b>	<b>548,345</b>
<b>Operating income (loss)</b>	<b>301,313</b>	<b>3,690</b>	<b>305,003</b>	<b>25,354</b>
<b>Nonoperating revenues (expenses):</b>				
Interest and other investment income	-	3,343	3,343	1
Interest and other investment expense	(1,833)	-	(1,833)	-
Gain (Loss) on disposition of assets	-	-	-	(375)
Contributions to other postemployment benefits	-	-	-	(13,845)
Other	-	-	-	21
<b>Total nonoperating revenues (expenses)</b>	<b>(1,833)</b>	<b>3,343</b>	<b>1,510</b>	<b>(14,198)</b>
<b>Income before contributions and transfers</b>	<b>299,480</b>	<b>7,033</b>	<b>306,513</b>	<b>11,156</b>
Capital contributions	-	-	-	9,099
Transfers in	-	-	-	58
Transfers (out)	-	(2,550)	(2,550)	-
<b>Change in net position</b>	<b>299,480</b>	<b>4,483</b>	<b>303,963</b>	<b>20,313</b>
<b>Net position, July 1, as restated</b>	<b>(66,434)</b>	<b>43,087</b>	<b>(23,347)</b>	<b>102,317</b>
<b>Net position, June 30</b>	<b>\$ 233,046</b>	<b>\$ 47,570</b>	<b>\$ 280,616</b>	<b>\$ 122,630</b>

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 656,021	\$ 26,966	\$ 682,987	\$ 598,608
Cash paid for general and administrative	(1,500)	(17,184)	(18,684)	(171,911)
Cash paid for salary/health/disability benefit payments	-	-	-	(363,036)
Cash paid to suppliers	-	(5,102)	(5,102)	(17,047)
Cash paid for claims expense	(317,944)	(2,073)	(320,017)	-
Net cash provided (used) by operating activities	336,577	2,607	339,184	46,614
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	-	-	-	58
Transfers out	-	(2,550)	(2,550)	-
Interest on loan from federal government	(14,078)	-	(14,078)	-
Repayment of loan from federal government	(302,799)	-	(302,799)	-
Contributions to other postemployment benefits	-	-	-	(13,845)
Other	-	-	-	21
Net cash provided (used) by noncapital financing activities	(316,877)	(2,550)	(319,427)	(13,766)
<b>Cash flows from capital and related financing activities:</b>				
Acquisition/construction of capital assets	-	(133)	(133)	(18,853)
Proceeds from sale of assets	-	-	-	628
Capital contributions	-	-	-	9,099
Net cash provided (used) by capital and related financing activities	-	(133)	(133)	(9,126)
<b>Cash flows from investing activities:</b>				
Proceeds from sales of investments	-	13,484	13,484	-
Purchase of investments	-	(11,511)	(11,511)	-
Interest income (expense) on investments	-	2,097	2,097	1
Net cash provided (used) by investing activities	-	4,070	4,070	1
<b>Net increase (decrease) in cash and cash equivalents</b>	19,700	3,994	23,694	23,723
<b>Cash and cash equivalents, July 1</b>	27,644	11,395	39,039	111,346
<b>Cash and cash equivalents, June 30</b>	<u>\$ 47,344</u>	<u>\$ 15,389</u>	<u>\$ 62,733</u>	<u>\$ 135,069</u>
<b>Reconciliation of cash , cash equivalents and investments:</b>				
Cash and cash equivalents unrestricted at end of year	\$ 47,344	\$ 15,389	\$ 62,733	\$ 135,069
Investments unrestricted	-	62,199	62,199	-
<b>Cash, cash equivalents and investments per balance sheet</b>	<u>\$ 47,344</u>	<u>\$ 77,588</u>	<u>\$ 124,932</u>	<u>\$ 135,069</u>
<b>Noncash investing, capital and financing activities:</b>				
Increase (Decrease) in fair value of investments	\$ -	\$ 1,973	\$ 1,973	\$ -

**State of Indiana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 301,313	\$ 3,690	\$ 305,003	\$ 25,354
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	32	32	11,175
(Increase) decrease in receivables	26,122	(128)	25,994	6,467
(Increase) decrease in interfund services provided	-	-	-	(931)
(Increase) decrease in inventory	-	(38)	(38)	(1,161)
(Increase) decrease in prepaid expenses	-	(7)	(7)	-
(Increase) decrease in deferred outflows	-	-	-	(7,474)
Increase (decrease) in claims payable	-	(1,365)	(1,365)	-
Increase (decrease) in accounts payable	9,142	-	9,142	6,231
Increase (decrease) in unearned revenue	-	172	172	3
Increase (decrease) in salaries payable	-	108	108	(1,322)
Increase (decrease) in compensated absences	-	137	137	166
Increase (decrease) in net pension liabilities	-	-	-	8,585
Increase (decrease) in deferred inflows	-	-	-	(478)
Increase (decrease) in other payables	-	6	6	(1)
Net cash provided (used) by operating activities	<u>\$ 336,577</u>	<u>\$ 2,607</u>	<u>\$ 339,184</u>	<u>\$ 46,614</u>

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**  
(amounts expressed in thousands)

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Private-Purpose Trust Funds</b>	<b>Investment Trust Fund</b>	<b>Agency Funds</b>
<b>Assets</b>				
Cash, cash equivalents and non-pension investments	\$ 51,436	\$ 45,377	\$ 254,082	\$ 611,829
Securities lending collateral	379,493	-	-	-
Receivables:				
Taxes	-	2,835	-	198,688
Contributions	70,336	-	-	-
Interest	80,309	10	6	-
Securities lending	50	1	-	-
Member loans	91	-	-	-
From investment sales	6,391,167	-	-	-
Other	4,780	-	-	837
Total receivables	<u>6,546,733</u>	<u>2,846</u>	<u>6</u>	<u>199,525</u>
Pension and other employee benefit investments at fair value:				
Short term investments	1,831,476	-	-	-
Equity Securities	7,515,065	-	-	-
Debt Securities	11,732,265	-	-	-
Other	10,223,998	-	-	-
Total investments at fair value	<u>31,302,804</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other assets	435	-	-	-
Property, plant and equipment net of accumulated depreciation	3,417	-	-	-
<b>Total assets</b>	<b><u>38,284,318</u></b>	<b><u>48,223</u></b>	<b><u>254,088</u></b>	<b><u>\$ 811,354</u></b>
<b>Liabilities</b>				
Accounts/escrows payable	3,641	454	21	\$ 811,354
Salaries and benefits payable	3,269	96	-	-
Securities lending payable	49	1	-	-
Benefits payable	144,042	-	-	-
Investment purchases payable	6,719,451	-	-	-
Securities purchased payable	269,481	-	-	-
Securities lending collateral	379,493	-	-	-
Other	29,781	-	5,825	-
<b>Total liabilities</b>	<b><u>7,549,207</u></b>	<b><u>551</u></b>	<b><u>5,846</u></b>	<b><u>\$ 811,354</u></b>
<b>Net Position</b>				
Restricted for:				
Employees' pension benefits	30,284,351	-	-	
OPEB benefits	436,109	-	-	
Future death benefits	14,651	-	-	
Trust beneficiaries	-	47,672	-	
Investment pool participants	-	-	248,242	
<b>Total net position</b>	<b><u>\$ 30,735,111</u></b>	<b><u>\$ 47,672</u></b>	<b><u>\$ 248,242</u></b>	

The notes to the financial statements are an integral part of this statement.



**State of Indiana**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

(amounts expressed in thousands)

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Private-Purpose Trust Funds</b>	<b>Investment Trust Fund</b>
<b>Additions:</b>			
Member contributions	\$ 355,102	\$ 18,888	\$ 238,912
Employer contributions	1,120,314	-	-
Contributions from the State of Indiana	888,111	-	-
Net investment income (loss)	495,269	76	1,013
Less investment expense	(178,586)	-	-
Taxes	-	2,835	-
Federal reimbursements	510	-	-
Donations/escheats	-	105,022	-
Transfers from other retirement funds	16,187	-	-
Reinvestment of distributions	-	-	637
Other	1,279	-	-
<b>Total additions</b>	<b>2,698,186</b>	<b>126,821</b>	<b>240,562</b>
<b>Deductions:</b>			
Pension and disability benefits	2,462,697	-	-
Retiree health benefits	52,375	-	-
Death benefits	924	-	-
Payments to participants/beneficiaries	-	114,456	638
Refunds of contributions and interest	80,536	-	220,794
Administrative	41,076	-	227
Transfers to other retirement funds	16,187	-	-
Other	56	-	119
<b>Total deductions</b>	<b>2,653,851</b>	<b>114,456</b>	<b>221,778</b>
<b>Net increase (decrease) in net position</b>	<b>44,335</b>	<b>12,365</b>	<b>18,784</b>
<b>Net position restricted, July 1, as restated</b>	<b>30,690,776</b>	<b>35,307</b>	<b>229,458</b>
<b>Net position restricted, June 30</b>	<b>\$ 30,735,111</b>	<b>\$ 47,672</b>	<b>\$ 248,242</b>

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Combining Statement of Net Position**  
**Discretely Presented Component Units**  
**June 30, 2016**  
**(amounts expressed in thousands)**

	Governmental	Proprietary	Colleges and Universities	Total
<b>Assets</b>				
Current assets:				
Cash, cash equivalents and investments - unrestricted	\$ 263,809	\$ 578,040	\$ 914,036	\$ 1,755,885
Cash, cash equivalents and investments - restricted	-	1,278,533	783,306	2,061,839
Securities lending collateral	-	-	99,083	99,083
Receivables (net)	611	366,918	460,195	827,724
Due from primary government	-	5,420	8,891	14,311
Inventory	-	132	13,610	13,742
Prepaid expenses	-	18,221	6,096	24,317
Loans	-	140,040	-	140,040
Investment in direct financing lease	-	85,822	281	86,103
Other assets	-	2,144	98,014	100,158
<b>Total current assets</b>	<b>264,420</b>	<b>2,475,270</b>	<b>2,383,512</b>	<b>5,123,202</b>
Noncurrent assets:				
Cash, cash equivalents and investments - unrestricted	-	330,668	3,482,862	3,813,530
Cash, cash equivalents and investments - restricted	-	979,564	4,854,607	5,834,171
Receivables (net)	-	869,469	570,267	1,439,736
Due from primary government	-	30,000	-	30,000
Loans	53,215	2,016,067	-	2,069,282
Investment in direct financing lease	-	2,068,900	5,753	2,074,653
Net pension and OPEB assets	-	-	50,769	50,769
Other assets	-	4,042	52,601	56,643
Capital assets:				
Capital assets not being depreciated/amortized	-	821,424	879,470	1,700,894
Capital assets being depreciated/amortized	493	953,944	12,217,765	13,172,202
less accumulated depreciation/amortization	(390)	(403,071)	(5,575,587)	(5,979,048)
<b>Total capital assets, net of depreciation/amortization</b>	<b>103</b>	<b>1,372,297</b>	<b>7,521,648</b>	<b>8,894,048</b>
<b>Total noncurrent assets</b>	<b>53,318</b>	<b>7,671,007</b>	<b>16,538,507</b>	<b>24,262,832</b>
<b>Total assets</b>	<b>317,738</b>	<b>10,146,277</b>	<b>18,922,019</b>	<b>29,386,034</b>
<b>Deferred Outflows of Resources</b>				
Accumulated decrease in fair value of hedging derivatives	-	158,931	2,351	161,282
Debt refunding loss	-	68,057	47,090	115,147
Related to pensions	1,836	9,463	134,358	145,657
Swap termination	-	76,396	-	76,396
<b>Total deferred outflows of resources</b>	<b>1,836</b>	<b>312,847</b>	<b>183,799</b>	<b>498,482</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	19,058	40,812	519,886	579,756
Interest payable	-	70,142	25,636	95,778
Due to primary government	-	15,485	-	15,485
Unearned revenue	14,451	194,997	142,412	351,860
Securities lending collateral	-	-	99,083	99,083
Accrued liability for compensated absences	-	124	84,003	84,127
Other liabilities	205	31,947	51,735	83,887
Current portion of long-term liabilities	262	583,540	321,191	904,993
<b>Total current liabilities</b>	<b>33,976</b>	<b>937,047</b>	<b>1,243,946</b>	<b>2,214,969</b>

**State of Indiana**  
**Combining Statement of Net Position**  
**Discretely Presented Component Units**  
**June 30, 2016**  
**(amounts expressed in thousands)**

	Governmental	Proprietary	Colleges and Universities	Total
<b>Noncurrent liabilities:</b>				
Accrued liability for compensated absences	-	93	82,147	82,240
Accrued prize liabilities	-	117,895	-	117,895
Net pension and OPEB liabilities	3,368	18,510	378,438	400,316
Unearned revenue	-	15,445	28,591	44,036
Funds held in trust for others	-	-	252,328	252,328
Advances from federal government	-	765	27,949	28,714
Revenue bonds/notes payable	-	5,376,850	3,001,725	8,378,575
Derivative instrument liability	-	158,931	2,351	161,282
Other noncurrent liabilities	-	59,666	101,183	160,849
	<u>3,368</u>	<u>5,748,155</u>	<u>3,874,712</u>	<u>9,626,235</u>
<b>Total noncurrent liabilities</b>	<b>3,368</b>	<b>5,748,155</b>	<b>3,874,712</b>	<b>9,626,235</b>
	<u><b>37,344</b></u>	<u><b>6,685,202</b></u>	<u><b>5,118,658</b></u>	<u><b>11,841,204</b></u>
<b>Total liabilities</b>	<b>37,344</b>	<b>6,685,202</b>	<b>5,118,658</b>	<b>11,841,204</b>
<b>Deferred Inflows of Resources</b>				
Advanced payment for service concession agreement	-	3,210,710	-	3,210,710
Service concession arrangement receipts	-	286,675	1,213	287,888
Related to pensions	534	1,714	53,059	55,307
	<u>534</u>	<u>3,499,099</u>	<u>54,272</u>	<u>3,553,905</u>
<b>Total deferred inflows of resources</b>	<b>534</b>	<b>3,499,099</b>	<b>54,272</b>	<b>3,553,905</b>
<b>Net Position</b>				
Net investment in capital assets	103	307,688	4,628,338	4,936,129
Restricted - nonexpendable:				
Permanent funds	-	782	368,021	368,803
Instruction and research	-	-	884,135	884,135
Student aid	-	-	927,938	927,938
Other purposes	-	-	104,505	104,505
Restricted - expendable:				
Grants/constitutional restrictions	-	143,136	24,760	167,896
Future debt service	-	518,091	21,753	539,844
Instruction and research	-	-	753,096	753,096
Student aid	-	11	798,950	798,961
Endowments	-	1,199	717,152	718,351
Capital projects	-	1,336,043	335,899	1,671,942
Other purposes	445	507	310,741	311,693
Unrestricted	281,148	(2,032,634)	4,057,600	2,306,114
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total net position</b>	<b>\$ 281,696</b>	<b>\$ 274,823</b>	<b>\$ 13,932,888</b>	<b>\$ 14,489,407</b>

The notes to the financial statements are an integral part of this statement.

**State of Indiana  
Combining Statement of Activities  
Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2016  
(amounts expressed in thousands)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Proprietary	Colleges and Universities	Net (Expense) Revenue
Governmental	\$ 75,029	\$ 716	\$ 5,389	\$ -	\$ (68,924)	\$ -	\$ -	\$ (68,924)
Proprietary	2,040,970	1,647,508	441,860	41,167	-	89,565	-	89,565
Colleges and universities	6,777,180	3,262,083	2,016,660	101,886	-	-	(1,396,551)	(1,396,551)
<b>Total component units</b>	<b>\$ 8,893,179</b>	<b>\$ 4,910,307</b>	<b>\$ 2,463,909</b>	<b>\$ 143,053</b>	<b>(68,924)</b>	<b>89,565</b>	<b>(1,396,551)</b>	<b>(1,375,910)</b>
General Revenues:								
					1,573	-	-	1,573
Gaming tax					1,573	-	-	1,573
Total taxes								
Revenue not restricted to specific programs:								
Investment earnings					255	25,740	(79,195)	(53,200)
Payments from State of Indiana					166,873	26,660	1,534,609	1,728,142
Other					-	2,217	77,953	80,170
Total general revenues					168,701	54,617	1,533,367	1,756,685
Change in net position					99,777	144,182	136,816	380,775
Net position - beginning, as restated					181,919	130,641	13,796,072	14,108,632
<b>Net position - ending</b>					<b>\$ 281,696</b>	<b>\$ 274,823</b>	<b>\$ 13,932,888</b>	<b>\$ 14,489,407</b>

The notes to the financial statements are an integral part of this statement.



**State of Indiana**  
**Combining Statement of Net Position**  
**Discretely Presented Component Units -**  
**Proprietary Funds**  
**June 30, 2016**

(amounts expressed in thousands)

	Indiana Finance Authority	State Lottery Commission	Non-Major	IFA & ISCBA/IMC Elimination	Total Component Units
<b>Assets</b>					
Current assets:					
Cash, cash equivalents and investments - unrestricted	\$ 63,584	\$ 45,352	\$ 469,104	\$ -	\$ 578,040
Cash, cash equivalents and investments - restricted	1,014,490	-	264,043	-	1,278,533
Receivables (net)	48,631	98,728	235,550	(15,991)	366,918
Due from primary government	-	-	5,420	-	5,420
Inventory	-	-	132	-	132
Prepaid expenses	185	16,984	1,052	-	18,221
Loans	124,553	-	17,912	(2,425)	140,040
Investment in direct financing lease	83,397	-	5,785	(3,360)	85,822
Other assets	-	-	2,144	-	2,144
<b>Total current assets</b>	<b>1,334,840</b>	<b>161,064</b>	<b>1,001,142</b>	<b>(21,776)</b>	<b>2,475,270</b>
Noncurrent assets:					
Cash, cash equivalents and investments - unrestricted	-	135,118	195,550	-	330,668
Cash, cash equivalents and investments - restricted	440,188	8,026	531,350	-	979,564
Receivables (net)	-	-	869,469	-	869,469
Due from primary government	-	-	30,000	-	30,000
Loans	2,799,408	-	191,779	(975,120)	2,016,067
Investment in direct financing lease	1,123,980	-	1,034,315	(89,395)	2,068,900
Other assets	3,891	-	151	-	4,042
Capital assets:					
Capital assets not being depreciated/amortized	709,675	-	111,749	-	821,424
Capital assets being depreciated/amortized	600,621	3,153	350,170	-	953,944
less accumulated depreciation/amortization	(233,106)	(1,744)	(168,221)	-	(403,071)
<b>Total capital assets, net of depreciation/amortization</b>	<b>1,077,190</b>	<b>1,409</b>	<b>293,698</b>	<b>-</b>	<b>1,372,297</b>
<b>Total noncurrent assets</b>	<b>5,444,657</b>	<b>144,553</b>	<b>3,146,312</b>	<b>(1,064,515)</b>	<b>7,671,007</b>
<b>Total assets</b>	<b>6,779,497</b>	<b>305,617</b>	<b>4,147,454</b>	<b>(1,086,291)</b>	<b>10,146,277</b>
<b>Deferred Outflows of Resources</b>					
Accumulated decrease in fair value of hedging derivatives	146,472	-	158,931	(146,472)	158,931
Debt refunding loss	48,803	-	19,254	-	68,057
Related to pensions	1,028	2,245	6,190	-	9,463
Swap termination	76,396	-	-	-	76,396
<b>Total deferred outflows of resources</b>	<b>272,699</b>	<b>2,245</b>	<b>184,375</b>	<b>(146,472)</b>	<b>312,847</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	9,465	15,013	16,334	-	40,812
Interest payable	52,908	-	33,225	(15,991)	70,142
Due to primary government	-	15,485	-	-	15,485
Unearned revenue	145,479	2,529	46,989	-	194,997
Accrued liability for compensated absences	-	-	124	-	124
Other liabilities	147	443	31,357	-	31,947
Current portion of long-term liabilities	202,473	113,200	273,652	(5,785)	583,540
<b>Total current liabilities</b>	<b>410,472</b>	<b>146,670</b>	<b>401,681</b>	<b>(21,776)</b>	<b>937,047</b>
Noncurrent liabilities:					
Accrued liability for compensated absences	-	-	93	-	93
Accrued prize liabilities	-	117,895	-	-	117,895
Net pension and OPEB liabilities	1,790	3,084	13,636	-	18,510
Unearned revenue	-	15,442	3	-	15,445
Advances from federal government	765	-	-	-	765
Revenue bonds/notes payable	3,923,693	-	2,517,672	(1,064,515)	5,376,850
Derivative instrument liability	146,472	-	158,931	(146,472)	158,931
Other noncurrent liabilities	1,547	-	58,119	-	59,666
<b>Total noncurrent liabilities</b>	<b>4,074,267</b>	<b>136,421</b>	<b>2,748,454</b>	<b>(1,210,987)</b>	<b>5,748,155</b>
<b>Total liabilities</b>	<b>4,484,739</b>	<b>283,091</b>	<b>3,150,135</b>	<b>(1,232,763)</b>	<b>6,685,202</b>

**State of Indiana**  
**Combining Statement of Net Position**  
**Discretely Presented Component Units -**  
**Proprietary Funds**  
**June 30, 2016**

(amounts expressed in thousands)

	Indiana Finance Authority	State Lottery Commission	Non-Major	IFA & ISCBA/IMC Elimination	Total Component Units
<b>Deferred Inflows of Resources</b>					
Advanced payment for service concession agreement	3,210,710	-	-	-	3,210,710
Service concession arrangement receipts	286,675	-	-	-	286,675
Related to pensions	172	452	1,090	-	1,714
<b>Total deferred inflows of resources</b>	<b>3,497,557</b>	<b>452</b>	<b>1,090</b>	<b>-</b>	<b>3,499,099</b>
<b>NET POSITION</b>					
Net investment in capital assets	72,249	1,409	234,030	-	307,688
Restricted - nonexpendable:					
Permanent funds	-	-	782	-	782
Restricted - expendable:					
Grants/constitutional restrictions	-	-	143,136	-	143,136
Future debt service	436,840	-	81,251	-	518,091
Student aid	-	-	11	-	11
Endowments	-	-	1,199	-	1,199
Capital projects	1,329,918	-	6,125	-	1,336,043
Other purposes	-	-	507	-	507
Unrestricted	(2,769,107)	22,910	713,563	-	(2,032,634)
<b>Total net position</b>	<b>\$ (930,100)</b>	<b>\$ 24,319</b>	<b>\$ 1,180,604</b>	<b>\$ -</b>	<b>\$ 274,823</b>

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Combining Statement of Activities**  
**Discretely Presented Component Units -**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana Finance Authority	State Lottery Commission	Non-Major	IFA & ISCBA Interfund Eliminations	Net (Expense) Revenue
Indiana Finance Authority (IFA)	\$ 293,357	\$ 373,110	\$ -	\$ 38,969	\$ 118,722	\$ -	\$ -	\$ -	\$ 118,722
State Lottery Commission	1,209,804	1,207,615	-	-	-	(2,189)	-	-	(2,189)
Non-Major Proprietary	591,016	115,870	445,980	2,198	-	-	(26,968)	-	(26,968)
IFA & ISCBA/IMC Interfund Eliminations	(53,207)	(49,087)	(4,120)	-	-	-	-	-	-
<b>Total component units</b>	<b>\$ 2,040,970</b>	<b>\$ 1,647,508</b>	<b>\$ 441,860</b>	<b>\$ 41,167</b>	<b>118,722</b>	<b>(2,189)</b>	<b>(26,968)</b>	<b>-</b>	<b>89,565</b>
General revenues:									
Investment earnings					12,029	8,944	4,767	-	25,740
Payments from State of Indiana					-	-	26,660	-	26,660
Other					-	1,756	461	-	2,217
Total general revenues					12,029	10,700	31,888	-	54,617
Change in net position					130,751	8,511	4,920	-	144,182
Net position - beginning, as restated					(1,060,851)	15,808	1,175,684	-	130,641
<b>Net position - ending</b>					<b>\$ (930,100)</b>	<b>\$ 24,319</b>	<b>\$ 1,180,604</b>	<b>\$ -</b>	<b>\$ 274,823</b>

The notes to the financial statements are an integral part of this statement.





**State of Indiana**  
**Combining Statement of Net Position**  
**Discretely Presented Component Units -**  
**Colleges and Universities**  
**June 30, 2016**  
(amounts expressed in thousands)

	Indiana University	Purdue University	Non-Major Colleges and Universities	Totals
<b>Assets</b>				
Current assets:				
Cash, cash equivalents and investments - unrestricted	\$ 168,833	\$ 331,124	\$ 414,079	\$ 914,036
Cash, cash equivalents and investments - restricted	247,962	466,276	69,068	783,306
Securities lending collateral	99,083	-	-	99,083
Receivables (net)	169,599	152,661	137,935	460,195
Due from primary government	101	5,294	3,496	8,891
Inventory	8,980	-	4,630	13,610
Prepaid expenses	-	3	6,093	6,096
Investment in direct financing lease	-	-	281	281
Other assets	49,163	31,040	17,811	98,014
<b>Total current assets</b>	<b>743,721</b>	<b>986,398</b>	<b>653,393</b>	<b>2,383,512</b>
Noncurrent assets:				
Cash, cash equivalents and investments - unrestricted	1,585,658	1,193,865	703,339	3,482,862
Cash, cash equivalents and investments - restricted	1,999,446	2,378,968	476,193	4,854,607
Receivables (net)	323,270	215,212	31,785	570,267
Investment in direct financing lease	-	-	5,753	5,753
Net pension and OPEB assets	-	-	50,769	50,769
Other assets	-	37,620	14,981	52,601
Capital assets:				
Capital assets not being depreciated/amortized	390,983	256,508	231,979	879,470
Capital assets being depreciated/amortized	4,888,944	4,035,083	3,293,738	12,217,765
less accumulated depreciation/amortization	(2,251,742)	(2,023,087)	(1,300,758)	(5,575,587)
Total capital assets, net of depreciation/amortization	3,028,185	2,268,504	2,224,959	7,521,648
<b>Total noncurrent assets</b>	<b>6,936,559</b>	<b>6,094,169</b>	<b>3,507,779</b>	<b>16,538,507</b>
<b>Total assets</b>	<b>7,680,280</b>	<b>7,080,567</b>	<b>4,161,172</b>	<b>18,922,019</b>
<b>Deferred Outflows of Resources</b>				
Accumulated decrease in fair value of hedging derivatives	-	-	2,351	2,351
Debt refunding loss	23,893	22,580	617	47,090
Related to pensions	43,293	46,353	44,712	134,358
<b>Total deferred outflows of resources</b>	<b>67,186</b>	<b>68,933</b>	<b>47,680</b>	<b>183,799</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	301,222	133,718	84,946	519,886
Interest payable	8,334	14,550	2,752	25,636
Unearned revenue	83,440	36,482	22,490	142,412
Securities lending collateral	99,083	-	-	99,083
Accrued liability for compensated absences	43,231	25,538	15,234	84,003
Other liabilities	-	19,880	31,855	51,735
Current portion of long-term liabilities	75,933	146,290	98,968	321,191
<b>Total current liabilities</b>	<b>611,243</b>	<b>376,458</b>	<b>256,245</b>	<b>1,243,946</b>
Noncurrent liabilities:				
Accrued liability for compensated absences	28,814	36,876	16,457	82,147
Net pension and OPEB liabilities	134,844	113,359	130,235	378,438
Unearned revenue	28,591	-	-	28,591
Funds held in trust for others	95,523	106,956	49,849	252,328
Advances from federal government	-	19,379	8,570	27,949
Revenue bonds/notes payable	949,018	1,125,594	927,113	3,001,725
Derivative instrument liability	-	-	2,351	2,351
Other noncurrent liabilities	43,157	13,938	44,088	101,183
<b>Total noncurrent liabilities</b>	<b>1,279,947</b>	<b>1,416,102</b>	<b>1,178,663</b>	<b>3,874,712</b>
<b>Total liabilities</b>	<b>1,891,190</b>	<b>1,792,560</b>	<b>1,434,908</b>	<b>5,118,658</b>
<b>Deferred Inflows of Resources</b>				
Service concession arrangement receipts	-	-	1,213	1,213
Related to pensions	19,743	20,394	12,922	53,059
<b>Total deferred inflows of resources</b>	<b>19,743</b>	<b>20,394</b>	<b>14,135</b>	<b>54,272</b>

**State of Indiana**  
**Combining Statement of Net Position**  
**Discretely Presented Component Units -**  
**Colleges and Universities**  
**June 30, 2016**

(amounts expressed in thousands)

	Indiana University	Purdue University	Non-Major Colleges and Universities	Totals
<b>Net Position</b>				
Net investment in capital assets	2,048,226	1,316,781	1,263,331	<b>4,628,338</b>
Restricted - nonexpendable:				
Permanent funds	328,298	-	39,723	<b>368,021</b>
Instruction and research	474,840	375,358	33,937	<b>884,135</b>
Student aid	463,621	347,424	116,893	<b>927,938</b>
Other purposes	30,397	46,707	27,401	<b>104,505</b>
Restricted - expendable:				
Grants/constitutional restrictions	-	-	24,760	<b>24,760</b>
Future debt service	21,336	-	417	<b>21,753</b>
Instruction and research	290,906	382,341	79,849	<b>753,096</b>
Student aid	170,612	538,245	90,093	<b>798,950</b>
Endowments	261,362	447,240	8,550	<b>717,152</b>
Capital projects	162,960	79,577	93,362	<b>335,899</b>
Other purposes	116,228	154,729	39,784	<b>310,741</b>
Unrestricted	1,467,747	1,648,144	941,709	<b>4,057,600</b>
<b>Total net position</b>	<b>\$ 5,836,533</b>	<b>\$ 5,336,546</b>	<b>\$ 2,759,809</b>	<b>\$ 13,932,888</b>

The notes to the financial statements are an integral part of this statement.

**State of Indiana  
Combining Statement of Activities  
Discretely Presented Component Units -  
Colleges and Universities  
For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana University	Purdue University	Non-Major Colleges and Universities	Net (Expense) Revenue
Indiana University	\$ 3,058,684	\$ 1,526,544	\$ 1,056,725	\$ 27,814	\$ (447,601)	\$ -	\$ -	\$ (447,601)
Purdue University	2,059,434	1,121,804	557,832	48,329	-	(331,469)	-	(331,469)
Non-Major Colleges and Universities	1,659,062	613,735	402,103	25,743	-	-	(617,481)	(617,481)
Total component units	<u>\$ 6,777,180</u>	<u>\$ 3,262,083</u>	<u>\$ 2,016,660</u>	<u>\$ 101,886</u>	<u>(447,601)</u>	<u>(331,469)</u>	<u>(617,481)</u>	<u>(1,396,551)</u>
General revenues:								
Investment earnings					(50,214)	(37,029)	8,048	(79,195)
Payments from State of Indiana					545,330	411,503	577,776	1,534,609
Other					(2,587)	10,215	70,325	77,953
Total general revenues					<u>492,529</u>	<u>384,689</u>	<u>656,149</u>	<u>1,533,367</u>
Change in net position					44,928	53,220	38,668	136,816
Net position - beginning					5,791,605	5,283,326	2,721,141	13,796,072
<b>Net position - ending</b>					<u><b>\$ 5,836,533</b></u>	<u><b>\$ 5,336,546</b></u>	<u><b>\$ 2,759,809</b></u>	<u><b>\$ 13,932,888</b></u>

The notes to the financial statements are an integral part of this statement.

# NOTES TO THE FINANCIAL STATEMENTS



## STATE OF INDIANA

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June 30, 2016

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**STATE OF INDIANA**  
**Notes to the Financial Statements**  
**June 30, 2016**  
**(schedule amounts are expressed in thousands)**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the government (State of Indiana) and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations; data from these units are combined with data of the primary government. Discretely presented component units are reported in one column in the government-wide financial statements. This column contains the governmental fund types, proprietary fund types, and colleges and universities. This is to emphasize that, as well as being legally separate from the government; they also provide services to and benefit local governments and/or the citizens of the State of Indiana. Of the component units, the Indiana Housing and Community Development Authority, Ports of Indiana, Indiana State Fair Commission, Indiana Comprehensive Health Insurance Association, and the Indiana Political Subdivision Risk Management Commission have a December 31, 2015, fiscal year-end.

*Blended Component Units*

The following component units are reported under the blended method as the primary government appoints a voting majority of the board and is able to impose its will. These units, although legally separate from the State, are reported as part of the State because they provide services entirely or almost entirely to the State. These component units are audited by the State Board of Accounts.

The Bureau of Motor Vehicle Commission (BMVC) was established per Indiana Code 9-14-9 to develop and update Bureau of Motor Vehicles (BMV) policy, establish standards for the operation and maintenance of license branches, and submit budget proposals for the BMVC, BMV, and license branches. The BMVC has significant interrelated operations with the BMV and license branches. The BMV is responsible for the accurate and timely distribution of the fees and taxes (excise and wheel) collected at the license branches for driver licenses, auto and watercraft registrations, and license plates.

The BMVC consists of four individuals appointed by the governor and the chairperson who is the commissioner of the BMV. No more than three of the members may be of the same political party. The BMVC is reported as a non-major governmental fund

The Indiana Homeland Security Foundation was established per Indiana Code 10-15-2-1 to assist the Indiana Department of Homeland Security (IDHS) in developing projects that benefit public safety in local communities. The foundation administers the Indiana Homeland Security fund which funds these IDHS projects. The foundation has significant interrelated operations with the IDHS. Foundation funds are aligned with the Indiana Strategy for Homeland Security of the IDHS. The Indiana Homeland Security Foundation is reported as a non-major governmental fund

*Discretely Presented Component Units*

The following are discretely presented component units of the State of Indiana. The component units that are included in the State's reporting entity because the primary government appoints a voting majority of their governing bodies and is able to impose its will on each organization are: Indiana Economic Development Corporation, Indiana Finance Authority, State Lottery Commission of Indiana, Indiana Stadium Convention and Building Authority, Indiana Bond Bank, Indiana Housing and Community Development Authority, Indiana Secondary Market for Education Loans, Inc., White River State Park Development Commission, Ports of Indiana, Indiana Comprehensive Health Insurance Association, Indiana Political Subdivision Risk Management Commission, Indiana State Museum and Historic Sites Corporation, Indiana Motorsports Commission, and each of the seven colleges and universities. The following component units are included in the State's reporting entity because the primary government appoints a voting majority of their governing bodies and is financially accountable for each organization: Indiana Board for Depositories, Indiana State Fair Commission, and the Indiana Public Retirement System.

All governmental, proprietary, and fiduciary in nature component units are audited by outside auditors. The State Board of Accounts audits the colleges and universities. College and university foundations are audited by outside auditors.

The Indiana Economic Development Corporation (IEDC) was created per Indiana Code 5-28-3 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 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 separately issued audited financial statements may be obtained by writing the Indiana Economic Development Corporation, One North Capital Avenue, Suite 700, Indianapolis, IN 46204.

The Indiana Finance Authority (IFA) was created per Indiana Code 4-4-11-4 as a body both corporate and politic, and though separate from the State of Indiana (State); the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State

The IFA finances and refines state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, childcare financing, and educational facility projects.

The IFA's revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals. The authority is composed of five members, consisting of the budget director or their designee, who serves as chairman, the Treasurer of State or their designee, and three members appointed by the governor of which no more than two may be from the same political party. The Authority is reported as a major discretely presented proprietary component unit. IFA's separately issued audited financial statements may be obtained by writing the Indiana Finance Authority, One North Capital Avenue, Suite 900, Indianapolis, IN 46204

The State Lottery Commission of Indiana, created per Indiana Code 4-30-3, is composed of five members appointed by the Governor. Net proceeds from the Lottery are distributed to the State to be used to supplement teachers' retirement, local police and firefighters' pensions, and the Build Indiana Fund. A portion of the Build Indiana Fund is then used to supplement the Motor Vehicle Excise Tax Replacement Fund. The Commission is reported as a major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the State Lottery Commission of Indiana, 1302 North Meridian Street, Indianapolis, IN 46202

The Indiana Stadium and Convention Building Authority was established per Indiana Code 5-1-17, as an entity of the State to finance, design, construct, and own the new Indiana Stadium in Indianapolis and the expansion of the adjacent Indiana Convention Center. The Building Authority is governed by a seven member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. The Authority is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Stadium and Convention Building Authority, One North Capital Avenue, Suite 900, Indianapolis, IN 46204.

The Indiana Bond Bank, created per Indiana Code 5-1.5-2, is controlled by a board composed of the Treasurer of State, Director of Public Finance and



five appointees of the Governor. The Bond Bank issues debt obligations and invests the proceeds in various projects of State and local governments. The Bond Bank is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Bond Bank, 10 West Market Street, Suite 2410, Indianapolis, IN 46204

The Indiana Housing and Community Development Authority was created per Indiana Code 5-20-1-3 for the purpose of financing residential housing for persons and families of low and moderate incomes. The Authority's board consists of the Public Finance Director of the Indiana Finance Authority, the Lieutenant Governor, the State Treasurer and four persons appointed by the Governor. The Lieutenant Governor chairs the board. The Authority is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Housing and Community Development Authority, 30 South Meridian Street, Suite 1000, Indianapolis, IN 46204.

The Indiana Board for Depositories was established per Indiana Code 5-13-12 to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. The Board, consisting of the Governor, Treasurer of State, Auditor of State, Chairman of the Commission for Financial Institutions, State Examiner of the State Board of Accounts and four members appointed by the Governor, provides insurance on public funds in excess of the Federal Deposit Insurance Corporation limit. The Board is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Board for Depositories, One North Capitol Avenue, Suite 900, Indianapolis, IN 46204 or at [www.in.gov/tos/deposit/2374.htm](http://www.in.gov/tos/deposit/2374.htm).

The Indiana Secondary Market for Education Loans, Inc. (ISM) was created per Indiana Code 21-16-5 to purchase education loans in the secondary market, lend money for the origination of education loans, and originate loans to consolidate education debt. The Governor appointed the original Board of Directors. ISM provides in its articles of incorporation that changes in the composition of its directors or in its bylaws are subject to the approval of the Governor. ISM is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Secondary

Market for Education Loans, Inc., 11595 North Meridian Street, Suite 200, Carmel, IN 46032

The White River State Park Development Commission created per Indiana Code 14-13-1-5 has the responsibility to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county, and is authorized to acquire additional land and property. The Commission has 10 voting members which consist of the director or their designee, the executive of the city of Indianapolis or their designee, the president of Indiana University or their designee, and seven members appointed by the governor. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana White River State Park Development Commission, 801 West Washington Street, Indianapolis, IN 46204

The Ports of Indiana is a body both corporate and politic created per Indiana Code 8-10-1-3 to construct, maintain, and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers. The Ports of Indiana Commission consists of seven members appointed by the governor. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Ports of Indiana, 150 West Market Street, Suite 100, Indianapolis, IN 46204.

The State Fair Commission was established per Indiana Code 15-13-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is responsible for holding the annual Indiana State Fair in August, as well as providing accessible, cost-effective, secure, and modern facilities for the variety of events held at the Fairgrounds and other properties it owns. The Commission consists of eight members; five of which are appointed by the governor, and three are ex officio members. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana State Fair Commission, 1202 East 38<sup>th</sup> Street, Indianapolis, IN 46205.

The Indiana Comprehensive Health Insurance Association was created per Indiana Code 27-8-10-2.1 to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage. The board of directors of the Association consists of nine members whose principal residence is in Indiana. Four members are appointed by the insurance commissioner from the members of the Association, one of which must be a representative of a health maintenance organization. Two members are appointed by the commissioner and shall be consumers representing policyholders. Other members are the state budget director or designee and the commissioner of the department of insurance or designee. One member appointed by the commissioner must be a representative of health care providers. The Association is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Comprehensive Health Insurance Association, 9465 Counselors Row, Suite 200, Indianapolis, IN 46240

The Indiana Political Subdivision Risk Management Commission was created per Indiana Code 27-1-29 to administer the Political Subdivision Risk Management Fund (Basic fund) and the Political Subdivision Catastrophic Liability Fund (Catastrophic fund). These funds aid political subdivisions in protecting themselves against liabilities. The Commission consists of eleven members appointed by the governor. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Political Subdivision Risk Management Commission, c/o Indiana Department of Insurance, 311 West Washington Street, Suite 300, Indianapolis, IN 46204.

The Indiana State Museum and Historic Sites Corporation was created per Indiana Code 4-37 and is responsible for operating and administering the twelve State Historic Sites including the Indiana State Museum. The twelve Historic Sites include Angel Mounds, Corydon Capitol, Culbertson Mansion, J.F.D. Lanier Mansion, Levi Coffin, Limberlost, New Harmony, T.C. Steele, Gene Stratton-Porter, Vincennes, Whitewater Canal and the Indiana State Museum. The Corporation is governed by a thirty member board of trustees of which twenty-five are voting members and five are non-voting members. Of the twenty-five voting members, thirteen persons are appointed by the governor and twelve are appointed by the

board. The five non-voting members include the chief executive officer, the governor or governor's designee, one member of the House of Representatives, one member of the Senate, and the director of the Department of Natural Resources or the director's designee. The Corporation is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana State Museum and Historic Sites Corporation, 650 West Washington Street, Indianapolis, IN 46204.

The Indiana Motorsports Commission was established per Indiana Code 5-1-17.5-15 as a separate body corporate and politic, as an instrumentality of the state, to finance and lease real and personal property improvements for the benefit of an owner of a qualified motorsports facility within a motorsports investment district. The commission is governed by a board of directors composed of five directors of which one is the budget director, or the budget director's designee, and four directors appointed by the governor. The commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Motorsports Commission, One North Capital Avenue, Suite 900, Indianapolis, IN 46204.

Each of the seven colleges and universities included in this report was established by individual legislation to provide higher education opportunities to the citizens of Indiana. The authority to administer the operations of each institution is granted to a separate board of trustees for each of the seven institutions. The number and makeup of the board of trustees of each college and university is prescribed by legislation specific for that institution. Four universities have nine member boards; two have ten member boards; and Ivy Tech Community College has a fourteen-member board of trustees. Appointments to the boards of trustees are made by the Governor and by election of the alumni of the respective universities. Indiana University and Purdue University are reported as a major discretely presented component unit. The separately issued audited financial statements for the colleges and universities may be obtained by writing to: Indiana University, Poplars Room 500, 400 E. 7<sup>th</sup> St., Bloomington, IN 47405-3001; Purdue University, Accounting Services, 401 South Grant Street, West Lafayette, IN 47907-2024; Ball State University, Administration Bldg., 301, 2000 West University Avenue, Muncie, IN 47306; Indiana State University, Office of the Controller, 200 N. 7<sup>th</sup> Street, Terre Haute, IN 47809; Ivy Tech Community

College, Attn: Chief Accounting Operations Officer, 50 West Fall Creek Parkway, North Drive, Indianapolis, IN 46208-5752; University of Southern Indiana, 8600 University Boulevard, Evansville, IN 47712; and Vincennes University, 1002 North 1<sup>st</sup> Street, Vincennes, IN 47591.

#### *Fiduciary in Nature Component Unit*

The Indiana Public Retirement System (INPRS) was established per Indiana Code 5-10.5-2-1 as an independent body corporate and politic. INPRS is not a department or agency for the State, but is an independent instrumentality exercising essential government functions. The INPRS board is composed of nine trustees appointed by the Governor which includes the director of the budget agency or the director's designee as an ex officio voting member of the board. The board of trustees administers the following plans: Public Employees' Retirement Fund, Teachers' Retirement Fund, Judges' Retirement System, State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan, the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Legislators' Retirement System Defined Benefit Plan, the

Legislators' Retirement System Defined Contribution Plan, the Prosecuting Attorneys' Retirement Fund, the Pension Relief Fund, and two death benefit funds. For more information on the plans see Note V(E) Employee Retirement Systems and Plans. All of these funds have been aggregated for presentation from INPRS' financial statements. INPRS is included as a component unit because the primary government appoints a voting majority of its governing body and has financial accountability. The Indiana Public Retirement System was determined to be significant for note disclosure purposes involving the fiduciary in nature component units. The separately issued audited financial statements may be obtained by writing the Indiana Public Retirement System, One North Capitol Avenue, Suite 001, Indianapolis, IN 46204.

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments.

## **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information about the overall government. They exclude information about fiduciary activities, including component units, which are fiduciary in nature, such as the public employee retirement systems. They distinguish between the primary government and its discretely presented component units as disclosed in Note I.A. They also distinguish between governmental activities and business-type activities of the State. Governmental activities rely on taxes and intergovernmental revenues for their support. Business-type activities, on the other hand, rely on fees and charges for services provided for their support.

The statement of activities matches the State's direct functional expense with the functional program revenue to identify the relative financial burden of each of the State's functions. This format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees and intergovernmental aid. Certain indirect costs are included in the program expense reported for individual functions of government. Program

revenues derive directly from the program itself or from parties outside the State's taxpayers, as a whole. They reduce the net cost of the function to be financed from the general revenues. Program revenues include charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. Revenues that do not meet the criteria of program revenues are general revenues. These include all taxes; even those levied for a specific purpose and are reported by type of tax. Investment income is considered general revenue in the general fund.

Separate financial statements are presented for the State's governmental, proprietary and fiduciary funds. Governmental fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances. Major governmental funds are presented in separate columns and non-major funds are aggregated in a separate column. Proprietary and fiduciary funds are reported using the statement of net position and the statement of changes in net position. In addition proprietary funds include a statement of cash flows.

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

#### Measurement Focus and Basis of Accounting

**The government-wide statements and the proprietary and fiduciary fund statements** use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, and deferrals resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues, including federal government mandates on the State, certain grants and entitlements, and most donations, 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 (i.e., 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. For the State of Indiana, "available" means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and related liabilities, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Individual and corporate income tax, sales tax, cigarette tax, alcoholic beverage tax, motor fuel tax, fines, and penalties are accrued using one month's revenues.

Gaming taxes and fees and vehicle licenses are received daily via electronic funds transfer with a one to three working day delay, so revenues for the first several working days in July are reviewed for materiality and accrued accordingly.

#### Financial Statement Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

**Governmental funds** are used to account for the government's general government activities. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds.

The *General Fund* is the State's primary operating fund. It is maintained to account for resources obtained and used for those services traditionally provided by State government, which are not required to be accounted for in another fund. The General Fund is a major fund.

The *special revenue* funds account for specific revenue sources that are legally restricted or committed to expenditure for specific purposes except for major capital projects.

The following special revenue funds are presented as major.

- The *Public Welfare-Medicaid Assistance Fund* receives federal grants and State appropriations which are used to administer the Medicaid program. Federal grant revenues, hospital assessment fees, quality assessment fees, Intermediate Care Facility for Individuals with Disabilities fees, and other resources disclosed under interfund transfers in Note IV (B) are reported in this fund.
- The *Major Moves Construction Fund* distributes money received from the Toll Road lease. This money is used for new construction and major preservation of highways and bridges throughout Indiana. Interest income and other resources disclosed under interfund transfers in Note IV (B) are reported in this fund.

The *capital projects funds* account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary funds. There are no major capital project funds.

The *permanent funds* are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the benefit of the government or its citizens. There are no major permanent funds.

**Proprietary funds** focus on the determination of operating income, changes in net position, financial position and cash flows. Operating revenues and expenses are the revenues and expenses that pertain to the fund's principal operations.

Nonoperating revenues and expenses are those revenues and expenses resulting from secondary or auxiliary activities of the fund. Nonoperating items include investment revenue and expense. Proprietary funds include both enterprise funds and internal service funds.

*Enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where it has been decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The State reports the following major enterprise fund:

- The *Unemployment Compensation Fund* collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals.

*Internal service funds* account for operations that provide goods and services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The goods and services provided include fleet management, information technology and communication, aviation, printing, products of correctional industries, self-insurance, and centralized accounting. Major fund reporting requirements do not apply to internal service funds. Combined totals for all internal service funds are reported as a separate column on the face of the proprietary fund financial statements.

***Fiduciary funds*** account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others. They cannot be used to support the State's own programs. Fiduciary funds include pension (and other employee benefit) trust funds, private-purpose trust funds, investment trust funds, and agency funds.

*Pension (and other employee benefit) trust funds* are used to report resources held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other postemployment benefit plans. Pension and other employee benefits trust funds include the Indiana Public Retirement System, State Police Pension Fund, State Employee Retiree Health Benefit Trust Fund – DB, and the State Employee Retiree Health Benefit Trust Fund – DC.

*Private-purpose trust funds* are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments. Private

Purpose funds include the Abandoned Property Fund and the Private Purpose Trust Fund.

*Investment trust funds* are used to report the external portion of investment pools operated by a sponsoring government. The Treasurer of State, local units of government, and quasi-governmental units in Indiana have the opportunity to invest in a common pool of investments that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment of public funds. The State's investment trust fund is TrustIndiana operated by the state treasurer. The amounts reported represent the external portion of the pool.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. Agency Funds include Employee Payroll Withholding and Benefits, Local Distributions, Child Support and Department of Insurance.

#### **D. Eliminating Internal Activity**

Interfund activity including those from cash overdrafts in funds, interfund services provided or used, interfund loans and prepaid expenditures of internal service funds are eliminated as internal balances in the government-wide statement of net position. This is to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, interfund loans and interfund services provided and/or used reported in the governmental funds balance sheet has been eliminated in the government-wide statement of net position.

Eliminations were made in the statement of activities to remove the "doubling-up" effect of internal service fund activity. The effect of similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function have also been eliminated, so that the allocated expenses are reported only by the function to which they were allocated. The effect of interfund services provided and used between functions has not been eliminated in the statement of activities since to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function.

#### **E. Assets, Liabilities and Equity**

##### **1. Deposits, Investments and Securities Lending**

For purposes of reporting cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity (generally three months or less from the date of acquisition).

Cash balances of most State funds are commingled in general checking accounts and several special purpose banking accounts. The available cash balance not necessary beyond immediate need is pooled and invested. Interest earned from investments purchased with pooled cash is deposited in the general fund, except as otherwise provided by statute.

Investments and secured lending transactions are stated at fair value. Money market investments and participating interest-earning investment contracts that mature within one year of purchase are reported at cost, which approximates fair value. Fair value is determined by quoted market prices which approximates fair value. Investments that do not have an established market are reported at estimated fair value.

Indiana Code 5-13-9 and 5-13-10.5 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; securities issued by any U.S. government agency; AAA money market mutual funds with a portfolio limited to direct obligations of the U.S., obligations of any federal agency, and/or repurchase agreements fully collateralized with U.S. government obligations or U.S. agency obligations; highest rated commercial paper, highest rated supranational issues, and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

The Treasurer of State is authorized by statute to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least \$10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that

depository as determined by the last published statement.

The Indiana Public Retirement System (INPRS) Board of Trustees administers nine pension trust funds including eight Defined Benefit retirement plans and one Defined Contribution retirement plan, two other employment benefit funds, and one agency fund. Indiana law requires the Board to establish investment guidelines and limits on all types of investments and take other actions necessary to fulfill its duty as fiduciary for all assets under its control. The INPRS Board of Trustees is required to diversify investments in accordance with the prudent investor standards. At June 30, 2016, cash and investments of the funds were held by banks or trust companies under custodial agreements with INPRS. The INPRS Board of Trustees contracts with investment counsel, trust companies or banks to assist INPRS in its investment program. The Investment Policy Statement adopted by the INPRS Board of Trustees and the asset allocation approved by the Board of Trustees contains target allocations and allowable ranges that are expected to meet target rates of return over a long period of time while minimizing risk. The investments of INPRS are subject to the provisions of IC 5-10.3-5-3(a) and IC 5-10.4-3-10(a). See Note IV(A)(3) for more information.

Investments which are authorized for the State Police Retirement fund include: U.S. Treasury and Agency obligations, State and municipal obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage pool investments, and repurchase agreements. The investments of the State Police Retirement fund are subject to the provisions of IC 10-12-2-2. See Note IV(A)(2) for more information.

## **2. Receivables and Payables**

In the government-wide and proprietary fund financial statements, revenues are recognized on the flow of economic resources measurement focus. Material receivables are recognized as follows. Uncollected taxes due in the following periods are subject to accrual.

Individual income tax – Individual withholding tax is due from employers by the 20<sup>th</sup> day after the end of the month collected. Estimated payments are due from individuals by the 15<sup>th</sup> of the month immediately following each quarter or the calendar year.

Corporate income tax - Due quarterly on the 20<sup>th</sup> day of April, June, September, and

December with the last payment due on April 15<sup>th</sup> for a calendar year taxpayer.

Sales tax – Due by the 20<sup>th</sup> day after the end of the month collected.

Fuel tax – Gasoline tax is due the 20<sup>th</sup> day after the end of the month collected. Special fuel tax, depending on the status of the taxpayer, is due by the 15<sup>th</sup> day after the end of the month collected or the 15<sup>th</sup> day after the end of the quarter collected. Motor carrier surtax is due at the end of the month following the end of the quarter.

Financial institutions tax – same laws as corporate income taxes (see above) for making payments.

Alcohol and tobacco taxes – Cigarette distributors must purchase tax stamps within 6 days after they accept delivery of the cigarettes. Cigarette tax is due within 30 days of the issuance of the tax stamp. Alcoholic beverage tax is due by the 20<sup>th</sup> day after the end of the month collected.

In the governmental fund financial statements, revenue is recognized on the flow of current financial resources. Material receivables are subject to accrual for receipts collected in the month of July. The State of Indiana does not collect property tax, which is collected by local units of government.

Unavailable revenue is the liability for the full accrual income taxes receivable net of the allowance for doubtful accounts and is reported under deferred inflows of resources.

### **3. Interfund Transactions and Balances**

The State has the following types of interfund transactions in the governmental fund and proprietary financial statements:

Interfund services provided and used (reciprocal interfund activity) – Charges for goods or services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund.

Interfund Transfers (non-reciprocal interfund activity) – Legally authorized transfers whereby the two parties do not receive equivalent cash, goods or services are reported as transfers.

The types of assets and liabilities resulting from these transactions are:

Interfund loans – These are balances arising from the short-term and long-term portion of interfund transactions.

Interfund services provided/used – These are balances arising in connection with reciprocal interfund activity or reimbursements. Balances relating to discretely presented component units are presented as ‘Due from/to component units’.

Interfund services provided and interfund loans are eliminated in the government-wide statements because they are provided by one governmental activity on behalf of another or by one business-type activity on behalf of another.

### **4. Inventories and Prepaid Items**

Inventories for the Inns & Concessions, Institutional Industries and Administrative Services Revolving funds are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The first in/first out (FIFO) method is used for valuation of inventories.

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

### **5. Restricted Net Position**

Certain net positions are classified as restricted net position because their use is completely restricted by bond indentures, contracts, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation. Net position restricted by enabling legislation for governmental activities totals \$1.2 billion, of which \$0.5 billion is permanent funds principal, \$0.6 billion is for the Economic Stabilization Fund as discussed in Note V (D), and \$0.1 billion is prepaid expenses.

### **6. Capital Assets**

Capital outlays are reported as expenditures in the governmental funds and as assets in the government-wide statements to the extent the State's \$20,000 capitalization threshold for external financial reporting is met.

The Indiana Department of Transportation (INDOT) uses the modified approach for reporting its infrastructure. The Department of Natural Resources (DNR) uses the depreciation approach for reporting its infrastructure.

Under the modified approach, the State has determined that the condition level for INDOT infrastructure assets to be maintained is:

- a network average International Roughness Index based on the right wheel path (IRI RWP) of no more than 101 and no more than 12.5% of all pavements in the unacceptable range for Interstates, National Highway System (NHS) Non-Interstate NHS roads, and Non-NHS roads,
- an average sufficiency rating of 87% for interstate bridges,
- an average sufficiency rating of 85% for NHS Non-Interstate bridges, and
- an average sufficiency rating of 83% for Non-NHS bridges.

The Bridge Division, Program Engineering, and Road Inventory Division of INDOT are responsible for determining the appropriate condition level of the infrastructure assets.

No amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential.

INDOT projects are capitalized based on capitalization and preservation percentages assigned to three hundred eight-two (382) work types. For example, the cost for constructing a new bridge would likely be 100% capitalized; whereas, the cost for adding travel lanes to a road would likely be assigned a work type code resulting in capitalization at 50% and preservation at 50%.

The State maintains an inventory of these infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. Road pavement condition assessments are performed annually on all INDOT state routes, including interstates. Condition assessments of all bridges are determined on a bi-annual basis. Sufficiency ratings of all bridges are determined on an annual basis by the Federal Highway Administration based on annual submittal of bridge condition data.

The State makes annual estimates of the amounts that must be expended to preserve and maintain these infrastructure assets at the predetermined condition levels.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

Capital assets are depreciated in the proprietary and similar trust funds using the straight-line method on both the fund basis and the government-wide basis. Both the government-wide statements and proprietary and similar trust funds use the following estimated useful lives:

<u>Assets</u>	<u>Months</u>
Buildings and other structures including improvements to buildings and other structures	240-480
Computer software	36
Infrastructure (not using modified approach)	240-720
Furniture, machinery and equipment	12-168
Motor pool vehicles	96-168

The State of Indiana maintains several collections of works of art, historical treasures, and similar assets that are not capitalized. While the collections are maintained by different agencies, each collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that either prohibits sale or requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State's major collections are:

- The Commission on Public Records, State Archives Collection consists of historical and legal documents that are generated on: paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics.
- The State Library has two collections, the Manuscript Collection and the Indiana History Collection. These collections include historical documents and works of art, most of it of Indiana origin.

Other collections include the Historical Bureau's Indiana Governors' Portrait Collection, the Department of Administration's Statehouse Collection, and the Indiana Arts Commission's Collection. These collections consist primarily of art objects.



## 7. *Compensated Absences*

Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, ten and twenty years of employment.

Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty (30) unused vacation leave days. In addition, qualifying retiring employees are paid an additional payment up to a maximum of \$5,000, which is made up of unused vacation leave over 30 days, unused personal leave, and unused sick leave.

Employees of the legislative and judicial branches as well as those of the separately elected officials (i.e., Auditor of State) may convert a portion of accrued but unused vacation and sick leave into the deferred compensation plan. An employee must have at least 300 hours of vacation or sick leave accrued in order to participate in this plan. There is a sliding scale which determines how many hours are converted from those hours the employee has accrued. The hours converted are deposited into the deferred compensation program's 401(a) plan at 60% of the employee's hourly rate. Employees of the legislative branch of government participated in this program in FY 2016 and employees of the legislative and judicial branches have elected to participate in this program for FY 2017.

Matured vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government-wide, proprietary, and fiduciary fund financial statements.

## 8. *Long-Term Obligations*

Long-term debt and other obligations are reported in the government-wide statements and the proprietary funds statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund.

## 9. *Fund Balance*

In the fund financial statements, fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned. A brief description of each category is as follows:

*Nonspendable* – represents amounts that are either not in spendable form, such as prepaid expenditures, and activity that is legally or contractually required to be maintained intact, such as a principal balance in a permanent fund.

*Restricted* – represents amounts restricted to specific purposes because of constraints placed on their use that are either externally imposed such as by grantors or imposed by law through constitutional provisions or enabling legislation.

*Committed* – represents amounts that can only be used for a specific purpose pursuant to constraints imposed by the government's highest level of decision making authority. The State of Indiana's highest level of decision making authority is the General Assembly. The formal action necessary would be the enactment of a State law that specifically establishes, modifies, or rescinds a fund balance commitment.

*Assigned* – represents amounts that are constrained by the government's intent to be used for specific purposes as expressed by the governing body itself or the official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The State Budget Agency has the authority per the biennial budget bill to make assignments of fund balances for specific purposes except for those restricted by law. The State Board of Finance comprised of the Governor, Auditor of State and Treasurer of State is empowered to make assignments of funds except for trust funds per I.C. 4-9.1-1-7.

*Unassigned* – represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Only the general fund may report a positive unassigned fund balance; whereas, other governmental funds may need to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Funds on the State's accounting system are assigned one of the five fund balance classifications. If a fund has resources that are both restricted and unrestricted, then expenditures

are applied first to restricted fund balance and then unrestricted amounts. A fund's unrestricted fund balance would have committed amounts reduced first, assigned amounts second, and unassigned amounts third when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The allowance for doubtful accounts for taxes receivable, the estimate of claims payable for the Medicaid fund, the estimate of additions for the Local Distributions fund, and the estimated useful lives of capital assets are among the most sensitive accounting estimates affecting the financial statements.

The additions for the Local Distributions fund, an agency fund, are estimated using the most recent actual known local option income tax collections which are for the calendar year two years prior to the current fiscal year. Adjustments to the estimate are made for units of local government that have changed their local income tax rates during the following two calendar years, for actual collections during the six months prior to the end of the current fiscal year, and for interest earned. The economy, any rate changes that are made in the current calendar year after preparation of the financial statements, and any unknown errors can impact the estimation process and cause actual results to differ.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As described in Note I, Summary of Significant Accounting Policies, differences exist between the government-wide and the governmental fund financial statements. These differences are summarized in the reconciliations that follow the governmental fund financial statements.

### A. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

In the government-wide financial statements, capital assets are considered economic resources and are capitalized at cost or estimated historical cost at time of acquisition. Where applicable these costs are offset by accumulated depreciation or amortization.

The government-wide statements use the flow of economic resources and accrue receivables that are not available soon enough in the subsequent period to pay for the current period's expenditures. Also under the flow of economic resources, expenses reported in the statement of activities do not require the use of current financial resources. Both these receivables and payables are accrued in the government-wide statements, but not in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the assets and liabilities of internal service funds are included in governmental activities in the statement of net position. In the proprietary fund financial statements, internal service fund balances are segregated and reported as their own fund type.

### B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

In the government-wide financial statements, the cost for capital outlays, except for governmental infrastructure, is allocated over the assets' useful lives and is reported as depreciation or amortization expense.

The government-wide statements use the flow of economic resources and therefore do not report revenues and expenses dependent on the availability of financial resources, as is reported in the fund financial statements. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. Net pension liabilities and other postemployment benefits do not require the use of current financial resources and are not reported as expenditures in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the expenses of internal service funds are included in governmental activities in the statement of activities. In the proprietary fund financial statements, internal service fund balances are segregated and reported as their own fund type.

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Deficit Fund Equity

At June 30, 2016, various funds had a deficit fund balance caused by overdrafts from pooled cash and investments and the posting of accruals to the

balance sheet. Temporary cash overdrafts are reported as interfund loans from the general fund.

Fund	Overdraft from pooled cash	Accrual deficits
<b>Governmental Funds</b>		
US Department of Health & Human Services	(304,460)	-
US Department of Agriculture	(3,276)	(8,892)
US Department of Labor	(3,774)	-
US Department of Education	(15,751)	(48,548)

#### B. Fund Balance

The State of Indiana reports its fund balances for governmental funds as nonspendable, restricted, committed, assigned, and unassigned. The detail

of the fund balance classifications at June 30, 2016 is as follows:

	<u>Major Special Revenue Funds</u>			
	<u>General Fund</u>	<u>Public Welfare - Medicaid Assistance Fund</u>	<u>Major Moves Construction Fund</u>	<u>Non-Major Funds</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Permanent fund principal	-	-	-	520,124
Prepaid expense	83,105	-	-	344
<b>Restricted:</b>				
Administration	547,931	-	-	-
<b>Committed:</b>				
Administration	-	-	-	7,721
Public Health	-	-	-	197,400
Economic Development	2,551	-	-	7,402
Environmental	-	-	-	568
Higher Education	-	-	-	5
Secondary Education	-	-	-	577,124
Roads & Bridges	-	-	-	45,732
Other Purposes	-	-	-	14,067
<b>Assigned:</b>				
Administration	160,875	-	-	141,052
Corrections	569,149	-	-	14,193
Police & Protection	23,237	-	-	287,489
Mental Health	26,491	-	-	46,995
Public Health	28,698	466,366	-	260,733
Child Services	902,085	-	-	141,464
Disability & Aging	12,960	-	-	3,702
Economic Development	12,541	-	-	59,352
Environmental	14,851	-	-	114,831
Natural Resources	1,086	-	-	138,636
Higher Education	10,871	-	-	69,297
Secondary Education	416,578	-	-	21,614
Roads & Bridges	2	-	662,899	502,987
Capital Outlay	164,923	-	-	93,811
Other Purposes	18,541	-	-	78,425
<b>Unassigned:</b>	835,780	-	-	(384,701)
<b>Total</b>	<b>\$ 3,832,255</b>	<b>\$ 466,366</b>	<b>\$ 662,899</b>	<b>\$ 2,960,367</b>

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits, Investments and Securities Lending**

**1. Primary Government – Other than Major Moves Construction Fund and Next Generation Trust Fund, Investment Trust Funds, and Pension and Other Employee Benefit Trust Funds.**

*Investment Policy*

Indiana Code, Title 5, Article 13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. For more information, please see the PERF policy in note IV(A)3. There are no formal deposit investment policies for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Indiana Code 5-13-9 and Indiana Code 5-13-10.5 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; municipal securities issued by an

Indiana local governmental entity if the issuer has not defaulted on any obligation within the twenty years preceding the date of the purchase; AAA rated money market mutual funds with a portfolio made up of direct obligations of the United States, obligations issued by any federal agency, instrumentality, or federal government sponsored enterprise or repurchase agreements fully collateralized by the same obligations allowed to be owned within the money market mutual fund; commercial paper rated in the highest rating category by one nationally recognized rating service with a stated final maturity of 270 days; securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States; obligations issued by United States agencies and instrumentalities, or federal government sponsored enterprises; supranational issuers having the highest investment credit rating by at least two nationally recognized credit rating agencies; repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency; and the State's local government investment pool.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2016:

Investment Type	Fair Value Totals	Investment Maturities (in Years)	
		Less than 1	1 - 5
U.S. Treasuries	\$ 2,669,641	\$ 2,644,486	\$ 25,155
U.S. Agencies	746,194	532,074	214,120
Supranationals	50,598	50,598	-
Municipal Bonds	45,899	34,606	11,293
Local Govt Investment Pool	280,769	280,769	-
Non-U.S. Fixed Income	65,214	20,062	45,152
Certificate of Deposits	188,696	188,696	-
Money Market Mutual Funds	1,083,123	1,083,123	-
<b>Total</b>	<b>\$ 5,130,134</b>	<b>\$ 4,834,414</b>	<b>\$ 295,720</b>

### *Custodial Credit Risk*

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2016, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. The Treasurer of State is authorized by statute (IC 5-13-10.5-5) to accept safekeeping receipts or other reporting for securities from: (1) a duly designated depository as prescribed in this article; or (2) a financial institution located either in or out of Indiana having physical custody of securities with a combined capital and surplus of at least ten million dollars (\$10,000,000) according to the last statement of condition filed by the financial institution with its governmental supervisory body. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Indiana Code 5-13-9, IC 5-13-10, and IC 5-13-10.5 authorizes the State Treasurer to invest or reinvest in securities fully guaranteed and issued by (1) the United States Treasury, (2) a federal agency, (3) a federal instrumentality, or (4) a

federal government sponsored enterprise, as well as, other securities that are AAA rated or insured through the Public Deposit Insurance Fund or the FDIC. The allowable investments are noted above under the Investment Policy Statement section in more detail. The State Treasurer recognizes credit (quality) risk as a market and strategic risk factor in all investments.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, and money market funds, as of June 30, 2016. The following table reflects the greatest risk rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations (S&P, Moody, and Fitch) for each type of investment:

<b>Investment Type</b>	<b>Greatest Risk Rating</b>	<b>Fair Value</b>
U.S. Treasuries	AA	\$ 2,669,641
U.S. Agencies	AA	746,194
Supranationals	AAA	50,598
Certificate of Deposits	NR	188,696
Municipal Bonds	NR	45,899
Non-US Fixed Income Bonds	A	65,214
Local Govt Investment Pool	NR	280,769
Money Market Mutual Funds	AAA	1,083,123
<b>Total</b>		<b>\$ 5,130,134</b>

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Indiana Code 5-13-10-3 states that the State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that depository as determined by its last published statement of condition filed with the State Board for Depositories.

At June 30, 2016, there were no investments in any one issuer that represents 5% or more of the total investments.

### *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2016, there were no deposits or investments denominated in foreign currencies, thus there was no foreign currency risk.

### Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities, to broker-dealers and other entities (borrowers), for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Securities may be lent under this section only if the agreement under which the securities are lent is collateralized by: (1) cash; or (2) non-cash collateral; in excess of the total market value of the loaned securities.

The State's custodial banks manage the securities lending programs and receive cash or securities as collateral. The types of securities lent during the year may include U.S. Treasury and agency obligations, corporate bonds/notes, and foreign bonds. Collateral securities and cash are initially pledged at 102% of the market value of the securities lent. Cash received as collateral is reported as an asset and a liability on the balance sheet. Securities received as non-cash collateral are not reported on the balance sheet, because the State does not have the ability to pledge or sell them without a borrower default. Generally, there are no restrictions on the amount of assets that can be lent at one time, except for the Public Employees' Retirement Fund and the State Teachers' Retirement Fund (discretely presented component units), which allow no more than 40% to be lent at one time.

Cash collateral received is invested by the custodian banks. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-35 days. The weighted average maturity gap at June 30, 2016, was 28 days.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State. The contracts with the State's custodian requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

As of June 30, 2016, the fair values of the underlying securities on loan were:

<b>Security Type</b>	<b>Fair Value</b>
U.S. Governments	\$2,212,812
U.S. Agencies	99,991
<b>Total</b>	<b>\$2,312,803</b>

The fair values of the collateral received for each investment type were:

<b>Security Type</b>	<b>Fair Value</b>
U.S. Governments	\$2,269,148
U.S. Agencies	102,000
<b>Total</b>	<b>\$2,371,148</b>

The percentage of collateral received for underlying securities on loan was 102.52%.

The fair values of the cash and non-cash collateral received were:

<b>Collateral Type</b>	<b>Fair Value</b>
Fair value of non-cash collateral	\$ 153,824
Fair value of cash collateral (liability to borrowers)	2,217,324
<b>Total</b>	<b>\$2,371,148</b>

Events of the market crisis of late 2008 negatively impacted the value of the State's securities lending cash collateral reinvestment pool. Since that time, the State, with the agreement of its' custodial bank, has been injecting capital into the pool using securities lending revenues to restore the value of the cash collateral reinvestment pool. As of June 30, 2016, the fair value of the cash collateral reinvestment pool was 97.33% of the fair value of the cash collateral received from the borrowers.

Fair Value of reinvested cash collateral by type:

<b>Collateral Type</b>	<b>Fair Value</b>
Time Deposits	\$ 84,860
Repurchase agreements	56,081
Asset backed securities	567,742
Floating rate notes	1,344,280
MMMF's	104,953
Receivable	278
<b>Total</b>	<b>\$2,158,194</b>

The quality rating of the reinvested cash collateral investments as described by Standard and Poor's at June 30, 2016, is as follows:

<b>S&amp;P Rating</b>	<b>Fair Value of Cash Collateral</b>	<b>% of Portfolio</b>
AAA	\$ 419,468	19.4
AA	729,151	33.8
A	724,563	33.6
CCC	9,179	0.4
NR	275,833	12.8
<b>Total</b>	<b>\$2,158,194</b>	<b>100.0</b>

#### *Fair Value Measurement*

The Primary Government categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability into three broad categories. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2, and 3 (lowest priority level) of the fair value hierarchy are defined as follows:

**Level 1** Inputs using unadjusted quoted prices in active markets or exchanges for identical assets or liabilities.

**Level 2** Significant other observable inputs, which

The following table summarizes the valuation of the investments by the fair value hierarchy levels as of June 30, 2016:

<b>Investment Type</b>	<b>June 30, 2016</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
U.S. Treasuries	\$ 2,669,641	\$ 2,669,641	\$ -	\$ -
U.S. Agencies	746,194	-	746,194	-
Supranationals	50,598	-	50,598	-
Municipal Bonds	45,899	-	45,899	-
Non-US Govt Bonds	65,214	-	-	65,214
Local Govt Investment Pool	280,769	-	280,769	-
Certificate of Deposits	188,696	-	188,696	-
Money Market Mutual Funds	1,083,123	1,083,123	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 5,130,134</b>	<b>\$ 3,752,764</b>	<b>\$ 1,312,156</b>	<b>\$ 65,214</b>

may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

**Level 3** Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability.

US Treasury securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The U.S. Agencies' securities, Supranationals' securities, and municipal bonds classified in Level 2 of the fair value hierarchy are valued using other observable inputs other than quoted prices in an active market. The certificate of deposits are valued at cost-based measures and are classified as Level 2. The Non-US Government Bonds have no observable inputs and the markets are not active, so they have been valued using cost-based measures and are classified as Level 3. The local government investment pool is valued using the fair value valuation methodology and is marked to market daily using the most recent market bid price as obtained from one or more market makers and is thus classified in Level 2 of the fair value hierarchy. The money market mutual funds are valued at the daily closing price as reported by the funds and are deemed to be actively traded and are classified in Level 1 of the fair value hierarchy.



**Major Moves Construction Fund/Next Generation Trust Funds**

*Investment Policy*

Indiana Code, Title 5, Article 13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5, except the funds may not be invested in equity securities. Investment Policy Statements for the investment of these two funds has been adopted by the Treasurer of State. The Investment Policy Statements are written in conformity with the applicable investment statutes and in accordance with prudent investor standards. There is no formal deposit policy other than compliance to State Statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment

credit risk, nor interest rate risk. The Investment Policy Statements establish asset allocations and investment structures for both Funds. These asset allocations and investment structures were established with consideration given to each Fund's objectives, time horizons, risk tolerances, performance expectations, and liquidity requirements.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. The MMCF manager's long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective of 5.25%.

The following table provides the interest rate risk disclosure for the Major Moves/Next Generation Trust Fund as of June 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S Treasuries	\$ 175,536	\$ 3,130	\$ 128,416	\$ 28,069	\$ 15,921
U.S. Agencies	6,298	6,298	-	-	-
Government Asset and Mortgage Backed Collateralized Mortgage Obligations	43,757	1,138	3,685	4,110	34,824
Government CMOs	44,323	9,268	17,023	10,322	7,710
Corp CMOs	15,736	7,557	221	61	7,897
Corporate Bonds	460,962	110,086	290,418	44,173	16,285
Corporate Asset Backed	84,184	22,522	29,296	2,610	29,756
Private Placements	114,200	23,243	54,785	19,260	16,912
Municipal Bonds	23,641	2,508	18,312	2,599	222
TrustIndiana	20,008	20,008	-	-	-
Non US Government/Corp Bonds	27,027	5,432	6,161	8,646	6,788
Mutual Funds	112,673	112,673	-	-	-
<b>Total</b>	<b>\$ 1,128,345</b>	<b>\$ 323,863</b>	<b>\$ 548,317</b>	<b>\$ 119,850</b>	<b>\$ 136,315</b>

*Custodial Credit Risk*

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the

possession of an outside party.

At June 30, 2016, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

All investment managers must adhere to the following guideline related to the specific limitation on holdings:

The purchase of securities in the maximum amount invested in any single issuer of a non-agency mortgage-backed, asset-backed, or corporate security shall be limited to an initial cost of 2.5% of the market value of an Investment Manager's portfolio. This limit shall not apply to U.S. Government securities, or mortgage-back securities that are issued by an agency of the U.S. Government. Through capital appreciation, no such holding should exceed 3.5% of the market value of the total holdings of such Investment Manager's portfolio.

The following table provides information on the credit quality ratings for investments in debt securities, short-term money market funds, bond mutual funds and bond commingled funds, municipal securities, asset-backed, and mortgage-

backed securities as of June 30, 2016. The following table below reflects the "greatest risk" rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations (S&P, Moody, and Fitch) for each type of investment.

<u>Investment Type</u>	<u>Greatest Risk Ratings</u>	<u>Fair Value</u>
U.S. Treasuries	AA	\$ 175,536
U.S. Agencies	AA	6,298
Government Asset And Mortgage Backed	AA NR	21,348 22,409
Collateralized Mortgage Obligations		
Government CMO's	AA	44,323
Corporate CMO's	AAA AA A BBB BB B CCC&Below	605 228 756 1,605 910 138 11,494
Non US Govt/Corp Bonds	A BBB BB B CCC&Below NR	7,919 5,789 10,806 1,095 1,049 369
Corporate Bonds	AAA AA A BBB BB B CCC&Below NR	2,553 19,526 171,855 209,505 29,591 21,512 4,615 1,805
Corporate Asset and Mortgage Backed	AAA AA A BBB CCC&Below NR	56,433 9,299 2,719 301 15,267 165
Private Placements	AAA AA A BBB BB B CCC&Below NR	23,043 12,584 24,739 20,976 8,183 13,918 8,623 2,134
TrustIndiana	NR	20,008
Municipal Bonds	AAA AA A BBB NR	1,216 11,672 9,869 881 3
Money Market Mutual Funds	NR	112,673
<b>Total</b>		<b>\$ 1,128,345</b>

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools. For Intermediate and Core Fixed Income Managers, securities in any one issuer should be limited to not more than 5% of the investment manager's portion of the Fund portfolio measured at market value. For Core Plus Fixed Income Managers, the exposure of each manager's portfolio should be limited to not more than 10% of the manager's portion of the Fund portfolio measured at market value.

As of June 30, 2016, there were no investments in any one issuer that represent 5% or more of the total investments.

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Major Moves/Next Generation Trust Fund's foreign currency exposure is focused primarily in fixed income securities. The exposure to foreign currency fluctuation is as follows:

Currency	Fair Value	% of Total Fair Value
Argentina	\$ 146	0.01
Australia	13	0.00
Brazil	2,098	0.19
Canada	1	0.00
Chinese Yuan	(1,596)	-0.15
Columbian Peso	1,012	0.09
Euro	(4,511)	-0.41
Ghana	93	0.01
Hungary	272	0.03
India	990	0.09
Indonesia	861	0.08
Japan	(5,369)	-0.49
Malaysia	582	0.05
Mexico New Peso	3,424	0.31
New Zealand	0	0.00
Norwegian Krone	0	0.00
Philippines Peso	225	0.02
Polish Zloty	2,380	0.22
Pound Sterling	170	0.02
Russian Ruble	568	0.05
Singapore Dollar	0	0.00
South African Rand	846	0.08
Switzerland Franc	(10)	0.00
Turkish Lira	1,227	0.11
Uruguayan Peso	544	0.05
<b>Total</b>	<b>\$ 3,967</b>	<b>0.36</b>

### Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in excess of the total market value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

### Fair Value Measurement

The Major Moves Construction Fund and Next Generation Trust Fund categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability into three broad categories. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2, and 3 (lowest priority level) of the fair value hierarchy are defined as follows:

**Level 1** Inputs using unadjusted quoted prices in active markets or exchanges for identical assets or liabilities.

**Level 2** Significant other observable inputs, which may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

**Level 3** Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability.

US Treasury securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The U.S. agencies' securities, supranationals' securities, and municipal bonds, corporate bonds, and other debt securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs other than quoted prices in an active market. The local government investment pool is valued using the fair value valuation methodology and is marked

to market daily using the most recent market bid price as obtained from one or more market makers and is thus classified in Level 2 of the fair value hierarchy. Those money market mutual funds that are valued at the daily closing price as reported by the funds and are deemed to be actively traded and

are classified in Level 1 of the fair value hierarchy. The international commingled mutual fund was not priced in an active market and had no observable inputs thus was classified in Level 3.

The following table summarizes the valuation of the investments by the fair value hierarchy levels as of June 30, 2016:

Investment Type	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasuries	\$ 175,536	\$ 175,536	\$ -	\$ -
U.S. Agencies	6,298	-	6,298	-
Govt Asset and Mortgage Backed Collateralized Mortgage Obligations	43,757	-	43,757	-
Govt CMO's	44,323	-	44,323	-
Corporate CMO's	15,736	-	15,736	-
Corporate Bonds	460,962	-	459,351	1,611
Corporate Asset Backed	84,184	-	84,184	-
Private Placements	114,200	-	114,200	-
Local Government Investment Pool	20,008	-	20,008	-
Non US Govt/Corp Bonds	27,027	-	27,027	-
Municipal Bonds	23,641	-	23,641	-
Mutual/Commingled Funds	112,673	24,491	1	88,181
<b>Total Investments by Fair Value Level</b>	<b>\$ 1,128,345</b>	<b>\$ 200,027</b>	<b>\$ 838,526</b>	<b>\$ 89,792</b>

### ***TrustIndiana, Local Government Investment Pool (Investment Trust Funds)***

#### *Investment Policy*

Indiana Code, Title 5, Article 13, Chapter 9, Section 11 established the local government investment pool (TrustIndiana) within the office and custody of the Treasurer of State. The Treasurer of State shall invest the funds in TrustIndiana in the same manner, in the same type of instruments, and subject to the same limitations provided for the deposit and investment of state funds by the Treasurer of State under Indiana Code 5-13-10.5. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. However, pursuant to IC 5-13-9-11(g)(7), no less than fifty percent of funds available for investment shall be deposited in banks qualified to hold deposits of participating local government entities. Investment criteria have been established to create the principles and procedures by which the funds of TrustIndiana shall be invested and to

comply with state statute relating to the investment and deposit of public funds.

#### *Valuation of Investments*

Effective July 1, 2015, the valuation methodology changed from amortized cost, which approximates fair value, to the fair value valuation methodology. Fair value valuation methodology is deemed to more accurately reflect the value of any given position should it need to be liquidated at any given point in time.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2016:

Investment Type	Fair Value	investment Maturities (in Years)
		Less than 1
Commercial Paper	\$ 104,607	\$ 104,607
<b>Total</b>	<b>\$ 104,607</b>	<b>\$ 104,607</b>

*Custodial Credit Risk*

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2016, the balance of all bank deposits were covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TrustIndiana limits its investments in any one issuer to the highest rating category issued by one nationally recognized statistical rating organization.

The following table provides information on the credit quality ratings for investments in TrustIndiana:

Investment Type	Greatest Risk	Fair Value
	Ratings	
Commercial Paper	A1	\$ 104,607
<b>Total</b>		<b>\$ 104,607</b>

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. As noted above, TrustIndiana is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana. In addition, TrustIndiana limits its investments in any one issuer to 40% of net assets if the issuer is rated A1+/P1 and 25% of net assets if the issuer is rated A1/P1. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

At June 30, 2016, there were no investments in any one issuer, not exempt from disclosure, that represents 5% or more of the total investments.

*Securities Lending*

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent under an agreement which requires the loaned securities to be collateralized in the form of (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United

States, a federal instrumentality, or a federal government sponsored enterprise, in an amount at least equal to 102% of the current market value of the loaned securities. The net income earned through securities lending is recorded as additional income to the Pool. As of June 30, 2016, there were no securities on loan and therefore, no credit risk exposure.

#### *Fair Value Measurement*

A change in valuation methodologies occurred effective July 1, 2015 from amortized cost to the fair value methodology. The change from amortized cost valuation methodology to the fair value valuation methodology may be immaterial in nature, but the fair value valuation methodology is deemed to more accurately reflect the value of any given position should it need to be liquidated at any given point in time. The underlying investments of TrustIndiana are marked-to-market on a daily basis.

In accordance with FASB guidance, TrustIndiana utilizes ASC 820 "Fair Value Measurement and Disclosure" to define fair value, establish a framework for measuring fair value, and expand disclosure requirements regarding fair value measurements. ASC 820 does not require new fair value measurements, but is applied to the extent that other accounting pronouncements require or permit fair value measurements. This standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an

asset or liability. Various inputs are used in determining the value of TrustIndiana's portfolio investments defined pursuant to this standard. These inputs are summarized into three broad levels. Levels 1, 2, and 3 (lowest priority level) of the fair value hierarchy are defined as follows:

**Level 1** Inputs using unadjusted quoted prices in active markets or exchanges for identical assets or liabilities.

**Level 2** Significant other observable inputs, which may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

**Level 3** Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability.

The bank deposits are valued on the rates directly negotiated with each financial institution and are quoted in an active market and are therefore, classified as Level 1. The commercial paper classified in Level 2 of the fair value hierarchy are valued using other observable inputs other than quoted prices in an active market.

The following table summarizes the valuation of the TrustIndiana's investments by the fair value hierarchy levels as of June 30, 2016:

<b>Investment Type</b>	<b>June 30, 2016</b>	<b>Fair Value Measurements Using</b>	
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
Commercial Paper	\$ 104,607	\$ -	\$ 104,607
Bank Deposits	149,475	149,475	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 254,082</b>	<b>\$ 149,475</b>	<b>\$ 104,607</b>

## **2. Pension and Other Employee Benefit Trust Funds – Primary Government**

### **State Police Pension Fund**

#### *Investment Policy*

The Indiana State Police Pension Trust was

established in 1937 to provide pension, death, survivor, and other benefits to present and former employees of the department and their beneficiaries who meet the statutory requirement for such benefits.

Indiana Code 10-1-2-2(c), established the prudent investor standard as the primary statutory provision

governing the investment of the Trust's assets. IC 10-1-2-2 (c) reads as follows:

The trust fund may not be commingled with any other funds and shall be invested only in accordance with Indiana laws for the investment of trust funds, together with such other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards. There is no formal deposit policy other than compliance to State statute. The following was the SPPT's adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation (%)
Alternative Preservation	12.0
Defensive Fixed Income	4.0
Core/Core Plus Fixed Income	6.0
Unconstrained Fixed Income	11.0
Global High Yield	5.0
Alternative Appreciation	18.0
Unconstrained Equity	30.0
Passive International Equity	4.0
Passive Domestic Equity	8.0
Cash and equivalents	2.0
<b>Total</b>	<b>100.0</b>

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in debt securities, short term money market funds, bond mutual/commingled funds, municipal securities, asset-backed, and mortgage backed securities for the State Police Pension Trust. The table reflects the "greatest risk" rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations (S&P, Moody, and Fitch) for each investment type.

Investment Type	Greatest Risk Ratings	Fair Value
U.S. Treasuries	AA	\$ 8,397
U.S. Agencies	AA	7,913
Collateralized Mortgage Obligations	AAA	1,473
	AA	166
	A	28
	NR	492
Corporate Bonds	AA	997
	A	5,666
	BBB	13,221
	BB	1,503
	B	1,160
	CCC & Below	233
Corporate Asset Backed	AAA	3,744
	AA	40
	BBB	67
Municipal Bonds	AAA	218
	AA	1,375
	A	771
	BBB	447
Mutual/Commingled Funds	NR	73,899
<b>Total</b>		<b>\$ 121,810</b>

*Custodial Credit Risk*

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2016, the balance of the State Police Pension Trust deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the customer. None of the Indiana State Police Pension Trust's investments are exposed to custodial credit risk because they are held in the name of the Indiana State Police Pension Trust. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

*Method Used to Value Investments*

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fair value for the majority of fixed income securities is determined by using quoted market prices by independent pricing services. Investments that do not have an established market are reported at estimated fair value, these include commingled funds, private equity funds and hedge funds. The alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Holdings are generally valued by a general partner or investment manager on a quarterly 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 judgement.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Indiana State Police Trust has eighteen different investments managers. Each investment manager is retained by

the Trust to implement a specific investment style and strategy and shall adhere to the specific limitations on holdings outlined in each investment manager's securities guidelines. The securities guidelines for each investment manager is negotiated and agreed upon in writing on a case-by-case basis and referenced in Appendix D of the Investment Policy Statement.

At June 30, 2016, there were no investments in any one issuer that represents 5% or more of the total investments.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective to exceed the actuarial assumed interest rate of 6.75%.

The following table provides the interest rate risk disclosure for the Indiana State Police Pension Fund:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			
		<b>Less than 1</b>	<b>1 - 5</b>	<b>6- 10</b>	<b>More than 10</b>
U.S. Treasuries	\$ 8,397	\$ -	\$ 917	\$ 5,346	\$ 2,134
U.S. Agencies	7,913	-	90	1,268	6,555
Collateralized Mortgage Obligations	2,159	-	30	492	1,637
Corporate Bonds	22,780	614	10,367	8,983	2,816
Corporate Asset Backed	3,851	-	3,570	161	120
Municipal Bonds	2,811	155	1,168	812	676
Mutual/Commingled Funds	73,899	73,899	-	-	-
<b>Total</b>	<b>\$ 121,810</b>	<b>\$ 74,668</b>	<b>\$ 16,142</b>	<b>\$ 17,062</b>	<b>\$ 13,938</b>

*Rate of Return*

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.4)%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Police Pension Trust's foreign currency exposure is focused primarily in international and global equity holdings. The exposure to foreign currency fluctuation is as follows:

*Foreign Currency Risk*



Currency	Fair Value	% of Total Fair Value
Australia	\$ 487	0.11
Canada	1,445	0.34
Denmark	665	0.16
Euro	3,469	0.82
Hong Kong	1,560	0.37
Japan	3,052	0.72
South Africa	595	0.14
Sweden	416	0.10
Switzerland	618	0.15
Pound Sterling	2,068	0.49
<b>Total Foreign Currency</b>	<b>\$ 14,375</b>	<b>3.40</b>

### Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, and agency of the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise. The market value of the required collateral must be in an amount at least equal to 102% of the current market value of the loaned securities.

As of June 30, 2016, the State Police Pension Trust did not have any securities on loan and therefore, no credit risk exposure.

### Fair Value Measurement

The Trust categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability into three broad categories. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2 and 3 (lowest priority level) of the fair value hierarchy are defined as follows:

**Level 1** Inputs using unadjusted quoted prices in active markets or exchanges for identical assets or liabilities.

**Level 2** Significant other observable inputs, which may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

**Level 3** Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability.

If the fair value is measured using inputs from different levels in the fair value hierarchy, the measurement should be categorized based on the lowest priority level input that is significant to the valuation. The Trust's assessment of significance of a particular input to the fair value measurement in its entirety required judgment, and considers factors specific to the investment. Investments measured at fair value using net asset value per share (or equivalent) as a practical expedient to fair value are not classified in the fair value hierarchy; however, separate disclosures for these investments are required.

Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical investments, to the extent these securities are traded.

Fixed income investments classified in Level 2 of the fair value hierarchy are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors. Valuation estimates from service providers' internal models use observable inputs such as interest rates, yield curves, credit/risk spreads and default rates. Matrix pricing techniques value securities based on their relationship to benchmark quoted prices.

Fixed income investments classified in Level 3 include valuations using significant unobservable inputs, valuations using proprietary information, inputs that cannot be corroborated by observable market data and securities valued with last trade date due to limited trading volume.

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The following table summarizes the valuation of the investments in the Trust by the fair value hierarchy levels as of June 30, 2016:

Investment Type	June 30, 2016	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Fixed Income Investments</b>			
U.S. Treasuries	\$ 8,396	\$ 8,396	\$ -
U.S. Agencies	7,913	-	7,913
Collateralized Mortgage Obligations	2,159	-	2,159
Corporate Bonds	22,780	-	22,780
Corporate Asset Backed	3,851	-	3,851
Municipal Bonds	2,812	-	2,812
<b>Total fixed income investments</b>	<b>47,911</b>	<b>8,396</b>	<b>39,515</b>
<b>Equity investments</b>			
Domestic Equity	19,123	19,123	-
International Equity	18,692	18,692	-
Commingled Equity Funds	62,235	62,235	-
<b>Total equity funds</b>	<b>100,049</b>	<b>100,049</b>	<b>-</b>
<b>Total investments by fair value level</b>	<b>147,960</b>	<b>\$ 108,445</b>	<b>\$ 39,515</b>
<b>Investment measured at the Net Asset Value (NAV)</b>			
Commingled Fixed Income Funds	73,899		
Commingled Equity Funds	78,737		
Hedged Equity/Long/Short Funds	4,259		
Multi-strategy Hedge Funds	14,989		
Private Equity	92,538		
<b>Total investments measured at the NAV</b>	<b>264,422</b>		
<b>Total investments measured at fair value</b>	<b>\$ 412,382</b>		

The valuation methods for investments measured at the NAV per share (or its equivalent) are described below:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds	\$ 73,899	\$ -	Daily	1 day
Commingled Equity Funds	78,737	-	Daily	1 day
Hedged Equity/Long/Short Funds	4,259	-	Monthly	90 days
Multi-strategy Hedge Funds	14,989	-	Semi-Annually	95 days
Private Equity	92,538	5,712	N/A	N/A
<b>Total investments measured at the NAV</b>	<b>\$ 264,422</b>			

Commingled Fixed Income and Equity Funds – There are 3 fixed income funds and 3 equity funds considered to be commingled in nature. Each are valued at the net asset value of the units held at the

end of the period based upon fair value of the underlying securities.

Private Equity - Consisting of 15 private equity

funds, this strategy invests across a range of strategies, geographies, and industries. These underlying portfolio company investments cannot be redeemed with the funds, but rather the funds will make distributions of capital to the Trust as the funds sell the underlying portfolio company investments.

**Hedged Equity/Long/Short Equity** – This type invests in 2 hedge funds which managers employ bottom-up stock picking, seeking returns in excess of public markets. Some of these managers have the ability to employ dedicated exposure to a particular sector in which they exhibit expertise.

**Multi-Strategy Hedge Funds** – This type invest in 1 hedge fund that are comprised of investments across hedge fund strategies. Four broad categories are, equity hedge, event driven, macro, and relative value. “Multi” references the multiple underlying sub-strategies within each category.

**State Employee Retiree Health Benefit Trust Fund-DB**

*Investment Policy*

The State Retiree Health Benefit Trust Fund – DB fund is comprised of the State Police Retiree Health Benefit Trust Fund, the SPD OPEB Trust Fund, the DNR OPEB Trust Fund, and the ATC/Excise OPEB Trust Fund.

The State Police Retiree Health Benefit Trust Fund consists of sections 401(h) and 115 established pursuant to the Internal Revenue Service that are separate accounts established within the State Police Pension Fund for the purpose of paying benefits for sickness, accident, hospitalization, and medical expenses. The assets in this account may be commingled for investment purposes only with the other accounts of the Indiana State Police Pension Fund. The investment authority for this Fund, since it is to be invested in the same manner as the State Police Pension Fund, is established under Indiana Code IC 10-12-2-2(c). There is no formal deposit policy other than compliance to State statute.

IC 10-12-2-2(c) reads as follows:

The trust fund shall be invested only in accordance with Indiana laws for the investment of trust funds, together with such other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment

guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards.

The SPD, DNR, and the ATC/Excise OPEB Trust Funds were established pursuant to HEA 1123 of the 2012 Indiana General Assembly. The State Personnel Department administers the SPD OPEB Trust Fund. The Department of Natural Resources administers the DNR OPEB Trust Fund. The ATC/Excise OPEB Trust Fund is administered by the Alcohol and Tobacco Commission. These trust funds were created to provide for the prefunding of annual required contributions and for covering the OPEB liability of covered individuals. The Treasurer of State shall invest monies in these trust funds not currently needed to meet the obligations of the trust funds in the same manner as other public money may be invested. Indiana Code, Title 5, Article 13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. There are no formal deposit and investment policies for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in the State Retiree Health Benefit Trust Fund - DB:

Investment Type	Greatest Risk	
	Ratings	Fair Value
U.S. Treasuries	AA+	\$ 11,982
U.S. Agencies	AA+	98,319
Supranationals	AAA	16,244
Municipal Bonds	NR	1,002
<b>Total</b>		<b>\$ 127,547</b>

*Custodial Credit Risk*

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a

depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2016, the balance of any bank deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

**Investment Custodial Credit Risk** – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty’s trust department or agent, but not in the name of the State of Indiana. None of the State’s investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian’s operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian’s failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represent 5% or more of the total investments were:

FHLB	24.49%	\$33,550
FHLMC	9.14%	12,519
FFCB	11.16%	15,281
FNMA	10.96%	15,013
FAMC	16.03%	21,956
IBRD	8.19%	11,221

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

*Securities Lending*

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the united states, an agency of the United State, an agency of the united States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
U.S. Treasuries	\$ 11,982	\$ 11,982	\$ -
U.S. Agencies	98,319	57,486	40,833
Suprationals	16,244	16,244	-
Municipal Bonds	1,002	1,002	-
<b>Total</b>	<b>\$ 127,547</b>	<b>\$ 86,714</b>	<b>\$ 40,833</b>

*Fair Value Measurement*

The State Retiree Health Benefit Trust – DB funds categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability into three broad categories. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2, and 3 (lowest priority level) of the fair value hierarchy are defined as follows:

**Level 1** Inputs using unadjusted quoted prices in active markets or exchanges for identical assets or liabilities.

**Level 2** Significant other observable inputs, which

may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

**Level 3** Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the

asset or liability.

US Treasury securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The debt securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs other than quoted prices in an active market.

The following table summarizes the valuation of the investments by the fair value hierarchy levels as of June 30, 2016:

Investment Type	June 30, 2016	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Treasuries	\$ 11,982	\$ 11,982	\$ -
U.S. Agencies	98,319	-	98,319
Supranationals	16,244	-	16,244
Municipal Bonds	1,002	-	1,002
<b>Total Investments by Fair Value Level</b>	<b>\$ 127,547</b>	<b>\$ 11,982</b>	<b>\$ 115,565</b>

**State Employee Retiree Health Benefit Trust Fund-DC**

*Investment Policy*

Indiana Code, Title 5, Article 13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Retiree Health Benefit Trust Fund has separate investment authority as established under Indiana Code 5-10-8-8.5 (c). The Treasurer of State shall invest the money in the trust fund not currently needed to meet the obligations of the trust fund in the same manner as other public money may be invested. There are no formal deposit and investment policies for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in State Retiree Health Benefit Trust Fund:

Investment Type	Greatest Risk	
	Ratings	Fair Value
U.S. Treasuries	AA	\$ 100,147
U.S. Agencies	AA	175,489
Local Government Investment Pool	NR	10,029
<b>Total</b>		<b>\$ 285,665</b>

*Custodial Credit Risk*

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2016, the balance of any bank deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

**Investment Custodial Credit Risk** – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty’s trust department or agent, but not in the name of the State of Indiana. None of the State’s investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian’s operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian’s failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represent 5% or more of the total investments were:

Federal Home Loan Banks	27.03%	\$ 80,263
Federal Home Loan Mortgage Corporation	10.15%	30,131
Federal Agriculture Mortgage Corporation	15.18%	45,054
Federal Farm Credit Bank	5.06%	15,027

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

*Securities Lending*

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the united states, an agency of the United State, an agency of the united

States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
U.S. Treasuries	\$ 100,147	\$ 100,147	\$ -
U.S. Agencies	175,489	110,028	65,461
Local Governmnet Investment Pool	10,029	10,029	-
<b>Total</b>	<b>\$ 285,665</b>	<b>\$ 220,204</b>	<b>\$ 65,461</b>

*Fair Value Measurement*

The State Retiree Health Benefit Trust – DC fund categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability into three broad categories. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2, and 3 (lowest priority level) of the fair value hierarchy are defined as follows:

**Level 1** Inputs using unadjusted quoted prices in active markets or exchanges for identical assets or liabilities.

**Level 2** Significant other observable inputs, which may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

**Level 3** Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability.

US Treasury securities classified in Level 1 of the

fair value hierarchy are valued using prices quoted in active markets for those securities. US Agency Debt securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs other than quoted prices in an active market. The local government investment pool is valued using

the fair value valuation methodology and is marked to market daily using the most recent market bid price as obtained from one or more market makers and is thus classified in Level 2 of the fair value hierarchy.

The following table summarizes the valuation of the investments by the fair value hierarchy levels as of June 30, 2016:

Investment Type	June 30, 2016	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Treasuries	\$ 100,147	\$ 100,147	\$ -
U.S. Agencies	175,489	-	175,489
Local Government Investment Pool	10,029	-	10,029
<b>Total Investments by Fair Value Level</b>	<b>\$ 285,665</b>	<b>\$ 100,147</b>	<b>\$ 185,518</b>

**3. Pension Trust Funds – Fiduciary in Nature Component Unit**

**Indiana Public Retirement System**

*Investment Guidelines and Limitations*

The Indiana General Assembly enacted the prudent investor standard to apply to the INPRS Board of Trustees and govern all its investments. Under statute (IC 5-10.3-5-3(a)) for PERF and (IC 5-10.4-3-10(a)) for TRF, the Board of Trustees must “invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.” The Board of Trustees is also required to diversify such investments in accordance with the prudent investor standard.

Within these governing statutes, the INPRS Board of Trustees has broad authority to invest the assets of the plans. The INPRS Board of Trustees utilizes external investment managers, each with specific mandates to collectively achieve the investment objectives of the retirement funds. Depending on the mandate and the contractual agreement with the investment manager, investments may be managed in separate accounts, commingled accounts, mutual funds or other structures acceptable to the INPRS Board of Trustees. An

asset allocation review is conducted periodically.

The INPRS Board of Trustees adopted a new Investment Policy Statement effective October 23, 2015, and the new strategic asset allocation for the Consolidated Defined Benefit Assets is as follows:

Global Asset Classes	Target Allocation - %	Target Range - %
Public Equity	22	19.5-24.5
Private Equity	10	7-13
Fixed Income - Ex Inflation - Linked	24	21-27
Fixed Income - Inflation - Linked	7	4-10
Commodities	8	6-10
Real Estate	7	3.5-10.5
Absolute Return	10	6-14
Risk Parity	12	7-17

The asset allocations shown above may differ for the PERF ASA, TRF Pre-1996 ASA, TRF 1996 ASA, and the LEDC plans, as these plan allocations are directed by the members.

The Pension Relief Fund (PR Fund) is invested 100 percent in high-quality, short-term money market instruments, including, but not limited to, high-quality commercial paper and securities issued or guaranteed by the U.S. government.

The State Employees’ Death Benefit Fund and the

Public Safety Officers' Special Death Benefit Fund are 100 percent invested in a commingled fund, which invest in short-term and fixed income investments.

*Rate of Return*

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses is as follows:

<b>Pension Trust Funds (1)</b>	<b>2016 Annual Money Weighted Rate of Return</b>
Public Employees' Retirement Fund	1.11%
Teachers' Retirement Fund Pre-1996 Account (2)	1.01%
Teachers' Retirement Fund 1996 Account (2)	1.01%
1977 Police Officers' and Firefighters' Pension and Disability Fund	1.22%
Judges' Retirement System	1.18%
State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan	1.17%
Prosecuting Attorneys' Retirement Fund	1.10%
Legislators' Defined Benefit Plan	0.84%
<b>Total (3)</b>	<b>1.10%</b>

(1) Excludes the Legislators' Defined Contribution Plan.  
 (2) The Teachers' Retirement Fund Accounts are combined for investment purposes.  
 (3) Rate of return also includes Legislators' Defined Contribution Plan, State Employees' Death Benefit Fund, Public Safety Officers' Special Death Benefit Fund and Pension Relief Fund.

*Cash in Bank and Deposits*

Cash balances represent both operational demand deposit accounts held at the bank and, investment related cash and short-term investments, both pooled and non-pooled, on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested in a short-term investment account, thus causing a possible negative book balance. Negative book balances are reflected in the liabilities section of the Statement of Fiduciary Net Position.

The table below presents the INPRS total cash deposits, which includes short-term investment funds as of June 30, 2016.

<b>Cash Deposits</b>	<b>Total</b>
Demand Deposit Account – Bank Balances (Insured by FDIC up to \$250 thousand per financial institution)	\$ 6,828
Held with Treasurer of State (Fully insured)	497
Demand Deposit - Outstanding Check Float	(24,564)
Held with Custodian Bank (Uncollateralized)	167,000
Short-term Investment Funds held at Bank (Collateralized)	1,395,892
<b>Total</b>	<b>\$ 1,545,653</b>



## Summary of Investments Held

A summary of investments held as of June 30, 2016, exclusive of operational cash and the securities lending program is as follows:

<b>Investment Type (1)</b>	<b>Fair Value</b>	<b>% of Total Investments</b>
<b>Short Term Investments (2)</b>	\$ 51,521	0.2%
<b>Repurchase Agreements</b>	6,433	-
<b>Short Term</b>		
Cash at Brokers	167,000	0.5
Money Market Sweep Vehicle	1,344,371	4.4
Commercial Paper	15,494	0.1
U.S. Treasury Obligations	239,551	0.8
Non-U.S. Governments	7,106	-
Subtotal	<u>1,773,522</u>	<u>5.8</u>
<b>Fixed Income</b>		
U.S. Governments	3,870,320	12.7
Non-U.S. Governments	2,667,584	8.7
U.S. Agencies	811,012	2.7
Corporate Bonds	2,333,511	7.7
Asset-Backed Securities	651,824	2.1
Commingled Fixed Income Funds	878,060	2.9
Subtotal	<u>11,212,311</u>	<u>36.8</u>
<b>Equity</b>		
Domestic Equities	3,337,858	10.9
International Equities	2,763,596	9.1
Commingled Equity Funds	1,234,825	4.0
Subtotal	<u>7,336,279</u>	<u>24.0</u>
<b>Alternative Investments</b>		
Private Equity	3,499,128	11.5
Absolute Return	2,299,874	7.5
Private Real Estate	1,577,811	5.2
Risk Parity	2,736,363	9.0
Subtotal	<u>10,113,176</u>	<u>33.2</u>
<b>Derivatives</b>	<u>(964)</u>	<u>-</u>
<b>Total</b>	<u><b>\$ 30,492,278</b></u>	<u><b>100.0%</b></u>

(1) The amounts disclosed above differ from the Asset Allocation Summary. The investment type combines assets according to the security type assigned to each investment by the Custodian. The Asset Allocation Summary groups assets according to the investment objective of each investment manager.

(2) Short-Term investments include highly liquid assets, both pooled and non-pooled that are an integral part of the pension investments.

*Custodial Credit Risk*

Deposits, investment securities, and collateral securities are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, INPRS will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of INPRS and are held by either the counterparty or the counterparty trust department's agent, but not in INPRS' name.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. At June 30, 2016, there was \$173.83 million of cash on deposit which was uninsured and uncollateralized and therefore exposed to credit risk as disclosed in Section (C).

Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5 for PERF and IC 5-10.4-3-14(a) and IC 5-10.4-3-13 for TRF, securities are required to be held for the fund under custodial agreements. INPRS' custody agreement with the custodian requires that the custodian segregate the securities on the custodian's books and records from the custodian's own property. In addition, any investment manager for INPRS is not allowed, under any circumstances, to take possession, custody, title, or ownership of any managed assets.

*Method Used to Value Investments*

The pooled and non-pooled investments are generally reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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 generally reported using cost-based measures, which approximates fair value.

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 security pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that include market observable inputs. 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. 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 significantly from the fair value.

Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income.

*Interest Rate Risk*

Interest rate risk is the risk changes in interest rates may adversely affect the fair value of the investments. Duration is a measure of interest rate risk. The longer a fixed-income investment is to maturity, the more susceptible the value of the fixed-income investment is to market interest rate changes. The INPRS Investment Policy Statement recognizes interest rate risk as a market risk factor that is monitored on an absolute and relative basis.

As of June 30, 2016 debt security duration is as follows:

<b>Debt Security Type</b>	<b>Carrying Value</b>	<b>% of All Debt Securities</b>	<b>Portfolio Weighted Average Effective Duration (Years)</b>
<b>Short Term Investments</b>			
Money Market Sweep Vehicle	\$ 1,371,328	10.5	0.01
Commercial Paper	15,494	0.1	0.04
U.S. Treasury Obligations	239,551	1.8	0.25
Corporate Bonds Less than 1 Year	7,106	0.1	0.71
Duration Not Available	191,564	1.5	N/A
<b>Subtotal</b>	<b>1,825,043</b>	<b>14.0</b>	
<b>Fixed Income Investments</b>			
U.S. Governments	3,870,320	29.7	10.08
Non-U.S. Government	2,662,813	20.4	7.56
U.S. Agencies	745,432	5.7	2.88
Corporate Bonds	2,072,139	15.9	5.95
Asset-Backed Securities	608,359	4.7	1.13
Duration Not Available	1,253,248	9.6	N/A
<b>Subtotal</b>	<b>11,212,311</b>	<b>86.0</b>	
<b>Total</b>	<b>\$13,037,354</b>	<b>100.0</b>	

The \$1.44 billion, for which no duration was available, is primarily made up of cash and commingled debt funds.

*Credit Risk*

absolute and relative basis.

The credit risk of investments is the risk the issuer will default and will no longer meet their obligations. The INPRS Investment Policy Statement recognizes credit (quality) risk as a market and strategic risk factor which is monitored on an

INPRS uses three primary rating investment services, Standard and Poor's, Moody's, and Fitch, ranked in priority order respectively.

<b>Credit Rating</b>	<b>Short-Term Investments</b>	<b>Fixed Income Securities</b>	<b>Total</b>	<b>Percentage of All Debt Securities</b>
AAA	\$ -	\$ 997,009	\$ 997,009	7.7
U.S. Government Guaranteed	-	4,681,332	4,681,332	36.4
AA	244,547	1,321,243	1,565,790	12.2
A	47	1,225,518	1,225,565	9.5
BBB	17,557	1,262,706	1,280,263	9.9
BB	-	285,150	285,150	2.2
B	-	187,745	187,745	1.5
Below B	-	213,433	213,433	1.7
Unrated	1,395,892	1,038,175	2,434,067	18.9
<b>Total</b>	<b>\$ 1,658,043</b>	<b>\$11,212,311</b>	<b>\$ 12,870,354</b>	<b>100.0</b>

The above table does not include cash with brokers of \$167.00 million.

The \$2.43 billion unrated primarily consists of the following security types: money market sweep

vehicles, private placement, term loans and asset-backed securities, commercial mortgages, CMO/REMIC's and commingled debt funds.

Concentration of credit risk is the risk of loss which may arise in the event of default by a single issuer. The INPRS Investment Policy Statement recognizes issuer risk as a strategic risk factor that is monitored on an absolute and relative basis. At June 30, 2016, single issuer exposure in the portfolio did not exceed 5 percent of either the total investments or the Fiduciary Net Position.

INPRS Investment Policy Statement has placed a limit on the concentration of assets placed with an investment manager.

No investment manager will manage more than 10 percent of the INPRS assets in actively managed portfolios at the time of funding. Through capital appreciation and additional purchases, no investment manager will be allowed to manage in excess of 15 percent of the system's assets in actively managed portfolios without Board approval.

No investment manager will manage more than 15 percent of the INPRS assets in passively managed portfolios at the time of funding. Through capital appreciation and additional purchases, no

investment manager will be allowed to manage in excess of 20 percent of the system's assets in passively managed portfolios without Board approval

No investment manager will manage more than 25 percent of the INPRS assets in a combination of actively and passively managed portfolios.

*.Foreign Currency Risk*

Foreign currency risk is the risk changes in exchange rates may adversely affect the fair value of an investment or a deposit. INPRS' foreign currency exposure is focused primarily in international fixed income and equity holdings.

At June 30, 2016, INPRS did not have a currency hedging program at the total fund level. However, at the manager level, hedging currency risk is allowed and certain managers actively manage currency exposure. INPRS monitors currency risk at the total fund level, portfolio level, and asset class level.

INPRS exposure to foreign currency risk at June 30, 2016, is as follows:

Foreign Currency Held at June 30, 2016						
Currency	Short Term	Fixed Income	Equity	Other Investments	Grand Total	% of Total <sup>1</sup>
Argentina Peso	\$ 34	\$ 2,231	\$ -	\$ 6,013	\$ 8,278	0.0%
Australian Dollar	2	82,675	109,387	(82,751)	109,313	0.4
Brazilian Real	409	52,612	21,209	(19,186)	55,044	0.2
Canadian Dollar	523	120,199	145,677	(120,596)	145,803	0.5
Chilean Peso	-	-	-	(924)	(924)	-
Chinese R Yuan HK	-	-	-	(24,542)	(24,542)	(0.1)
China Yuan Renminbi	-	50	-	18,116	18,166	0.1
Colombian Peso	84	20,996	-	1,317	22,397	0.1
Czech Koruna	-	(8)	732	103	827	-
Danish Krone	670	18,138	49,250	(15,777)	52,281	0.2
Dominican Rep Peso	-	1,882	-	-	1,882	-
Egyptian Pound	-	-	700	-	700	-
Euro Currency Unit	6,852	1,094,910	522,993	(979,801)	644,954	2.2
Hong Kong Dollar	274	40	108,507	(15,532)	93,289	0.3
Hungarian Forint	238	(254)	3,415	14,110	17,509	0.1
Indian Rupee	636	32	28,672	(631)	28,709	0.1
Indonesian Rupiah	58	30,533	3,220	1,307	35,118	0.1
Israeli Shekel	64	-	5,825	(36)	5,853	-
Japanese Yen	7,183	346,375	415,768	(364,795)	404,531	1.4
Malaysian Ringgit	151	26,261	1,450	4,134	31,996	0.1
Mexican Peso	277	51,054	13,694	(5,082)	59,943	0.2
Taiwan New Dollar	361	-	59,928	(18,160)	42,129	0.1
Turkish Lira	3	18,669	13,003	7,867	39,542	0.1
New Zealand Dollar	115	6,404	9,051	(16,962)	(1,392)	-
Norwegian Krone	320	4,017	9,683	9,005	23,025	0.1
Peruvian Nuevo Sol	-	1,947	-	3,318	5,265	-
Philippines Peso	16	243	1,383	673	2,315	-
Polish Zloty	46	58,147	1,559	(26,618)	33,134	0.1
British Pound Sterling	3,714	485,366	332,478	(487,799)	333,759	1.1
Romania Leu	6	823	-	6,318	7,147	-
Russian Ruble	-	21,122	-	(7,960)	13,162	-
South African Rand	300	39,629	26,302	(14,426)	51,805	0.2
Singapore Dollar	205	4,867	19,694	(18,629)	6,137	-
South Korean Won	-	(147)	98,586	(8,521)	89,918	0.3
Swedish Krona	404	68,719	67,069	(64,835)	71,357	0.2
Swiss Franc	3,140	3,402	161,555	(4,168)	163,929	0.5
Thai Baht	222	15,540	10,006	(1,371)	24,397	0.1
UAE Dirham	-	-	2,049	(13,179)	(11,130)	-
<b>Total</b>	<b>\$ 26,307</b>	<b>\$ 2,576,474</b>	<b>\$ 2,242,845</b>	<b>\$ (2,240,000)</b>	<b>\$ 2,605,626</b>	<b>8.7%</b>

(1) Total of foreign currency risk, as a percentage of all investments.

The foreign currency exposure consists of unhedged assets within the investment portfolio. The short term investment, debt securities and equity securities include accruals. Other investments include foreign holdings of other investments, derivatives and receivables/payables.

#### Securities Lending

Indiana Code 5-10.2-2-13(d) provides that the INPRS Board of Trustees' may authorize its custodian bank to enter into a securities lending program agreement under which certain securities held by the custodian on behalf of INPRS may be

loaned. The statute requires collateral pledged to be in excess of the total fair value of the loaned securities at all times.

The purpose of such a program is to provide additional revenue for the Consolidated Defined Benefits Assets. The INPRS Investment Policy Statement requires that collateral securities and/or cash be initially pledged at 102 percent of the fair value of the securities lent for domestic securities and 105 percent for international securities. No more than 40 percent of the Consolidated Defined Benefit Assets may be lent in aggregate. The custodian bank and/or its securities lending sub-

agents provide 100 percent indemnification of the Consolidated Defined Benefit Assets against borrower default, overnight market risk and failure to return loaned securities. Securities received as collateral by INPRS cannot be pledged or sold unless the borrower defaults.

At June 30, 2016, INPRS had no security lending credit risk exposure as the collateral value pledged exceeded the fair value of securities on loan, per the requirements stated above.

Security Type	Fair Value of Securities on Loan	Collateral Value (Securities and Cash)
U.S. Governments	\$ 420,356	\$ 445,910
Corporate Bonds	28,758	29,471
International Bonds	3,427	3,572
Domestic Equities	280,447	287,710
International Equities	74,678	82,939
<b>Total</b>	<b><u>\$ 807,666</u></b>	<b><u>\$ 849,602</u></b>

Cash collateral can be reinvested. The reinvested assets are subject to the investment guidelines specified by the INPRS Investment Policy Statement. It states all collateral investments will have a maturity of the next business day. INPRS retains the fair value risk with respect to the investment of the cash collateral. However, the custodian bank provides 100 percent indemnification to INPRS of all collateral invested in repurchase agreements against borrower default and overnight market risk.

All reinvested cash collateral investments consist of repurchase agreements which are not rated by any of the rating agencies.

*Repurchase Agreements*

A repurchase agreement is an agreement in which INPRS transfers cash to a broker-dealer or financial institution. The broker-dealer or financial institution transfers securities to INPRS and promises to repay the cash plus interest in exchange for the same securities. Repurchase agreements are assets with the security collateral held at INPRS' custodian bank.

An obligation under reverse repurchase agreement is the same as a repurchase agreement, but from the perspective of the buyer rather than the seller. Obligations under reverse repurchase agreements are liabilities of INPRS' whereby security collateral is held at the broker dealer or financial institution's custodian bank.

Cash received and reinvested in securities is not required to match the maturities of the securities posted as collateral.

At June 30 2016, INPRS did not have a repurchase agreement or an obligation under reverse repurchase agreement program at the total fund level. However, at the manager level, repurchase agreements and obligations under reverse repurchase agreements are allowable investments.

The amounts held at June 30, 2016, exclusive of securities lending reinvested cash collateral, are as follows:

Repurchase Agreements by Collateral Type	Cash Collateral Received	Fair Value
U.S. Treasury	\$ 6,433	\$ 6,433

Obligations Under Reverse Repurchase Agreements by Collateral Type	Cash Collateral Posted	Fair Value
U.S. Treasury	\$ 268,075	\$ 271,139
Non U.S. Government	252	331
	<b><u>\$ 268,327</u></b>	<b><u>\$ 271,470</u></b>

At June 30, 2016, INPRS had no reverse repurchase agreement credit risk exposure since the cash collateral value posted was less than the fair value of the liability held.

*Fair Value Measurement*

In accordance with GASB Statement No. 72, INPRS' investments are measured and generally reported at fair value and are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets for identical assets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly in an active market, and inputs in markets that are not considered to be active for identical or similar assets.

Level 3 – Investments reflect prices based upon unobservable inputs.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Short term investment funds (STIF's) are classified

at amortized cost if they have a share price equal to \$1.00. STIF's with a share price not equal to \$1.00 are included with commingled short term investments measured at the net asset value (NAV).

Equity and fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity and fixed income securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Corporate bonds classified in Level 3 are valued using discounted cash flow techniques. International equities classified in Level 3 are valued using a third party source.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Derivative instruments classified as Level 2 are valued using a market approach that considers benchmarks.

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At June 30, 2016, the fair value of investments categorized by Level 1, 2 and 3 is as follows:

Investment Type (1)	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments Measured at Amortized Cost</b>				
Short Term Investments (2)	\$ 51,521			
Cash at Brokers	167,000			
Repurchase Agreements	6,433			
Pooled Short Term Investments (2)	1,288,067			
<b>Total Investments Measured at Amortized Cost</b>	<b>1,513,021</b>			
<b>Investments by Fair Value Level</b>				
Pooled Short Term Investments (2)				
BNY - Mellon Cash Reserves	34,521	\$ -	\$ 34,521	\$ -
Commercial Paper	15,494	-	15,494	-
U.S. Treasury Obligations	239,551	239,551	-	-
Non-U.S. Governments	7,106	-	7,106	-
<b>Total Pooled Short Term Investments</b>	<b>296,672</b>	<b>239,551</b>	<b>57,121</b>	<b>-</b>
Fixed Income Investments				
U.S. Governments	3,870,320	3,869,991	329	-
Non-U.S. Governments	2,667,584	-	2,667,584	-
U.S. Agencies	811,012	-	811,012	-
Corporate Bonds	2,333,511	-	2,332,561	950
Asset-Backed Securities	651,824	-	651,824	-
<b>Total Fixed Income Investments</b>	<b>10,334,251</b>	<b>3,869,991</b>	<b>6,463,310</b>	<b>950</b>
Equity Investments				
Domestic Equities	3,337,858	3,329,904	7,954	-
International Equities	2,763,596	2,760,269	3,208	119
<b>Total Equity Investments</b>	<b>6,101,454</b>	<b>6,090,173</b>	<b>11,162</b>	<b>119</b>
<b>Total Investments by Fair Value Level</b>	<b>16,732,377</b>	<b>10,199,715</b>	<b>6,531,593</b>	<b>1,069</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Commingled Short Term	21,783			
Commingled Fixed Income	878,060			
Commingled Equity	1,234,825			
Private Equity	3,499,128			
Absolute Return	2,299,874			
Private Real Estate	1,577,811			
Risk Parity	2,736,363			
<b>Total Investments Measured at the Net Asset Value (NAV)</b>	<b>12,247,844</b>			
<b>Investment Derivatives</b>				
Total Futures	13,912	13,912	-	-
Total Options	100	-	100	-
Total Swaps	(14,976)	-	(14,976)	-
<b>Total Investment Derivatives</b>	<b>(964)</b>	<b>13,912</b>	<b>(14,876)</b>	<b>-</b>
<b>Total Investments (less Securities Lending Collateral)</b>	<b>\$ 30,492,278</b>			

(1) The amounts disclosed above will differ from the Asset Allocation Summary. The investment type combines assets according to the security type assigned to each investment by the Custodian. The Asset Allocation Summary groups assets according to the investment objective of each investment manager.

(2) Short Term Investments include highly liquid assets, both pooled and non-pooled that are an integral part of the pension investments.



The valuation method for investments measured at the net asset value (NAV) per share or equivalent, at June 30, 2016, is presented as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Commingled Short Term Funds (1)	\$ 21,783	\$ -	Daily	1 day
Commingled Fixed Income Funds (1)	878,060	-	Daily	1 day
Commingled Equity Funds (1)	1,234,825	-	Daily	1 day
Private Equity (2)	3,499,128	1,773,671	N/A	N/A
Real Estate Funds (3)	1,577,811	538,273	Quarterly	30-90 days
Absolute Return (4)	2,299,874	-	Monthly, Quarterly, Semi-Annually	30-120 days
Risk Parity (5)	2,736,363	-	Daily, Weekly, Monthly	3-5 days
Total	<u>\$12,247,844</u>	<u>\$ 2,311,944</u>		

(1) *Commingled Short Term, Fixed Income and Equity Funds* - There are three short term funds, twenty-one fixed income funds and three equity funds, which are considered to be commingled in nature. These investments are valued at the net asset value of the units held at June 30, 2016, based upon fair value of the underlying securities.

(2) *Private Equity*- Consisting of 269 private equity funds, this strategy invests across a range of strategies, geographies, and industries. These underlying portfolio company investments cannot be redeemed with the funds, but rather the funds will make distributions of capital to INPRS as the funds sell the underlying portfolio company investments.

(3) *Real Estate Funds* - Consisting of twenty-nine private real estate funds, this strategy invests primarily in U.S. commercial real estate. There are twenty-three private real estate funds that have been classified as illiquid where these investments can never be redeemed with those real estate funds. Distributions of capital from illiquid private real estate funds will be received as the underlying real estate assets are liquidated over the average ten year life of the fund. There are six real estate funds that have been classified as liquid real estate funds by nature of the open-end structure of the fund. Open-end funds generally offer periodic distributions of net cash flow, which investors can elect to reinvest, as well as quarterly redemption windows. Illiquid funds represent approximately 40 percent of the value of the real estate fund investments.

(4) *Absolute Return* - The absolute return strategies portfolio attempts to generate returns in excess of the plan's target actuarial rate of return over a full market cycle with minimal beta to the plan's primary long-only market exposures (equities, credit, rates, and commodities). Given that mandate, the portfolio tends to rely less heavily on traditional long/short equity and event-driven strategies, but

instead focuses on relative value/arbitrage and tactical trading strategies. The portfolio consists of 26 fund holdings that cover a broad spectrum of investment strategies and investment horizons, which results in distinct fund redemption terms to prevent asset-liability mismatches. Fund redemption periods range from weeks (alternative beta) to years (drawdown vehicles), but as a whole, on a weighted-average basis, the portfolio maintains a liquidity profile of less than one year. Most of the funds' investments are classified as fair value level 1 and 2 assets, which allow for 100 percent independent verification of NAVs/fair values by the funds' administrators. For the drawdown strategies, which are 19 percent of the Absolute Return portfolio (the majority consists of level 3 assets), the valuation processes are comparable to private equity valuations, with quarterly valuations as discussed in the following paragraph.

(5) *Risk Parity* - Consisting of three fund investments, this portfolio is constructed to accrue various asset class risk premiums, including equity, without long-term dominance from any single asset class. The structure of these investments provides a reasonable level of liquidity and investments may be redeemed in accordance to the terms set forth by each investment management agreement. The risk parity funds transact in what are presently considered to be liquid, market-priced instruments, and 100 percent of the NAV is independently calculated by the fund administrators. Fair values are reported as NAV per share.

As of June 30, 2016, it is probable \$3.50 billion and \$1.58 billion of the investments in the private equity and real estate funds type, respectively, will be sold at an amount different from the NAV of the INPRS' ownership interest in partners' capital. Therefore, the fair values of the investments in this type have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the

investments (one quarter in arrears plus current quarter cash flows). As of June 30, 2016, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve the buyer before the sale of the investments can be completed.

#### *Derivative Financial Instruments*

### **Overview of Derivatives**

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indices. The fair value of all derivative financial instruments is reported in the Statement of Fiduciary Net Position as either assets or liabilities, and the change in the fair value is recorded in the Statement of Changes in Fiduciary Net Position as investment income. A derivative instrument could be a contract negotiated on behalf of the Master Trust and a specific counterparty. This would typically be referred to as an "OTC contract" (Over the Counter) such as swaps and forward contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded." Due to the level of risk associated with certain derivative investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term, and such changes could affect the amounts reported in the financial statements. Investments in limited partnerships may include derivatives that are not shown in the derivative total.

The derivative instruments held by INPRS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

All investment derivatives discussed below are included within the Investment Risk Schedules, which precede this section. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio. INPRS holds investments in limited partnership and commingled investment funds, which may utilize derivatives from time to time for hedging purposes, and any derivatives held by these types of investment vehicles are not included in the information describing the INPRS' derivatives.

### **Futures**

A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

INPRS' investment managers use financial futures to replicate an underlying security or index they intend to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, INPRS' investment managers use futures contracts to adjust the portfolio risk exposure. Futures contracts may be used for the purpose of investing cash flows or modifying duration, but in no event may leverage be created by any individual security or combination of securities. No short sales of equity securities or equity index derivatives are permitted.

As the fair value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to, or received from, the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio.

### **Options**

Options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call) or to sell (in the case of a put) a specific amount of an asset for a specific price on or before a specified expiration date.

The purchaser of put options pays a premium at the outset of the agreement and stands to gain from an unfavorable change (i.e., a decrease) in the price of the instrument underlying the option. The writer of a call option receives a premium at the outset of the agreement and bears the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option. An interest rate swaption is the option to enter into an interest rate swap based off a set of predetermined conditions.

Options are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. The fair value of exchange-traded options is determined based upon quoted market prices.

The fair value of over the counter options is determined by external pricing services, using various proprietary methods, based upon the type of option.

### **Swaps**

Interest rate swaps are derivative instruments in which one party exchanges a stream of fixed interest rate cash flows for floating interest rate

cash flows. A notional amount of principal is required to compute the actual cash amounts and is determined at the inception of the contract.

Interest rate swaps are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. The fair value is determined by external pricing services using various proprietary methods.

An inflation swap is a derivative used to transfer inflation risk from one party to another through an exchange of cash flows. In an inflation swap, one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI) or an inflation bond.

Credit default swap agreements involve one party (referred to as the buyer of protection) making a stream of payments to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other predetermined credit event for the referenced entity, obligation or index.

Credit default swaps are used to achieve the desired credit exposure of a security or basket of securities. One of the main advantages of a credit default swap is it allows for exposure to credit risk

while limiting exposure to other risks, such as interest rate and currency risk. The fair value is determined by external pricing services using various proprietary methods.

#### **Forwards**

A forward currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. A contract is classified as a forward contract when the settlement date is more than two days after the trade date. Risks associated with such contracts include movement in the value of a foreign currency relative to the U.S. dollar. The contracts are valued at forward exchange rates and include net appreciation / depreciation in the Statement of Fiduciary Net Position. Realized gains or losses on forward currency contracts is the difference between the original contract and the closing value of such contract and is included in the Statement of Changes in Fiduciary Net Position.

The Fund enters into foreign currency forwards to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings and to settle future obligations.

## Derivative Contracts

The table below summarizes INPRS' derivative contracts for the fiscal year ended June 30, 2016:

Investment Derivatives	Change in		
	Fair Value	Fair Value	Notional
<b>Futures</b>			
Index Futures - Long	\$ (16,837)	\$ (16,837)	\$ 655,537
Commodity Futures - Long	17,313	17,313	1,287,059
Fixed Income Futures - Long	18,922	18,922	674,041
Fixed Income Futures - Short	(5,486)	(5,486)	(517,326)
<b>Total Futures</b>	<b>13,912</b>	<b>13,912</b>	<b>2,099,311</b>
<b>Options</b>			
Currency Spot Options Bought	164	953	42,585
Currency Spot Options Written	423	(612)	56,980
Interest Rate Options Bought	695	3,940	344,950
Interest Rate Options Written	(864)	(4,175)	497,720
Fixed Income Options Bought	(31)	36	36
Fixed Income Options Written	(26)	(43)	(43)
Inflation Rate Swaptions Bought	(29)	1	31,610
<b>Total Options</b>	<b>332</b>	<b>100</b>	<b>973,838</b>
<b>Swaps</b>			
Interest Rate Swaps - Pay Fixed Receive Variable	(13,047)	(16,923)	702,146
Interest Rate Swaps - Pay Variable Receive Fixed	2,720	2,156	428,182
Overnight Index Interest Rate Swaps - Pay Fixed Receive Variable	(15)	(15)	6,626
Overnight Index Interest Rate Swaps - Pay Variable Receive Fixed	(4)	(45)	8,272
Inflation Swaps - Pay Fixed Receive Variable	(643)	(666)	37,690
Inflation Swaps - Pay Variable Receive Fixed	303	303	4,708
Currency Swaps	135	134	27,664
Total Return Swaps	98	98	15,142,148
Credit Default Swaps Single Name - Buy Protection	(76)	(115)	62,670
Credit Default Swaps Single Name - Sell Protection	126	(150)	13,325
Credit Default Swaps Index - Buy Protection	(84)	(427)	13,300
Credit Default Swaps Index - Sell Protection	192	674	29,810
<b>Total Swaps</b>	<b>(10,295)</b>	<b>(14,976)</b>	<b>16,476,541</b>
<b>Total Derivatives</b>	<b>\$ 3,949</b>	<b>\$ (964)</b>	<b>\$ 19,549,690</b>

The table below summarizes the swap maturity profile as of June 30, 2016.

Swap Type	Swap Maturity Profile at June 30, 2016					
	< 1 yr	1 - 5 yrs	5 - 10 yrs	10 - 20 yrs	20 + yrs	Total
Interest Rate Swaps - Pay Fixed Receive Variable	\$ 142	\$ (4,545)	\$ (5,432)	\$ (2,427)	\$ (4,661)	\$ (16,923)
Interest Rate Swaps - Pay Variable Receive Fixed	(70)	2,881	459	(1,162)	48	2,156
Overnight Index Interest Rate Swaps - Pay Fixed Receive Variable	(15)	-	-	-	-	(15)
Overnight Index Interest Rate Swaps - Pay Variable Receive Fixed	-	(45)	-	-	-	(45)
Inflation Swaps - Pay Fixed Receive Variable	-	(666)	-	-	-	(666)
Inflation Swaps - Pay Variable Receive Fixed	-	-	39	264	-	303
Currency Swaps	-	(77)	(134)	345	-	134
Total Return Swaps	98	-	-	-	-	98
Credit Default Swaps Single Name - Buy Protection	-	(115)	-	-	-	(115)
Credit Default Swaps Single Name - Sell Protection	-	(78)	(66)	-	(6)	(150)
Credit Default Swaps Index - Buy Protection	-	(427)	-	-	-	(427)
Credit Default Swaps Index - Sell Protection	-	674	-	-	-	674
<b>Total Swap Fair Value</b>	<b>\$ 155</b>	<b>\$ (2,398)</b>	<b>\$ (5,134)</b>	<b>\$ (2,980)</b>	<b>\$ (4,619)</b>	<b>\$ (14,976)</b>

## Credit Risk

Counterparty credit risk exists on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract.

INPRS' investment managers use International Swaps and Derivative Association Master Agreements to further reduce counterparty risk by specifying credit protection mechanisms and providing standardization that improves legal certainty, thereby reducing the probability of unforeseen losses. Furthermore, the master agreements can provide additional credit protection through the requirement of collateral exchange and

certain event of default and mutual termination provisions. Securities eligible as collateral are typically United States government bills and U.S. dollar cash.

The maximum amount of loss due to credit risk that the agency would incur if the counterparty to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security, or netting arrangements, is the total unrealized gain of derivatives at the end of the reporting period. The aggregate fair value of investment derivative instruments in an unrealized gain position at June 30, 2016, was \$21.59 million, of which \$18.61 million was uncollateralized.

The table below summarizes the counterparty positions as of June 30, 2016:

Swaps Counterparty	S&P Rating	Fair Value			Collateral	
		Receivable/ Unrealized Gain	Payable/ (Unrealized Loss)	Fair Value	Posted	Received
Bank of America	BBB+	\$ 98	\$ (129)	\$ 49	\$ 100	\$ (210)
Banque Nationale De Paris	A	1,478	(312)	1,288	-	(1,280)
Barclays	BBB	203	(104)	(86)	-	-
Citigroup, Inc.	BBB+	665	(870)	(315)	1,107	(350)
CME Group	AA-	8,781	(14,361)	(9,298)	800	-
Credit Suisse	BBB+	443	(125)	401	56	(202)
Deutsche Bank	BBB+	5,661	(5,873)	(167)	200	(510)
Goldman Sachs	BBB+	174	(527)	(405)	1,930	-
HSBC Securities Inc	A	7	(186)	(186)	-	(1,680)
Intercontinental Exchange, Inc.	A	598	(490)	247	283	-
JPMorgan Chase Bank	A-	306	(374)	(111)	390	-
London Clearing House	BBB+	2,643	(8,421)	(6,732)	131	-
Morgan Stanley	BBB+	529	(138)	339	1,550	(950)
<b>Total</b>		<b>\$ 21,586</b>	<b>\$ (31,910)</b>	<b>\$ (14,976)</b>	<b>\$ 6,547</b>	<b>\$ (5,182)</b>

**Interest Rate Risk**

INPRS has exposure to interest rate risk due to investments in interest rate and inflation swaps and

forward mortgage-backed securities (TBAs). The required risk disclosures are included in the Interest Rate Risk schedule.

The table below summarizes INPRS' investments that are highly sensitive to interest rate changes:

Reference Currency	Pays	Receives	Fair Value	Notional
<b>Interest Rate Swap - Pay Fixed Receive Variable:</b>				
U.S. Dollar	1.32% to 2.50%	3M USD LIBOR	\$ (14,838)	\$ 475,112
Brazilian Real	12.29% to 15.77%	1D BRL CDI	1,496	54,093
Pound Sterling	0.36%	12M GBP WMBA SONIA COMPOUND	(7)	45,344
Euro Currency Unit	0.38% to 0.40%	3M EURIBOR REUTERS	8	26,874
Pound Sterling	1.60% to 2.25%	6M GBP LIBOR BBA	(1,613)	20,707
Euro Currency Unit	0.00% to 1.70%	6M EURIBOR REUTERS	(634)	20,558
Japanese Yen	0.30% to 0.90%	6M JPY LIBOR BBA	(754)	16,967
Colombian Peso	5.19% to 7.26%	1D COP COOVIBR	50	14,506
Hungarian Forint	1.38% to 2.42%	6M BUBOR REUTERS	(208)	6,952
Indian Rupee	6.42%	INR MIBOR OIS COMPOUND	33	5,928
Malaysian Ringgit	0.00% to 4.52%	3M KLIBOR	(61)	3,775
South Korean Won	3.49% to 3.56%	3M KRW KWCDC COD	(421)	2,668
Hong Kong Dollar	1.50%	3M HIBOR BLOOMBERG	40	2,572
Swedish Krona	0.05% to 1.00%	3M SEK STIBOR SIDE	(35)	2,186
Mexican Peso	5.18% to 5.86%	28D MXN TIIE BANXICO	8	1,777
Czech Koruna	0.55%	6M CZK PRIBOR PRBO	(8)	1,173
South African Rand	7.89% to 8.55%	3M ZAR JIBAR SAFEX	6	527
Colombian Peso	5.11%	90 DAYS DTF RATE	15	427
<b>Total</b>			<b>\$ (16,923)</b>	<b>\$ 702,146</b>
<b>Interest Rate Swap - Pay Variable Receive Fixed:</b>				
U.S. Dollar	3M USD LIBOR BBA	1.75% to 2.75%	\$ 1,264	\$ 255,340
Brazilian Real	1D BRL CDI	10.73% to 14.56%	(507)	51,973
Thailand Baht	6M THB THBFIX REUTERS	1.52% to 1.90%	43	20,547
Euro Currency Unit	6M EURIBOR REUTERS	0.86% to 1.57%	618	18,775
Mexican Peso	28D MXN TIIE BANXICO	5.25% to 7.10%	(135)	15,527
Canadian Dollar	3M CAD BA CDOR	1.50%	400	14,337
Pound Sterling	3M GBP LIBOR BBA	0.40% to 0.46%	26	11,577
South Korean Won	3M KRW CD KSDA	1.46% to 2.88%	122	10,618
South African Rand	3M ZAR JIBAR SAFEX	6.225% to 7.64%	(197)	9,578
South Korean Won	3M KRW KWCDC COD	2.03% to 2.94%	151	6,454
Chinese Yuan Renminbi	7D CHINA FIXING REPO RATES	2.75% to 2.98%	50	3,885
Pound Sterling	6M GBP LIBOR BBA	2.19%	302	2,941
Swedish Krona	3M SEK STIBOR SIDE	0.05%	26	2,718
Australian Dollar	6M AUD BBR BBSW	2.50%	47	1,742
Brazilian Real	1M BRL CDI	11.12% to 11.15%	(64)	1,305
Polish Zloty	6M WIBOR WIBO	2.02%	10	865
<b>Total</b>			<b>\$ 2,156</b>	<b>\$ 428,182</b>

**Foreign Currency Risk**

INPRS is exposed to foreign currency risk on its foreign currency forward contracts and futures contracts. The required risk disclosures are included in the Foreign Currency Risk schedule in Note 3 (H).

At June 30, 2016, INPRS' investments included a foreign currency contract receivable balance of \$5.97 billion and an off-setting foreign currency contract payable of \$5.95 billion

The net loss recognized for the fiscal year ended June 30, 2016 due to foreign currency transactions was \$13.51 million.

*Long Term Commitments for Alternative Investments*

INPRS enters into long-term commitments for funding other investments in private equity and private real estate. These amounts include Euro currency, Norwegian Krone and British Pound Sterling denominated commitments to limited liability partnerships. The remaining amount of unfunded commitments, converted to U.S. dollars using the closing exchange rate, as of June 30, 2016, is as follows:

<u>Currency</u>	<u>Total Unfunded Commitments</u>
U.S. Dollar	\$ 2,276,253
Euro Currency Unit	31,144
Norwegian Krone	3,675
British Pound Sterling	872
<b>Total</b>	<b><u>\$ 2,311,944</u></b>

**B. Interfund Transactions**

**Interfund Loans**

As explained in Note III(A), temporary cash overdrafts in various funds are reported as interfund loans from the General Fund. As of June 30, 2016, the following funds had temporary cash overdrafts covered by loans from the General Fund: U.S. Department of Agriculture, \$3.3 million, U.S. Department of Education, \$15.8 million, U.S.

Department of Health and Human Services Fund, \$307.5 million, and U.S. Department of Labor Fund, \$5.4 million. Also, reported is an \$8.0 million loan from the Motor Vehicle Highway Fund to the State Highway Fund, which is not expected to be repaid within the next fiscal year.

The following is a summary of the Interfund Loans as of June 30, 2016:

	<u>Loans To Governmental Funds</u>	<u>Loans From Governmental Funds</u>
<b>Governmental Funds</b>		
General Fund	\$ 331,961	\$ -
Nonmajor Governmental Funds	8,000	339,961
<b>Total</b>	<b><u>\$ 339,961</u></b>	<b><u>\$ 339,961</u></b>

**Interfund Services Provided/Used**

Interfund Services Provided of \$10.9 million represents amounts owed by various governmental funds to the Institutional Industries Fund and the Administrative Services Revolving Funds, both

internal service funds, for goods and services rendered.

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The following is a schedule of Interfund Services Provided/Used as of June 30, 2016:

	<b>Interfund Services Provided To Governmental Funds</b>	<b>Interfund Services Used By Governmental Funds</b>
<b>Governmental Funds</b>		
General Fund	\$ -	\$ 6,171
Public Welfare - Medicaid Assistance	-	6
Nonmajor Governmental Funds	-	4,748
<b>Total Governmental Funds</b>	<b>-</b>	<b>10,925</b>
<b>Proprietary Funds</b>		
Internal Service Funds	10,925	-
<b>Total Proprietary Funds</b>	<b>10,925</b>	<b>-</b>
<b>Total</b>	<b>\$ 10,925</b>	<b>\$ 10,925</b>

**Due From/Due To**

The \$35.0 million represents funds the General Fund borrowed in June 2004, interest free, from the Indiana Board for Depositories, a discretely presented component unit. Per Public Law 93-2013, Section 4, repayments to the Indiana Board for Depositories are to be made in annual increments of \$5.0 million each July beginning July 2013. The interfund balance of \$15.5 million represents the accrued distribution amount from the State Lottery Commission to the Build Indiana

Fund. The amounts due to Indiana University of \$101 thousand, Purdue University for \$5.3 million, the nonmajor universities of \$3.5 million, and the Indiana State Fair Commission for \$420 thousand are from FY 2016 state appropriations. \$89 thousand of the \$3.5 million due to the nonmajor universities is due from nonmajor governmental funds of the Indiana Commission for Higher Education.

The following is the schedule of Due From/Due To of component units, as of June 30, 2016:

	<b>Due From Primary Government</b>	<b>Due To Component Units</b>	<b>Due From Component Units</b>	<b>Due To Primary Government</b>
<b>Governmental Funds</b>				
General Fund	\$ -	\$ 44,222	\$ -	\$ -
Nonmajor Governmental Funds	-	89	15,485	-
<b>Total Governmental Funds</b>	<b>-</b>	<b>44,311</b>	<b>15,485</b>	<b>-</b>
<b>Component Units</b>				
Indiana University	101	-	-	-
Purdue University	5,294	-	-	-
Nonmajor Universities	3,496	-	-	-
Board for Depositories	35,000	-	-	-
State Lottery Commission	-	-	-	15,485
Indiana State Fair Commission	420	-	-	-
<b>Total Component Units</b>	<b>44,311</b>	<b>-</b>	<b>-</b>	<b>15,485</b>
<b>Total</b>	<b>\$ 44,311</b>	<b>\$ 44,311</b>	<b>\$ 15,485</b>	<b>\$ 15,485</b>



## Interfund Transfers

### *Major Governmental Funds*

Transfers constitute the movement of money from the fund that receives the resources to the fund that utilizes them. These numerous transfers generally result from legislation passed by the Indiana General Assembly that directs how the transfers are made. In the case of the General Fund, many appropriations are made in the General Fund and then transferred during the year to the funds where these appropriations are used. Also in the case of the General Fund, various taxes and other revenues are collected in other funds and transferred to the General Fund. Following are the principal purposes of the State's interfund transfers:

**General Fund** – \$440.9 million was transferred in from the State Gaming Fund which was wagering taxes from riverboats and slot machines at horse tracks. \$356.6 million was transferred in from the Medicaid Assistance Fund of which \$147.6 million was unused State match appropriations from the prior fiscal year, \$160.0 million was the State's share of hospital assessment fees, and \$49.0 million was quality assessment fees. The hospital assessment fees and qualifying assessment fees can only be used for the State's share of Medicaid services under Title XIX of the Social Security Act. The Build Indiana Fund transferred in \$236.2 million as Motor Vehicle Excise Tax Cut Replacement distributions. The Build Indiana Fund transferred in an additional \$7.3 million to the General Fund of which \$2.8 million went to the Adjustments to Surplus Fund and the remaining \$4.5 million was for various projects from the budget bill including for I-Light Network Operations and the Southern Indiana Education Alliance. \$100.7 million was received from the Fund 6000 Programs Fund of which \$69.9 million was distribution of financial institutions tax per IC 6-5.5; \$20.7 million was transferred in for Indiana Veterans' Home administration from the Comfort-Welfare Fund's receipts of resident fees and Medicaid reimbursements; \$4.4 million was transferred to the Office of Medicaid Policy and Planning's State Medicaid General Fund which was appropriation transfers from Indiana Veterans' Home Medicaid reimbursements; \$3.8 million was transferred in from permit fees collected from business that sell alcoholic beverages per IC 7.1-4-9-4; and \$1.9 million was transferred in from consumer and non-consumer settlements, unclaimed property litigation, and real estate appraiser licensing for the Office of the Indiana Attorney General. \$45.0 million was transferred in from the Tobacco Master

Settlement Fund for various health and welfare purposes including developmental disabilities services provided by the FSSA's Division of Disability and Rehabilitative Services, the Children's with Special Health Care Needs program administered by the Indiana State Department of Health, and substance abuse prevention and treatment services through the FSSA's Division of Mental Health and Addiction.

The following were transfers out from the General Fund: The Public Welfare Medicaid Assistance Fund received \$2.1 billion in transfers for Medicaid current obligations and for Medicaid administration to enable the Office of Medicaid Policy and Planning to carry out all services under IC 12-8-6. These services include, but may not be limited to the provision of care and treatment for individuals with mental illness, developmental disability, long term care needs, and family and child services needs. \$335.2 million was transferred to the Indiana Commission for Higher Education's Division of Student Financial Aid mostly for the awarding of the State's grants and scholarships for Hoosier students to attend colleges. \$296.4 million was transferred to the U.S. Department of Health and Human Services Fund in support of: \$144.2 million for Department of Child Services programs including child welfare services state grants, case management services, special needs adoption, Social Security Title IV-D services to needy families with children, and adoption services; \$41.7 million for the Family and Social Services' Division of Family Resources for local offices, state administration, information systems, and the temporary assistance for needy families program; \$53.3 million for the State Medicaid program; \$11.1 million to the FSSA divisions of Aging and Disability and Rehabilitative Services for developmental disabled client and aging services, \$6.2 million for county prosecutors' and local judges' salaries; \$39.6 million for FSSA's central office, social services data warehouse, and child care services; \$0.2 million for the Department of Health's cancer registry; and \$0.2 million for the FSSA's Division of Mental Health and Addiction for child psychiatric services. \$100.0 million was transferred to the Major Moves Construction Fund pursuant to Indiana Code 8-14-14.1-5. \$60.3 million was transferred to the U.S. Department of Agriculture Fund as the State's match of which \$51.2 million was for the FSSA Division of Family Resources' local offices, state administration, information systems, TANF, Electronic Benefits Transfer administration, and IMPACT, \$4.9 million was for the National School Lunch program administered by the Indiana Department of Education's Division of School and

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Community Nutrition Programs, \$2.5 million was for the FSSA central office fund, \$1.5 million was for Board of Animal Health and administration and their meat and poultry inspection program, \$0.1 million was for DNR administration and capital projects, and \$0.1 million was for food assistance and Womens, Infants, and Children (WIC) supplement of the Indiana State Department of Health. \$47.0 million was transferred to the Hospital Care for the Indigent Fund for the Hospital Care for the Indigent Program. \$41.7 million was received by the Indiana Department of Transportation for the Public Mass Transportation Fund, which is used for the promotion and development of public transportation.

**Medicaid Assistance Fund** – The Medicaid Assistance Fund had a transfer in of \$2.1 billion from the General Fund to support the state Medicaid program administered through the Office of Medicaid Policy and Planning. \$195.1 million was transferred in from the Healthy Indiana Plan trust fund to support the Healthy Indiana Plan (or HIP 2.0). \$47.5 million was transferred in from the Medicaid Indigent Care Trust Fund, which is part of the U.S. Department of Health and Human Services Fund, for reimbursement of hospital care for the indigent supplement payments made from the Medicaid Assistance Fund.

Transfers out included \$356.6 million to the General Fund of which \$147.6 million was the return of unused State match appropriations for Medicaid from the prior fiscal year, \$160.0 million was hospital assessment fees, and \$49.0 million was quality assessment fees. The hospital assessment fees and quality assessment fees can only be used for the State’s share of Medicaid services under

Title XIX of the federal Social Security Act.

**Major Moves Construction Funds** – The Major Moves Construction Fund had a transfer in of \$100.0 million from the Major Moves 2020 Trust Fund which is part of the General Fund pursuant to Indiana Code 8-14-14.1-4. The Major Moves Construction Fund received \$83.2 million of interest earned from the Next Generation Trust Fund and transferred per IC 8-14-15-10.

The Major Moves Construction Fund had a transfer out of \$205.8 million to the State Highway Department for construction and maintenance of the State’s highways, roads, and bridges.

**Proprietary Funds**

**Non-Major Enterprise Funds**

**The Inns and Concessions Fund** – This fund had transfers out of \$2.2 million, representing cash contributions to the Department of Natural Resources (DNR) which are to be used for repayments of bonds made by the Indiana Finance Authority.

**Wabash Memorial Bridge Fund** – This fund transferred out \$.4 million to the State Highway Fund due to the closing of the fund.

**Internal Service Funds**

\$58 thousand was transferred to the Administrative Services Revolving Fund from the General Fund as an administrative action at fiscal year end.

A summary of interfund transfers for the year ended June 30, 2016 is as follows:

	Operating transfers in	Operating transfers (out)	Net transfers
<b>Governmental Funds</b>			
General Fund	\$ 1,284,727	\$ (3,143,762)	\$ (1,859,035)
Public Welfare-Medicaid Assistance Fund	2,348,825	(356,616)	1,992,209
Major Moves Construction Fund	183,156	(205,769)	(22,613)
Nonmajor Governmental Fund	2,198,415	(2,306,484)	(108,069)
<b>Proprietary Funds</b>			
Nonmajor Enterprise Funds	-	(2,550)	(2,550)
Internal Service Funds	58	-	58
<b>Total</b>	<b>\$ 6,015,181</b>	<b>\$ (6,015,181)</b>	<b>-</b>

**C. Receivables**

**Primary Government – Governmental Activities**

Taxes Receivable/Tax Refunds Payable as of June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>			<b>Total Primary Government</b>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	
Income taxes	\$ 753,918	\$ -	\$ -	\$ 753,918
Sales taxes	767,581	6,312	-	773,894
Fuel taxes	147	76,051	-	76,198
Gaming taxes	341	6,354	-	6,695
Alcohol and tobacco taxes	48,263	29,468	1,919	79,650
Insurance	5,628	-	-	5,628
Financial institutions taxes	-	2,777	-	2,777
Other taxes	5,479	7,572	-	13,052
<b>Total taxes receivable</b>	<b>1,581,358</b>	<b>128,534</b>	<b>1,919</b>	<b>1,711,811</b>
Less allowance for uncollectible accounts	(229,097)	(10,697)	(0)	(239,795)
<b>Net taxes receivable</b>	<b>\$ 1,352,260</b>	<b>\$ 117,837</b>	<b>\$ 1,919</b>	<b>\$ 1,472,016</b>
<b>Tax refunds payable</b>	<b>\$ 38,349</b>	<b>\$ 7,096</b>	<b>\$ -</b>	<b>\$ 45,445</b>

**Primary Government – Business-Type Activities**

The accounts receivable amount reported on the financial statements of the Unemployment Compensation fund is comprised of funds due from Indiana employers (employer receivables) and from overpayments made to Unemployment Insurance recipients (claimant receivables). Accounts receivable as of June 30, 2016 is as follows:

	<u>Business - Type Activities</u>
	<u>Unemployment Compensation</u>
Employer	\$ 67,749
Claimant	157,914
<b>Total receivable</b>	<b>\$ 225,663</b>

A major portion of the accounts receivable, \$52.8 million of employer receivables and \$114.2 million of claimant receivables for a total of \$167.0 million, will not be collected within one year.

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

**Primary Government – Governmental Activities**

	Balance, July 1, As restated	Increases	Decreases	Balance, June 30
<b>Governmental Activities:</b>				
Capital assets, not being depreciated/amortized:				
Land	\$ 2,067,600	\$ 56,620	\$ (1,672)	\$ 2,122,548
Infrastructure	11,111,106	523,894	(1,941)	11,633,059
Construction in progress	1,076,509	531,330	(648,522)	959,317
Total capital assets, not being depreciated/amortized	<u>14,255,215</u>	<u>1,111,844</u>	<u>(652,135)</u>	<u>14,714,924</u>
Capital assets, being depreciated/amortized:				
Land and water use rights	24,916	238	-	25,154
Buildings and improvements	2,175,178	95,391	(15,004)	2,255,565
Furniture, machinery, and equipment	583,387	53,666	(35,005)	602,048
Computer software	116,129	2,351	(3,288)	115,192
Infrastructure	23,656	-	(527)	23,129
Total capital assets, being depreciated/amortized	<u>2,923,266</u>	<u>151,646</u>	<u>(53,824)</u>	<u>3,021,088</u>
Less accumulated depreciation/amortization for:				
Land and water use rights	(11,034)	(1,580)	-	(12,614)
Buildings and improvements	(1,184,483)	(103,780)	6,442	(1,281,821)
Furniture, machinery, and equipment	(378,696)	(78,898)	31,459	(426,135)
Computer software	(66,639)	(38,102)	2,120	(102,621)
Infrastructure	(15,559)	(600)	104	(16,055)
Total accumulated depreciation/amortization	<u>(1,656,411)</u>	<u>(222,960)</u>	<u>40,125</u>	<u>(1,839,246)</u>
Total capital assets being depreciated/amortized, net	<u>1,266,855</u>	<u>(71,314)</u>	<u>(13,699)</u>	<u>1,181,842</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 15,522,070</u></b>	<b><u>\$ 1,040,530</u></b>	<b><u>\$ (665,834)</u></b>	<b><u>\$ 15,896,766</u></b>

**Primary Government – Business-Type Activities**

	Balance July 1, restated	Increases	Decreases	Balance, June 30
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	-	63	-	63
Total capital assets, not being depreciated	<u>-</u>	<u>63</u>	<u>-</u>	<u>63</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 283	\$ -	\$ -	\$ 283
Furniture, machinery, and equipment	292	69	-	361
Total capital assets, being depreciated	<u>575</u>	<u>69</u>	<u>-</u>	<u>644</u>
Less accumulated depreciation for:				
Buildings and improvements	(180)	(13)	-	(193)
Furniture, machinery, and equipment	(257)	(19)	-	(276)
Total accumulated depreciation	<u>(437)</u>	<u>(32)</u>	<u>-</u>	<u>(469)</u>
Total capital assets being depreciated, net	<u>138</u>	<u>37</u>	<u>-</u>	<u>175</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 138</u></b>	<b><u>\$ 100</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 238</u></b>

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 71,140
Public safety	59,401
Health	2,371
Welfare	18,390
Conservation, culture and development	36,509
Education	2,052
Transportation	33,097
<b>Total depreciation/amortization expense - governmental activities</b>	<b>\$ 222,960</b>
<b>Business-type activities:</b>	
Inns and Concessions	\$ 32
Wabash Memorial Bridge	-
<b>Total depreciation expense - business-type activities</b>	<b>\$ 32</b>

**E. Leases**

The future minimum lease obligations, the net present value of these minimum lease payments as of June 30, 2016 and the assets acquired through capital leases are as follows:

Year ending June 30,	Operating leases	Capital leases		Future Minimum Lease Payments
		Governmental Activities		
		Principal	Interest	
2017	\$ 32,637	\$ 61,585	\$ 43,595	\$ 105,180
2018	25,620	62,170	41,957	104,127
2019	16,733	63,408	39,479	102,887
2020	11,618	66,636	36,196	102,832
2021	8,575	70,851	32,821	103,672
2022-2026	14,127	401,411	108,752	510,163
2027-2031	3	277,742	24,266	302,008
2032-2036	-	71	-	71
Total minimum lease payments (excluding executory costs)	<u>109,313</u>	<u>1,003,874</u>	<u>327,066</u>	<u>1,330,940</u>
Less:				
Remaining premium(discount)	-	(3,616)	-	(3,616)
<b>Total minimum lease payments</b>	<b>\$ 109,313</b>	<b>\$ 1,000,258</b>	<b>\$ 327,066</b>	<b>\$ 1,327,324</b>
<b>Assets acquired through capital lease</b>				
Building		\$ 5,364		
Machinery and equipment		27,824		
Infrastructure		969,694		
less accumulated depreciation		(3,519)		
		<u>\$ 999,363</u>		

*Operating Leases*

The State leases building and office facilities and other equipment under operating leases. Total payments for such leases with aggregate payments of \$20,000 or more were \$31.9 million for the year ended June 30, 2016. A table of future minimum lease payments (excluding executory costs) is presented above.

*Capital Leases Liabilities*

The State has entered into various lease agreements with aggregate payments of \$20,000 or more to finance the acquisition of buildings, land and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the government-wide statements.

**F. Long-Term Obligations**

Changes in long-term obligations for the primary government for the year ended June 30, 2016 were as follows:

<b>Changes in Long-Term Obligations</b>	<b>Balance, July 1, as Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance, June 30</b>	<b>Amounts Due Within One Year</b>	<b>Amounts Due Thereafter</b>
<b>Governmental activities:</b>						
Compensated absences	\$ 141,416	\$ 84,105	\$ (79,751)	\$ 145,770	\$ 82,347	\$ 63,423
Net pension liability	11,635,834	4,174,752	(2,701,020)	13,109,566	-	13,109,566
Other postemployment benefits	136,779	40,778	(47,296)	130,261	-	130,261
Pollution remediation	46,610	79	(11,080)	35,609	3,863	31,746
Capital leases	1,057,949	6,142	(63,833)	1,000,258	61,720	938,538
	<b>\$ 13,018,588</b>	<b>\$ 4,305,856</b>	<b>\$ (2,902,980)</b>	<b>\$ 14,421,464</b>	<b>\$ 147,930</b>	<b>\$ 14,273,534</b>
<b>Business-type activities:</b>						
Compensated absences	\$ 552	\$ 330	\$ (193)	\$ 689	\$ 214	\$ 475
Claims liability	26,804	708	(2,073)	25,439	2,760	22,679
	<b>\$ 27,356</b>	<b>\$ 1,038</b>	<b>\$ (2,266)</b>	<b>\$ 26,128</b>	<b>\$ 2,974</b>	<b>\$ 23,154</b>

Long term obligations of governmental activities include capital lease obligations of governmental funds as presented in Note IV(E), net pension liabilities as presented in Note V(E) (employee retirement systems and plan), other postemployment benefits, pollution remediation, intergovernmental payables, and compensated absence obligations. The General Fund typically has been used to liquidate any other long-term liabilities.

Long-term obligations of the business-type activities consist of claims liability of the Indiana Residual Malpractice Insurance Authority and compensated absences of the Inns and Concessions Fund.

**G. Prior Period Adjustments and Reclassifications**

For the fiscal year ended June 30, 2016, certain changes have been made to the financial statements to more appropriately reflect financial activity of the State of Indiana. These prior period adjustments and restatements are reflected in the beginning net position in the government-wide statement of activities.

In the fund financial statements for the General Fund there was an increase in fund balance of \$0.8 million and a corresponding decrease in fund

balance in Special Revenue Funds for revenues not transferred as required in the prior year.

In the fund statements for the General, and the government-wide statements, net position decreased by \$165.7 million due to the understatement of amounts being held in an agency fund for distributions to local units.

In the fund statements for the General, and the government-wide statements, net position

increased by \$2.0 million and for the Special revenue funds and the government-wide statements, net position increased by \$.3 million due to the implementation of GASB 72.

For the government-wide statements, there is an increase of \$153.0 million in net position for capital assets. This was the result of not capitalizing capital assets by June 30, 2015 that were acquired prior to this date and for corrections to acquisition cost by state agencies.

For the government-wide statements, there is a decrease of \$1 million in net position for infrastructure assets and Department of Administration Public Works projects that were incorrectly capitalized in prior years as construction in progress.

For the Internal Service funds and the government-wide statements, there is a decrease of \$0.7 million in net position due to the omission of a payable for

unredeemed vitality bucks in the prior year for the State Employee Health Insurance Fund and for the correction of an inventory balance for the Administration Services Revolving fund.

For the Fiduciary Funds, there was an increase of \$9 thousand in the investment trust fund due to the implementation of GASB 72.

For the discrete proprietary component units, net position decreased by \$4.8 million due to the implementation of GASB 68.

For the colleges and universities, net position for Ball State University increased by \$1.6 million due to the inclusion of the alumni association in this year's financial statements. In addition, the net position of Vincennes University decreased by \$6.2 million due to a change in their capital asset capitalization threshold.

The following schedule reconciles June 30, 2015 net position as previously reported, to beginning net position, as restated:

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Fiduciary Funds</b>	<b>Discretely Presented Component Units (Non Fiduciary)</b>
<b>June 30, 2015, fund balance/retained earnings/net assets as reported</b>	\$ 11,284,308	\$ (23,347)	\$ 30,955,532	\$ 14,118,043
Change in accounting principle	2,307		9	(10,966)
Correction of errors	(14,376)	-	-	-
Reclassifications of funds	-	-	-	1,555
<b>Balance July 1, 2015 as restated</b>	<b>\$ 11,272,239</b>	<b>\$ (23,347)</b>	<b>\$ 30,955,541</b>	<b>\$ 14,108,632</b>

**V. OTHER INFORMATION**

**A. Risk Management**

The State of Indiana is exposed to various risks of loss. This includes damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, errors, omissions and theft by employees, certain employee health benefits, employee death benefits, and unemployment and worker's compensation costs for State employees.

The State records an expenditure for any loss as the liability is incurred or replacement items are purchased. The State purchases commercial insurance coverage for certain DNR Inns properties. The State also purchases immaterial amounts of commercial insurance related to errors, omissions, and theft by employees. Settlements related to commercial insurance have not exceeded coverage in the past three fiscal years.

The State does have risk financing activity for the State employees' disability, certain State employees' health benefits, Conservation and Excise Officers' health benefits, and certain health, disability and death benefits for State Police officers. These are reported in four individual Internal Service Funds.

The State employees' disability program is financed partially by State employees through payroll withholdings and by the funds from which employees are paid. The employees' health benefits, the Conservation and Excise health benefits, and the State Police traditional health plan are funded by the employees who have selected certain health care benefit packages and the funds from which those employees are paid. (An insurance carrier does provide claims administration services for the health insurance programs.)

Located below is the table of claim liabilities. The liabilities are not maintained in the accounting records of the State. The claim liabilities for the health insurance programs and the State Disability fund were estimated based on the historical experience rate of claims paid that were for service dates incurred during a prior fiscal year. The surplus retained earnings in these funds are reserved for future catastrophic losses.

	State Police Health Insurance Fund	State Employee Disability Fund	State Employees' Health Insurance Fund	Conservation and Excise Officers Health Insurance Fund	Total
<b><u>2016</u></b>					
Unpaid Claims, July 1	\$ 2,442	\$ 4,805	\$ 35,699	\$ 374	\$ 43,320
Incurred Claims and Changes in Estimate	24,926	18,936	319,574	2,607	366,043
Claims Paid	(24,359)	(19,231)	(316,854)	(2,590)	(363,034)
<b>Unpaid Claims, June 30</b>	<b>\$ 3,009</b>	<b>\$ 4,510</b>	<b>\$ 38,419</b>	<b>\$ 391</b>	<b>\$ 46,329</b>
<b><u>2015</u></b>					
Unpaid Claims, July 1	\$ 2,762	\$ 5,230	\$ 36,266	\$ 537	\$ 44,795
Incurred Claims and Changes in Estimate	19,383	19,470	307,385	2,655	348,893
Claims Paid	(19,703)	(19,895)	(307,952)	(2,818)	(350,368)
<b>Unpaid Claims, June 30</b>	<b>\$ 2,442</b>	<b>\$ 4,805</b>	<b>\$ 35,699</b>	<b>\$ 374</b>	<b>\$ 43,320</b>



## B. Contingencies and Commitments

### *Litigation*

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

With respect to tort claims only, the State's liability is limited to: (A) \$300,000 for a cause of action that accrues before January 2006; (B) \$500,000 for a cause of action that accrues between 2006 and 2008; or (C) \$700,000 for a cause of action that accrues on or after January 2008, for injury to or death of one person in any one occurrence and \$5 million for injury to or death of all persons in that occurrence.

The Indiana Attorney General's office estimates a total payment for liabilities and litigation expenses of \$10.0 million to be made from the Tort Claim Fund during the next fiscal year. During the fiscal year ending June 30, 2016, the State paid \$9.8 million for settlements, judgments, claims and litigation expenses from the Tort Claim Fund.

The following is a summary of certain significant litigation and claims currently pending against the State involving amounts exceeding \$5 million individually or in the aggregate. This summary is not exhaustive, either as to the description of the specific litigation or claims described, or as to all of the litigation or claims currently pending or threatened against the State.

The Indiana Attorney General's office is currently handling the following cases that could result in significant liabilities to the State:

In 1968, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The District Court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998, the parties negotiated an 18-year phase out of the desegregation plan that was approved by the Court for some school corporations and a 13-year phase out of the desegregation plan for the school corporations that had already began the desegregation plan. State expenditures will be gradually reduced as the plan is phased out.

In 2008, Plaintiffs brought a case against employees of the Indiana Department of Child Services, an Indiana State Police detective, and a doctor, alleging the Defendants engaged in a conspiracy to deprive the Plaintiffs' family members of their rights. The Plaintiff children were removed from the home after another child passed away, and the Plaintiff parents were charged with neglect of a dependent, but those charges were subsequently dropped. A jury trial was held beginning on September 16, 2015. The jury reached a verdict in the amount of \$31.3 million against the current and former state employees. A motion to alter or amend the judgment was filed on November 6, 2015; Plaintiffs' response filed December 3, 2015. Plaintiffs petitioned for attorney fees and costs on November 23, 2015 in the following amounts: \$2.7 million in attorney fees, \$22.7 thousand in costs, and \$74.3 thousand in expenses. On September 30, 2016, the Court denied Defendants' Motion to Alter or Amend Judgment. Renewed Motion to Stay Attorney Fee Proceedings filed on October 14, 2016. Notice of Appeal filed October 28, 2016; briefing suspended. Settlement conference with 7<sup>th</sup> Circuit held December 2, 2016; mediations scheduled February 6, 2017.

In 2012, Plaintiffs brought a Section 1983 civil rights lawsuit against an auditor from the Indiana Department of Revenue, along with a Tax Litigation counsel for the Office of the Attorney General. The lawsuit arises out of a tax investigation involving Plaintiffs' jewelry business. The investigation involved a search of their home and business, and led to their arrests for numerous counts of felony tax fraud. The charges were eventually dismissed with prejudice. As a result of the dismissal, the Plaintiffs contend that the defendants, maliciously prosecuted them in violation of their Fourth and Fourteenth Amendment rights, and are seeking \$9.5 million dollars in compensatory and punitive damages. An early settlement conference was unsuccessful. Discovery is ongoing, and a comprehensive motion for summary judgment has been filed.

In March 2013, Plaintiffs filed a class action lawsuit against the State which alleges the Indiana Bureau of Motor Vehicles charged amounts that were not authorized by law to persons under the age of 75 who have paid a fee to obtain or renew their drivers' licenses since March 7, 2007. A settlement has been reached that provides for credits, in a total amount of about \$30 million, to be paid to class members and their attorneys. In November 2013, The Court's Order and Judgment Approving Settlement was entered. For a period of 3 years

after the Court's final approval of the Settlement, any refunds that have not been paid as advance payments will be available to class members as outlined. Settlement agreement amended to remove obligation to promulgate rules regarding certain fees. Payments are to be made under agreement until December 2016. As of June 30, 2016, \$5.0 million remained to be refunded which has been accrued as an expense and payable in the government-wide financial statements. A motion to amend the class action settlement agreement was filed on December 1, 2016. Plaintiffs asked for extension to respond to January 16, 2017.

#### *Other Litigation*

The State on behalf of the following state agencies is currently involved in the following cases that could result in significant liability to the State:

#### Indiana Family and Social Services Agency (FSSA)

In May 2010, the State of Indiana, on behalf of the FSSA, and counterclaim Plaintiff sued each other regarding counterclaim Plaintiff's state welfare system contract entered into in 2006. In October 2009, the State announced its intention to terminate the 10-year contract early effective December 2009 due to counterclaim Plaintiff's deficient performance. The trial court issued rulings in July and August of 2012 awarding the counterclaim Plaintiff \$62.7 million. This amount included \$9.5 million for equipment retained by the state, \$2.5 million in early termination close-out payments, \$40.0 million in subcontractor assignment fees (previously granted to the counterclaim Plaintiff on summary judgment), and \$10.7 million in prejudgment interest. The trial court also ruled that the counterclaim Plaintiff was not entitled to recover \$43.0 million claimed for deferred fees. The trial court further ruled that there was no material breach of the contract, so the State could not recover damages from the counterclaim Plaintiff for breach of contract.

The State appealed. In February 2013, the Court of Appeals affirmed the trial court's award of \$40.0 million in assignment fees and \$9.5 million in equipment fees to counterclaim Plaintiff; it affirmed the trial court's denial of deferred fees to counterclaim Plaintiff; it reversed the trial court's award of \$2.5 million in early termination close-out payments and \$10.7 million in prejudgment interest to counterclaim Plaintiff; and found counterclaim Plaintiff materially breached the contract. The Court of Appeals remanded the case to the trial court to determine the amount of fees counterclaim Plaintiff is entitled to for change orders and to determine the

state's damages and offset damages awarded to counterclaim Plaintiff as a result of counterclaim Plaintiff's material breach of contract. Both parties sought review from the Indiana Supreme Court.

The Indiana Supreme Court heard oral arguments in the case on October 30, 2014, and rendered its decision on March 22, 2016. Like the Indiana Court of Appeals, the Indiana Supreme Court: affirmed the trial court's award of \$40.0 million in assignment fees and \$9.5 million in equipment fees to counterclaim Plaintiff; it affirmed the trial court's denial of deferred fees to counterclaim Plaintiff; it reversed the trial court's award of \$2.5 million in early termination close-out payments and \$10.7 million in prejudgment interest to counterclaim Plaintiff; and found counterclaim Plaintiff materially breached the contract. The court remanded the case to the trial court for a determination of State's multi-million dollar damages claim, and calculation of change order fees due to counterclaim Plaintiff (approximately \$500,000).

The case is now back before the Marion Superior Court with a new judge after a change of judge motion and Writ from the Indiana Supreme Court removing the prior trial judge. The case is now on a briefing schedule on damages, with argument to be held after briefing on February 10, 2017.

#### Indiana Bureau of Motor Vehicles (BMV)

In October 2013, an individual brought a putative class action against Indiana's Bureau of Motor Vehicles alleging overcharges ranging from \$35 to \$100 million. The court conducted a three day bench trial in Marion Superior Court from September 28-30, 2016. The parties await a ruling from the court. In the event of a judgment against the BMV, the agency will seek appropriate appellate relief and believes any judgment of damages to the class will be overturned; thus, the loss contingency range for this matter is \$0 to \$50 million.

#### *Other Loss Contingencies*

The U.S. Office of Inspector General (USOIG) has issued multiple audit reports on Indiana's Medicaid Assistance Program. The State has worked with the Centers for Medicare and Medicaid Services (CMS) to resolve the findings. As of June 30, 2016 there was \$37.8 million in findings in which FSSA believes to be probable for having to be repaid and therefore, has been accrued as an expense and payable in the government-wide financial statements. FSSA management is continuing to work with CMS on a settlement of these findings.

*Construction Commitments*

As of June 30, 2016, the Indiana Department of Transportation had outstanding construction commitments totaling \$0.9 billion for road and bridge projects. It is anticipated that these projects will be financed with approximately 14% State funds, 4% local funds, 60% traditional Federal funds, 6% from the Major Moves Construction Fund and 16% Major Moves 20/20 Construction Funds. These amounts do not include the LSIORBP project described below.

The State of Indiana and the Commonwealth of Kentucky have entered into a legal agreement known as the "Bi-State Development Agreement" which governs "The Louisville- Southern Indiana Ohio River Bridges Project (LSIORBP)." The project consists of the construction of the East End Bridge and highway connections that will complete an outer loop around the greater Louisville area; a Downtown Crossing including a new I-65 bridge for northbound traffic; a revamped John F. Kennedy Memorial Bridge for southbound traffic, and rebuilding of the downtown interchanges on both sides of the Ohio River. Kentucky is responsible for the financing, reconstruction and operational improvements of the Downtown Crossing Bridges; and, Indiana is responsible for financing and constructing the East End Crossing.

The Ohio River Bridge Project structures will be ultimately owned 50% by Indiana and 50% by Kentucky and is expected to cost \$2.6 billion. Kentucky's portion of the total project cost is estimated to be \$1.3 billion and Indiana's portion is estimated to be \$1.3 billion.

The State of Indiana has spent approximately \$404.4 million to date. This total includes \$232.0 million paid to the Indiana Finance Authority for Admin/Financial/Legal Fees, and Milestone and Annual Relief payments. The Commonwealth of Kentucky has spent approximately \$1.137 billion to date.

The new I-65 bridge (Lincoln Bridge) opened to foot traffic on December 5, 2015 and vehicular traffic on December 6, 2015.

The Indiana Department of Administration, Public Works Division, had remaining construction commitments totaling \$17.5 million for building and improvement projects of the State's agencies as of June 30, 2016. These projects are to be funded through State appropriations, the State Highway Department Fund, capital projects funds, and federal funds.

The State had \$30.1 million in total commitments for software in development as of June 30, 2016. These commitments are to be funded through the General Fund, federal funds and state dedicated funds.

*Encumbrances*

Significant encumbrances by major funds and non-major funds in the aggregate as of June 30, 2016 were as follows:

<b>Governmental Funds</b>	<b>Encumbrances</b>
General Fund	\$ 1,124,286
Public Welfare - Medicaid Assistance	3,805
Non-Major Governmental Funds	2,324,248
<b>Total</b>	<b>\$ 3,452,339</b>

**C. Other Revenue**

Other revenue represents revenue received which cannot accurately be included with any of the other revenue sources. In most cases, the amount of "other revenue" received by a fund is insignificant in comparison with total revenues received.

**D. Economic Stabilization Fund**

In 1982 the Indiana General Assembly adopted Indiana Code 4-10-18, which established the Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund").

This fund was established to assist in stabilizing revenue during periods of economic recession and is accounted for within the State general fund.

Each year, the State Budget Director determines calendar year Adjusted Personal Income (API) for the State and its growth rate over the previous year, using a formula determined by the legislature.

In general, monies are deposited automatically from the reverting accounts of the State General Fund, also known as the state surplus, into the Rainy Day Fund if the growth rate in API exceeds 2%; monies are removed automatically from the Rainy Day Fund if API declines by more than 2%. If the balance in the fund at the end of the fiscal year exceeds 7% of total General Fund revenues for the same period, the excess is transferred from the Rainy Day Fund to the state surplus.

Loans can be made from the Rainy Day Fund to local units of government for specific purposes. The Rainy Day Fund cash and investment balance at the end of fiscal year 2016 was \$544.8 million.

Total outstanding loans were \$2.5 million, resulting in total assets of \$547.3 million. Because the API increased by more than 2%, \$165.5 million was transferred from the General Fund to the Rainy Day Fund.

**E. Employee Retirement Systems and Plans**

The State of Indiana sponsors nine public employee retirement systems (PERS) that are included in the State's financial statements. They are reported and administered as described in Note I (A).

Summary of Significant Accounting Policies (Pensions)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to or deductions from fiduciary net position have been determined on the same basis as they are reported for all of the plans by their respective trustees. The Indiana Public Retirement System is the trustee for all of the plans except for the State Police Retirement Fund which is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*The State sponsors the following defined benefit single-employer plans:*

State Police Retirement Fund (Presented as a pension trust fund)

*Plan description.* The State Police Retirement Fund (SPRF) is a defined benefit, single-employer PERS, and is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Indiana Code 10-12-2-2 grants authority to the Department to establish and operate an actuarially sound pension plan governed by a pension trust. It also authorizes the Department to make annual contributions as necessary to prevent any deterioration in the actuarial status of the trust. The State Police Retirement Fund issues a publicly available financial report that can be obtained by writing the State Police Retirement Fund, c/o Treasurer of State, 200 W. Washington Street, Room 242 State House, Indianapolis, IN 46204.

The SPRF includes the Pre-1987 Benefit System and the 1987 Benefit System. The term "Pre-1987 Benefit System" shall refer to the plan and the benefits provided to employee beneficiaries who are first employed as employees by the Department before July 1, 1987, and who did not elect to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of the Trust Agreement. Any benefits provided to former employees who qualified for such benefits under the terms of the Trust Agreement as in effect prior to July 1, 1987, shall also be deemed part of the Pre-1987 Benefit System. The term "1987 Benefit System" shall refer to the plan and the benefits provided to employee beneficiaries who are first employed as employees by the Department on or after July 1, 1987, and to those employee beneficiaries who were first employed before July 1, 1987, provided they elected to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of the Trust Agreement.

*Retirement benefits provided.*

Pre-1987 Plan The Pre-1987 Plan provides that the basic monthly pension amount is one-half of the average monthly wages during the 12 months prior to retirement plus \$20. However, the monthly wages used for this purpose may not exceed the monthly salary of a sixth year trooper.

In addition to the basic retirement benefit described above, a plan member with over 20 years of service will receive the following incremental increases:

- |  |
|--|
| 2% of the basic amount for each of the next 2 years over 20 years; |
| 3% of the basic amount for each of the next 2 years over 22 years; |
| 4% of the basic amount for each of the next 2 years over 24 years; |
| 5% of the basic amount for each of the next 2 years over 26 years; |
| 6% of the basic amount for each of the next 2 years over 28 years; |
| 7% of the basic amount for each of the next 2 years over 30 years; |
| 8% of the basic amount for each of the next 2 years over 32 years. |

However, the total of these additional amounts may not exceed 70% of the basic pension amount, according to IC 10-12-3-7 (c).

1987 Plan The 1987 Plan provides that the basic monthly pension amount may not exceed one-half of the member's average monthly salary received during the member's highest-paid three years before retirement. Members retiring from July 1, 1987, through June 30, 1988, may not receive a basic monthly benefit greater than 50% of the maximum salary of a first sergeant. Members retiring from July 1, 1988, through June 30, 1989, may not receive a basic monthly benefit greater than 50% of the maximum salary of a captain.

In addition to the basic retirement benefit described above, a Plan member with over 25 years of service will receive the following incremental increases:

5% of basic amount for each of the next 3 years over 25 years;
6% of basic amount for each of the next 2 years over 28 years;
7% of basic amount for each of the next 2 years over 30 years;
8% of basic amount for each of the next 2 years over 32 years.

However, the total of these additional amounts may not exceed 70% of the basic pension amount, according to IC 10-12-4-7(e).

*Disability and survivor benefits provided.* The regular disability benefit for a disabled member may not exceed the maximum basic pension amount. If the member's disability was incurred in the line of duty, the member is entitled to an additional \$40 per month for each dependent parent and dependent child under age 18.

If a member is permanently and totally disabled by a catastrophic personal injury that: (1) is sustained in the line of duty after January 1, 2001; and (2) permanently prevents the member from performing any gainful work; the member is entitled to a disability benefit equal to the member's salary at the commencement of the disability in lieu of the regular disability benefit. The member is also entitled to increases in the disability benefit equal to the salary increases that the member would have received had the member remained in active service.

A member who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. In addition, a member who meets the conditions listed in IC 5-10-15 has a presumption that a total or partial disability resulting from an exposure-related cancer, or heart or lung disease is a disability incurred in the line of duty. These presumptions may be rebutted by competent evidence. A meeting or hearing held to rebut a presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). A presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

A member's survivor is entitled to a supplemental death benefit of not more than \$14,500 for employee beneficiaries who die before July 1, 2013. For employee beneficiaries who die after June 30,

2013, the amount of supplemental death benefits may not exceed \$20,000. The maximum monthly pension payable to surviving spouses or a dependent mother and father of a member killed in the line of duty may not exceed the current basic monthly pension amount paid to retirees or, upon a retiree's death, one-half of the deceased officer's monthly benefit.

A dependent child entitled to survivor benefits may receive a maximum of 30% of the basic monthly pension currently being paid to retirees. Total benefits paid to all of a member's surviving dependent children may not exceed the basic monthly pension currently being paid to retirees.

*Employees covered by benefit terms.* As of June 30, 2016, the following employees were covered by the benefit terms of the SPRF:

	Pre-1987 Plan	1987 Plan
Inactive employees or beneficiaries currently receiving benefits	861	726
Inactive employees entitled to but not yet receiving benefits	14	196
Active employees	29	1,137
<b>Total</b>	<b>904</b>	<b>2,059</b>

*Contributions.* Members of the Pre-1987 Plan contribute 5% of the member's wages (not including overtime and limited to sixth-year trooper pay). Members of the 1987 Plan contribute 6% of the member's wages (not including overtime). A member who receives a disability pension does not make contributions to the member's fund.

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost actuarial method. Normal cost is funded on a current basis. Under the terms of the Trust Agreement, in the event the Department fails to make the minimum contribution for five successive years, the Trust shall terminate and the fund shall be liquidated. The unfunded actuarial accrued liability is being funded over a thirty-year closed period which commenced July 1, 2010. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level dollar of payroll method. The funding policy for normal cost and unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis. For the year ended June 30, 2016, the State's contribution rate was 23.9 percent of payroll.

Deferred Retirement Option Program The Deferred

Retirement Option (DROP) for the State Police Retirement Fund was established in 2001 pursuant to the Pension Trust Agreement and is governed by the Department of the State Police and the Treasurer of the State of Indiana (Trustee). Members of the Pre-1987 and 1987 plans that are eligible to retire may elect to accumulate a DROP benefit while continuing to work. At the time of their election, the member executes an irrevocable election to retire on a DROP retirement date and remain in active service, but the member does not contribute to the fund during the DROP period. For the Pre-87 Plan, when an employee has completed 20 years of service or more, he/she may irrevocably elect to enter the DROP for a period ending the earlier of (1) 60 consecutive months, (2) completion of 34 years of service, or (3) attainment of age 65. An employee on disability cannot enter the DROP. From the date the employee enters the DROP, he/she will not be credited with any additional years of service. The employees DROP accrual will be equal to the basic monthly retirement benefit. At the end of the DROP period, the employee must separate from employment and retire. Upon separation, the employee will receive their accumulated DROP benefit in the form of a lump sum payment, a rollover to another retirement program, or a combination of both. For the 1987 Plan, all DROP requirements are the same as the Pre-87 plan, except that the employee must have completed 25 years of service or more. The DROP and future retirement monthly benefit is calculated as of the member's DROP entry date. At the time retirement, the member must choose among the available options for distribution of the accumulated benefit under the DROP. As of June 30, 2016, the amount held by the plan pursuant to the DROP is \$1.3 million.

**Net Pension Liability**

The SPRF's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the SPRF at June 30, 2015 were as follows:

Total pension liability	\$ 570,380
Plan fiduciary net position	(449,171)
<b>SPRF's net pension liability</b>	<b>\$ 121,209</b>
Plan fiduciary net position as a percentage of the total pension liability	78.7%

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Pre-1987 Plan	1987 Plan
Interest rate/investment return	6.75%	6.75%
Interest on member balances	3.00%	3.00%
Future salary increases, which includes inflation and cost of living increases	3.50%	9% age 26 & younger; reduced 0.5% through age 35; 4% age 36 and older

Mortality rates for healthy members were based on the RP-2014 Blue Collar Mortality Tables adjusted from 2006 with MP-2015 Mortality Improvement Scale. Mortality rates for disabled members were based on the RP-2014 Disabled Mortality Tables adjusted from 2006 with MP-2015 Mortality Improvement Scale.

The most recent comprehensive experience study was completed in 2011 and was based on member experience between June 30, 2005 and June 30, 2010. The demographic assumptions were updated as needed for the June 30, 2011 actuarial valuation based on the results of the study.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates of expected future rates of return (expected returns, net of pension plan investment expense) were developed for each major asset class. These estimated returns were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Development of the long-term investment return is shown below:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Broad domestic equity	29.0	7.7
Global ex U.S. equity	13.0	7.9
Defensive fixed income	4.0	2.4
Domestic fixed income	17.0	3.0
High yield fixed income	5.0	5.0
Hedge funds - alternatives	30.0	5.3
Cash and equivalents	2.0	2.3
<b>Total</b>	<b>100.0</b>	

*Discount rate.* The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State

contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was 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 benefit payments to determine the total pension liability.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/14</b>	\$ 540,797	\$ 467,998	\$ 72,799
<b>Changes for the year:</b>			
Service cost	14,356	-	14,356
Interest	35,912	-	35,912
Changes in benefit terms	275	-	275
Differences between expected and actual experience	4,765	-	4,765
Changes of assumptions or other inputs	9,230	-	9,230
Contributions - employer	-	13,451	(13,451)
Contributions - employee	-	3,967	(3,967)
Net investment income	-	(990)	990
Benefit payments, including refunds of employee contributions	(34,955)	(34,955)	-
Administrative expense	-	(300)	300
<b>Net changes</b>	<u>29,583</u>	<u>(18,827)</u>	<u>48,410</u>
<b>Balances at 6/30/15</b>	<u><u>\$ 570,380</u></u>	<u><u>\$ 449,171</u></u>	<u><u>\$ 121,209</u></u>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the SPRF, calculated using the discount rate of 6.75%, as well as what the SPRF's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net pension liability	192,993	121,209	61,393

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the State Police Retirement Fund. This report may be obtained by writing the State Police Retirement Fund, c/o Treasurer of State, 200 W. Washington Street, Room 242 State House, Indianapolis, IN 46204.

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the State recognized pension expense of \$21.7 million for the SPRF. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,491	\$ -
Changes of assumptions or other inputs	8,212	-
Net difference between projected and actual earnings on pension plan investments	25,542	9,507
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	14,803	-
<b>Total</b>	<b>\$ 53,048</b>	<b>\$ 9,507</b>

Deferred outflows of resources in the amount of \$14.8 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal year ended June 30:</b>	<b>Deferred Outflows of Resources/(Deferred Inflows of Resources)</b>
2017	5,801
2018	5,801
2019	5,801
2020	8,949
2021	2,322
Thereafter	64

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (Presented as part of INPRS – a fiduciary in nature component unit)

*Plan description.* The State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan (EG&C Plan) is a single-employer (the State of Indiana) defined benefit plan established to provide retirement, disability, and survivor benefits to certain employees of the (1) Indiana Department of Natural Resources, (2) Indiana Alcohol and Tobacco Commission and (3) any Indiana State excise police officer, Indiana State conservation enforcement officer, gaming agent or any gaming control officer who is engaged exclusively in the performance of law enforcement duties. The EG&C Plan was established in 1972 and is governed by

the INPRS Board of Trustees in accordance with IC 5-10-5.5.

*Retirement benefits provided.* Generally, pension benefits vest after 15 years of creditable service. Officers becoming participants after age 50 are vested after completion of 10 years of service. A participant is entitled to an annual pension benefit, paid in equal monthly installments beginning on the participant's normal retirement date, equal to 25 percent of the participant's average annual salary. A participant who completes more than 10 years of creditable service is entitled to receive an additional amount equal to 1.67 percent of the participant's average annual salary for each completed year of creditable service over 10 years. However, a participant's annual pension benefit may not exceed 75 percent of the participant's average annual salary.

Each participant is required to retire on or before the first day of the month following the participant's 65<sup>th</sup> birthday. However, a participant who is hired after age 50 must retire upon the earlier of: (1) the first day of the month following the participant's 65<sup>th</sup> birthday; or (2) the first day of the month following the date the participant completes 15 years of creditable service. A participant, who is at least 55 years of age and the sum of the participant's years of creditable service and age in years, equals at least 85, may retire and become eligible for full retirement benefits. In addition, a participant may elect full retirement benefits at age 50 with 25 years of service. A reduced benefit is provided for early retirements that are elected upon attainment of age 45 with at least 15 years of creditable service. The monthly benefit is reduced by 0.25 percent for each full month by which the participant's early retirement



date precedes the participant's 60<sup>th</sup> birthday.

Any participant who terminates service before accumulating 15 years of creditable service may become a member of the Public Employees' Retirement Fund (PERF). Upon payment of contributions and interest required by the INPRS Board of Trustees, the withdrawing participant shall be entitled to transfer creditable service to PERF.

The monthly pension benefits for members in pay status may be increased periodically as 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, 2016; however, eligible members did receive a one-time check (a.k.a. 13<sup>th</sup> check) in September 2015. The amount of the one-time check ranged from \$125 to \$400, depending upon a member's years of service, and was for a member who retired or was disabled on or before December 1, 2014, and who was entitled to receive a monthly benefit on July 1, 2015.

*Disability and survivor benefits provided.* A participant who becomes permanently or temporarily disabled from performing all suitable and available work "on the force" for which the participant is or may be capable of becoming qualified, considering reasonable accommodation to the extent required by the Americans and Disability Act, is entitled to receive a disability benefit. The amount of the disability benefit paid to a participant depends on whether the disability arose in the line of duty, the degree of impairment as determined by INPRS Board of Trustees' medical authority, and the participant's monthly salary. A participant is entitled to receive creditable service for the time the participant receives disability benefits under a State disability plan established under IC 5-10-8-7.

If a participant has more than 15 years of creditable service at the time of death, survivor benefits are payable to the surviving spouse, parents, or dependent children, as nominated by the participant's written direction, acknowledged, and filed with the INPRS Board of Trustees. The surviving spouse or the parent(s) is entitled to an annual survivor's allowance for life equal to 50 percent of the amount the participant would have been entitled to if he/she had retired on the date of death. If nominated and eligible, surviving unmarried minor child(ren) are entitled to an annual survivor's allowance equal to 50 percent of the amount the participant would have been entitled to

if he/she had retired, divided equally between or among all nominated and eligible children. This benefit will continue until the child reaches 18 years of age or marries, whichever occurs first.

*Deferred Retirement Option Plan.* The DROP for the EG&C Plan was established by the Indiana Legislature in 2008 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10-5.5-22. Members of the EG&C Plan that are eligible to retire at an unreduced annual retirement allowance, may elect to accumulate a DROP benefit while continuing to work. At the time of their election, the member executes an irrevocable election to retire on a DROP retirement date and remains in active service contributing to the plan until that date. The DROP retirement date must be not less than twelve (12) months and not more than thirty-six (36) months after their DROP entry date, and not after the date they reach any mandatory retirement age that may apply. The member may make an election to enter the DROP only once in their lifetime. The DROP and future retirement monthly benefit is calculated as of the member's DROP entry date. At the time of retirement, the member must choose among the available options for distribution of the accumulated benefit under the DROP. As of June 30, 2016, the amount held by the plan pursuant to the DROP is \$1.9 million.

*Employees covered by benefit terms.* As of June 30, 2016, the EG&C plan membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	220
Terminated vested members entitled to but not yet receiving benefits	7
Terminated non-vested members entitled to a distribution of contributions	121
Active members: vested and non-vested	421
<b>Total</b>	<b>769</b>

*Contributions.* The funding policy for the EG&C Plan is in accordance with statute IC 5-10-5.5-8.5. The employer contribution rate is actuarially determined. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation. During the year ended June 30, 2016, the State of Indiana was required to contribute 20.75 percent of covered payroll.

The member contribution rate is established by statute IC 5-10-5.5-8 at four (4) percent of a participant’s salary to be contributed to the participant’s savings account. The employer may pay all or a part of the contribution for the participant. Member contributions are used to fund a portion of the defined benefit payment. Any participant who terminates employment before accumulating 15 years of creditable service and before attaining the age of 45 shall be entitled to a lump sum refund of all contributions in the participant’s savings account plus accumulated interest as determined by the INPRS Board of Trustees in accordance with IC 5-10-5.5-17.

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

**Net Pension Liability**

The EG&C Plan’s net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Interest on member balances	3.50%
Future salary increases	2.50%
Inflation	2.25%
Cost of living increases	1.00%

Mortality rates for healthy and disabled members were based on the RP-2014 Blue Collar mortality table with Social Security Administration generational improvement scale from 2006.

The most recent comprehensive experience study was completed in 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation

based on the results of the study.

The long-term return expectation for this INPRS defined benefit retirement plan was 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

*Discount rate.* Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on these assumptions, the EG&C defined benefit pension plan’s fiduciary net position was 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.

## Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/14</b>	\$ 123,601	\$ 110,657	\$ 12,944
<b>Changes for the year:</b>			
Service cost	3,905	-	3,905
Interest	8,384	-	8,384
Differences between expected and actual experience	845	-	845
Changes of assumptions or other inputs	2,669	-	2,669
Contributions - employer	-	5,215	(5,215)
Contributions - employee	-	1,004	(1,004)
Net investment income	-	(71)	71
Benefit payments, including refunds of employee contributions	(6,608)	(6,608)	-
Administrative expense	-	(159)	159
<b>Net changes</b>	<b>9,195</b>	<b>(619)</b>	<b>9,814</b>
<b>Balances at 6/30/15</b>	<b>\$ 132,796</b>	<b>\$ 110,038</b>	<b>\$ 22,758</b>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the EG&C Plan, calculated using the discount rate of 6.75%, as well as what the EG&C Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability	41,012	22,758	7,798

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the State recognized pension expense of \$4.1 million for the EG&C Plan. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for the EG&C Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 721	\$ 331
Changes of assumptions or other inputs	2,277	-
Net difference between projected and actual earnings on pension plan investments	6,672	3,591
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	5,367	-
<b>Total</b>	<b>\$ 15,037</b>	<b>\$ 3,922</b>

Deferred outflows of resources in the amount of \$5.4 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2017	(937)
2018	(937)
2019	(937)
2020	(2,135)
2021	(467)
Thereafter	(335)

Prosecuting Attorneys' Retirement Fund (Presented as part of INPRS – a fiduciary in nature component unit)

*Plan description.* The Prosecuting Attorneys' Retirement Fund (PARF) is a single-employer (the State of Indiana) defined benefit plan established to provide retirement, disability, and survivor benefits to prosecuting attorneys. PARF was established in 1989 and is governed through the INPRS Board of Trustees by IC 33-39-7. Coverage is for individuals who: (1) serve as a prosecuting attorney or a chief deputy prosecuting attorney; or (2) serve as the executive director or assistant executive director of the Indiana Prosecuting Attorneys Council or as a State-paid deputy prosecuting attorney. These individuals' salaries are paid from the General Fund of the State of Indiana.

*Retirement benefits provided.* A participant is entitled to a retirement benefit if the participant: (1) is at least age 62 and has at least eight (8) years of service credit; (2) is at least age 55 and whose years of service as a member of PARF plus years of age equal at least 85; and (3) is not receiving salary for services currently performed. A member whose service ended prior to July 1, 2006 must have at least ten (10) years of service.

The retirement benefit of a participant who is at least age 65 (or are at least 55 years of age and the participant's age in years plus the participant's years of service total 85 or more) is calculated by multiplying: (1) the highest annual salary paid to the participant before the participant's separation from service; by (2) a percentage based on the participant's years of service. The percentages range from 24 percent for eight (8) years of service to 60 percent for 22 or more years of service. If a participant is at least 62 years of age with at least eight (8) years of creditable service, a participant is entitled to receive a reduced annual retirement benefit that equals the benefit, as calculated above, reduced by 0.25 percent per month for each month the participant retires prior to age 65.

In addition, a PARF participant is a member of PERF. A PARF participant's retirement benefit is reduced by the amount of the employer-financed pension benefit that would be payable to the participant had the participant retired from PERF on the date of the participant's retirement from the fund. However, the benefits payable to a participant from the fund are not reduced by any payments made to the participant from the participant's PERF annuity savings account. The employer may elect to make the contributions on behalf of the member.

*Disability and survivor benefits provided.* PARF also provides disability and survivor benefits. A participant who has at least five (5) years of creditable service and becomes disabled while in active service may retire for the duration of the disability if the participant has qualified for social security disability benefits and has furnished proof of the qualification. The amount of the annual benefit payable to a participant for disability benefits is equal to the product of the annual salary that was paid to the participant at the time of separation from service multiplied by a percentage based on the participant's years of service. The percentages range from 40 percent for 5 to 10 years of service to 50 percent for 20 or more years of service. These benefits are reduced by any benefits payable to the participant from PERF.

The surviving spouse or designated beneficiary of a participant is entitled to a benefit if, on the date of the participant's death, the participant: (1) was receiving benefits; (2) has completed at least eight (8) years of service and was in service as a prosecuting attorney or chief deputy prosecuting attorney, executive director or assistant executive director of the Indiana Prosecuting Attorneys Council, or as a State-paid deputy prosecuting attorney; or (3) had met the requirements for a disability benefit.

Regardless of the participant's age at death, the surviving spouse's benefit is equal to the greater of: (1) \$7,000 annually; or (2) 50 percent of the amount of retirement benefit the participant was drawing at the time of death, or to which the participant would have been entitled had the participant retired and begun receiving retirement benefits on the date of death. Survivor benefits are not subject to reduction for early retirement. If there is not a surviving spouse, there are provisions for dependents to receive benefits.

Employees covered by benefit terms. As of June 30, 2016, the PARF membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	133
Inactive employees entitled to but not yet receiving benefits	99
Inactive employees entitled to refunds of contributions	153
Active employees	197
<b>Total</b>	<b>582</b>

**Contributions.** The funding policy for PARF is in accordance with statute IC 33-39-7-23 that requires an appropriation, determined by the INPRS Board of Trustees from the State of Indiana General Fund, for each biennium to PARF computed on an actuarially funded basis and the recommendation of the actuary. For the year ended June 30, 2016, the State of Indiana appropriated \$1.4 million for employer contributions.

The member contribution rate is established by statute IC 33-39-7-12 at six (6) percent of salary for their first 22 years of service. The employer may elect to pay the contributions for a member. Members receive interest earnings at a rate specified by the INPRS Board of Trustees in accordance with IC 33-39-7-14. Member contributions are used to fund a portion of the defined benefit payment unless the member ends employment other than by death or disability before the member completes eight (8) years of creditable service. The INPRS Board of Trustees shall return to the fund member an amount equal to the total sum contributed to the fund plus interest as determined by the INPRS Board of Trustees in accordance with IC 33-39-7-13.

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

**Net Pension Liability**

The PARF's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions.** The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Interest on member balances	3.50%
Future salary increases	4.00%
Inflation	2.25%
Cost of living increases	N/A

Mortality rates for healthy and disabled members were based on the RP-2014 White Collar mortality table, with Social Security Administration generational improvement scale from 2006.

The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term return expectation for this INPRS defined benefit retirement plan was 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

*Discount rate.* Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment

earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on these assumptions, the PARF defined benefit pension plan's fiduciary net position was 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.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/14</b>	\$ 65,336	\$ 54,507	\$ 10,829
<b>Changes for the year:</b>			
Service cost	1,603	-	1,603
Interest	4,409	-	4,409
Changes in benefit terms	-	-	-
Experience (gains)/losses	4,551	-	4,551
Assumption changes	5,216	-	5,216
Contributions - employer	-	1,063	(1,063)
Contributions - employee	-	1,269	(1,269)
Net investment income	-	(34)	34
Benefit payments, including refunds of employee contributions	(3,254)	(3,254)	-
Administrative expense	-	(127)	127
<b>Net changes</b>	<b>12,525</b>	<b>(1,083)</b>	<b>13,608</b>
<b>Balances at 6/30/15</b>	<b>\$ 77,861</b>	<b>\$ 53,424</b>	<b>\$ 24,437</b>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the PARF, calculated using the discount rate of 6.75%, as well as what the PARF's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability	34,432	24,437	16,206

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing

[questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the State recognized pension expense of \$5.9 million for the

PARF. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for the PARF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,309	\$ -
Changes of assumptions or other inputs	2,647	-
Net difference between projected and actual earnings on pension plan investments	3,266	1,772
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	1,440	-
<b>Total</b>	<b>\$ 9,662</b>	<b>\$ 1,772</b>

Deferred outflows of resources in the amount of \$1.4 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2017	(5,037)
2018	(370)
2019	(226)
2020	(817)

Legislators' Retirement System – Legislators' Defined Benefit Plan (Presented as part of INPRS – a fiduciary in nature component unit)

*Plan description.* The Legislators' Retirement System was established in 1989 by IC 2-3.5 and accordingly is governed by the INPRS Board of Trustees. The retirement system is for certain members of the General Assembly of the State of Indiana as specified by the provisions of the statute.

The Legislators' Retirement System is comprised of two (2) separate and distinct plans. The Legislators' Defined Benefit Plan (LEDB Plan) (IC 2-3.5-4), a single-employer (the State of Indiana) defined benefit plan, applies to members of the General Assembly who were serving on April 30, 1989, and who filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Contribution Plan (LEDC Plan) (IC 2-3.5-5) applies to: (1) members of the General Assembly who were serving on April 30, 1989, and who filed an election under IC 2-3.5-3-1(b); (2) members of the General Assembly who are first

elected or appointed after April 30, 1989; and (3) members of the General Assembly who: (a) served before April 30, 1989; (b) were not serving on April 20, 1989; and (c) are subsequently reelected or reappointed to the General Assembly.

*Retirement benefits provided.* A participant is entitled to an unreduced monthly retirement benefit if the participant is: (1) at least age 65 and has at least 10 years of service as a member of the General Assembly; (2) at least age 55 and whose years of service as a member of the General Assembly plus years of age equal at least 85; or (3) at least age 60 and has at least 15 years of service as a member of the General Assembly. To qualify for a monthly retirement benefit, the member: (1) must have terminated service as a member of the General Assembly; (2) has at least 10 years of service as a member of the General Assembly; and (3) is not receiving and is not entitled to receive a salary from the State.

The monthly retirement benefit is equal to the lesser of: (1) \$40 multiplied by the number of years of service in the General Assembly completed before November 8, 1989, or (2) the highest consecutive three-year average annual salary of the participant under IC 2-3-1-1 at the date the participant's service as a member of the General Assembly is terminated, divided by 12.

A participant who has reached at least age 55, has terminated service as a member of the General Assembly, has at least 10 years of service as a member of the General Assembly, and is not receiving, nor is entitled to receive, a salary from the State of Indiana, is eligible for early retirement with a reduced benefit. The reduction in the benefit is equal to: (1) 0.1 percent a month between ages 60 and 65; and (2) 5/12 percent a month between ages 55 and 60.

The monthly pension benefits for members in pay status are increased periodically as COLA. COLA increases for the LEDB Plan are equal to the increase for the PERF Plan in accordance with IC 2-3.5-4-13 on an "ad hoc" basis and are generally based on date of retirement, and other eligibility factors. There was no COLA for the year ended June 30, 2016.

*Disability and survivor benefits provided.* The LEDB 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 may retire for the duration of the disability if the member has qualified for social

security disability 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. If a participant dies while receiving retirement benefits, or had completed at least 10 years of service as a member of the General Assembly, or was permanently disabled and receiving disability benefits from the system, the surviving spouse is entitled to receive survivor benefits. The benefits are for life and are equal to 50 percent of the amount of retirement benefits that the participant was receiving at the time of death or that the participant would have been entitled to receive at 55 years of age, or at the date of death, whichever is later. If there is not a surviving spouse, there are provisions for dependents to receive benefits.

*Employees covered by benefit terms.* As of June 30, 2016, the LEDB Plan membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	74
Terminated vested members entitled to but not yet receiving benefits	12
Terminated non-vested members entitled to a distribution of contributions	-
Active members: vested and non-vested	11
<b>Total</b>	<b>97</b>

*Contributions.* For the LEDB Plan, the funding policy is in accordance with statute IC 2-3.5-4-9 and IC 2-3.5-4-10. The amount required to actuarially fund participants' retirement benefits, as determined by the INPRS Board of Trustees on the recommendation of the actuary, is to be appropriated from the State of Indiana General Fund for each biennium. For the year ended June 30, 2016, the State of Indiana appropriated \$0.1 million for employer contributions.

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

**Net Pension Liability**

The LEDB Plan's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Interest on member balances	N/A
Future salary increases	2.25%
Inflation	2.25%
Cost of living increases	1.00%

Mortality rates for healthy and disabled members were based on the RP-2014 White Collar mortality table, with Social Security Administration generational improvement scale from 2006.

The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term return expectation for this INPRS defined benefit retirement plan was 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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



*Discount rate.* Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term

assumed investment rate of return (6.75 percent). Based on these assumptions, the LEDB pension plan's fiduciary net position was 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.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/14</b>	\$ 4,166	\$ 3,489	\$ 677
<b>Changes for the year:</b>			
Service cost	3	-	3
Interest	269	-	269
Differences between expected and actual experience	(68)	-	(68)
Changes of assumptions or other inputs	325	-	325
Contributions - employer	-	131	(131)
Net investment income	-	(5)	5
Benefit payments, including refunds of employee contributions	(370)	(370)	-
Administrative expense	-	(71)	71
<b>Net changes</b>	<b>159</b>	<b>(315)</b>	<b>474</b>
<b>Balances at 6/30/15</b>	<b>\$ 4,325</b>	<b>\$ 3,174</b>	<b>\$ 1,151</b>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the LEDB Plan, calculated using the discount rate of 6.75%, as well as what the LEDB Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability	1,480	1,151	863

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the LEDB Plan recognized pension expense of \$361.7 thousand. At June 30, 2016, the LEDB Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 203	\$ 118
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	138	-
<b>Total</b>	<b>\$ 341</b>	<b>\$ 118</b>

Deferred outflows of resources in the amount of \$138.0 thousand related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2017	(11)
2018	(11)
2019	(11)
2020	(52)

Judges' Retirement System (Presented as part of INPRS – a fiduciary in nature component unit)

*Plan description.* The Judges' Retirement System (JRS) is a single-employer (the State of Indiana) defined benefit plan established to provide retirement, disability, and survivor benefits to judges and magistrates. JRS was established in 1985, and is governed through the INPRS Board of Trustees by IC 33-38-6, IC 33-38-7 (judges beginning service before September 1, 1985) and IC 33-38-8 (judges beginning service after August 31, 1985). Coverage is for any person who has served, is serving, or shall serve, as a regular judge, magistrate or justice of the (1) Supreme Court of the State of Indiana, (2) Court of Appeals, (3) Indiana Tax Court, (4) Circuit Court of a Judicial Circuit, or (5) county courts including: Superior, Criminal, Probate, Juvenile, Municipal and County.

*Retirement benefits provided.* A member vests after eight (8) years of creditable service. Judges who retire at or after age 65 with eight (8) years of creditable service (or are at least 55 years of age and the participant's age in years plus the participant's years of service total 85 or more) are entitled to an annual retirement benefit, payable monthly for life, in an amount calculated in accordance with the statute.

The annual retirement benefit for a participant equals the product of the salary that was paid to the

participant at the time of separation from service, multiplied by a percentage for years of service as defined in the statute. Applicable salary for participants in the 1985 Judges' System is defined in IC 33-38-8-14(e). The pension benefit for participants of the 1977 Judges' System is based on the salary being paid for the office that the participant held at the time of separation from service [IC 33-38-7-11(d)]. The statute provides for the percentage to be prorated for partial years of service. If the annual retirement benefit of a participant who began service as a judge before July 1, 1977, as computed per IC 33-38-7-11, is less than the benefit the participant would have received under IC 33-38-6 as in effect on June 30, 1977, the participant is entitled to receive the greater amount as the participant's annual retirement benefit.

A member may retire at age 62 with the requisite years of service, however the participant's benefit is reduced by 0.1 percent for each month the member's age on the date the participant begins receiving a retirement benefit precedes the participant's 65<sup>th</sup> birthday.

The monthly pension benefits of the retired judges that were former participants in the 1977 System receive benefit increases whenever the salary of the position the retiree held at separation from service increases. Before fiscal year 2011, benefits of judges who are members of the 1985 System were tied to the salary of the position at the time the participant separated from service and did not increase if the salary of the position increased after the participant separated from service. Before fiscal year 2011, the General Assembly provided COLA increases to participants in the 1985 System on an "ad hoc" basis. Beginning after June 30, 2010, a participant in the 1985 System receives an increase in the monthly benefit of the same percentage by which the salary of the office of the participant held at separation from service increases. The percentage increase to the monthly benefit takes effect at the same time the salary increase takes effect (IC 33-38-8-25). There was a COLA increase of 2.2% for the year ended June 30, 2016 for eligible participants in the 1977 System and 1985 System.

*Disability and survivor benefits provided.* There is no vesting requirement for permanent disability benefits. For both the 1977 System and the 1985 System, a participant is considered permanently disabled if the INPRS Board of Trustees receives a written certification by at least two (2) licensed and practicing physicians appointed by the INPRS

Board of Trustees. A participant receiving disability benefits must be reexamined at least once a year by at least two (2) physicians appointed by the INPRS Board of Trustees.

Surviving spouses or dependent child(ren) are entitled to benefits if the participant had qualified to receive a retirement or disability benefit, or had completed at least eight (8) years of service and was in service as a judge. The minimum survivor benefit is \$12,000.

*Employees covered by benefit terms.* The Judges' Retirement System consists of two classes of members (the 1977 System and the 1985 System). The 1977 System includes all individuals who began service as a judge before September 1, 1985, unless the individual, within twenty days after becoming a judge, filed an irrevocable election not to participate in the 1977 System. The 1985 System covers all individuals who: (1) began service as a judge after August 31, 1985; and (2) are not participants in the 1977 System. Beginning January 1, 2011, full-time magistrates who were serving on July 1, 2010, may elect to be members of the 1985 System. The 1985 System is for all new judges, and beginning January 1, 2011, all new full-time magistrates (IC 33-38-8-10).

As of June 30, 2016, the Judges' Retirement System membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	351
Terminated vested members entitled to but not yet receiving benefits	65
Terminated non-vested members entitled to a distribution of contributions	41
Active members: vested and non-vested	394
<b>Total</b>	<b>851</b>

*Contributions.* The funding policy for the Judges' Retirement System is in accordance with statute IC 33-38-6-17 that requires an appropriation by the Indiana General Assembly, determined by the INPRS Board of Trustees from the State of Indiana General Fund, for each biennium to the Judges' Retirement System computed on an actuarially funded basis and the recommendation of the actuary. The statute also provides for remittance of docket fees and court fees which are considered employer contributions. For the year ended June 30, 2016, the State of Indiana paid \$16.9 million in employer contributions.

The member contribution rate is established by statute IC 33-38-7-10 (1977 System) and IC 33-38-8-11 (1985 System) at six (6) percent of salary. Each fund member shall contribute during the period of the fund member's employment, or for 22 years, whichever is shorter. The employer may pay all or a part of the contributions for the member. Member contributions are used to fund a portion of the defined benefit payment unless the member ends employment other than by death or disability before being eligible for a retirement benefit. The INPRS Board of Trustees shall return to the fund member an amount equal to the total sum contributed to the fund plus interest at a rate specified by the INPRS Board of Trustees in accordance with IC 33-38-7-13 (1977 System) and IC 33-38-8-12 (1985 System).

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

**Net Pension Liability**

The JRS' net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Interest on member balances	3.50%
Future salary increases	2.50%
Inflation	2.25%
Cost of living increases	2.50%

Mortality rates for healthy and disabled members were based on the RP-2014 White Collar mortality table with Social Security Administration generational improvement scale from 2006.

The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term return expectation for this INPRS defined benefit retirement plan was 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

*Discount rate.* Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on these assumptions, the JRS defined benefit pension plan's fiduciary net position was 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.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/14</b>	\$ 464,855	\$ 432,730	\$ 32,125
<b>Changes for the year:</b>			
Service cost	15,283	-	15,283
Interest	31,753	-	31,753
Changes in benefit terms	-	-	-
Experience (gains)/losses	-	-	-
Assumption changes	-	-	-
Plan amendments	-	-	-
Differences between expected and actual experience	8,411	-	8,411
Changes of assumptions or other inputs	(31,926)	-	(31,926)
Contributions - employer	-	21,020	(21,020)
Contributions - employee	-	3,292	(3,292)
Net investment income	-	(102)	102
Benefit payments, including refunds of employee contributions	(19,432)	(19,432)	-
Administrative expense	-	(165)	165
Other changes	-	9	(9)
<b>Net changes</b>	<b>4,089</b>	<b>4,622</b>	<b>(533)</b>
<b>Balances at 6/30/15</b>	<b>\$ 468,944</b>	<b>\$ 437,352</b>	<b>\$ 31,592</b>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the JRS, calculated using the discount rate of 6.75%, as well as what the JRS' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-

point higher (7.75%) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net pension liability	86,319	31,592	(14,319)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the JRS recognized pension expense of \$782.4 thousand. At June 30, 2016, the JRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,922	\$ 5,049
Changes of assumptions or other inputs	-	22,480
Net difference between projected and actual earnings on pension plan investments	26,110	13,994
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	16,946	-
<b>Total</b>	<b>\$ 48,978</b>	<b>\$ 41,523</b>

Deferred outflows of resources in the amount of \$16.9 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal year ended June 30:</u>	<u>Deferred Outflows of Resources/(Deferred Inflows of Resources)</u>
2017	10,144
2018	5,094
2019	781
2020	(6,528)

The State sponsors the following cost-sharing multiple-employer plans:

Public Employees' Retirement Fund (Presented as part of INPRS – a fiduciary in nature component unit)

*Plan description.* The Public Employees' Retirement Fund (PERF) is a cost-sharing, multiple-employer defined benefit plan based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement,

disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, or 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). Details of the PERF Hybrid Plan and PERF ASA Only Plan are described below.

PERF Hybrid Plan

*Plan description.* The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (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.

*Retirement benefits – Defined Benefit Pension provided.* 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 annuity savings account. 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 annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, 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 annuity savings account 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 annuity savings account. A non-vested member who terminates employment prior to retirement may withdraw his/her annuity savings account after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

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

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

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

The monthly pension benefits for members in pay status may be increased periodically as cost of

living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2016; however, eligible members received a one-time check (a.k.a. 13<sup>th</sup> check) in September 2015. 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, 2014, and who was entitled to receive a monthly benefit on July 1, 2015.

*Disability and survivor benefits provided.* 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.

*Retirement benefits – Annuity Savings Account.* Members are required to participate in an Annuity Savings Account (ASA). The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary

contributions of up to 10 percent of their compensation into their annuity savings accounts. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Investments in the members' annuity savings accounts are individually directed and controlled by plan participants who direct the investment of their account balances among the following eight (8) investment options, with varying degrees of risk and return potential:

- **Guaranteed Fund** -- This fund's objective is to provide stability of principal and a competitive interest rate. The interest rate is set by the INPRS Board of Trustees each year and is guaranteed for the fiscal year. Market risk is assumed by the Fund.
- **Large Cap Equity Index Fund** – This fund's objective is to seek investment growth/capital appreciation through passive investment in the stocks of the 500 largest U.S. companies. Market risk is assumed by the member.
- **Small/Mid Cap Equity Fund** – This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of small- and mid-sized U.S. companies. Market risk is assumed by the member.
- **International Equity Fund** – This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of non-U.S. companies in both developed and emerging markets. Market risk is assumed by the member.
- **Fixed Income Fund** – This fund's objective is to seek total return, consisting of income and capital appreciation. Market risk is assumed by the member.
- **Inflation-Linked Fixed Income Fund** – This fund's objective is to provide investors inflation protection and income consistent with investment in inflation-indexed securities. Principal and interest payments are adjusted in response to changes in inflation. Market risk is assumed by the member.
- **Target Date Funds** – The Funds are designed to seek an appropriate amount of total return, commensurate with risk, given the specific time

horizon of each Fund. The Target Date Funds provide participants with a one-stop shop for investing. Participants simply choose the Fund most appropriate for them based on the year in which they plan to withdraw their money (usually their retirement year). Once a participant selects the appropriate Fund, the underlying asset allocation automatically adjusts over time. Market risk is assumed by the member.

- **Money Market Fund** – This fund's objective is to provide a market rate of return consistent with the preservation of capital through a shorter maturity, high quality portfolio. Market risk is assumed by the member.

Members may make changes to their investment directions daily and investments are reported at fair market value.

#### ASA Only Plan

*Plan description.* The PERF ASA Only Plan was established by the Indiana Legislature in 2011 with an effective date of March 1, 2013 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12, and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. PERF ASA Only Plan members are full-time employees of the State of Indiana (as defined in IC 5-10.3-7-1(d)), who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of the PERF ASA Only Plan. The PERF ASA Only Plan membership does not include individuals who: (1) before March 1, 2013 were members of the PERF Hybrid Plan or (2) on or after March 1, 2013 do not elect to participate in the PERF ASA Only Plan. Any government agency that pays employees through the Auditor of the State is a mandatory participant in the ASA Only Plan and must offer eligible employees the ASA Only Plan option. Quasi-government agencies and State educational institutions may choose to offer the ASA-Only Plan as an option to their employees.

*Retirement account.* The PERF ASA Only Plan maintains an annuity savings account for each member. Each member's account consists of two (2) subaccounts within the annuity savings account structure. There is a member contribution subaccount (which is the same as the annuity savings account in the PERF Hybrid Plan) and an employer contribution subaccount.

The member's contribution subaccount consists of the member's contributions, set by statute at three (3) percent of covered payroll as defined by IC 5-10.3-12-23 plus the interest/earnings or losses credited to the member's contribution subaccount. The State shall pay the member's contributions on behalf of the member. The employer contribution subaccount consists of the employer's contributions and the earnings on the employer's contributions. The employer contribution rate is set by INPRS Board of Trustees in accordance with IC 5-10.2-2-11.

The PERF ASA Only Plan allows members to actively participate in managing their retirement benefits through self-directed investment options. 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. The members can direct their investments among the following aforementioned eight (8) investment options: Large Cap Equity Index Fund, Small/Mid Cap Equity Fund, International Equity Fund, Fixed Income Fund, Inflation-Linked Fixed Income Fund, Money Market Fund, Stable Value Fund, and Target Date Funds. A description of each of these Funds is earlier in this note in the PERF Hybrid Plan Retirement Benefits – Annuity Savings Account section, except for the Stable Value Fund:

- Stable Value Fund (available only to PERF ASA Only members) - This fund's objective is to provide a market rate of return consistent with the preservation of principal through a shorter maturity, high quality portfolio.

A member is immediately vested in the member contribution subaccount. In order to receive contributions and earnings from the employer contribution subaccount, a member must meet vesting requirements (full years of participation) to qualify for a distribution. The vesting schedule is as follows:

One (1) year of participation	20%
Two (2) years of participation	40%
Three (3) years of participation	60%
Four (4) years of participation	80%
Five (5) years of participation	100%

A member who terminates service with their employer is entitled to withdraw the total amount in

the member contribution subaccount. In addition, the member is entitled to withdraw amounts in the employer contribution subaccount to the extent the member is vested in this account. The member must be separated from employment for at least 30 days before the member may take a withdrawal from the member's account. The amount available for withdrawal is the fair value of the participant's account on the processing date. The withdrawal amount can be paid in a lump sum, a direct rollover to another eligible retirement plan, or if the member has attained normal retirement age and met other criteria established by the INPRS Board of Trustees as a monthly annuity provided through INPRS.

If a member becomes disabled while in active service, subject to the member providing proof of the member's qualification for social security disability benefits to the Board of Trustees, a member may withdraw the total amount in the member contribution subaccount. To the extent that the member is vested, the member may make a withdrawal from the member's employer subaccount. The withdrawal amount can be paid in a lump sum, a direct rollover to another eligible retirement plan, or a monthly annuity provided through INPRS if the member has attained normal retirement age and met other criteria established by the INPRS Board of Trustees.

If a member dies while in active service or after terminating service in a position covered by the Plan, but before withdrawing the member's account, all of the member's contribution subaccount, and to the extent that the member is vested, the employer contribution subaccount, will be paid to the beneficiary or beneficiaries designated by the member. The amount available for payment is the fair value of the participant's account. The beneficiary may elect to have member's account paid as a lump sum, a direct rollover to another eligible retirement plan, or as a monthly annuity in accordance with the rules of the INPRS Board of Trustees. The monthly annuity is an option only on or after the beneficiary attains normal retirement age and meets other criteria established by the INPRS Board of Trustees. If a member dies in the line of duty while in active service, the designated beneficiary or beneficiaries or surviving spouse or dependents, are entitled to payment of the member's account as described above. In addition, if the member was not fully vested in the employer contribution subaccount, the account is deemed to be fully vested for purposes of withdrawal.

*Employees covered by benefit terms.* As of June 30, 2016, there were 1,177 participating political



subdivisions in addition to the State. As of June 30, 2016, PERF membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	83,188
Terminated vested members entitled to but not yet receiving benefits	29,702
Terminated non-vested members entitled to a distribution of contributions	50,212
Active members: vested and non-vested	<u>131,178</u>
<b>Total</b>	<b><u>294,280</u></b>

*Contributions.* The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the year ended June 30, 2016, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.19 percent was required from employers during the period of July 1 through December 31, 2015, and an average contribution rate of 11.2 percent was required for the period of January 1 through June 30, 2016. For the ASA Only Plan, all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance with IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.6 percent for the year ended June 30, 2016 and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the

employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member employed by the State for the PERF ASA Only Plan. Political subdivisions may choose to pay part or all of the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective 7/1/2014 the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

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

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Future salary increases	2.50% - 4.25%
Inflation	2.25%
Cost of living increases	1.00%

Mortality rates for healthy and disabled members were based on the RP-2014 Total Data Set mortality table, with Social Security Administration generational improvement scale from 2006.

The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term return expectation for this INPRS defined benefit retirement plan was 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on these assumptions, the PERF defined benefit pension plan's fiduciary net position was 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.

*Discount rate.* Total pension liability was calculated

*Sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate.* The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
State's proportionate share of the net pension liability	1,458,277	988,605	598,691

*Pension plan fiduciary net position.* Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

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

At June 30, 2016, the State reported a liability of \$988.6 million for its proportionate share of the net pension liability. The PERF net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the State's proportion was 24.27 percent, which was a decrease of 0.58 percentage points from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the State recognized pension expense of \$157.6 million. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 42,436	\$ 2,044
Changes of assumptions or other inputs	83,570	-
Net difference between projected and actual earnings on pension plan investments	166,691	92,975
Changes in the employer proportion and differences between the employer's contributions and the employer's proportionate share of contributions	13,832	12,719
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	143,499	-
<b>Total</b>	<b>\$ 450,028</b>	<b>\$ 107,738</b>

Deferred outflows of resources in the amount of \$143.5 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal year ended June 30:</b>	<b>Deferred Outflows of Resources/(Deferred Inflows of Resources)</b>
2017	62,848
2018	62,848
2019	31,421
2020	41,674

State Teachers' Retirement Fund 1996 Account (Presented as part of INPRS – a fiduciary in nature component unit)

*Plan description.* The Indiana State Teachers' Retirement 1996 Account (TRF 1996) is a cost-sharing, multiple-employer defined benefit plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees (hired before July 1, 2011) hired after June 30, 1995. Members who were hired before July 1, 1995, were members of TRF Pre-1996. However, pursuant to the law in place prior to July 1, 2005, if a member of TRF Pre-1996 left

employment and re-employed after June 30, 1995, the member and the liability were transferred to TRF 1996. There are two (2) aspects to the TRF 1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the TRF 1996 benefit structure is the annuity savings account that supplements the defined benefit at retirement and was described in the PERF Hybrid Plan Retirement Benefits – Annuity Savings Account section. Investment options are similar to the PERF Hybrid Plan.

*Retirement benefits.* The TRF retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account as described earlier in this note above. Pension benefits (non ASA) vest after 10 years of creditable service. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity provided through INPRS, or leave the contributions invested with INPRS. Vested TRF members terminating service with an employer, who wait 30 days after termination, may withdraw their annuity savings account and will not forfeit creditable service or a future 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 annuity savings account. A non-vested member who terminates employment prior to retirement may withdraw

his/her annuity savings account after 30 days, but by doing so forfeit his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. Generally, the average annual compensation in this calculation is the average of the highest five (5) years of annual compensation in a covered position. For TRF members who take a leave of absence to serve as an elected official, the highest one (1) year of salary is used. In order for a salary year to be included as one of the five (5) years, the member must have received at least one-half (1/2) year of service credit for that year as stated in IC 5-10.4-4-2. The five (5) years do not have to be continuous. 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 salary.

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

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

Monthly pension benefits for members in pay status may be increased as 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, 2016; however, eligible members did receive a one-time check (a.k.a. 13<sup>th</sup> check) in September 2015. 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, 2014, and who was entitled to receive a monthly benefit on July 1, 2015.

*Disability and survivor benefits provided.* TRF 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.

Members are eligible for a classroom disability benefit once they have earned five (5) years of service, have a temporary or permanent disability that continues for six (6) months or more, and applies for classroom disability benefits within one (1) year of the disability. Classroom disability refers to a medically confirmed inability to continue classroom teaching due to a mental or physical condition that is not necessarily of sufficient severity to meet social security disability guidelines. The eligible members may receive \$125 per month plus \$5 for each additional year of service credit over five (5) years.

Upon the death in service of a member with 15 or more years of creditable service, 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 March 31, 1990, 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.

*Employees covered by benefit terms.* Membership in TRF 1996 is required for all legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees. Additionally, faculty members and professional employees at Ball State University and Vincennes University have the option of selecting membership in the Fund or the alternate University

Plan not administered by INPRS. Membership in TRF 1996 is optional for teachers employed by charter schools, employees and officials of the Indiana State Board of Education who were Indiana licensed teachers prior to their employment with the Board, and teachers employed by special management teams as defined under IC 20-31 et Seq.

As of June 30, 2016, the number of participating employers was 362 in addition to the State. As of June 30, 2016, TRF 1996 Account membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	4,977
Terminated vested members entitled to but not yet receiving benefits	4,335
Terminated non-vested members entitled to a distribution of contributions	12,529
Active members: vested and non-vested	55,265
<b>Total</b>	<b><u>77,106</u></b>

*Contributions.* 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 the TRF 1996 Account is a cost-sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers. During the year ended June 30, 2016, all participating employers in the TRF 1996 Account were required to contribute 7.5 percent of covered payroll.

TRF 1996 Account members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

*Financial report.* INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be

obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Future salary increases	2.5% - 12.5%
Inflation	2.25%
Cost of living increases	1.00%

Mortality rates for healthy and disabled members were based on the RP-2014 White Collar mortality table, with Social Security Administration generational improvement scale from 2006.

The most recent comprehensive experience study was completed in April 2015 and was based on member experience covering the period July 1, 2011 to June 30, 2014. The demographic assumptions were updated for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term return expectation for this INPRS defined benefit retirement plan was 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

*Discount rate.* Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially

determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on these assumptions, the TRF 1996 defined benefit pension plan's fiduciary net position was 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.

*Sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate.* The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
State's proportionate share of the net pension liability	5,285	1,977	(647)

*Pension plan fiduciary net position.* Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

determined. At June 30, 2015, the State's proportion was 0.38 percent, which was a decrease of 0.02 percentage points from its proportion measured as of June 30, 2014.

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

At June 30, 2016, the State reported a liability of \$2.0 million for its proportionate share of the net pension liability. The TRF 1996 Account net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially

For the year ended June 30, 2016, the State recognized pension expense of \$758.2 thousand. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2	\$ 142
Changes of assumptions or other inputs	920	-
Net difference between projected and actual earnings on pension plan investments	831	576
Changes in the employer proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	140
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	758	-
<b>Total</b>	<b>\$ 2,511</b>	<b>\$ 858</b>

Deferred outflows of resources in the amount of \$758.0 thousand related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal year ended June 30:</b>	<b>Deferred Outflows of Resources/(Deferred Inflows of Resources)</b>
2017	64
2018	64
2019	64
2020	256
2021	48
Thereafter	399

*The State is a non-employer contributing entity in a special funding situation for the following pension plan:*

State Teachers' Retirement Fund Pre-1996 Account (Presented as part of INPRS – a fiduciary in nature component unit)

*Plan description.* The Indiana State Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996) is a pay-as-you-go cost-sharing, multiple-employer defined benefit plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees hired before July 1, 1995, and who have maintained continuous employment with the same school corporation or covered institution since that date to June 30, 2005. There are two (2) aspects to the TRF Pre-1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the State of Indiana. The second portion of the TRF Pre-1996 benefit structure is the annuity savings account that supplements the defined benefit at retirement and was described in the PERF Hybrid Plan Retirement Benefits – Annuity Savings Account section. Investment options are similar to the PERF Hybrid Plan.

*Retirement benefits – Defined Benefit Pension provided.* The TRF retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account as described

earlier in this note above. Pension benefits (non ASA) vest after 10 years of creditable service. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity provided through INPRS, or leave the contributions invested with INPRS. Vested TRF members terminating service with an employer, who wait 30 days after termination, may withdraw their annuity savings account and will not forfeit creditable service or a future 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 annuity savings account. A non-vested member who terminates employment prior to retirement may withdraw his/her annuity savings account after 30 days, but by doing so forfeit his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. Generally, the average annual compensation in this calculation is the average of the highest five (5) years of annual compensation in a covered position. For TRF members who take a leave of absence to serve as an elected official, the highest one (1) year of salary is used. In order for a salary year to be included as one of the five (5) years, the member must have received at least one-half (1/2) year of service credit for that year as stated in IC 5-10.4-4-2. The five (5) years do not have to be continuous. 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 salary.

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

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of

the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

Monthly pension benefits for members in pay status may be increased as 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, 2016; however, eligible members did receive a one-time check (a.k.a. 13<sup>th</sup> check) in September 2015. 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, 2014, and who was entitled to receive a monthly benefit on July 1, 2015.

*Disability and survivor benefits provided.* TRF 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.

Members are eligible for a classroom disability benefit once they have earned five (5) years of service, have a temporary or permanent disability that continues for six (6) months or more, and applies for classroom disability benefits within one (1) year of the disability. Classroom disability refers to a medically confirmed inability to continue classroom teaching due to a mental or physical condition that is not necessarily of sufficient severity to meet social security disability guidelines. The eligible members may receive \$125 per month plus \$5 for each additional year of service credit over five (5) years.

Upon the death in service of a member with 15 or more years of creditable service, 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 March 31, 1990, 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.

*Employees covered by benefit terms.* Membership in TRF Pre-1996 is closed to new entrants. Legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees hired before July 1, 2011, are required to participate in TRF as a condition of employment. Generally, members hired prior to 1996 participate in the TRF Pre-1996 Account and members hired after 1996 participate in the TRF 1996 Account (IC 5-10.2-2-2; IC 5-10.4-4-1; IC 5-10.4-7-1; 35 IAC 14-4-16(a)).

As of June 30, 2016, the number of participating employers was 337 in addition to the State. The State of Indiana makes contributions as the sole nonemployer contributing entity. As of June 30, 2016, TRF Pre-1996 Account membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	52,575
Terminated vested members entitled to but not yet receiving benefits	3,119
Terminated non-vested members entitled to a distribution of contributions	394
Active members: vested and non-vested	14,327
<b>Total</b>	<b><u>70,415</u></b>

*Contributions.* State appropriations are made in accordance with IC 5-10.4-2-4 for each fiscal year. Currently, a three (3) percent year-over-year increase is being provided through State appropriations. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund as part of the assets of the TRF Pre-1996, which was established according to IC 5-10.4-2-5. As a nonemployer contributing entity, the State of Indiana contributed \$887.5 million in fiscal year 2016 to TRF Pre-1996. As part of the \$887.5 million contribution, the State pre-funded one-time checks (a.k.a.13<sup>th</sup> check) of \$41.0 million in accordance with 2015 HEA 1001 for



\$20.3 million and in accordance with 2016 HEA 1161 for \$20.7 million (which went into the Pension Stabilization Fund). Employers contributed \$5.0 million in fiscal year 2016.

TRF Pre-1996 Account members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

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

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

At June 30, 2016, the State reported a liability of \$11,917.8 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the State's proportion was 100.00 percent, which was the same as its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the State recognized pension expense of \$1.6 billion. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	200,766	167,406
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	887,643	-
<b>Total</b>	<b>\$ 1,088,409</b>	<b>\$ 167,406</b>

\$887.6 million reported as deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2017	(5,610)
2018	(5,610)
2019	(5,610)
2020	50,190

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Future salary increases	2.5% - 12.5%
Inflation	2.25%
Cost of living increases	1.00%

Mortality rates for healthy and disabled members were based on the RP-2014 White Collar mortality table, with Social Security Administration generational improvement scale from 2006.

The most recent comprehensive experience study was completed in April 2015 and was based on member experience covering the period July 1, 2011 to June 30, 2014. The demographic assumptions were updated for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term return expectation for this INPRS defined benefit retirement plan was 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. The target allocation and best estimates of

geometric real rates of return for each major asset class are summarized in the following table:

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

*Discount rate.* Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members,

would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on these assumptions, the TRF Pre-1996 defined benefit pension plan's fiduciary net position was 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.

*Sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate.* The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
State's proportionate share of the net pension liability	13,522,900	11,917,837	10,563,400

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

*The State sponsors the following defined contribution plan:*

Legislators' Retirement System – Legislators' Defined Contribution Plan (Presented as part of INPRS – a fiduciary in nature component unit)

The Legislators' Retirement System was established in 1989 by IC 2-3.5 and accordingly is governed by the INPRS Board of Trustees. The retirement system is for certain members of the General Assembly of the State of Indiana as specified by the provisions of the statute.

The Legislators' Retirement System is comprised of two (2) separate and distinct plans. The Legislators' Defined Benefit Plan (LEDB Plan) (IC 2-3.5-4), a single-employer (the State of Indiana) defined benefit plan, applies to members of the General Assembly who were serving on April 30, 1989, and who filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Contribution Plan (LEDC Plan) (IC 2-3.5-5) applies to: (1) members of the General Assembly who were serving on April 30, 1989, and who filed an election under IC 2-3.5-3-1(b); (2) members of the General Assembly who are first elected or appointed after April 30, 1989; and (3) members of the General Assembly who: (a) served before April 30, 1989; (b) were not serving on April 20, 1989; and (c) are subsequently reelected or reappointed to the General Assembly.

For the LEDC Plan, each participant is required to contribute five (5) percent of annual salary in accordance with statute IC 2-3.5-5-4. In addition, the State of Indiana is required by statute IC 2-3.5-5-5.5 to contribute a percentage of the member's

annual salary on behalf of the participant as determined by INPRS Board of Trustees and confirmed by the State Budget Agency each year. This rate, by statute, cannot exceed the total contribution rate paid that year by the State to PERF for State employees. The State contribution rate is the sum of: (1) the State's employer contribution rate for State employees, and (2) the rate the State pays on behalf of State employees to their annuity savings accounts (3.0 percent). The rate for fiscal year 2016 is 14.2 percent. For the fiscal year ended June 30, 2016, employee contributions totaled \$492.8 thousand, and the State contributions totaled \$1.3 million.

Investments in the members' accounts are individually directed and controlled by plan participants who direct the investment of their account balances among several investment options of varying degrees of risk and return potential. There are nine (9) investment options available to LEDC Plan members: Defined Benefit Unitized Assets, Stable Value Fund, Fixed Income Fund, Inflation-Linked Fixed Income Fund, Money Market Fund, Small/Mid Cap Equity Fund, Large Cap Equity Index Fund, International Equity Fund and Target Date Funds. Members may make changes to their investment directions daily and investments of the plan are reported at fair value.

A participant of the LEDC Plan who terminates service as a member of the General Assembly is entitled to withdraw both the employee and employer contributions to the LEDC Plan. The amount available for withdrawal is the fair market value of the participant's account on the processing date. Account balances are fully vested to the participants. The withdrawn amount can be paid in a lump sum, a partial lump sum, a monthly annuity as purchased by the INPRS Board of Trustees, or a

series of monthly installment payments over 60, 120, or 180 months as elected by the participant.

If a participant dies while a member of the General Assembly or after terminating service as a member, but prior to withdrawing from the LEDC Plan, the participant's account is to be paid to the beneficiary(ies) or to the survivor(s) if there is no properly designated beneficiary, or if no beneficiary survives the participant. The amount to be paid is the fair market value of the participant's account (employer and employee contributions) on the processing date.

## **F. Other Postemployment Benefits**

### ***Defined Benefit Plans***

Plan Descriptions The State of Indiana sponsors and contributes to four single-employer defined benefit healthcare plans: State Personnel Plan (SPP); Legislature Plan (LP); Indiana State Police Plan (ISPP); and the Conservation and Excise Police Plan (CEPP). The SPP and LP are administered by the State Personnel Department. The Indiana State Police administer the ISPP. The CEPP is administered by the Indiana State Excise Police and Indiana Conservation Officers Health Insurance Committee. All four plans provide medical plan health care benefits to eligible State employee retirees and beneficiaries. The medical benefits provided to retirees are the same benefit options afforded active employees. Benefit provisions for each plan are established and may be amended by Indiana Code 5-10-8 *et seq.* Separate financial reports are not issued for these plans.

Financial Statements As separately issued financial statements are not available for the State Employee Retiree Health Benefit Trust Fund-DB, summarized financial statements are as follows:

<b>State of Indiana</b>				
<b>Combining Statement of Fiduciary Net Position</b>				
<b>Pension and Other Employee Benefit Trust Funds</b>				
<b>June 30, 2016</b>				
	SPP & LP	ISPP	CEPP	Total
<b>Assets</b>				
Cash, cash equivalents and non-pension investments	\$ 630	\$ 22,395	\$ 1,375	\$ 24,400
Receivables:				
Contributions	737	31	52	820
Interest	2	99	-	101
Securities lending	-	1	-	1
Total receivables	739	131	52	922
Pension and other employee benefit investments at fair value:				
Debt Securities	43,691	57,274	11,513	112,478
Total investments at fair value	43,691	57,274	11,513	112,478
<b>Total assets</b>	<b>45,060</b>	<b>79,800</b>	<b>12,940</b>	<b>137,800</b>
<b>Liabilities:</b>				
Benefits payable	333	1,083	173	1,589
Securities purchased payable	-	1	-	1
<b>Total liabilities</b>	<b>333</b>	<b>1,084</b>	<b>173</b>	<b>1,590</b>
<b>Net Position</b>				
Restricted for:				
OPEB benefits	44,727	78,716	12,767	136,210
<b>Total net position</b>	<b>\$ 44,727</b>	<b>\$ 78,716</b>	<b>\$ 12,767</b>	<b>\$ 136,210</b>

<b>State of Indiana</b>				
<b>Combining Statement of Changes in Fiduciary Net Position</b>				
<b>Pension and Other Employee Benefit Trust Funds</b>				
<b>For the Year Ended June 30, 2016</b>				
	SPP & LP	ISPP	CEPP	Total
<b>Additions:</b>				
Member contributions	\$ 7,122	\$ 9,026	\$ 832	\$ 16,980
Employer contributions	5,268	36,994	3,497	45,759
Net investment income (loss)	197	346	54	597
Less investment expense	-	(5)	-	(5)
Federal reimbursements	-	510	-	510
Other	-	150	-	150
Total additions	12,587	47,021	4,383	63,991
<b>Deductions:</b>				
Retiree health benefits	11,582	19,748	1,850	33,180
Administrative	834	798	105	1,737
Other	7	-	-	7
Total deductions	12,423	20,546	1,955	34,924
Net increase (decrease) in net position	164	26,475	2,428	29,067
Net position restricted for pension and other employee benefits, July 1, as restated:				
OPEB benefits	44,563	52,241	10,339	107,143
<b>Net position restricted for pension and other employee benefits, June 30, as restated</b>	<b>\$ 44,727</b>	<b>\$ 78,716</b>	<b>\$ 12,767</b>	<b>\$ 136,210</b>

Funding Policy and Annual OPEB Cost The contribution funding policy for each of the four plans is on a pay-as-you-go cash basis. However, trust funds as authorized by the Indiana General Assembly were created to start pre-funding the SPP, ISPP, and CEPP plans. The State of Indiana's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer,

an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The State of Indiana's annual OPEB cost for the current year and the related information for each plan are as follows:

	<b>State Personnel Healthcare Plan</b>	<b>Legislature's Healthcare Plan</b>	<b>Indiana State Police Healthcare Plan</b>	<b>Conservation and Excise Police Health Care Plan</b>
Contribution rates:				
State of Indiana	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Plan members (monthly premium)	See next chart	See next chart	See next chart	See next chart
Annual required contribution	\$ 1,538	\$ 680	\$ 30,630	\$ 3,313
Interest on net OPEB obligation	(1,511)	87	5,601	467
Amortization adjustment to ARC	<u>2,061</u>	<u>(119)</u>	<u>(7,641)</u>	<u>(637)</u>
Annual OPEB Cost	2,088	648	28,590	3,143
Contributions made	<u>(2,977)</u>	<u>(462)</u>	<u>(34,863)</u>	<u>(3,575)</u>
Change in net OPEB obligation	(889)	186	(6,273)	(432)
Net OPEB obligation - beginning of year	<u>(33,582)</u>	<u>1,935</u>	<u>124,466</u>	<u>10,379</u>
Net OPEB obligation - end of year	<u>\$ (34,471)</u>	<u>\$ 2,121</u>	<u>\$ 118,193</u>	<u>\$ 9,947</u>

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The plan administrators (see plan descriptions above) establish the contribution requirements of plan members. Plan members (retirees and eligible dependents) who participate in these healthcare plans must pay the full 2017 monthly premiums (except for grandfathered LP current retirees) as shown in the following chart.

	<u>Monthly Premium</u>
State Personnel Healthcare Plan (SP) and Legislature's Healthcare Plan (LP)	
Consumer Driven Health Plan #1	
Single (Non-Tobacco)	\$ 507.39
Family (Non-Tobacco)	1,516.06
Consumer Driven Health Plan #2	
Single (Non-Tobacco)	724.10
Family (Non-Tobacco)	2,103.79
Consumer Driven Health Plan Wellness	
Single (Non-Tobacco)	456.69
Family (Non-Tobacco)	1,387.10
Traditional PPO	
Single (Non-Tobacco)	1,234.87
Family (Non-Tobacco)	3,503.24
Indiana State Police Healthcare Plan (ISPP)	
Basic Plan - Medical Only	
Retiree Only (Pre-Medicare)	411.17
Retiree Plus One Dependent (Pre-Medicare)	539.03
Retiree Only (Post-Medicare)	150.97
Retiree Plus One Dependent (Post-Medicare)	185.25
Optional Plan - Medical, Dental, & Vision	
Retiree Only (Pre-Medicare)	480.80
Retiree Plus One Dependent (Pre-Medicare)	669.55
Retiree Only (Post-Medicare)	175.93
Retiree Plus One Dependent (Post-Medicare)	236.40
Conservation and Excise Police Health Care Plan (CEPP) - Medical, Dental, & Vision	
Retiree Only - (Pre-Medicare)	351.46
Retiree plus One Dependent - (Pre-Medicare)	616.12
Retiree Only (Post-Medicare)	140.37
Retiree plus One Dependent - (Post-Medicare)	201.44

The State of Indiana's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for June 30, 2014 through

June 30, 2016 for each of the plans were as follows:

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
State Personnel Healthcare Plan	6/30/2016	\$ 2,088	142.6%	\$ (34,471)
	6/30/2015	2,369	150.5%	(33,582)
	6/30/2014	1,513	211.5%	(32,384)
Legislature's Healthcare Plan	6/30/2016	\$ 648	71.2%	\$ 2,121
	6/30/2015	814	68.0%	1,935
	6/30/2014	787	64.6%	1,674
Indiana State Police Healthcare Plan	6/30/2016	\$ 28,590	121.9%	\$ 118,193
	6/30/2015	27,601	91.7%	124,466
	6/30/2014	24,013	103.4%	122,184
Conservation and Excise Police Health Care Plan	6/30/2016	\$ 3,143	113.8%	\$ 9,947
	6/30/2015	2,962	82.3%	10,379
	6/30/2014	2,663	93.2%	9,854

Funded Status and Funding Progress The funded status of the plans as of June 30, 2016, was as follows:

	<u>State Personnel Healthcare Plan</u>	<u>Legislature's Healthcare Plan</u>	<u>Indiana State Police Healthcare Plan</u>	<u>Conservation and Excise Police Health Care Plan</u>
Actuarial accrued liability (a)	\$ 40,884	\$ 9,541	\$ 380,529	\$ 45,401
Actuarial value of plan assets (b)	44,321	-	79,799	12,888
Unfunded actuarial accrued liability (funding excess) (a) - (b)	<u>\$ (3,437)</u>	<u>\$ 9,541</u>	<u>\$ 300,730</u>	<u>\$ 32,513</u>
Funded ratio (b)/(a)	108.4%	0.0%	21.0%	28.4%
Covered payroll (c)	\$ 1,148,771	\$ 3,559	\$ 91,753	\$ 14,497
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll $\frac{[(a)-(b)]}{(c)}$	-0.3%	268.1%	327.8%	224.3%

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. The State elected to use the actuarial results for the period ending June 30, 2015 for the period ending June 30, 2016. The actuarial results for the period ending June 30, 2015 is based on a June 30, 2016 actuarial valuation which is actuarially rolled back

on a no gain/loss basis.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as

actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	<u>State Personnel Healthcare Plan</u>	<u>Legislature's Healthcare Plan</u>	<u>Indiana State Police Healthcare Plan</u>	<u>Conservation and Excise Police Health Care Plan</u>
Actuarial valuation date	6/30/2016	6/30/2016	6/30/2016	6/30/2016
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	Market Value of Assets	N/A	Market Value of Assets	Market Value of Assets
Actuarial assumptions:				
Inflation rate	2.25%	2.25%	2.25%	2.25%
Investment rate of return	4.50%	4.50%	4.50%	4.50%
Projected salary increases	N/A; benefits are not payroll related	N/A; benefits are not payroll related	N/A; benefits are not payroll related	N/A; benefits are not payroll related
Healthcare inflation rate	9.0%	9.0%	9.0%	9.0%

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. The State elected to use the actuarial results for the period ending June 30, 2015 with changes made as follows:

1. For ISPP:
  - a. Several existing and future retirees have been identified as ineligible for Medicare. Separate non-Medicare eligible per capita costs have been calculated for these participants. All other participants are assumed to be eligible for Medicare. This created an increase in the ISPP liabilities.
  - b. Active employees participating in the Deferred Retirement Option Program (DROP) have been valued as active employees with a set retirement date, which coincides with their DROP end

dates. No future DROP participations are assumed for existing active employees. There were no DROP participants identified in prior valuations. This created an increase in the ISPP liabilities.

2. For all plans, trend rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 4.5% for medical and prescription drug benefits. This caused an increase in liabilities.

***Defined Contribution Plan***

Plan Description The State of Indiana sponsors one single employer defined contribution OPEB plan established as a trust fund, the Retiree Health Benefit Trust Fund, in IC 5-10-8-8.5. The State established this trust fund to provide funding for the retiree health benefit plan developed under IC 5-10-



8.5. The plan is a benefit to employees who retire and are eligible for and have received a normal, unreduced or disability retirement benefit (as determined by statutes and codes governing a State public employee retirement fund). Qualified retirees of the State are eligible to receive retirement medical benefits from this Plan. Retirees' and/or covered dependents' qualifying health insurance and medical costs are eligible for reimbursement from their reimbursement account, subject to Plan conditions and limitations.

Financial Statements As separately issued financial statements are not available for the State Employee Retiree Health Benefit Trust Fund-DC, summarized financial statements are as follows:

<b>Combining Statement of Fiduciary Net Position Pension and Other Employee Benefit Trust Funds June 30, 2016</b>	
	<b>State Employee Retiree Health Benefit Trust Fund - DC</b>
<b>Assets</b>	
Cash, cash equivalents and non-pension investments	\$ 11,231
Receivables:	
Contributions	2,899
Interest	129
Securities lending	49
Total receivables	3,077
Pension and other employee benefit investments at fair value:	
Debt Securities	285,665
Total investments at fair value	285,665
<b>Total assets</b>	<b>299,973</b>
<b>Liabilities:</b>	
Accounts/escrows payable	25
Securities lending payable	49
<b>Total liabilities</b>	<b>74</b>
<b>Net Position</b>	
Restricted for:	
OPEB benefits	299,899
<b>Total net position</b>	<b>\$ 299,899</b>

<b>Combining Statement of Changes in Fiduciary Net Position Pension and Other Employee Benefit Trust Funds For the Year Ended June 30, 2016</b>	
	<b>State Employee Retiree Health Benefit Trust Fund - DC</b>
<b>Additions:</b>	
Employer contributions	\$ 44,470
Net investment income (loss)	1,715
Other	49
Total additions	46,234
<b>Deductions:</b>	
Retiree health benefits	19,195
Administrative	563
Other	49
Total deductions	19,807
Net increase (decrease) in net position	26,427
Net position restricted for pension and other employee benefits, July 1, as restated:	
OPEB benefits	273,472
<b>Net position restricted for pension and other employee benefits, June 30</b>	<b>\$ 299,899</b>

Plan Provisions Benefit provisions for this plan are established or may be amended by the State legislature. The State Budget Agency of the State of Indiana is the administrator of the plan pursuant to Indiana Code 5-10-8-8.5. The plan establishes a retirement medical benefits account for elected officers, appointed officers, and most employees of the executive, legislative, and judicial branches of state government to pay for participants' medical insurance after retirement. Legislation passed by the 2012 Indiana General Assembly removed from eligibility in the DC plan all Conservation Officers, all Excise Officers, and employees of the Indiana State Police who did not previously waive coverage under the agency's DB plan. Benefits are entitled to be received from this account for a participant who: a) is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under the Public Employees' Retirement Fund; or b) has completed at least 10 years of service as an elected or appointed officer; or c) has completed at least 15 years of service with the state for an employee. A surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.

The trust meets the requirements of a qualified OPEB trust. The trust is qualified under section 115 of the Internal Revenue Code.

Regular Contributions The State makes regular annual contributions to the account based on the following schedule:

<b>Attained Age</b>	<b>Annual State Contributions</b>
Less than 30	\$500
At least 30, but less than 40	\$800
At least 40, but less than 50	\$1,100
At least 50	\$1,400

Attained age is determined as of the last day of the calendar year falling within the plan year for which the contribution is made. To receive the regular contribution, an employee must be an eligible employee on the preceding December 31 and must be continuously employed through the date on which the contribution is made.

Employees who meet the eligibility requirements for bonus contributions by June 30, 2017 will receive their last regular contribution on June 30, 2017.

Bonus Contributions

Employees receive the bonus contributions if by June 30, 2017 they are (1) eligible for an unreduced pension benefit from PERF and (2) have completed at least 15 years of service or 10 years of service as an elected or appointed officer. The bonus contribution is equal to the employee's total years of service (rounded down to the nearest whole year) calculated as of the last day of employment or June 30, 2017 (whichever is earlier) multiplied by one thousand dollars (\$1,000).

At June 30, 2016, the plan participants consisted of:

Active participants with accounts, not yet retired	28,320
Retired participants with accounts	6,842
<b>Total</b>	<b><u>35,162</u></b>

At June 30, 2016, plan participants' retirement medical plan account balances totaled \$329.5 million which consisted of \$183.1 million in unretired active participants' accounts and \$146.4 million in retired participants' accounts.

This plan is a defined contribution individual account for GASB 45 purposes. The employer subsidy is defined in terms of an annual contribution

to an individual account. Plan assets are maintained in the Retiree Health Benefit Trust Fund created by the State as a dedicated trust fund.

The trust fund consists of cigarette tax revenues deposited in the fund under IC 6-7-1-28.1(7) and other appropriations, revenues, or transfers to the trust fund under IC 4-12-1. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.

The annual required contribution for the fiscal year ending June 30, 2016 was \$44.7 million. For the fiscal year ending June 30, 2016, the State contributed \$17.2 million in cigarette tax revenues to this fund. Another \$27.3 million was contributed by state agencies that are funded by federal or dedicated funds for their portion of funding. The retiree contribution includes the bonus contributions of \$1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements.

**G. Pollution Remediation Obligations**

*Nature and source of pollution remediation obligations:*

Five state agencies have identified themselves as responsible or potentially responsible parties to remediate fifty pollution sites pursuant to the State's implementation of GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations effective July 1, 2008. Obligating events for the cleanup of these sites include being compelled to take action because the pollution creates an imminent danger to public health or welfare or the environment, being named by a regulator to remediate hazardous wastes and contamination, and voluntarily assuming responsibility because of imminent threats to human health and the environment.

*Amount of the estimated liability, methods and assumptions used for the estimate, and the potential for changes:*

The State's total estimated liability is \$35.6 million of which \$3.9 million is estimated to be payable within one year and \$31.7 million estimated to be payable in more than one year. State agencies calculated their estimated liabilities using various approaches including existing agreements, contractor bids/surveys, records of decisions from regulators, matching requirements under the Superfund law, previous actual costs to cleanup similar sites, investigation activities, well known and

recognized estimation methods, and through the sampling and knowing the size and volume of existing contamination at a site. Superfund site estimated liabilities also applied a rolling thirty year liability as this was the number of years determined to be reasonably estimable. The estimated liabilities of state agencies are subject to annual review and adjustment for changes in agreements, laws, regulations, court decisions, price increases or decreases for goods and services used in cleanup, and other relevant changes that come to light.

*Estimated recoveries reducing the liability:*

The estimated recoveries total \$18.5 million. Of this total, \$0.5 million is unrealizable or has not yet been realized and has been applied to reduce the State's total estimated liability. Estimated recoveries include the proceeds from the sale of stock, bankruptcy court settlements, coverage of allowable costs by the State's Excess Liability Trust Fund (ELTF), credits received for work performed on Superfund sites, and federal funds. The ELTF state law states that if insufficient funds exist to pay claims neither the State nor the Fund are liable for unpaid claims. The State recognized \$6.0 million of program revenue for six sites whose realized recoveries exceeded the pollution remediation liability.

# REQUIRED SUPPLEMENTARY INFORMATION



## Schedule of Funding Progress Other Postemployment Benefits

(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b- a)/c)
<b>State Personnel Healthcare Plan</b>						
6/30/2016	\$ 44,321	\$ 40,884	(3,437)	108.4%	\$ 1,148,771	-0.3%
6/30/2015	44,133	44,263	130	99.7%	1,180,296	0.0%
6/30/2014	44,067	36,355	(7,712)	121.2%	1,219,424	-0.6%
<b>Legislature's Healthcare Plan</b>						
6/30/2016	-	9,541	9,541	0.0%	3,559	268.1%
6/30/2015	-	11,964	11,964	0.0%	3,504	341.4%
6/30/2014	-	11,768	11,768	0.0%	3,623	324.8%
<b>Indiana State Police Healthcare Plan</b>						
6/30/2016	79,799	380,529	300,730	21.0%	91,753	327.8%
6/30/2015	53,909	341,219	287,310	15.8%	92,130	311.9%
6/30/2014	38,014	294,840	256,826	12.9%	93,630	274.3%
<b>Conservation and Excise Police Healthcare Plan</b>						
6/30/2016	12,888	45,401	32,513	28.4%	14,497	224.3%
6/30/2015	10,464	41,831	31,367	25.0%	15,106	207.6%
6/30/2014	9,023	38,063	29,040	23.7%	15,969	181.9%

	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarially determined contribution	\$ 16,185	\$ 13,886	\$ 13,869	\$ 14,509	\$ 14,517	\$ 12,267	\$ 14,230	\$ 10,362	\$ 9,174	\$ 9,472
Contributions in relation to the actuarially determined contribution	14,803	10,218	10,603	12,367	44,040	9,450	9,471	9,472	9,412	12,114
Contribution deficiency (excess)	1,382	3,668	3,266	2,142	(29,523)	2,817	4,759	890	(236)	(2,642)
Covered-employee payroll	68,786	68,219	68,490	63,347	66,083	64,948	66,603	68,283	65,421	59,863
Contributions as a percentage of covered-employee payroll	21.5%	15.0%	15.5%	19.5%	66.6%	14.6%	14.2%	13.9%	14.4%	20.2%

**Schedule of Contributions**  
**Employee Retirement Systems and Plans**  
**State Police Retirement Fund**  
(amounts expressed in thousands)

**Notes to Schedule:**  
*Valuation date*  
 June 30, 2016  
*Actuarial cost method*  
 Entry age normal cost  
*Amortization method*  
 Level percentage of payroll, closed  
*Remaining amortization period*  
 25 years  
*Asset valuation method*  
 4 year smoothed value  
*Inflation*  
 2.25% (reduced from 3.50% in the prior valuation)  
*Salary increases*  
 3.5% for the pre-1987 plan; For the 1987 plan, 9% at ages 26 and younger, annual increase reduced 0.5% per year reaching 4% at age 36, annual increases of 4% at ages 36 and older.  
*Investment rate of return*  
 6.75%, net of pension plan investment expense, including inflation  
*Retirement age*  
 Pre-1987 Plan - Retirement rates are based on age with 10% assumed to retire at ages 42-45, 7.5% at ages 46-54, 10% at 55, 12.5% at 56, 15% at 57, 20% at 58, 40% at ages 59 and older, except 100% at 65 (with at least 20 years of service). Based on experience study through June 30, 2010.  
 1987 Plan - Retirement rates are based on years of service with 15% assumed to retire at 25 years of service, 12.5% at 26 years, 10% at 27 years, 7.5% at years 28 and 29, 10% at 30 years, 12.5% at 31 years, 15% at 32 years, 40% at 33 years, and 27.5% at 34 or more years, except 100% at age 65 (with at least 25 years of service). Based on experience study through June 30, 2010.  
*Mortality*  
 RP-2014 Blue Collar Mortality Tables adjusted to 2006 with MP-2015 Mortality Improvement Scale.  
*Other information*  
 Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

**Schedule of Contributions**  
**Employee Retirement Systems and Plans**  
**State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers'**  
**Retirement Plan (EG&C Plan)**  
**(amounts expressed in thousands)**

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Actuarially determined contribution	\$ 4,078	\$ 4,820	\$ 5,341	\$ 4,794
Contributions in relation to the actuarially determined contribution	<u>5,367</u>	<u>5,215</u>	<u>5,359</u>	<u>19,740</u>
Contribution deficiency (excess)	(1,289)	(395)	(18)	(14,946)
Covered-employee payroll	25,526	25,133	25,825	24,675
Contributions as a percentage of covered-employee payroll	21.0%	20.7%	20.8%	80.0%

**Notes to Schedule:**

*Valuation date*

Actuarially determined contribution rates are calculated as of June 30, with an effective date of January 1.

*Actuarial cost method*

Entry age normal (Level Percent of Payroll)

*Amortization method*

Level dollar

*Remaining amortization period*

20 years, closed

*Asset valuation method*

5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

*Inflation*

2.25%

*Salary increases*

2.5%

*Investment rate of return*

6.75%

*Mortality*

RP-2014 Blue Collar Mortality Table, with Social Security Administration generational improvement scale from 2006

*Other information*

The actuarially determined contribution amounts are based on the average of the actuarially determined contribution rates developed in the actuarial valuations completed one year and two years prior to the beginning of the fiscal year, multiplied by actual payroll during the fiscal year. The approved contribution rate was 20.75% for calendar year 2016. Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2015 to June 30, 2016.

The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of Contributions**  
**Employee Retirement Systems and Plans**  
**Prosecuting Attorneys' Retirement Fund**  
(amounts expressed in thousands)

	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Actuarially determined contribution	\$ 1,381	\$ 1,419	\$ 2,345	\$ 2,542
Contributions in relation to the actuarially determined contribution	1,440	1,063	1,174	19,443
Contribution deficiency (excess)	(59)	356	1,171	(16,901)
Covered-employee payroll	21,372	21,145	20,608	18,805
Contributions as a percentage of covered-employee payroll	6.7%	5.0%	5.7%	103.4%

**Notes to Schedule:***Valuation date*

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

*Actuarial cost method*

Entry age normal (Level Percent of Payroll)

*Amortization method*

Level dollar

*Remaining amortization period*

20 years, closed

*Asset valuation method*

5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

*Inflation*

2.25%

*Salary increases*

4.0%

*Investment rate of return*

6.75%

*Mortality*

RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006

*Other information*

The actuarially determined contribution amounts are based on the average of the actuarially determined contribution rates developed in the actuarial valuations completed one year and two years prior to the beginning of the fiscal year, multiplied by anticipated payroll during the fiscal year. Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2015 to June 30, 2016.

The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.



**Schedule of Contributions  
Employee Retirement Systems and Plans  
Legislators' Defined Benefit Plan  
(amounts expressed in thousands)**

	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Actuarially determined contribution	\$ 138	\$ 119	\$ 138	\$ 140
Contributions in relation to the actuarially determined contribution	138	131	138	150
Contribution deficiency (excess)	-	(12)	-	(10)
Covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

**Notes to Schedule:**

*Valuation date*

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

*Actuarial cost method*

Entry age normal (Level Percent of Payroll) for accounting and Traditional Unit Credit for funding

*Amortization method*

Level dollar

*Remaining amortization period*

5 years, closed

*Asset valuation method*

5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

*Inflation*

2.25%

*Salary increases*

2.25%

*Investment rate of return*

6.75%

*Mortality*

RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006

*Other information*

Based on the actuarial assumptions and methods, an actuarially determined contribution amount is computed. The INPRS Board of Trustees considers this information when requesting appropriations from the State. Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project liabilities computed as of June 30, 2015 to June 30, 2016. N/A is not applicable as this is a closed plan with no payroll.

The effort and costs to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of Contributions**  
**Employee Retirement Systems and Plans**  
**Judges' Retirement System**  
(amounts expressed in thousands)

	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Actuarially determined contribution	\$ 17,485	\$ 18,865	\$ 27,648	\$ 25,458
Contributions in relation to the actuarially determined contribution	16,946	21,020	20,895	111,419
Contribution deficiency (excess)	539	(2,155)	6,753	(85,961)
Covered-employee payroll	51,382	48,582	46,041	47,595
Contributions as a percentage of covered-employee payroll	33.0%	43.3%	45.4%	234.1%

**Notes to Schedule:***Valuation date*

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

*Actuarial cost method*

Entry age normal (Level Percent of Payroll)

*Amortization method*

Level dollar

*Remaining amortization period*

20 years, closed

*Asset valuation method*

5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

*Inflation*

2.25%

*Salary increases*

2.5%

*Investment rate of return*

6.75%

*Mortality*

RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006

*Other information*

The actuarially determined contribution amounts are based on the average of the actuarially determined contribution rates developed in the actuarial valuations completed one year and two years prior to the beginning of the fiscal year, multiplied by anticipated payroll during the fiscal year. Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2015 to June 30, 2016.

The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of Contributions**  
**Employee Retirement Systems and Plans**  
**Public Employees' Retirement Fund**  
(amounts expressed in thousands)

	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Actuarially determined contribution	\$ 143,499	\$ 133,755	\$ 134,976	\$ 114,353
Contributions in relation to the actuarially determined contribution	143,499	133,755	134,976	114,353
Contribution deficiency (excess)	-	-	-	-
State's covered-employee payroll	1,199,921	1,162,622	1,213,031	1,173,716
Contributions as a percentage of covered-employee payroll	12.0%	11.5%	11.1%	9.7%

**Notes to Schedule:***Valuation date*

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

*Actuarial cost method*

Entry age normal (Level Percent of Payroll)

*Amortization method*

Level dollar

*Remaining amortization period*

20 years, closed

*Asset valuation method*

5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

*Inflation*

2.25%

*Salary increases*

2.50% - 4.25%

*Investment rate of return*

6.75%

*Mortality*

RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006

*Other information*

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/14 was 11.17%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/15 was 10.55%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/16 was 9.80%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2015 to June 30, 2016.

The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of Contributions**  
**Employee Retirement Systems and Plans**  
**Teachers' Retirement Fund Pre-1996 Account**  
**(amounts expressed in thousands)**

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Statutorily determined contribution	\$ 887,643	\$ 845,774	\$ 825,617	\$ 1,003,847
Contributions in relation to the statutorily required contribution	<u>887,643</u>	<u>845,774</u>	<u>825,617</u>	<u>1,003,847</u>
Contribution deficiency (excess)	-	-	-	-

**Notes to Schedule:***Valuation date*

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

*Actuarial cost method*

Entry age normal (Level Percent of Payroll)

*Amortization method*

Level dollar

*Remaining amortization period*

5 years, closed

*Asset valuation method*

5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

*Inflation*

2.25%

*Salary increases*

2.5% - 12.5%

*Investment rate of return*

6.75%

*Mortality*

RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006

*Other information*

Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2015 to June 30, 2016.

The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of Contributions**  
**Employee Retirement Systems and Plans**  
**Teachers' Retirement Fund 1996 Account**  
 (amounts expressed in thousands)

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Actuarially determined contribution	\$ 758	\$ 772	\$ 735	\$ 761
Contributions in relation to the actuarially determined contribution	<u>758</u>	<u>772</u>	<u>735</u>	<u>761</u>
Contribution deficiency (excess)	-	-	-	-
State's covered-employee payroll	10,108	10,288	10,380	10,150
Contributions as a percentage of covered-employee payroll	7.5%	7.5%	7.1%	7.5%

**Notes to Schedule:**

*Valuation date*

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

*Actuarial cost method*

Entry age normal (Level Percent of Payroll)

*Amortization method*

Level dollar

*Remaining amortization period*

20 years, closed

*Asset valuation method*

5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

*Inflation*

2.25%

*Salary increases*

2.5% - 12.5%

*Investment rate of return*

6.75%

*Mortality*

RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006

*Other information*

Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2015 to June 30, 2016.

The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of Employer Contributions  
Other Postemployment Benefits**

(amounts expressed in thousands)

Year Ended June 30	State Personnel Healthcare Plan		Legislature's Healthcare Plan		Indiana State Police Healthcare Plan		Conservation and Excise Police Healthcare Plan		Retiree Health Benefit Trust Fund	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2016	\$ 1,538	193.6%	\$ 680	67.9%	\$ 30,630	113.8%	\$ 3,313	107.9%	\$ 44,700	100.0%
2015	1,839	194.0%	842	65.8%	29,604	85.5%	3,124	78.0%	43,300	100.0%
2014	1,010	316.9%	810	62.8%	26,030	95.4%	2,822	88.0%	38,200	100.0%

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Employee Retirement Systems and Plans**  
**State Police Retirement Fund**  
(amounts expressed in thousands)

	6/30/2015	6/30/2014	6/30/2013
<b>Total pension liability</b>			
Service cost	\$ 14,356	\$ 13,747	\$ 13,576
Interest	35,912	34,935	33,758
Changes of benefit terms	275	269	147
Differences between expected and actual experience	4,765	778	1,112
Changes of assumptions	9,230	775	533
Benefit payments, including refunds of employee contributions	(34,955)	(32,923)	(30,724)
<b>Net change in total pension liability</b>	29,583	17,581	18,402
<b>Total pension liability, beginning</b>	540,797	523,216	504,814
<b>Total pension liability, ending</b>	<u>\$ 570,380</u>	<u>\$ 540,797</u>	<u>\$ 523,216</u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 13,451	\$ 14,005	\$ 47,588
Contributions, employee	3,967	3,763	3,786
Net investment income	(990)	44,883	29,787
Benefit payments, including refunds of employee contributions	(34,955)	(32,923)	(30,724)
Administrative expense	(300)	(307)	(261)
Other	-	(11)	2
<b>Net change in plan fiduciary net position</b>	(18,827)	29,410	50,178
<b>Plan fiduciary net position, beginning</b>	467,998	438,588	388,410
<b>Plan fiduciary net position, ending</b>	<u>\$ 449,171</u>	<u>\$ 467,998</u>	<u>\$ 438,588</u>
<b>Net pension liability</b>	<u>\$ 121,209</u>	<u>\$ 72,799</u>	<u>\$ 84,628</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	78.7%	86.5%	83.8%
<b>Covered employee payroll</b>	68,219	68,490	63,347
<b>Net pension liability as a percentage of covered employee payroll</b>	177.7%	106.3%	133.6%

**Notes to Schedule:**

*Benefit changes.*

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

*Changes of assumptions.* 6/30/2015 Mortality Assumption: Mortality rates for healthy members were based on the RP-2014 Blue Collar Mortality Tables adjusted to 2006 with MP-2015 Mortality Improvement Scale. Mortality rates for disabled members were based on the RP-2014 Mortality tables for disabled members adjusted to 2006 with MP-2015 Mortality Improvement Scale. 6/30/2014 Mortality Assumption: Mortality rates for healthy members were based on the 2014 separate non-annuitant and annuitant mortality tables (separate male and female tables) as published by the IRS. Mortality rates for disabled members were based on the same tables increased by 115% for disabled retirements and disabled terminations with deferred benefits. 6/30/2013 Mortality Assumption: Mortality rates for healthy members were based on the 2013 separate non-annuitant and annuitant mortality tables (separate male and female tables) as published by the IRS. Mortality rates for disabled members were based on the same tables increased by 115% for disabled retirements and disabled terminations with deferred benefits.

*Other.* The effort and cost to recreate financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Employee Retirement Systems and Plans**  
**State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement**  
**Officers' Retirement Plan**  
**(amounts expressed in thousands)**

	6/30/2015	6/30/2014	6/30/2013
<b>Total pension liability</b>			
Service cost	\$ 3,905	\$ 3,841	\$ 3,811
Interest	8,384	8,031	7,740
Differences between expected and actual experience	845	(430)	(1,845)
Changes of assumptions	2,669	-	(40)
Benefit payments, including refunds of employee contributions	(6,608)	(5,938)	(4,836)
Member reassignments	-	-	(15)
<b>Net change in total pension liability</b>	9,195	5,504	4,815
<b>Total pension liability, beginning</b>	123,601	118,097	113,282
<b>Total pension liability, ending</b>	<u>\$ 132,796</u>	<u>\$ 123,601</u>	<u>\$ 118,097</u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 5,215	\$ 5,359	\$ 19,740
Contributions, employee	1,004	1,019	1,006
Net investment income	(71)	13,339	4,702
Benefit payments, including refunds of employee contributions	(6,609)	(5,938)	(4,836)
Administrative expense	(158)	(141)	(121)
Member reassignments	-	-	(15)
<b>Net change in plan fiduciary net position</b>	(619)	13,638	20,476
<b>Plan fiduciary net position, beginning</b>	110,657	97,019	76,543
<b>Plan fiduciary net position, ending</b>	<u>\$ 110,038</u>	<u>\$ 110,657</u>	<u>\$ 97,019</u>
<b>Net pension liability</b>	<u>\$ 22,758</u>	<u>\$ 12,944</u>	<u>\$ 21,078</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	82.9%	89.5%	82.2%
<b>Covered employee payroll</b>	25,133	25,825	24,675
<b>Net pension liability as a percentage of covered employee payroll</b>	90.6%	50.1%	85.4%

**Notes to Schedule:**

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

*Benefit changes.* There were no changes to the plan that impacted the pension benefits during the fiscal year.

*Changes of assumptions.* An assumption study was performed in April of 2015 resulting in an update to the following assumptions: 1) The inflation assumption changed from 3.0% per year to 2.25% per year; 2) the future salary increases assumption changed from 3.25% to 2.5% per year; 3) the mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Blue Collar mortality tables, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report; 4) the retirement assumption changed to reflect higher likelihood of retirement at certain ages; 5) the termination assumption changed from an age-based table to a service-based table; and 6) the dependent assumption was adjusted to reflect recent experience.

The effort and cost to recreate financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.



**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Employee Retirement Systems and Plans**  
**Prosecuting Attorneys' Retirement Fund**  
(amounts expressed in thousands)

	6/30/2015	6/30/2014	6/30/2013
<b>Total pension liability</b>			
Service cost	\$ 1,603	\$ 1,587	\$ 1,568
Interest	4,409	4,207	3,816
Changes of benefit terms	-	-	1,346
Differences between expected and actual experience	4,551	-	1,474
Changes of assumptions	5,216	-	(109)
Benefit payments, including refunds of employee contributions	(3,254)	(2,398)	(2,235)
<b>Net change in total pension liability</b>	<b>12,525</b>	<b>3,396</b>	<b>5,860</b>
<b>Total pension liability, beginning</b>	<b>65,336</b>	<b>61,940</b>	<b>56,080</b>
<b>Total pension liability, ending</b>	<b>\$ 77,861</b>	<b>\$ 65,336</b>	<b>\$ 61,940</b>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 1,063	\$ 1,174	\$ 19,443
Contributions, employee	1,269	1,334	1,271
Net investment income	(34)	6,581	1,897
Benefit payments, including refunds of employee contributions	(3,254)	(2,398)	(2,235)
Administrative expense	(127)	(108)	(145)
Other	-	4	-
<b>Net change in plan fiduciary net position</b>	<b>(1,083)</b>	<b>6,587</b>	<b>20,231</b>
<b>Plan fiduciary net position, beginning</b>	<b>54,507</b>	<b>47,920</b>	<b>27,689</b>
<b>Plan fiduciary net position, ending</b>	<b>\$ 53,424</b>	<b>\$ 54,507</b>	<b>\$ 47,920</b>
<b>Net pension liability</b>	<b>\$ 24,437</b>	<b>\$ 10,829</b>	<b>\$ 14,020</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>68.6%</b>	<b>83.4%</b>	<b>77.4%</b>
<b>Covered employee payroll</b>	<b>21,145</b>	<b>20,608</b>	<b>18,805</b>
<b>Net pension liability as a percentage of covered employee payroll</b>	<b>115.6%</b>	<b>52.5%</b>	<b>74.6%</b>

**Notes to Schedule:**

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

*Benefit changes.* There were no changes to the plan that impacted the pension benefits during the fiscal year.

In 2013, HB 1057 changed the benefits in the Prosecuting Attorneys' Retirement Fund to be comparable to the Judges' Retirement Fund.

*Changes of assumptions.* In 2013, the interest crediting rate on member contributions was changed to 3.5% from 5.5%. An assumption study was performed in April of 2015 resulting in an update to the following assumptions: 1) The inflation assumption changed from 3.0% per year to 2.25% per year; 2) The mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) White Collar mortality tables, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report; and 3) the retirement assumption changed from an age and points-based table to an age and service-based table, reflecting higher rates of retirement after 22 years of service.

The effort and cost to recreate financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Employee Retirement Systems and Plans**  
**Legislators' Defined Benefit Plan**  
**(amounts expressed in thousands)**

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
<b>Total pension liability</b>			
Service cost	\$ 3	\$ 3	\$ 2
Interest	269	277	291
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(68)	(36)	(140)
Changes of assumptions	325	-	-
Benefit payments, including refunds of employee contributions	(370)	(363)	(365)
Member reassignments	-	-	-
Other	-	-	-
<b>Net change in total pension liability</b>	<u>159</u>	<u>(119)</u>	<u>(212)</u>
<b>Total pension liability, beginning</b>	<u>4,166</u>	<u>4,285</u>	<u>4,497</u>
<b>Total pension liability, ending</b>	<u>\$ 4,325</u>	<u>\$ 4,166</u>	<u>\$ 4,285</u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 131	\$ 138	\$ 150
Contributions, employee	-	-	-
Net investment income	(5)	439	201
Benefit payments, including refunds of employee contributions	(370)	(363)	(365)
Administrative expense	(71)	(62)	(34)
Member reassignments	-	-	-
Other	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>(315)</u>	<u>152</u>	<u>(48)</u>
<b>Plan fiduciary net position, beginning</b>	<u>3,489</u>	<u>3,337</u>	<u>3,385</u>
<b>Plan fiduciary net position, ending</b>	<u>\$ 3,174</u>	<u>\$ 3,489</u>	<u>\$ 3,337</u>
<b>Net pension liability</b>	<u>\$ 1,151</u>	<u>\$ 677</u>	<u>\$ 948</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	73.4%	83.7%	77.9%
<b>Covered employee payroll</b>	N/A	N/A	N/A
<b>Net pension liability as a percentage of covered employee payroll</b>	N/A	N/A	N/A

**Notes to Schedule:**

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

*Benefit changes.* There were no changes to the plan that impacted the pension benefits during the fiscal year.

*Changes of assumptions.* An assumption study was performed in April of 2015 resulting in an update to the following assumptions: '1) The inflation assumption changed from 3.0% per year to 2.25% per year; and 2) The mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) White Collar mortality tables, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.

N/A is not applicable as this is a closed plan with no payroll.

The effort and cost to recreate financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Employee Retirement Systems and Plans**  
**Judges' Retirement System**  
**(amounts expressed in thousands)**

	6/30/2015	6/30/2014	6/30/2013
<b>Total pension liability</b>			
Service cost	\$ 15,283	\$ 15,302	\$ 16,084
Interest	31,753	30,992	30,047
Changes of benefit terms	-	-	-
Differences between expected and actual experience	8,411	(16,026)	(13,603)
Changes of assumptions	(31,926)	-	186
Benefit payments, including refunds of employee contributions	(19,432)	(18,527)	(17,579)
Member reassignments	-	4	121
Other	-	-	-
<b>Net change in total pension liability</b>	<u>4,089</u>	<u>11,745</u>	<u>15,256</u>
<b>Total pension liability, beginning</b>	464,855	453,110	437,854
<b>Total pension liability, ending</b>	<u>\$ 468,944</u>	<u>\$ 464,855</u>	<u>\$ 453,110</u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 21,020	\$ 20,895	\$ 111,419
Contributions, employee	3,292	2,856	2,631
Net investment income	(102)	51,890	16,955
Benefit payments, including refunds of employee contributions	(19,432)	(18,527)	(17,579)
Administrative expense	(165)	(146)	(126)
Member reassignments	-	4	121
Other	9	6	5
<b>Net change in plan fiduciary net position</b>	<u>4,622</u>	<u>56,978</u>	<u>113,426</u>
<b>Plan fiduciary net position, beginning</b>	432,730	375,752	262,326
<b>Plan fiduciary net position, ending</b>	<u>\$ 437,352</u>	<u>\$ 432,730</u>	<u>\$ 375,752</u>
<b>Net pension liability</b>	<u>\$ 31,592</u>	<u>\$ 32,125</u>	<u>\$ 77,358</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	93.3%	93.1%	82.9%
<b>Covered employee payroll</b>	48,582	46,041	47,595
<b>Net pension liability as a percentage of covered employee payroll</b>	65.0%	69.8%	162.5%

**Notes to Schedule:**

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

*Benefit changes.* There were no changes to the plan that impacted the pension benefits during the fiscal year.

*Changes of assumptions.* An assumption study was performed in April of 2015 resulting in an update to the following assumptions: '1) The inflation assumption changed from 3.0% per year to 2.25% per year; 2) the future salary increases assumption changed from 4.0% to 2.5% per year; 3) the cost-of-living assumption decreased from 4.0% to 2.5% per year; 4) the mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) White Collar mortality tables, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report; 5) the retirement assumption changed from an age-based table to an age and service based table, reflecting higher rates of retirement after 22 years of service; 6) the termination assumption changed from an age-based table to 3% for all members; and 7) the dependent assumption was adjusted to reflect recent experience.

The effort and cost to recreate financial statement information for 10 years was not practical.

Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Employee Retirement Systems and Plans  
Public Employees' Retirement Fund  
(amounts expressed in thousands)**

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
State's proportion of the net pension liability (asset)	24.27%	24.85%	24.45%
State's proportionate share of the net pension liability (asset)	\$ 988,605	\$ 652,920	\$ 837,311
State's covered-employee payroll	1,162,622	1,213,031	1,173,716
State's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	85.0%	53.8%	71.3%
Plan fiduciary net position as a percentage of the total pension liability	77.3%	84.3%	78.8%

**Notes to Schedule:**

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

*Benefit changes.* There were no changes to the plan that impacted pension benefits during the fiscal year.

*Plan amendments.* In 2015, there were no changes to the plan that impacted the pension benefits during the year.

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

*Changes of assumptions.* An assumption study was performed in April of 2015 resulting in an update to the following assumptions: '1) the inflation assumption changed from 3.00% to 2.25% per year; 2) the future salary increase assumption changed from an age-based table ranging from 3.25% to 4.5% to an age-based table ranging from 2.50% to 4.25%; 3) the mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table projected on a fully generationally basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee report; 4) the retirement assumption was updated based on recent experience. Additionally, for actives who are eligible for early retirement (reduced benefit), 33% are assumed to commence benefits immediate and 67% are assumed to commence benefits at unreduced retirement eligibility. If eligible for an unreduced retirement benefit upon termination from employment, 100% commence immediately; 5) the termination assumption was updated based on recent experience. For members earning less than \$20,000, the tables were updated from a select and ultimate table to just an ultimate table as there is little correlation with service. For members earning more than \$20,000, the table were updated from using a 5-year select period to a 10-year select period to correspond with the vesting schedule; 6) the disability assumption was updated based on recent experience; and 7) the ASA annuitization assumption was updated from 50% of members assumed to annuitize their ASA balance to 60% of members assumed to annuitize their ASA balance prior to January 1, 2017.

The effort and cost to recreate financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Employee Retirement Systems and Plans  
Teachers' Retirement Fund Pre-1996 Account  
(amounts expressed in thousands)**

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
State's proportion of the net pension liability (asset)	100.00%	100.00%	100.00%
State's proportionate share of the net pension liability (asset)	\$ 11,917,837	\$ 10,853,349	\$ 11,248,396
Plan fiduciary net position as a percentage of the total pension liability	30.0%	33.6%	31.7%

**Notes to Schedule:**

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

*Benefit changes.* There were no changes to the plan that impacted the pension benefits during the fiscal year.

*Plan amendments.* In 2015, there were no changes to the plan that impacted the pension benefits during the year.

In 2014, HB 1075 impacted the TRF Pre-1996 Account by reducing the Annuity Savings Account (ASA) interest crediting rate on annuities from 7.5% to 5.75% effective October 1, 2014. Effective October 1, 2015 the rate becomes the greater of 4.5% or market rate. On January 1, 2017, the ASA annuities are allowed to be outsourced to a third party provider.

*Changes of assumptions.* An assumption study was performed in April of 2015 resulting in an update to the following assumptions: 1) the inflation assumption changed from 3.00% to 2.25% per year; 2) the future salary increase assumption changed from a table ranging from 3.00% to 12.50% to a table ranging from 2.50% to 12.50%; 3) the mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 White Collar Mortality Table with Social Security Administration generational projection scale from 2006; 4) the retirement assumption was updated based on recent experience; and 5) the termination assumption was updated based on recent experience.

The effort and cost to recreate financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Employee Retirement Systems and Plans  
Teachers' Retirement Fund 1996 Account  
(amounts expressed in thousands)**

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
State's proportion of the net pension liability (asset)	0.38%	0.40%	0.42%
State's proportionate share of the net pension liability (asset)	\$ 1,977	\$ 191	\$ 1,310
State's covered-employee payroll	10,288	10,380	10,150
State's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.2%	1.8%	12.9%
Plan fiduciary net position as a percentage of the total pension liability	91.1%	99.1%	93.4%

**Notes to Schedule:**

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

*Benefit changes.* There were no changes to the plan that impacted the pension benefits during the fiscal year.

*Plan amendments.* In 2015, there were no changes to the plan that impacted the pension benefits during the fiscal year. In 2014, HB 1075 impacted the PERF by reducing the Annuity Savings Account (ASA) interest crediting rate on annuities from 7.5% to 5.75% effective October 1, 2014. Effective October 1, 2015 the rate becomes the greater of 4.5% or market rate. On January 1, 2017, the ASA annuities are allowed to be outsourced to a third party provider.

*Changes of assumptions.* An assumption study was performed in April of 2015 resulting in an update to the following assumptions: 1) The inflation assumption changed from 3.00% to 2.25% per year; 2) the future salary increases assumption changed from a table ranging from 3.00% to 12.50% to a table ranging from 2.50% to 12.50%; 3) the mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 White Collar Mortality Table with Social Security Administration generational projection scale from 2006; 4) the retirement assumption was updated based on recent experience; and 5) the termination assumption was updated based on recent experience.

The effort and cost to recreate financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB-S68 purposes.

## Budgetary Information

The Governor submits a budget biennially to be adopted by the General Assembly for the ensuing two-year period. The budget covers the general fund and most special revenue funds. The General Assembly enacts the budget through passage of specific appropriations.

The budget bill is enacted as the Appropriations Act that the Governor may veto, subject to legislative override. Except as specifically provided by statute, appropriations or any part thereof remaining unexpended and unencumbered at the close of any fiscal year will lapse and be returned to the fund from which it was appropriated.

The final budget is composed of budgeted amounts as adopted and as amended by supplemental appropriations or appropriation transfers that were necessary during the current year. The State Board of Finance, which consists of the Governor, Auditor of State and Treasurer of State, is empowered to transfer appropriations from one appropriation, fund, or agency of the State to another, with the exception of trust funds. The State Budget Agency may transfer, assign, and reassign almost any appropriation, except those restricted by law, but only when: (1) the uses and purposes to which the funds are transferred are uses and purposes which the agency is permitted or required to perform; and (2) and the transfers are within the same agency of the state to which the appropriation was originally made. Capital appropriations are initially posted to general government. As projects are approved by the State Budget Committee the appropriations are transferred to the function of government from which they are disbursed. In addition, expenditures under many federal grants are required to be spent before they are reimbursed by the federal government. These actions are considered supplemental appropriations; therefore, expenditures do not exceed appropriations for individual funds.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the fund level by the State Budget Agency. When budgets are submitted for each fund, certain recurring expenditures are not budgeted (such as tort claims) according to instructions from the State Budget Agency to the various agencies. The Budget Agency monitors all funds regularly in addition to monitoring excess general fund revenue that will be available at the end of the fiscal year to cover the non-budgeted, recurring expenditures.

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	General Fund			Variance to Final Budget
	Budget		Actual	
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Income	\$ 6,106,517	\$ 6,106,517	\$ 6,296,873	\$ 190,356
Sales	7,504,680	7,504,680	7,242,284	(262,396)
Fuels	-	-	2,106	2,106
Gaming	441,339	441,339	53,429	(387,910)
Alcohol and tobacco	267,900	267,900	273,260	5,360
Insurance	227,601	227,601	230,035	2,434
Financial institutions	-	-	185	185
Other	287,929	287,929	318,680	30,751
Total taxes	14,835,966	14,835,966	14,416,852	(419,114)
Current service charges	286,755	286,755	179,149	(107,606)
Investment income	18,142	18,142	24,903	6,761
Sales/rents	729	729	378	(351)
Grants	-	-	1,022	1,022
Other	8,073	8,073	31,839	23,766
Total revenues	15,149,665	15,149,665	14,654,143	(495,522)
<b>Expenditures:</b>				
Current:				
General government	1,127,467	2,793,091	1,266,508	1,526,583
Public safety	1,508,332	979,697	935,380	44,317
Health	61,349	49,664	46,639	3,025
Welfare	3,588,710	1,191,869	791,032	400,837
Conservation, culture and development	172,696	341,432	72,351	269,081
Education	9,890,352	9,646,456	9,532,973	113,483
Transportation	143,178	2,591	234	2,357
Debt service:				
Capital lease principal	-	-	7,154	(7,154)
Capital lease interest	-	-	5,218	(5,218)
Total expenditures	16,492,084	15,004,800	12,657,489	2,347,311
Excess of revenues over (under) expenditures	(1,342,419)	144,865	1,996,654	(1,851,789)
<b>Other financing sources (uses):</b>				
Total other financing sources (uses)	(1,859,037)	(1,859,037)	(1,859,037)	-
<b>Net change in fund balances</b>	<b>\$ (3,201,456)</b>	<b>\$ (1,714,172)</b>	<b>137,617</b>	<b>\$ 1,851,789</b>
<b>Fund balances July 1, as restated</b>			<b>2,750,315</b>	
<b>Fund balances June 30</b>			<b>\$ 2,887,932</b>	



Public Welfare-Medicaid Assistance				Major Moves Construction Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
877,195	877,195	689,219	(187,976)	-	-	-	-
-	-	-	-	8,995	8,995	10,280	1,285
-	-	-	-	-	-	-	-
6,665,936	6,665,936	7,621,062	955,126	-	-	-	-
-	-	1	1	-	-	-	-
7,543,131	7,543,131	8,310,282	767,151	8,995	8,995	10,280	1,285
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,805	14,039,827	10,424,098	3,615,729	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	137,911	31,957	105,954
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,805	14,039,827	10,424,098	3,615,729	-	137,911	31,957	105,954
7,539,326	(6,496,696)	(2,113,816)	(4,382,880)	8,995	(128,916)	(21,677)	(107,239)
1,992,209	1,992,209	1,992,209	-	(22,613)	(22,613)	(22,613)	-
\$ 9,531,535	\$ (4,504,487)	(121,607)	\$ 4,382,880	\$ (13,618)	\$ (151,529)	(44,290)	\$ 107,239
		554,992				707,541	
		<b>\$ 433,385</b>				<b>\$ 663,251</b>	

## Budget/GAAP Reconciliation Major Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

(amounts expressed in thousands)	GENERAL FUND	PUBLIC WELFARE- MEDICAID ASSIS	MAJOR MOVES CONSTRUCTION FUND	Total
Net change in fund balances (budgetary basis)	\$ 137,617	\$ (121,607)	\$ (44,291)	\$ (28,281)
Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:				
Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)	30,755	239,017	4,447	274,219
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	(59,090)	(135,216)	(857)	(195,163)
<b>Net change in fund balances (GAAP basis)</b>	<b>\$ 109,281</b>	<b>\$ (17,806)</b>	<b>\$ (40,700)</b>	<b>\$ 50,775</b>

## Infrastructure - Modified Reporting Condition Rating of the State's Highways and Bridges

<b>Roads</b>	<b>Average International Roughness Index (IRI), Right Wheel Path (RWP)</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	Interstate Roads (excluding Rest Areas and Weigh Stations)	80.0	78.6
NHS Roads - Non-Interstate (excluding Rest Areas and Weigh Stations)	95.6	90.9	92.0
Non-NHS Roads	105.4	100.9	99.3

The condition of road pavement is based on the International Roughness Index (IRI), which is a measure of the roughness of the pavement in terms of inches per mile, and applies both to Portland cement concrete (PCC) and hot mix asphalt (HMA) pavements. IRI's range from zero for a pavement that is perfectly smooth to ratings above 170 for a pavement that warrants replacement. The condition index is used to classify roads in excellent condition (0-79), good condition (80-114), satisfactory condition (115-149), fair condition (150-169), and poor condition (above 170). It is the State's policy to maintain a network average of no more than 101 IRI (RWP). Condition assessments are determined on an annual basis for all roads maintained by INDOT. The ratings provided are based on data gathered during the summer (May to October) for each fiscal year. The data is evaluated and compared to standard criteria by the end of the fiscal year.

The State changed its methodology for reporting IRI from all wheel paths collected to right wheel path in 2014.

<b>Bridges</b>	<b>Average Sufficiency Rating</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	Interstate Bridges	90.8%	90.1%
NHS Bridges - Non-Interstate	91.5%	90.2%	89.7%
Non-NHS Bridges	90.5%	90.2%	88.8%

The condition of the State's bridges is measured based on a sufficiency rating, which is based on a weighted average of four factors indicative of a bridge's sufficiency to remain in service. The sufficiency rating uses a measurement scale that ranges from zero for an entirely insufficient or deficient bridge to 100 for an entirely sufficient bridge. The sufficiency rating is used to classify bridges in excellent condition (90-100), good condition (80-89), fair condition (70-79), marginal condition (60-69), and poor condition (below 60). It is the State's policy to maintain Interstate bridges at a minimum sufficiency rating of 87%, NHS Non-Interstate bridges at 85%, and Non-NHS bridges at 83%. Sufficiency ratings are determined at least on a biennial basis for all bridges. Sufficiency ratings are determined more frequently for certain bridges depending on their design.

**Infrastructure - Modified Reporting**  
**Comparison of Planned-to-Actual Maintenance/Preservation**  
**(amounts expressed in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Roads</b>					
Interstate Roads (including Rest Areas and Weigh Stations):					
Planned	\$ 126,191	\$ 89,148	\$ 161,222	\$ 189,542	\$ 205,878
Actual	125,283	104,327	160,064	123,699	165,740
NHS and Non-NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations)					
Planned	277,605	146,134	260,501	282,843	296,337
Actual	220,215	167,298	245,864	298,356	337,507
Roads at State Institutions and Properties					
Planned	260	-	868	1,030	1,699
Actual	241	-	322	3,132	5,183
Total					
Planned	404,056	235,282	422,591	473,415	503,914
Actual	345,739	271,625	406,250	425,187	508,430
<b>Bridges</b>					
Interstate Bridges					
Planned	\$ 57,794	\$ 59,637	\$ 40,755	\$ 46,568	\$ 55,371
Actual	82,044	44,736	28,728	36,820	58,245
NHS Bridges - Non-Interstate					
Planned	31,892	46,121	37,982	51,418	41,395
Actual	33,116	38,240	32,121	28,553	26,733
Non-NHS Bridges					
Planned	82,601	79,775	63,939	76,918	106,891
Actual	77,573	67,345	49,030	80,470	102,491
Bridges at State Institutions and Properties					
Planned	-	-	-	-	1
Actual	-	-	-	752	108
Total					
Planned	172,287	185,533	142,676	174,904	203,658
Actual	192,733	150,321	109,879	146,595	187,577

Source: Indiana Department of Transportation

# OTHER SUPPLEMENTARY INFORMATION



## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Funds of material significance are presented separately in these combining statements. All other funds are included under the description "Other Non-Major Special Revenue Funds."

The following funds are used to account for transportation and motor vehicle related programs:

- Motor Vehicle Highway
- Motor Vehicle Commission
- Road & Street, Primary Highway
- State Highway Fund

The following funds are used to account for health and environmental programs:

- Indiana Check-Up Plan
- Patients Compensation Fund
- Tobacco Settlement Fund

The following funds are used to receive and distribute certain revenues to the proper sources:

- State Gaming Fund
- Build Indiana Fund

The following fund is used to account for federal and non-federal programs:

- Fund 6000 Programs

The following fund is used to provide low interest construction and technology loans for qualifying schools:

- Common School Fund

The following funds are used to account for federal grant programs:

- U.S. Department of Agriculture
- U.S. Department of Labor
- U.S. Department of Transportation
- U.S. Department of Education
- U.S. Department of Health and Human Services

## NON-MAJOR GOVERNMENTAL FUNDS

### CAPITAL PROJECTS FUNDS

Capital project funds account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds). Funds of material significance are presented separately in these combining statements. All other funds are included under the description "Other Non-Major Capital Projects Funds."

**State Police Building Commission Fund** – This fund accounts for new construction, rehabilitation and preventative maintenance for this state commission.

**Post War Construction Fund** – This fund accounts for new construction, rehabilitation and preventative maintenance of penal, benevolent and charitable institutions of the state.

### PERMANENT FUNDS

Permanent Funds account for resources of the State that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support State programs. Funds of material significance are presented separately in these combining statements. All other funds are included under the description "Other Non-Major Permanent Funds."

**Next Generation Trust Fund** - This fund is used to hold title to proceeds transferred to the trust under IC 8-15.5-11. The interest is appropriated every five years beginning March 15, 2011 and is to be used exclusively for the provision of highways, roads, and bridges for the benefit of the people of Indiana and the users of those facilities.

**State of Indiana**  
**Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2016**  
(amounts expressed in thousands)

	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Non-Major Permanent Funds	Total
<b>ASSETS</b>				
Cash, cash equivalents and investments-unrestricted	\$ 2,431,800	\$ 52,213	\$ 523,139	\$ 3,007,152
Receivables:				
Taxes (net of allowance for uncollectible accounts)	117,837	1,919	-	119,756
Accounts	34,874	93	-	34,967
Grants	402,527	-	-	402,527
Interest	117	-	2	119
Interfund loans	8,000	-	-	8,000
Due from component unit	15,485	-	-	15,485
Prepaid expenditures	301	43	-	344
Loans	452,796	-	-	452,796
Other	51	-	-	51
Total assets	<u>3,463,788</u>	<u>54,268</u>	<u>523,141</u>	<u>4,041,197</u>
<b>Total assets and deferred outflow of resources</b>	<b><u>\$ 3,463,788</u></b>	<b><u>\$ 54,268</u></b>	<b><u>\$ 523,141</u></b>	<b><u>\$ 4,041,197</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 542,626	\$ 1,447	\$ -	\$ 544,073
Salaries and benefits payable	30,331	-	-	30,331
Interfund loans	339,961	-	-	339,961
Interfund services used	4,748	-	-	4,748
Intergovernmental payable	133,546	-	-	133,546
Due to component unit	89	-	-	89
Tax refunds payable	7,096	-	-	7,096
Accrued liability for compensated absences-current	2,583	-	-	2,583
Other payables	82	-	-	82
Total liabilities	<u>1,061,062</u>	<u>1,447</u>	<u>-</u>	<u>1,062,509</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue	18,321	-	-	18,321
Total deferred inflow of resources	<u>18,321</u>	<u>-</u>	<u>-</u>	<u>18,321</u>
<b>FUND BALANCE</b>				
Nonspendable	19,300	43	501,125	520,468
Committed	828,003	-	22,016	850,019
Assigned	1,921,803	52,778	-	1,974,581
Unassigned	(384,701)	-	-	(384,701)
Total fund balance	<u>2,384,405</u>	<u>52,821</u>	<u>523,141</u>	<u>2,960,367</u>
<b>Total liabilities, deferred inflow of resources, and fund balance</b>	<b><u>\$ 3,463,788</u></b>	<b><u>\$ 54,268</u></b>	<b><u>\$ 523,141</u></b>	<b><u>\$ 4,041,197</u></b>



**State of Indiana**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Non-Major Permanent Funds	Total
<b>Revenues:</b>				
Taxes:				
Income	\$ 152	\$ -	\$ -	\$ 152
Sales	82,855	-	-	82,855
Fuels	807,576	-	-	807,576
Gaming	577,009	-	-	577,009
Alcohol and tobacco	153,110	19,164	-	172,274
Insurance	4,989	-	-	4,989
Financial Institutions	119,160	-	-	119,160
Other	14,678	-	-	14,678
Total taxes	1,759,529	19,164	-	1,778,693
Current service charges	1,400,733	1,962	-	1,402,695
Investment income	2,109	-	15,084	17,193
Sales/rents	19,043	259	-	19,302
Grants	5,352,552	1,366	-	5,353,918
Other	68,060	-	-	68,060
Total revenues	8,602,026	22,751	15,084	8,639,861
<b>Expenditures:</b>				
Current:				
General government	389,495	-	2	389,497
Public safety	460,518	-	-	460,518
Health	330,233	-	-	330,233
Welfare	2,986,299	-	-	2,986,299
Conservation, culture and development	474,144	-	-	474,144
Education	1,387,755	-	-	1,387,755
Transportation	2,466,422	-	202	2,466,624
Debt service:				
Capital lease principal	54,611	-	-	54,611
Capital lease interest	40,333	-	-	40,333
Capital outlay	-	15,715	-	15,715
Total expenditures	8,589,810	15,715	204	8,605,729
Excess (deficiency) of revenues over (under) expenditures	12,216	7,036	14,880	34,132
<b>Other financing sources (uses):</b>				
Transfers in	2,197,231	1,184	-	2,198,415
Transfers (out)	(2,223,312)	(16)	(83,156)	(2,306,484)
Proceeds from capital lease	3,812	-	-	3,812
Total other financing sources (uses)	(22,269)	1,168	(83,156)	(104,257)
<b>Net change in fund balances</b>	(10,053)	8,204	(68,276)	(70,125)
<b>Fund Balance July 1, as restated</b>	2,394,458	44,617	591,417	3,030,492
<b>Fund Balance June 30</b>	<b>\$ 2,384,405</b>	<b>\$ 52,821</b>	<b>\$ 523,141</b>	<b>\$ 2,960,367</b>

**State of Indiana**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2016**  
(amounts expressed in thousands)

	<u>STATE GAMING FUND</u>	<u>MOTOR VEHICLE HIGHWAY</u>	<u>MOTOR VEHICLE COMMISSION</u>	<u>BUILD INDIANA FUND</u>
<b>ASSETS</b>				
Cash, cash equivalents and investments- unrestricted	\$ 5,839	\$ 73,874	\$ 32,649	\$ 6,808
Receivables:				
Taxes (net of allowance for uncollectible accounts)	4,775	13,971	-	-
Accounts	-	3,210	5,614	-
Grants	-	-	-	-
Interest	-	-	-	-
Interfund loans	-	8,000	-	-
Due from component unit	-	-	-	15,485
Prepaid expenditures	-	-	-	-
Loans	-	-	-	-
Other	-	-	-	-
Total assets	<u>10,614</u>	<u>99,055</u>	<u>38,263</u>	<u>22,293</u>
<b>Total assets and deferred outflow of resources</b>	<b><u>\$ 10,614</u></b>	<b><u>\$ 99,055</u></b>	<b><u>\$ 38,263</u></b>	<b><u>\$ 22,293</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 36	\$ 51	\$ 2,109	\$ 430
Salaries and benefits payable	90	-	2,510	7
Interfund loans	-	-	-	-
Interfunds services used	32	36	118	-
Intergovernmental payable	150	37,087	-	-
Due to component unit	-	-	-	-
Tax refunds payable	-	3,243	-	-
Accrued liability for compensated absences-current	7	-	187	-
Other payables	-	-	-	-
Total liabilities	<u>315</u>	<u>40,417</u>	<u>4,924</u>	<u>437</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue	19	1,795	-	-
Total deferred inflow of resources	<u>19</u>	<u>1,795</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>				
Nonspendable	-	-	-	-
Committed	6,995	-	-	-
Assigned	3,285	56,843	33,339	21,856
Unassigned	-	-	-	-
Total fund balance	<u>10,280</u>	<u>56,843</u>	<u>33,339</u>	<u>21,856</u>
<b>Total liabilities, deferred inflow of resources, and fund balance</b>	<b><u>\$ 10,614</u></b>	<b><u>\$ 99,055</u></b>	<b><u>\$ 38,263</u></b>	<b><u>\$ 22,293</u></b>

<u>STATE HIGHWAY FUND</u>	<u>INDIANA CHECK- UP PLAN</u>	<u>FUND 6000 PROGRAMS</u>	<u>PATIENTS COMPENSATION FUND</u>	<u>ROAD &amp; STREET, PRIMARY HIGHWAY</u>
\$ 419,731	\$ 195,706	\$ 314,420	\$ 146,812	\$ 17,679
2,689	19,610	3,309	-	5,288
9,548	-	814	5,224	369
4	-	1,642	-	-
-	-	32	45	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
12,262	-	227	-	-
-	-	1	28	-
<u>444,234</u>	<u>215,316</u>	<u>320,445</u>	<u>152,109</u>	<u>23,336</u>
<b><u>\$ 444,234</u></b>	<b><u>\$ 215,316</u></b>	<b><u>\$ 320,445</u></b>	<b><u>\$ 152,109</u></b>	<b><u>\$ 23,336</u></b>
\$ 29,958	\$ 7,986	\$ 76,638	\$ 28,986	\$ -
7,471	-	747	26	-
8,000	-	-	-	-
676	-	146	10	-
-	-	-	-	7,075
-	-	-	-	-
-	-	376	-	4
624	-	59	1	-
-	-	1	28	-
<u>46,729</u>	<u>7,986</u>	<u>77,967</u>	<u>29,051</u>	<u>7,079</u>
<u>283</u>	<u>9,930</u>	<u>1,529</u>	<u>-</u>	<u>696</u>
<u>283</u>	<u>9,930</u>	<u>1,529</u>	<u>-</u>	<u>696</u>
-	-	-	-	-
-	197,400	10,751	-	-
397,222	-	230,198	123,058	15,561
-	-	-	-	-
<u>397,222</u>	<u>197,400</u>	<u>240,949</u>	<u>123,058</u>	<u>15,561</u>
<b><u>\$ 444,234</u></b>	<b><u>\$ 215,316</u></b>	<b><u>\$ 320,445</u></b>	<b><u>\$ 152,109</u></b>	<b><u>\$ 23,336</u></b>

continued on next page

**State of Indiana**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2016**  
(amounts expressed in thousands)

	TOBACCO SETTLEMENT FUND	COMMON SCHOOL FUND	US DEPARTMENT OF AGRICULTURE	US DEPARTMENT OF LABOR
<b>ASSETS</b>				
Cash, cash equivalents and investments- unrestricted	\$ 90,001	\$ 136,153	\$ -	\$ -
Receivables:				
Taxes (net of allowance for uncollectible accounts)	-	-	-	-
Accounts	-	-	-	129
Grants	-	-	11,576	7,829
Interest	-	-	-	-
Interfund loans	-	-	-	-
Due from component unit	-	-	-	-
Prepaid expenditures	-	-	-	-
Loans	-	439,269	-	-
Other	-	22	-	-
Total assets	<u>90,001</u>	<u>575,444</u>	<u>11,576</u>	<u>7,958</u>
<b>Total assets and deferred outflow of resources</b>	<b><u>\$ 90,001</u></b>	<b><u>\$ 575,444</u></b>	<b><u>\$ 11,576</u></b>	<b><u>\$ 7,958</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,384	\$ 1	\$ 8,626	\$ 3,802
Salaries and benefits payable	14	-	215	1,738
Interfund loans	-	-	3,276	5,411
Interfunds services used	3	-	42	617
Intergovernmental payable	-	-	11,570	-
Due to component unit	-	-	-	-
Tax refunds payable	-	-	-	-
Accrued liability for compensated absences- current	1	-	15	164
Other payables	-	22	-	-
Total liabilities	<u>3,402</u>	<u>23</u>	<u>23,744</u>	<u>11,732</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue	-	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>				
Nonspendable	-	-	-	-
Committed	-	575,421	-	-
Assigned	86,599	-	-	-
Unassigned	-	-	(12,168)	(3,774)
Total fund balance	<u>86,599</u>	<u>575,421</u>	<u>(12,168)</u>	<u>(3,774)</u>
<b>Total liabilities, deferred inflow of resources, and fund balance</b>	<b><u>\$ 90,001</u></b>	<b><u>\$ 575,444</u></b>	<b><u>\$ 11,576</u></b>	<b><u>\$ 7,958</u></b>

<u>US DEPARTMENT OF TRANSPORTATION</u>	<u>US DEPARTMENT OF EDUCATION</u>	<u>US DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>	<u>OTHER NON- MAJOR SPECIAL REVENUE FUNDS</u>	<u>TOTAL</u>
\$ 117,062	\$ -	\$ -	\$ 875,066	\$ 2,431,800
-	-	-	68,195	117,837
387	-	265	9,314	34,874
179,756	40,931	110,503	50,286	402,527
-	-	-	40	117
-	-	-	-	8,000
-	-	-	-	15,485
301	-	-	-	301
-	-	-	1,038	452,796
-	-	-	-	51
<u>297,506</u>	<u>40,931</u>	<u>110,768</u>	<u>1,003,939</u>	<u>3,463,788</u>
<b><u>\$ 297,506</u></b>	<b><u>\$ 40,931</u></b>	<b><u>\$ 110,768</u></b>	<b><u>\$ 1,003,939</u></b>	<b><u>\$ 3,463,788</u></b>
\$ 200,058	\$ 12,587	\$ 96,666	\$ 71,308	\$ 542,626
76	932	8,531	7,974	30,331
-	15,751	307,523	-	339,961
10	129	1,813	1,116	4,748
-	75,743	-	1,921	133,546
-	-	-	89	89
-	-	-	3,473	7,096
4	88	695	738	2,583
23	-	-	8	82
<u>200,171</u>	<u>105,230</u>	<u>415,228</u>	<u>86,627</u>	<u>1,061,062</u>
-	-	-	4,069	18,321
-	-	-	4,069	18,321
301	-	-	18,999	19,300
-	-	-	37,436	828,003
97,034	-	-	856,808	1,921,803
-	(64,299)	(304,460)	-	(384,701)
<u>97,335</u>	<u>(64,299)</u>	<u>(304,460)</u>	<u>913,243</u>	<u>2,384,405</u>
<b><u>\$ 297,506</u></b>	<b><u>\$ 40,931</u></b>	<b><u>\$ 110,768</u></b>	<b><u>\$ 1,003,939</u></b>	<b><u>\$ 3,463,788</u></b>

**State of Indiana**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	<b>STATE GAMING FUND</b>	<b>MOTOR VEHICLE HIGHWAY</b>	<b>MOTOR VEHICLE COMMISSION</b>	<b>BUILD INDIANA FUND</b>
<b>Revenues:</b>				
Taxes:				
Income	\$ -	\$ -	\$ -	\$ -
Sales	-	71,655	-	-
Fuels	-	414,627	-	-
Gaming	551,522	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial Institutions	-	-	-	-
Other	-	-	-	-
Total taxes	551,522	486,282	-	-
Current service charges	1,831	282,626	97,257	253,503
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
Total revenues	553,353	768,908	97,257	253,503
<b>Expenditures:</b>				
Current:				
General government	116,704	-	-	365
Public safety	-	(43)	79,362	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	3,450
Transportation	-	394,426	-	2,769
Debt service:				
Capital lease principal	-	-	-	-
Capital lease interest	-	-	-	-
Total expenditures	116,704	394,383	79,362	6,584
Excess (deficiency) of revenues over (under) expenditures	436,649	374,525	17,895	246,919
<b>Other financing sources (uses):</b>				
Transfers in	601	34,632	-	3,632
Transfers (out)	(441,057)	(406,831)	-	(248,411)
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	(440,456)	(372,199)	-	(244,779)
<b>Net change in fund balances</b>	(3,807)	2,326	17,895	2,140
<b>Fund Balance July 1, as restated</b>	14,087	54,517	15,444	19,716
<b>Fund Balance June 30</b>	<b>\$ 10,280</b>	<b>\$ 56,843</b>	<b>\$ 33,339</b>	<b>\$ 21,856</b>

<u>STATE HIGHWAY FUND</u>	<u>INDIANA CHECK- UP PLAN</u>	<u>FUND 6000 PROGRAMS</u>	<u>PATIENTS COMPENSATION FUND</u>	<u>ROAD &amp; STREET, PRIMARY HIGHWAY</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,132	-	-
31,145	-	52	-	199,478
-	-	747	-	-
-	116,475	-	-	-
-	-	-	-	-
-	-	119,160	-	-
-	-	14,460	-	-
<u>31,145</u>	<u>116,475</u>	<u>136,551</u>	-	<u>199,478</u>
24,997	-	118,366	124,520	18,425
200	-	254	310	-
1,684	-	5,422	-	-
150	-	14,922	-	-
<u>52,891</u>	-	<u>9,254</u>	-	-
<u>111,067</u>	<u>116,475</u>	<u>284,769</u>	<u>124,830</u>	<u>217,903</u>
-	-	127,609	-	-
-	-	37,081	98,817	-
-	8,775	1,376	-	-
-	-	2,170	-	-
-	-	13,945	-	-
-	-	8,329	-	-
502,033	-	2,633	-	77,217
54,551	-	26	-	-
<u>40,330</u>	-	<u>1</u>	-	-
<u>596,914</u>	<u>8,775</u>	<u>193,170</u>	<u>98,817</u>	<u>77,217</u>
<u>(485,847)</u>	<u>107,700</u>	<u>91,599</u>	<u>26,013</u>	<u>140,686</u>
787,280	-	34,620	-	-
(274,506)	(195,130)	(112,136)	(8)	(138,918)
3,687	-	-	-	-
<u>516,461</u>	<u>(195,130)</u>	<u>(77,516)</u>	<u>(8)</u>	<u>(138,918)</u>
30,614	(87,430)	14,083	26,005	1,768
<u>366,608</u>	<u>284,830</u>	<u>226,866</u>	<u>97,053</u>	<u>13,793</u>
<u>\$ 397,222</u>	<u>\$ 197,400</u>	<u>\$ 240,949</u>	<u>\$ 123,058</u>	<u>\$ 15,561</u>

continued on next page

**State of Indiana**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	TOBACCO SETTLEMENT FUND	COMMON SCHOOL FUND	US DEPARTMENT OF AGRICULTURE	US DEPARTMENT OF LABOR
<b>Revenues:</b>				
Taxes:				
Income	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial Institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	136,938	4,140	-	597
Investment income	8	368	-	-
Sales/rents	-	-	-	-
Grants	-	-	1,759,187	138,176
Other	-	4	2	2
Total revenues	136,946	4,512	1,759,189	138,775
<b>Expenditures:</b>				
Current:				
General government	-	232	4,430	-
Public safety	-	-	4,101	5,140
Health	45,306	-	144,926	-
Welfare	-	-	1,267,966	231
Conservation, culture and development	-	-	4,508	132,281
Education	48	-	416,132	446
Transportation	-	-	-	-
Debt service:				
Capital lease principal	-	-	-	-
Capital lease interest	-	-	-	-
Total expenditures	45,354	232	1,842,063	138,098
Excess (deficiency) of revenues over expenditures	91,592	4,280	(82,874)	677
<b>Other financing sources (uses):</b>				
Transfers in	-	-	60,986	3,798
Transfers (out)	(71,170)	-	(1,722)	(1,138)
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	(71,170)	-	59,264	2,660
<b>Net change in fund balances</b>	20,422	4,280	(23,610)	3,337
<b>Fund Balance July 1, as restated</b>	66,177	571,141	11,442	(7,111)
<b>Fund Balance June 30</b>	<b>\$ 86,599</b>	<b>\$ 575,421</b>	<b>\$ (12,168)</b>	<b>\$ (3,774)</b>



<u>US DEPARTMENT OF TRANSPORTATION</u>	<u>US DEPARTMENT OF EDUCATION</u>	<u>US DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>	<u>OTHER NON- MAJOR SPECIAL REVENUE FUNDS</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 152	\$ 152
-	-	-	9,068	82,855
-	-	-	162,274	807,576
-	-	-	24,740	577,009
-	-	-	36,635	153,110
-	-	-	4,989	4,989
-	-	-	-	119,160
-	-	-	218	14,678
-	-	-	238,076	1,759,529
-	-	1,024	336,509	1,400,733
-	-	-	969	2,109
-	-	-	11,937	19,043
1,115,557	702,395	1,327,769	294,396	5,352,552
24	-	-	5,883	68,060
<u>1,115,581</u>	<u>702,395</u>	<u>1,328,793</u>	<u>887,770</u>	<u>8,602,026</u>
2,204	702	21,877	115,372	389,495
20,594	1,218	10,987	203,261	460,518
321	-	119,841	9,688	330,233
-	103,819	1,522,831	89,282	2,986,299
1,342	29,248	2,189	290,631	474,144
-	634,397	5,404	319,549	1,387,755
1,300,431	-	-	186,913	2,466,422
-	-	34	-	54,611
-	-	2	-	40,333
<u>1,324,892</u>	<u>769,384</u>	<u>1,683,165</u>	<u>1,214,696</u>	<u>8,589,810</u>
(209,311)	(66,989)	(354,372)	(326,926)	12,216
269,866	37,036	391,038	573,742	2,197,231
(8,794)	(1,220)	(54,242)	(268,029)	(2,223,312)
-	-	125	-	3,812
<u>261,072</u>	<u>35,816</u>	<u>336,921</u>	<u>305,713</u>	<u>(22,269)</u>
51,761	(31,173)	(17,451)	(21,213)	(10,053)
45,574	(33,126)	(287,009)	934,456	2,394,458
<u>\$ 97,335</u>	<u>\$ (64,299)</u>	<u>\$ (304,460)</u>	<u>\$ 913,243</u>	<u>\$ 2,384,405</u>

**State of Indiana**  
**Combining Balance Sheet**  
**Non-Major Capital Project Funds**  
**June 30, 2016**  
(amounts expressed in thousands)

	<u>State Police Building Commission</u>	<u>Post War Construction</u>	<u>Other Non-Major Capital Projects Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash, cash equivalents and investments- unrestricted	\$ 639	\$ 40,610	\$ 10,964	\$ 52,213
Receivables:				
Taxes (net of allowance for uncollectible accounts)	-	1,919	-	1,919
Accounts	93	-	-	93
Prepaid expenditures	-	43	-	43
Total assets	<u>732</u>	<u>42,572</u>	<u>10,964</u>	<u>54,268</u>
<b>Total assets and deferred outflow of resources</b>	<b><u>\$ 732</u></b>	<b><u>\$ 42,572</u></b>	<b><u>\$ 10,964</u></b>	<b><u>\$ 54,268</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 103	\$ 954	\$ 390	\$ 1,447
Total liabilities	<u>103</u>	<u>954</u>	<u>390</u>	<u>1,447</u>
<b>FUND BALANCE</b>				
Nonspendable	-	43	-	43
Assigned	629	41,575	10,574	52,778
Total fund balance	<u>629</u>	<u>41,618</u>	<u>10,574</u>	<u>52,821</u>
<b>Total liabilities, deferred inflow of resources, and fund balance</b>	<b><u>\$ 732</u></b>	<b><u>\$ 42,572</u></b>	<b><u>\$ 10,964</u></b>	<b><u>\$ 54,268</u></b>

**State of Indiana**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Capital Projects Funds**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	State Police Building Commission	Post War Construction	Other Non-Major Capital Projects Funds	Total
<b>Revenues:</b>				
Taxes:				
Alcohol and tobacco	\$ -	\$ 19,164	\$ -	\$ 19,164
Current service charges	1,962	-	-	1,962
Sales/rents	259	-	-	259
Grants	-	-	1,366	1,366
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	2,221	19,164	1,366	22,751
<b>Expenditures:</b>				
Current:				
Capital outlay	3,484	10,611	1,620	15,715
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	3,484	10,611	1,620	15,715
Excess (deficiency) of revenues over (under) expenditures				
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,263)	8,553	(254)	7,036
<b>Other financing sources (uses):</b>				
Transfers in	-	-	1,184	1,184
Transfers (out)	-	-	(16)	(16)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	1,168	1,168
<b>Net change in fund balances</b>				
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,263)	8,553	914	8,204
<b>Fund Balance July 1, as restated</b>				
	<hr/>	<hr/>	<hr/>	<hr/>
	1,892	33,065	9,660	44,617
<b>Fund Balance June 30</b>				
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 629	\$ 41,618	\$ 10,574	\$ 52,821

**State of Indiana**  
**Combining Balance Sheet**  
**Non-Major Permanent Funds**  
**June 30, 2016**  
(amounts expressed in thousands)

	<u>Next Generation Trust Fund</u>	<u>Other Non-Major Permanent Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, cash equivalents and investments- unrestricted	\$ 522,009	\$ 1,130	\$ 523,139
Receivables:			
Interest	2	-	2
Total assets	<u>522,011</u>	<u>1,130</u>	<u>523,141</u>
<b>Total assets and deferred outflow of resources</b>	<b><u>\$ 522,011</u></b>	<b><u>\$ 1,130</u></b>	<b><u>\$ 523,141</u></b>
<b>FUND BALANCE</b>			
Nonspendable	500,000	1,125	501,125
Committed	22,011	5	22,016
Total fund balance	<u>522,011</u>	<u>1,130</u>	<u>523,141</u>
<b>Total liabilities, deferred inflow of resources, and fund balance</b>	<b><u>\$ 522,011</u></b>	<b><u>\$ 1,130</u></b>	<b><u>\$ 523,141</u></b>

**State of Indiana**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Permanent Funds**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	<u>Next Generation Trust Fund</u>	<u>Other Non-Major Permanent Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Taxes:			
Investment income	\$ 15,081	\$ 3	\$ 15,084
Total revenues	<u>15,081</u>	<u>3</u>	<u>15,084</u>
<b>Expenditures:</b>			
Current:			
General government	-	2	2
Transportation	<u>202</u>	<u>-</u>	<u>202</u>
Total expenditures	<u>202</u>	<u>2</u>	<u>204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,879</u>	<u>1</u>	<u>14,880</u>
<b>Other financing sources (uses):</b>			
Transfers (out)	<u>(83,156)</u>	<u>-</u>	<u>(83,156)</u>
Total other financing sources (uses)	<u>(83,156)</u>	<u>-</u>	<u>(83,156)</u>
<b>Net change in fund balances</b>	<b>(68,277)</b>	<b>1</b>	<b>(68,276)</b>
<b>Fund Balance July 1, as restated</b>	<u>590,288</u>	<u>1,129</u>	<u>591,417</u>
<b>Fund Balance June 30</b>	<u><u>\$ 522,011</u></u>	<u><u>\$ 1,130</u></u>	<u><u>\$ 523,141</u></u>

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	<b>State Gaming Fund</b>			<b>Variance to Final Budget</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
Income	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	562,966	562,966	557,161	(5,805)
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	562,966	562,966	557,161	(5,805)
Current service charges	1,420	1,420	1,831	411
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
<b>Total revenues</b>	<b>564,386</b>	<b>564,386</b>	<b>558,992</b>	<b>(5,394)</b>
<b>Expenditures:</b>				
Current:				
General government	3,110	595,501	116,654	478,847
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Debt service:				
Capital lease principal	-	-	-	-
Capital lease interest	-	-	-	-
<b>Total expenditures</b>	<b>3,110</b>	<b>595,501</b>	<b>116,654</b>	<b>478,847</b>
Excess of revenues over (under) expenditure	561,276	(31,115)	442,338	(473,453)
<b>Other financing sources (uses):</b>				
Total other financing sources (uses)	(440,456)	(440,456)	(440,456)	-
<b>Net change in fund balances</b>	<b>\$ 120,820</b>	<b>\$ (471,571)</b>	<b>1,882</b>	<b>\$ 473,453</b>
<b>Fund balances July 1, as restated</b>			<b>3,927</b>	
<b>Fund balances June 30</b>			<b>\$ 5,809</b>	

Motor Vehicle Highway Fund				Motor Vehicle Commission			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
72,693	72,693	72,634	(59)	-	-	-	-
406,940	406,940	415,102	8,162	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
479,633	479,633	487,736	8,103	-	-	-	-
271,962	271,962	282,729	10,767	95,226	95,226	97,185	1,959
-	-	-	-	-	-	-	-
150	150	-	(150)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>751,745</u>	<u>751,745</u>	<u>770,465</u>	<u>18,720</u>	<u>95,226</u>	<u>95,226</u>	<u>97,185</u>	<u>1,959</u>
-	-	-	-	-	-	-	-
-	-	3	(3)	121,156	80,121	79,407	714
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
372,721	796,886	390,599	406,287	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>372,721</u>	<u>796,886</u>	<u>390,602</u>	<u>406,284</u>	<u>121,156</u>	<u>80,121</u>	<u>79,407</u>	<u>714</u>
379,024	(45,141)	379,863	(425,004)	(25,930)	15,105	17,778	(2,673)
<u>(372,199)</u>	<u>(372,199)</u>	<u>(372,199)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 6,825</u>	<u>\$ (417,340)</u>	7,664	<u>\$ 425,004</u>	<u>\$ (25,930)</u>	<u>\$ 15,105</u>	17,778	<u>\$ 2,673</u>
		74,196				13,064	
		<u>\$ 81,860</u>				<u>\$ 30,842</u>	

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**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	<b>Build Indiana Fund</b>			<b>Variance to Final Budget</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
Income	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	182,459	182,459	251,161	68,702
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
<b>Total revenues</b>	<b>182,459</b>	<b>182,459</b>	<b>251,161</b>	<b>68,702</b>
<b>Expenditures:</b>				
Current:				
General government	6,165	256,678	365	256,313
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	5,462	4,577	3,444	1,133
Transportation	2,753	2,753	2,601	152
Debt service:				
Principal	-	-	-	-
Interest, finance fees	-	-	-	-
<b>Total expenditures</b>	<b>14,380</b>	<b>264,008</b>	<b>6,410</b>	<b>257,598</b>
Excess of revenues over (under) expenditures:	168,079	(81,549)	244,751	(326,300)
<b>Other financing sources (uses):</b>				
Total other financing sources (uses)	(244,779)	(244,779)	(244,779)	-
<b>Net change in fund balances</b>	<b>\$ (76,700)</b>	<b>\$ (326,328)</b>	<b>(28)</b>	<b>\$ 326,300</b>
<b>Fund balances July 1, as restated</b>			<b>6,814</b>	
<b>Fund balances June 30</b>			<b>\$ 6,786</b>	



State Highway Fund				Indiana Check-Up Plan			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30,198	30,198	31,133	935	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	116,795	116,795	117,613	818
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30,198	30,198	31,133	935	116,795	116,795	117,613	818
23,144	23,144	25,010	1,866	-	-	-	-
175	175	200	25	-	-	-	-
2,273	2,273	1,489	(784)	-	-	-	-
1,282	1,282	188	(1,094)	-	-	-	-
70,293	70,293	53,001	(17,292)	-	-	-	-
127,365	127,365	111,021	(16,344)	116,795	116,795	117,613	818
10,800	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	131,472	938	3,187	(2,249)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
938,518	977,815	502,271	475,544	-	-	-	-
-	-	54,551	(54,551)	-	-	-	-
-	-	40,330	(40,330)	-	-	-	-
949,318	977,815	597,152	380,663	131,472	938	3,187	(2,249)
(821,953)	(850,450)	(486,131)	(364,319)	(14,677)	115,857	114,426	1,431
512,774	512,774	512,774	-	(195,130)	(195,130)	(195,130)	-
<u>\$ (309,179)</u>	<u>\$ (337,676)</u>	26,643	<u>\$ 364,319</u>	<u>\$ (209,807)</u>	<u>\$ (79,273)</u>	(80,704)	<u>\$ (1,431)</u>
		383,600				274,040	
		<u>\$ 410,243</u>				<u>\$ 193,336</u>	

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**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Fund 6000 Programs			Variance to Final Budget
	Budget		Actual	
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Income	\$ -	\$ -	\$ -	\$ -
Sales	2,111	2,111	2,115	4
Fuels	-	-	-	-
Gaming	307	307	756	449
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	125,795	125,795	120,198	(5,597)
Other	13,795	13,795	13,891	96
Total taxes	142,008	142,008	136,960	(5,048)
Current service charges	122,230	122,230	119,479	(2,751)
Investment income	130	130	175	45
Sales/rents	7,133	7,133	5,480	(1,653)
Grants	14,725	14,725	14,846	121
Other	6,526	6,526	9,145	2,619
Total revenues	292,752	292,752	286,085	(6,667)
<b>Expenditures:</b>				
Current:				
General government	76,318	349,081	127,863	221,218
Public safety	18,388	79,304	36,299	43,005
Health	2,905	6,927	1,705	5,222
Welfare	794	17,798	1,893	15,905
Conservation, culture and development	3,117	33,074	14,270	18,804
Education	504	15,248	8,342	6,906
Transportation	3,676	3,302	2,338	964
Debt service:				
Principal	-	-	26	(26)
Interest, finance fees	-	-	1	(1)
Total expenditures	105,702	504,734	192,737	311,997
Excess of revenues over (under) expenditure:	187,050	(211,982)	93,348	(305,330)
<b>Other financing sources (uses):</b>				
Total other financing sources (uses)	(77,516)	(77,516)	(77,516)	-
<b>Net change in fund balances</b>	<b>\$ 109,534</b>	<b>\$ (289,498)</b>	15,832	<b>\$ 305,330</b>
<b>Fund balances July 1, as restated</b>			226,331	
<b>Fund balances June 30</b>			<b>\$ 242,163</b>	

Patients Compensation Fund				Road and Street, Primary Highway			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	197,592	197,592	199,408	1,816
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
115,462	115,462	130,179	14,717	197,592	197,592	199,408	1,816
110	110	118	8	17,729	17,729	18,391	662
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>115,572</u>	<u>115,572</u>	<u>130,297</u>	<u>14,725</u>	<u>215,321</u>	<u>215,321</u>	<u>217,799</u>	<u>2,478</u>
-	-	-	-	-	-	-	-
2,402	234,350	90,008	144,342	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	310,891	77,147	233,744
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,402</u>	<u>234,350</u>	<u>90,008</u>	<u>144,342</u>	<u>-</u>	<u>310,891</u>	<u>77,147</u>	<u>233,744</u>
113,170	(118,778)	40,289	(159,067)	215,321	(95,570)	140,652	(236,222)
(8)	(8)	(8)	-	(138,918)	(138,918)	(138,918)	-
<u>\$ 113,162</u>	<u>\$ (118,786)</u>	40,281	<u>\$ 159,067</u>	<u>\$ 76,403</u>	<u>\$ (234,488)</u>	1,734	<u>\$ 236,222</u>
		106,464				15,944	
		<u>\$ 146,745</u>				<u>\$ 17,678</u>	

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**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Tobacco Settlement Fund			Variance to Final Budget
	Budget		Actual	
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Income	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	152,143	152,143	136,938	(15,205)
Investment income	67	67	8	(59)
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	3	3	-	(3)
<b>Total revenues</b>	<b>152,213</b>	<b>152,213</b>	<b>136,946</b>	<b>(15,267)</b>
<b>Expenditures:</b>				
Current:				
General government	37,553	25,200	-	25,200
Public safety	-	-	-	-
Health	148,407	55,353	45,301	10,052
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	3,000	3,000	48	2,952
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest, finance fees	-	-	-	-
<b>Total expenditures</b>	<b>188,960</b>	<b>83,553</b>	<b>45,349</b>	<b>38,204</b>
Excess of revenues over (under) expenditure:	(36,747)	68,660	91,597	(22,937)
<b>Other financing sources (uses):</b>				
Total other financing sources (uses)	(71,170)	(71,170)	(71,170)	-
<b>Net change in fund balances</b>	<b>\$ (107,917)</b>	<b>\$ (2,510)</b>	<b>20,427</b>	<b>\$ 22,937</b>
<b>Fund balances July 1, as restated</b>			<b>68,486</b>	
<b>Fund balances June 30</b>			<b>\$ 88,913</b>	

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Common School Fund				U.S. Department of Agriculture			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,149	3,149	4,140	991	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,859,824	1,859,824	1,760,919	(98,905)
-	-	4	4	10	10	2	(8)
3,149	3,149	4,144	995	1,859,834	1,859,834	1,760,921	(98,913)
-	18,120	-	18,120	521	10,426	4,355	6,071
-	-	-	-	8	7,495	4,178	3,317
-	-	-	-	22,124	223,113	145,517	77,596
-	-	-	-	7,620	1,931,985	1,266,966	665,019
-	-	-	-	691	12,368	4,484	7,884
-	-	-	-	2,498	489,967	418,841	71,126
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	18,120	-	18,120	33,462	2,675,354	1,844,341	831,013
3,149	(14,971)	4,144	(19,115)	1,826,372	(815,520)	(83,420)	(732,100)
-	-	-	-	59,264	59,264	59,264	-
\$ 3,149	\$ (14,971)	4,144	\$ 19,115	\$ 1,885,636	\$ (756,256)	(24,156)	\$ 732,100
		571,001				20,160	
		<b>\$ 575,145</b>				<b>\$ (3,996)</b>	

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**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	U.S. Department of Labor			Variance to Final Budget
	Budget		Actual	
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Income	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	5,563	5,563	597	(4,966)
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	139,797	139,797	135,604	(4,193)
Other	10	10	2	(8)
<b>Total revenues</b>	<b>145,370</b>	<b>145,370</b>	<b>136,203</b>	<b>(9,167)</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	106	9,581	5,232	4,349
Health	-	-	-	-
Welfare	-	4,365	291	4,074
Conservation, culture and development	35,277	237,856	134,849	103,007
Education	-	971	446	525
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest, finance fees	-	-	-	-
<b>Total expenditures</b>	<b>35,383</b>	<b>252,773</b>	<b>140,818</b>	<b>111,955</b>
Excess of revenues over (under) expenditure:	109,987	(107,403)	(4,615)	(102,788)
<b>Other financing sources (uses):</b>				
Total other financing sources (uses)	2,660	2,660	2,660	-
<b>Net change in fund balances</b>	<b>\$ 112,647</b>	<b>\$ (104,743)</b>	<b>(1,955)</b>	<b>\$ 102,788</b>
<b>Fund balances July 1, as restated</b>			<b>(5,265)</b>	
<b>Fund balances June 30</b>			<b>\$ (7,220)</b>	

U.S. Department of Transportation				U.S. Department of Education			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1	1	-	(1)
564	564	-	(564)	-	-	-	-
1,216,084	1,216,084	1,056,957	(159,127)	707,199	707,199	687,270	(19,929)
866	866	24	(842)	13	13	-	(13)
<u>1,217,514</u>	<u>1,217,514</u>	<u>1,056,981</u>	<u>(160,533)</u>	<u>707,213</u>	<u>707,213</u>	<u>687,270</u>	<u>(19,943)</u>
-	6,532	2,214	4,318	-	969	708	261
4,652	56,120	21,691	34,429	576	2,614	1,217	1,397
31	536	374	162	-	-	-	-
-	13	-	13	7,165	248,484	105,761	142,723
3,054	4,216	1,313	2,903	8,580	48,264	31,618	16,646
-	-	-	-	32,488	833,579	639,127	194,452
1,032,074	3,368,615	1,327,673	2,040,942	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,039,811</u>	<u>3,436,032</u>	<u>1,353,265</u>	<u>2,082,767</u>	<u>48,809</u>	<u>1,133,910</u>	<u>778,431</u>	<u>355,479</u>
177,703	(2,218,518)	(296,284)	(1,922,234)	658,404	(426,697)	(91,161)	(335,536)
<u>261,072</u>	<u>261,072</u>	<u>261,072</u>	<u>-</u>	<u>35,816</u>	<u>35,816</u>	<u>35,816</u>	<u>-</u>
<u>\$ 438,775</u>	<u>\$ (1,957,446)</u>	<u>(35,212)</u>	<u>\$ 1,922,234</u>	<u>\$ 694,220</u>	<u>\$ (390,881)</u>	<u>(55,345)</u>	<u>\$ 335,536</u>
		99,236				35,715	
		<u>\$ 64,024</u>				<u>\$ (19,630)</u>	

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**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	U.S. Department of Health and Human Services			
	Budget		Actual	Variance to Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Income	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	1,058	1,058	1,024	(34)
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	1,202,104	1,202,104	1,288,470	86,366
Other	9	9	-	(9)
<b>Total revenues</b>	<b>1,203,171</b>	<b>1,203,171</b>	<b>1,289,494</b>	<b>86,323</b>
<b>Expenditures:</b>				
Current:				
General government	1,485	33,820	21,909	11,911
Public safety	3,805	18,228	10,816	7,412
Health	64,317	270,944	121,815	149,129
Welfare	339,276	2,292,160	1,527,393	764,767
Conservation, culture and development	3,107	3,712	2,339	1,373
Education	15	4,715	4,287	428
Transportation	-	-	-	-
Debt service:				
Principal	-	-	34	(34)
Interest, finance fees	-	-	2	(2)
<b>Total expenditures</b>	<b>412,005</b>	<b>2,623,579</b>	<b>1,688,595</b>	<b>934,984</b>
Excess of revenues over (under) expenditures:	791,166	(1,420,408)	(399,101)	(1,021,307)
<b>Other financing sources (uses):</b>				
Total other financing sources (uses)	336,796	336,796	336,796	-
<b>Net change in fund balances</b>	<b>\$ 1,127,962</b>	<b>\$ (1,083,612)</b>	<b>(62,305)</b>	<b>\$ 1,021,307</b>
<b>Fund balances July 1, as restated</b>			<b>(219,895)</b>	
<b>Fund balances June 30</b>			<b>\$ (282,200)</b>	



**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	<b>Other Non-Major Special Revenue Funds</b>			
	<b>Budget</b>		<b>Actual</b>	<b>Variance to</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
<b>Revenues:</b>				
Taxes:				
Income	\$ 216	\$ 216	\$ 152	\$ (64)
Sales	8,956	8,956	8,987	31
Fuels	158,330	158,330	163,010	4,680
Gaming	22,882	22,882	24,693	1,811
Unemployment	-	-	-	-
Alcohol and tobacco	35,533	35,533	36,944	1,411
Insurance	4,835	4,835	4,989	154
Financial institutions	-	-	-	-
Other	-	-	15,389	15,389
Total taxes	230,752	230,752	254,164	23,412
Current service charges	318,780	318,780	335,103	16,323
Investment income	523	523	769	246
Sales/rents	11,964	11,964	4,908	(7,056)
Grants	302,107	302,107	280,644	(21,463)
Other	8,281	8,281	5,837	(2,444)
<b>Total revenues</b>	<b>872,407</b>	<b>872,407</b>	<b>881,425</b>	<b>9,018</b>
<b>Expenditures:</b>				
Current:				
General government	98,732	557,924	116,036	441,888
Public safety	244,278	572,611	199,849	372,762
Health	8,454	13,729	9,447	4,282
Welfare	46,382	1,053,644	88,513	965,131
Conservation, culture and development	221,276	636,034	279,857	356,177
Education	4,400	411,480	313,836	97,644
Transportation	147,772	237,480	189,374	48,106
Debt service:				
Principal	-	-	-	-
Interest, finance fees	-	-	-	-
<b>Total expenditures</b>	<b>771,294</b>	<b>3,482,902</b>	<b>1,196,912</b>	<b>2,285,990</b>
Excess of revenues over (under) expenditur	101,113	(2,610,495)	(315,487)	(2,295,008)
<b>Other financing sources (uses):</b>				
Total other financing sources (uses)	305,713	305,713	305,713	-
<b>Net change in fund balances</b>	<b>\$ 406,826</b>	<b>\$ (2,304,782)</b>	<b>(9,774)</b>	<b>\$ 2,295,008</b>
<b>Fund balances July 1, as restated</b>			<b>860,434</b>	
<b>Fund balances June 30</b>			<b>\$ 850,660</b>	

## Budget/GAAP Reconciliation Nonmajor Special Revenue Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

(amounts expressed in thousands)	Nonmajor Special Revenue Funds
Net change in fund balances (budgetary basis)	\$ (132,524)
Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:	
Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)	91,888
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	30,015
Funds not subject to legally adopted budget	<u>568</u>
<b>Net change in fund balances (GAAP basis)</b>	<b><u><u>\$ (10,053)</u></u></b>

## NON-MAJOR PROPRIETARY FUNDS

### ENTERPRISE FUNDS

Enterprise Funds account for operations established to provide services to the general public in a manner similar to private business enterprises. Cost of providing the goods or services are financed or recovered primarily through fees and user charges. The non-major enterprise funds are as follows:

**Residual Malpractice Insurance Authority** – IC 34-18-17 created the Residual Malpractice Insurance Authority to make malpractice liability insurance available to those who cannot obtain this coverage through other insurers. The Indiana Department of Insurance is the designated residual malpractice insurance authority per State law. Revenues are from the premiums collected.

**Inns and Concessions** - This fund accounts for the operations of various State Park Inns which provide lodging throughout the year for park tourists, and for the restaurant and concessions at Fort Benjamin Harrison.

**Wabash Memorial Bridge** – This fund accounts for the operations of the Wabash River Toll Bridge. This bridge is a vital link for motorists traveling between White County, Illinois, and Posey County, Indiana.

**State of Indiana**  
**Combining Statement of Fund Net Position**  
**Non-Major Enterprise Funds**  
**June 30, 2016**

(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Wabash Memorial Bridge	Total
<b>Assets</b>				
Current assets:				
Cash, cash equivalents and investments - unrestricted	\$ 67,826	\$ 9,762	\$ -	\$ 77,588
Accounts	116	399	-	515
Interest	306	-	-	306
Inventory	-	666	-	666
Prepaid expenses	-	89	-	89
Other assets	148	-	-	148
Total current assets	<u>68,396</u>	<u>10,916</u>	<u>-</u>	<u>79,312</u>
Noncurrent assets:				
Capital assets:		-		
Capital assets not being depreciated/amortized	-	63	-	63
Capital assets being depreciated/amortized	-	644	-	644
less accumulated depreciation/amortization	-	(469)	-	(469)
Total capital assets, net of depreciation/amortization	<u>-</u>	<u>238</u>	<u>-</u>	<u>238</u>
Total noncurrent assets	<u>-</u>	<u>238</u>	<u>-</u>	<u>238</u>
<b>Total assets</b>	<b><u>68,396</u></b>	<b><u>11,154</u></b>	<b><u>-</u></b>	<b><u>79,550</u></b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	661	-	661
Claims payable	2,760	-	-	2,760
Salaries and benefits payable	-	509	-	509
Accrued liability for compensated absences	-	214	-	214
Unearned revenue	630	3,734	-	4,364
Other liabilities	25	293	-	318
Total current liabilities	<u>3,415</u>	<u>5,411</u>	<u>-</u>	<u>8,826</u>
Noncurrent liabilities:				
Accrued liability for compensated absences	-	475	-	475
Claims payable	22,679	-	-	22,679
Total noncurrent liabilities	<u>22,679</u>	<u>475</u>	<u>-</u>	<u>23,154</u>
<b>Total liabilities</b>	<b><u>26,094</u></b>	<b><u>5,886</u></b>	<b><u>-</u></b>	<b><u>31,980</u></b>
<b>Net position</b>				
Net investment in capital assets	-	238	-	238
Unrestricted (deficit)	42,302	5,030	-	47,332
<b>Total net position</b>	<b><u>\$ 42,302</u></b>	<b><u>\$ 5,268</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 47,570</u></b>

**State of Indiana**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
**Non-Major Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2016**

(amounts expressed in thousands)

	<u>Residual Malpractice Insurance Authority</u>	<u>Inns and Concessions</u>	<u>Wabash Memorial Bridge</u>	<u>Total</u>
<b>Operating revenues:</b>				
Sales/rents/premiums	\$ 976	\$ 25,782	\$ -	\$ 26,758
Other	-	166	-	166
Total operating revenues	976	25,948	-	26,924
Cost of sales	-	5,064	-	5,064
Gross margin	976	20,884	-	21,860
<b>Operating expenses:</b>				
General and administrative expense	591	16,806	-	17,397
Claims expense	708	-	-	708
Depreciation and amortization	-	32	-	32
Other	-	33	-	33
Total operating expenses	1,299	16,871	-	18,170
Operating income (loss)	(323)	4,013	-	3,690
<b>Nonoperating revenues (expenses):</b>				
Interest and other investment income	3,327	16	-	3,343
Total nonoperating revenues (expenses)	3,327	16	-	3,343
Income before contributions and transfers	3,004	4,029	-	7,033
Transfers (out)	-	(2,158)	(392)	(2,550)
<b>Change in net position</b>	<b>3,004</b>	<b>1,871</b>	<b>(392)</b>	<b>4,483</b>
Total net position, July 1, as restated	39,298	3,397	392	43,087
<b>Total net position, June 30</b>	<b>\$ 42,302</b>	<b>\$ 5,268</b>	<b>\$ -</b>	<b>\$ 47,570</b>

**State of Indiana**  
**Combining Statement of Cash Flows**  
**Non-Major Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2016**

(amounts expressed in thousands)

	<b>Residual Malpractice Insurance Authority</b>	<b>Inns and Concessions</b>	<b>Wabash Memorial Bridge</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 970	\$ 25,996	\$ -	\$ 26,966
Cash paid for general and administrative	(578)	(16,606)	-	(17,184)
Cash paid to suppliers	-	(5,102)	-	(5,102)
Cash paid for claims expense	(2,073)	-	-	(2,073)
Net cash provided (used) by operating activities	(1,681)	4,288	-	2,607
<b>Cash flows from noncapital financing activities:</b>				
Transfers out	-	(2,158)	(392)	(2,550)
Net cash provided (used) by noncapital financing activities	-	(2,158)	(392)	(2,550)
<b>Cash flows from capital and related financing activities:</b>				
Acquisition/construction of capital assets	-	(133)	-	(133)
Net cash provided (used) by capital and related financing activities	-	(133)	-	(133)
<b>Cash flows from investing activities:</b>				
Proceeds from sales of investments	13,484	-	-	13,484
Purchase of investments	(11,511)	-	-	(11,511)
Interest income (expense) on investments	2,081	16	-	2,097
Net cash provided (used) by investing activities	4,054	16	-	4,070
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,373</b>	<b>2,013</b>	<b>(392)</b>	<b>3,994</b>
<b>Cash and cash equivalents, July 1</b>	<b>3,589</b>	<b>7,414</b>	<b>392</b>	<b>11,395</b>
<b>Cash and cash equivalents, June 30</b>	<b>\$ 5,962</b>	<b>\$ 9,427</b>	<b>\$ -</b>	<b>\$ 15,389</b>
<b>Reconciliation of cash , cash equivalents and investments:</b>				
Cash and cash equivalents unrestricted at end of year	\$ 5,962	\$ 9,427	\$ -	\$ 15,389
Investments unrestricted	61,864	335	-	62,199
<b>Cash, cash equivalents and investments per balance sheet</b>	<b>\$ 67,826</b>	<b>\$ 9,762</b>	<b>\$ -</b>	<b>\$ 77,588</b>
<b>Noncash investing, capital and financing activities:</b>				
Increase (Decrease) in fair value of investments	\$ 1,973	\$ -	\$ -	\$ 1,973

**State of Indiana**  
**Combining Statement of Cash Flows**  
**Non-Major Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2016**

(amounts expressed in thousands)

	<u>Residual Malpractice Insurance Authority</u>	<u>Inns and Concessions</u>	<u>Wabash Memorial Bridge</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (323)	\$ 4,013	\$ -	\$ 3,690
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	32	-	32
(Increase) decrease in receivables	27	(155)	-	(128)
(Increase) decrease in inventory	-	(38)	-	(38)
(Increase) decrease in prepaid expenses	-	(7)	-	(7)
Increase (decrease) in claims payable	(1,365)	-	-	(1,365)
Increase (decrease) in unearned revenue	(31)	203	-	172
Increase (decrease) in salaries payable	-	108	-	108
Increase (decrease) in compensated absences	-	137	-	137
Increase (decrease) in other payables	11	(5)	-	6
Net cash provided (used) by operating activities	<u>\$ (1,681)</u>	<u>\$ 4,288</u>	<u>\$ -</u>	<u>\$ 2,607</u>





## INTERNAL SERVICE FUNDS

Internal Service Funds account for the operations of State agencies that supply goods or services to other agencies of governmental units on a cost-reimbursement basis.

**Institutional Industries** - This fund accounts for revenues and expenses incurred from the operation of inmate employment programs. Goods produced or manufactured as a result of such programs are sold to state agencies and political subdivisions of the State as well as to the general public.

**Administrative Services Revolving** – This fund is used to account for the following rotary funds.

**Information Technology Services** provides telecommunications and data processing services to State agencies. Revenues consist of charges to user agencies.

**Motor Pool Rotary Fund** accounts for the operation and maintenance of State garages including the servicing and repair of all automotive equipment owned or controlled by the State. Revenues consist of charges to user agencies.

**Printing Rotary Fund** accounts for the operation of the State Print Shop, which provides printing services to other State agencies. Revenues consist of charges to user agencies.

**General Services Rotary** accounts for postal service charges to agencies. Revenues consist of charges to user agencies.

**Aviation Rotary Fund** accounts for the operation and maintenance of state aircraft. Revenues consist of charges to user agencies.

**Self-Insurance Funds** - The self-insurance funds consist of the **State Police Health Insurance Fund, State Employee Disability Fund, State Employee Health Insurance Fund, and the Conservation and Excise Officers Health Insurance Fund**. These funds administer health insurance and disability plans for state employees, state police personnel, and conservation and excise police officers as well as for certain school corporations.

**State Personnel Department** - This fund accounts for revenues and expenses incurred by the Indiana State Personnel Department for providing human resource services to the executive branch of the government.

**Accounting Centralization** - This fund accounts for revenues and expenses incurred by the Indiana State Budget Agency for providing centralized accounting services to some smaller state agencies.

**State of Indiana  
Combining Statement of Net Position  
Internal Service Funds  
June 30, 2016**  
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	Conservation and Excise Officers Health Insurance Fund	State Personnel Department Fund	Accounting Centralization	Total
<b>Assets</b>									
Current assets:									
Cash, cash equivalents and investments - unrestricted	\$ 2,975	\$ 29,947	\$ 21,235	\$ 9,601	\$ 64,953	\$ 5,289	\$ 987	\$ 82	\$ 135,069
Receivables:									
Accounts	3,258	1,031	1,111	1,189	16,718	178	23	-	23,508
Interfund services provided	399	10,526	-	-	-	-	-	-	10,925
Inventory	3,578	122	-	-	-	-	-	-	3,700
Total current assets	10,210	41,626	22,346	10,790	81,671	5,467	1,010	82	173,202
Noncurrent assets:									
Capital assets:									
Capital assets being depreciated/amortized less accumulated depreciation/amortization	15,429	78,756	-	-	1,290	-	-	-	95,475
Total capital assets, net of depreciation/amortization	(11,519)	(54,076)	-	-	(97)	-	-	-	(65,692)
Total noncurrent assets	3,910	24,680	-	-	1,193	-	-	-	29,783
Total noncurrent assets	3,910	24,680	-	-	1,193	-	-	-	29,783
<b>Total assets</b>	<b>14,120</b>	<b>66,306</b>	<b>22,346</b>	<b>10,790</b>	<b>82,864</b>	<b>5,467</b>	<b>1,010</b>	<b>82</b>	<b>202,985</b>
<b>Deferred Outflows of Resources</b>									
Related to pensions	2,205	7,110	-	-	-	-	1,665	90	11,070
<b>Total deferred outflows of resources</b>	<b>2,205</b>	<b>7,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,665</b>	<b>90</b>	<b>11,070</b>
<b>Liabilities</b>									
Current liabilities:									
Accounts payable	2,663	7,506	3,009	4,509	39,651	391	124	-	57,853
Salaries and benefits payable	269	988	-	-	41	-	244	16	1,558
Accrued liability for compensated absences	391	2,048	-	-	33	-	315	27	2,814
Unearned revenue	5	-	-	-	-	-	-	-	5
Other liabilities	4	-	-	-	-	-	-	-	4
Total current liabilities	3,332	10,542	3,009	4,509	39,725	391	683	43	62,234
Noncurrent liabilities:									
Accrued liability for compensated absences	310	1,606	-	-	24	-	259	21	2,220
Net pension liability	4,844	15,620	-	-	-	-	3,658	198	24,320
Total noncurrent liabilities	5,154	17,226	-	-	24	-	3,917	219	26,540
<b>Total liabilities</b>	<b>8,486</b>	<b>27,768</b>	<b>3,009</b>	<b>4,509</b>	<b>39,749</b>	<b>391</b>	<b>4,600</b>	<b>262</b>	<b>88,774</b>
<b>Deferred Inflows of Resources</b>									
Related to pensions	528	1,702	-	-	-	-	399	22	2,651
<b>Total deferred inflows of resources</b>	<b>528</b>	<b>1,702</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>399</b>	<b>22</b>	<b>2,651</b>
<b>Net position</b>									
Net investment in capital assets	3,910	24,680	-	-	1,193	-	-	-	29,783
Unrestricted (deficit)	3,401	19,266	19,337	6,281	41,922	5,076	(2,324)	(112)	92,847
Total net position	\$ 7,311	\$ 43,946	\$ 19,337	\$ 6,281	\$ 43,115	\$ 5,076	\$ (2,324)	\$ (112)	\$ 122,630

**State of Indiana**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2016**

(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	Conservation and Excise Officers Health Insurance Fund	State Personnel Department Fund	Accounting Centralization	Total
<b>Operating revenues:</b>									
Sales/rentals/premiums	\$ 32,707	\$ 143,054	\$ 33,556	\$ 22,434	\$ 345,775	\$ 4,947	\$ -	\$ -	\$ 582,473
Charges for services	-	74	-	-	-	-	9,323	466	9,863
Other	3	-	-	731	-	-	-	-	734
<b>Total operating revenues</b>	<b>32,710</b>	<b>143,128</b>	<b>33,556</b>	<b>23,165</b>	<b>345,775</b>	<b>4,947</b>	<b>9,323</b>	<b>466</b>	<b>593,070</b>
Cost of sales	17,660	1,711	-	-	-	-	-	-	19,371
Gross margin	15,050	141,417	33,556	23,165	345,775	4,947	9,323	466	573,699
<b>Operating expenses:</b>									
General and administrative expense	14,003	129,145	1,422	600	16,032	242	9,168	514	171,126
Health / disability benefit payments	-	-	24,927	18,936	319,573	2,608	-	-	366,044
Depreciation and amortization	335	10,792	-	-	48	-	-	-	11,175
<b>Total operating expenses</b>	<b>14,338</b>	<b>139,937</b>	<b>26,349</b>	<b>19,536</b>	<b>335,653</b>	<b>2,850</b>	<b>9,168</b>	<b>514</b>	<b>548,345</b>
Operating income (loss)	712	1,480	7,207	3,629	10,122	2,097	155	(48)	25,354
<b>Nonoperating revenues (expenses):</b>									
Interest and other investment income	1	-	-	-	-	-	-	-	1
Gain (Loss) on disposition of assets	10	(365)	-	-	-	-	-	-	(375)
Contributions to other postemployment benefits	-	-	(7,450)	-	(5,268)	(1,127)	-	-	(13,845)
Other	-	21	-	-	-	-	-	-	21
<b>Total nonoperating revenues (expenses)</b>	<b>11</b>	<b>(364)</b>	<b>(7,450)</b>	<b>-</b>	<b>(5,268)</b>	<b>(1,127)</b>	<b>-</b>	<b>-</b>	<b>(14,198)</b>
Income before contributions and transfers	723	1,116	(243)	3,629	4,854	970	155	(48)	11,156
Capital contributions	-	9,099	-	-	-	-	-	-	9,099
Transfers in	-	58	-	-	-	-	-	-	58
<b>Change in net position</b>	<b>723</b>	<b>10,273</b>	<b>(243)</b>	<b>3,629</b>	<b>4,854</b>	<b>970</b>	<b>155</b>	<b>(48)</b>	<b>20,313</b>
<b>Total net position, July 1, as restated</b>	<b>6,588</b>	<b>33,673</b>	<b>19,580</b>	<b>2,652</b>	<b>38,261</b>	<b>4,106</b>	<b>(2,479)</b>	<b>(64)</b>	<b>102,317</b>
<b>Total net position, June 30</b>	<b>\$ 7,311</b>	<b>\$ 43,946</b>	<b>\$ 19,337</b>	<b>\$ 6,281</b>	<b>\$ 43,115</b>	<b>\$ 5,076</b>	<b>\$ (2,324)</b>	<b>\$ (112)</b>	<b>\$ 122,630</b>

**State of Indiana**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	Conservation and Excise Officers Health Insurance Fund	State Personnel Department Fund	Accounting Centralization	Total
<b>Cash flows from operating activities:</b>									
Cash received from customers	\$ 34,039	\$ 141,478	\$ 34,473	\$ 23,577	\$ 350,185	\$ 5,091	\$ 9,299	\$ 466	\$ 598,608
Cash paid for general and administrative	(14,392)	(129,143)	(1,422)	(600)	(16,316)	(242)	(9,307)	(489)	(171,911)
Cash paid for salary/health/disability benefit payments	-	-	(24,359)	(19,231)	(316,855)	(2,591)	-	-	(363,036)
Cash paid to suppliers	(18,253)	1,206	-	-	-	-	-	-	(17,047)
Net cash provided (used) by operating activities	1,394	13,541	8,692	3,746	17,014	2,258	(8)	(23)	46,614
<b>Cash flows from noncapital financing activities:</b>									
Transfers in	-	58	-	-	-	-	-	-	58
Contributions to other postemployment benefits	-	-	(7,450)	-	(5,268)	(1,127)	-	-	(13,845)
Other	-	21	-	-	-	-	-	-	21
Net cash provided (used) by noncapital financing	-	79	(7,450)	-	(5,268)	(1,127)	-	-	(13,766)
<b>Cash flows from capital and related financing activities:</b>									
Acquisition/construction of capital assets	(25)	(18,828)	-	-	-	-	-	-	(18,853)
Proceeds from sale of assets	11	617	-	-	-	-	-	-	628
Capital contributions	-	9,099	-	-	-	-	-	-	9,099
Net cash provided (used) by capital and related financing activities	(14)	(9,112)	-	-	-	-	-	-	(9,126)
<b>Cash flows from investing activities:</b>									
Interest income (expense) on investments	1	-	-	-	-	-	-	-	1
Net cash provided (used) by investing activities	1	-	-	-	-	-	-	-	1
<b>Net increase (decrease) in cash and cash equivalents</b>	1,381	4,508	1,242	3,746	11,746	1,131	(8)	(23)	23,723
<b>Cash and cash equivalents, July 1</b>	1,594	25,439	19,993	5,855	53,207	4,158	995	105	111,346
<b>Cash and cash equivalents, June 30</b>	\$ 2,975	\$ 29,947	\$ 21,235	\$ 9,601	\$ 64,953	\$ 5,289	\$ 987	\$ 82	\$ 135,069
<b>Reconciliation of cash, cash equivalents and investments:</b>									
Cash and cash equivalents unrestricted at end of year	\$ 2,975	\$ 29,947	\$ 21,235	\$ 9,601	\$ 64,953	\$ 5,289	\$ 987	\$ 82	\$ 135,069
<b>Cash, cash equivalents and investments per balance sheet</b>	\$ 2,975	\$ 29,947	\$ 21,235	\$ 9,601	\$ 64,953	\$ 5,289	\$ 987	\$ 82	\$ 135,069

**State of Indiana**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	Conservation and Excise Officers Health Insurance Fund	State Personnel Department Fund	Accounting Centralization	Total
Operating income (loss)	\$ 712	\$ 1,480	\$ 7,207	\$ 3,629	\$ 10,122	\$ 2,097	\$ 155	\$ (48)	\$ 25,354
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation/amortization expense	335	10,792	918	-	48	-	-	-	11,175
(Increase) decrease in receivables	794	(187)	-	413	4,409	144	(24)	-	6,467
(Increase) decrease in inventory	532	(1,463)	-	-	-	-	-	-	(931)
(Increase) decrease in deferred outflows	(409)	(752)	-	-	-	-	-	-	(1,161)
Increase (decrease) in accounts payable	(1,444)	(4,872)	567	(296)	2,475	17	(1,098)	(60)	(7,474)
Increase (decrease) in unearned revenue	(185)	3,577	-	-	-	-	76	-	6,231
Increase (decrease) in salaries payable	3	-	-	-	(45)	-	-	-	3
Increase (decrease) in compensated absences	(228)	(817)	-	-	-	-	(230)	(2)	(1,322)
Increase (decrease) in net pension liabilities	(95)	202	-	-	5	-	30	24	166
Increase (decrease) in deferred inflows	1,514	5,827	-	-	-	-	1,177	67	8,585
Increase (decrease) in other payables	(134)	(246)	-	-	-	-	(94)	(4)	(478)
	(1)	-	-	-	-	-	-	-	(1)
Net cash provided (used) by operating activities	\$ 1,394	\$ 13,541	\$ 8,692	\$ 3,746	\$ 17,014	\$ 2,258	\$ (8)	\$ (23)	\$ 46,614

Reconciliation of operating income to net cash provided (used) by operating activities:

Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:

- Depreciation/amortization expense
- (Increase) decrease in receivables
- (Increase) decrease in inventory
- (Increase) decrease in deferred outflows
- Increase (decrease) in accounts payable
- Increase (decrease) in unearned revenue
- Increase (decrease) in salaries payable
- Increase (decrease) in compensated absences
- Increase (decrease) in net pension liabilities
- Increase (decrease) in deferred inflows
- Increase (decrease) in other payables

Net cash provided (used) by operating activities

## FIDUCIARY FUNDS

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others.

### PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other post-employment benefit plans.

**State Police Pension Fund** - This fund is used to account for assets held for a defined benefit, single-employer public employee retirement system administered by the Indiana State Police.

**State Employee Retiree Health Benefit Trust Fund-DB** - This fund is used to account for assets held for the State's four defined benefit, single-employer OPEB plans: the State Personnel Plan (SPP) and Legislature Plan (LP) administered by the State Personnel Department; Indiana State Police Plan (ISPP) administered by the Indiana State Police; and the Conservation and Excise Police Plan (CEPP) administered by the Indiana State Excise Police and Indiana Conservation Officers Health Insurance Committee.

**State Employee Retiree Health Benefit Trust Fund-DC** - This fund is used to account for assets held for a defined contribution, single-employer OPEB plan administered by the State Budget Agency.

**Indiana Public Retirement System** – INPRS administers and manages public pension plans including the Public Employees' Retirement Fund (PERF), the Teachers' Retirement Fund (TRF), the Prosecuting Attorney's Retirement Fund (PARF), the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund), the Legislators Retirement System (LRS), the Judges Retirement System (JRS), and the State Excise, Gaming Agent, Gaming Control Officers and Conservation Enforcement Officers' Retirement Plan (EG&C). The PERF, TRF, and 1977 Fund plans are cost-sharing, multiple-employer defined benefit plans. The LRS plan has both a single-employer defined benefit plan and a single-employer defined contribution plan. The PARF, JRS, and EG&C plans are single-employer defined benefit plans. INPRS also oversees three non-retirement funds which are the Pension Relief Fund, the Public Safety Officers' Special Death Benefit Fund and the State Employees' Death Benefit Fund.

### PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments.

**Abandoned Property Fund** - This fund is used to administer abandoned property of individuals, private organizations and other governments held by the State.

**Private-Purpose Trust Fund** - This fund is used to account for a group of fund centers under which principal and interest benefit individuals, private organizations, or other governments.

## FIDUCIARY FUNDS

### AGENCY FUNDS

Agency funds account for resources that are custodial in nature. They generally are amounts held by the State of Indiana on behalf of third parties.

**Employee Payroll, Withholding and Benefits Funds** - These funds are used for the disposition of various payroll-related deductions and contributions such as social security and insurance contributions.

**Local Distributions Fund** - This fund is composed of accounts used to distribute revenue collections to local units of government based upon statutory formulas.

**Child Support Fund** - This fund is used for the collection and distribution of child support payments.

**Department of Insurance Fund** - This fund includes security deposits of insurance companies, health maintenance organizations and third party administrators as required.

**Other Agency Funds** – This category comprises various escrows, revenue collection, and agency accounts for which the State acts in an agent capacity until proper disposition of the assets can be made.

**State of Indiana**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**June 30, 2016**

(amounts expressed in thousands)

	Primary Government			Fiduciary in Nature Component Unit	
	State Police Pension Fund	State Employee Retiree Health Benefit Trust Fund - DB	State Employee Retiree Health Benefit Trust Fund - DC	Indiana Public Retirement System	Total
<b>Assets</b>					
Cash, cash equivalents and non-pension investments	\$ 8,230	\$ 24,400	\$ 11,231	\$ 7,575	\$ 51,436
Securities lending collateral	-	-	-	379,493	379,493
Receivables:					
Contributions	688	820	2,899	65,929	70,336
Interest	506	101	129	79,573	80,309
Securities lending	-	1	49	-	50
Member loans	91	-	-	-	91
From investment sales	6,194	-	-	6,384,973	6,391,167
Other	-	-	-	4,780	4,780
Total receivables	7,479	922	3,077	6,535,255	6,546,733
Pension and other employee benefit investments at fair value:					
Short term investments	-	-	-	1,831,476	1,831,476
Equity Securities	178,786	-	-	7,336,279	7,515,065
Debt Securities	121,811	112,478	285,665	11,212,311	11,732,265
Other	111,786	-	-	10,112,212	10,223,998
Total investments at fair value	412,383	112,478	285,665	30,492,278	31,302,804
Other assets	-	-	-	435	435
Property, plant and equipment net of accumulated depreciation	-	-	-	3,417	3,417
<b>Total assets</b>	<b>428,092</b>	<b>137,800</b>	<b>299,973</b>	<b>37,418,453</b>	<b>38,284,318</b>
<b>Liabilities</b>					
Accounts/escrows payable	88	-	25	3,528	3,641
Salaries and benefits payable	-	-	-	3,269	3,269
Securities lending payable	-	-	49	-	49
Benefits payable	-	1,589	-	142,453	144,042
Investment purchases payable	-	-	-	6,719,451	6,719,451
Securities purchased payable	1,153	1	-	268,327	269,481
Securities lending collateral	-	-	-	379,493	379,493
Other	-	-	-	29,781	29,781
<b>Total liabilities</b>	<b>1,241</b>	<b>1,590</b>	<b>74</b>	<b>7,546,302</b>	<b>7,549,207</b>
<b>Net Position</b>					
Restricted for:					
Employees' pension benefits	426,851	-	-	29,857,500	30,284,351
OPEB benefits	-	136,210	299,899	-	436,109
Future death benefits	-	-	-	14,651	14,651
<b>Total net position</b>	<b>\$ 426,851</b>	<b>\$ 136,210</b>	<b>\$ 299,899</b>	<b>\$ 29,872,151</b>	<b>\$ 30,735,111</b>



**State of Indiana**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Year Ended June 30, 2016**

(amounts expressed in thousands)

	Primary Government			Fiduciary in Nature Component Unit	Total
	State Police Pension Fund	State Employee Retiree Health Benefit Trust Fund DB	State Employee Retiree Health Benefit Trust Fund DC	Indiana Public Retirement System	
<b>Additions:</b>					
Member contributions	\$ 4,043	\$ 16,980	\$ -	\$ 334,079	\$ 355,102
Employer contributions	18,073	45,759	44,470	1,012,012	1,120,314
Contributions from the State of Indiana	-	-	-	888,111	888,111
Net investment income (loss)	(9,032)	597	1,715	501,989	495,269
Less investment expense	(1,422)	(5)	-	(177,159)	(178,586)
Federal reimbursements	-	510	-	-	510
Transfers from other retirement funds	-	-	-	16,187	16,187
Other	2	150	49	1,078	1,279
<b>Total additions</b>	<b>11,664</b>	<b>63,991</b>	<b>46,234</b>	<b>2,576,297</b>	<b>2,698,186</b>
<b>Deductions:</b>					
Pension and disability benefits	33,527	-	-	2,429,170	2,462,697
Retiree health benefits	-	33,180	19,195	-	52,375
Death benefits	-	-	-	924	924
Refunds of contributions and interest	151	-	-	80,385	80,536
Administrative	307	1,737	563	38,469	41,076
Transfers to other retirement funds	-	-	-	16,187	16,187
Other	-	7	49	-	56
<b>Total deductions</b>	<b>33,985</b>	<b>34,924</b>	<b>19,807</b>	<b>2,565,135</b>	<b>2,653,851</b>
<b>Net increase (decrease) in net position</b>	<b>(22,321)</b>	<b>29,067</b>	<b>26,427</b>	<b>11,162</b>	<b>44,335</b>
<b>Net position restricted for pension and other employee benefits, July 1, as restated:</b>					
Pension benefits	449,172	-	-	29,847,380	30,296,552
OPEB benefits	-	107,143	273,472	-	380,615
Future death benefits	-	-	-	13,609	13,609
<b>Net position restricted for pension and other employee benefits, June 30, as restated</b>	<b>\$ 426,851</b>	<b>\$ 136,210</b>	<b>\$ 299,899</b>	<b>\$ 29,872,151</b>	<b>\$ 30,735,111</b>

**State of Indiana**  
**Combining Statement of Net Position**  
**Private-Purpose Trust Funds**  
**June 30, 2016**

(amounts expressed in thousands)

	<u>Abandoned Property Fund</u>	<u>Private Purpose Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, cash equivalents and non-pension investments	\$ 17,998	\$ 27,379	\$ 45,377
Receivables:			
Taxes	-	2,835	2,835
Interest	-	10	10
Securities lending	-	1	1
Total receivables	<u>-</u>	<u>2,846</u>	<u>2,846</u>
<b>Total assets</b>	<b><u>17,998</u></b>	<b><u>30,225</u></b>	<b><u>48,223</u></b>
<b>LIABILITIES</b>			
Accounts/escrows payable	420	34	454
Salaries and benefits payable	96	-	96
Securities lending payable	-	1	1
<b>Total liabilities</b>	<b><u>516</u></b>	<b><u>35</u></b>	<b><u>551</u></b>
<b>NET POSITION</b>			
Restricted for:			
Trust beneficiaries	17,482	30,190	47,672
<b>Total net position</b>	<b><u>\$ 17,482</u></b>	<b><u>\$ 30,190</u></b>	<b><u>\$ 47,672</u></b>

**State of Indiana**  
**Combining Statement of Changes in Net Position**  
**Private-Purpose Trust Funds**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	<u>Abandoned Property Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Total</u>
<b>Additions:</b>			
Taxes	\$ -	\$ 2,835	\$ 2,835
Investment Income	6	70	76
Member Contributions	-	18,888	18,888
Donations/escheats	105,022	-	105,022
	<u>105,028</u>	<u>21,793</u>	<u>126,821</u>
<b>Deductions:</b>			
Payments to participants/beneficiaries	105,480	8,976	114,456
	<u>105,480</u>	<u>8,976</u>	<u>114,456</u>
Net increase (decrease) in net position	<u>(452)</u>	<u>12,817</u>	<u>12,365</u>
<b>Net position, July 1, as restated</b>	<u>17,934</u>	<u>17,373</u>	<u>35,307</u>
<b>Net position, June 30</b>	<u>\$ 17,482</u>	<u>\$ 30,190</u>	<u>\$ 47,672</u>

**State of Indiana**  
**Combining Statement of Net Position**  
**Agency Funds**  
**June 30, 2016**

(amounts expressed in thousands)

	Employee Payroll, Withholding and Benefits	Local Distributions	Child Support	Department of Insurance	Other Agency Funds	Total
<b>Assets:</b>						
Cash, cash equivalents and investments	\$ 975	\$ 291,472	\$ 17,631	\$ 235,760	\$ 65,991	\$ 611,829
Receivables:						
Taxes	-	186,821	-	-	11,867	198,688
Accounts	-	-	768	-	69	837
<b>Total assets</b>	<b>\$ 975</b>	<b>\$ 478,293</b>	<b>\$ 18,399</b>	<b>\$ 235,760</b>	<b>\$ 77,927</b>	<b>\$ 811,354</b>
<b>Liabilities:</b>						
Accounts/escrows payable	\$ 975	\$ 478,293	\$ 18,399	\$ 235,760	\$ 77,927	\$ 811,354
<b>Total liabilities</b>	<b>\$ 975</b>	<b>\$ 478,293</b>	<b>\$ 18,399</b>	<b>\$ 235,760</b>	<b>\$ 77,927</b>	<b>\$ 811,354</b>

**State of Indiana**  
**Combining Statement of Changes In Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2016**

(amounts expressed in thousands)

	<u>Balance, July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30</u>
<b>Employee Payroll, Withholding and Benefits</b>				
Assets:				
Cash, cash equivalents, and investments	\$ 624	\$ 2,244,977	\$ 2,244,626	\$ 975
Total assets	<u>\$ 624</u>	<u>\$ 2,244,977</u>	<u>\$ 2,244,626</u>	<u>\$ 975</u>
Liabilities:				
Accounts / escrows payable	\$ 624	\$ 2,244,977	\$ 2,244,626	\$ 975
Total liabilities	<u>\$ 624</u>	<u>\$ 2,244,977</u>	<u>\$ 2,244,626</u>	<u>\$ 975</u>
<b>Local Distributions</b>				
Assets:				
Cash, cash equivalents, and investments	\$ 550,447	\$ 2,300,135	\$ 2,559,110	\$ 291,472
Receivables	177,304	186,821	177,304	186,821
Total assets	<u>\$ 727,751</u>	<u>\$ 2,486,956</u>	<u>\$ 2,736,414</u>	<u>\$ 478,293</u>
Liabilities:				
Accounts / escrows payable	\$ 727,751	\$ 2,486,956	\$ 2,736,414	\$ 478,293
Total liabilities	<u>\$ 727,751</u>	<u>\$ 2,486,956</u>	<u>\$ 2,736,414</u>	<u>\$ 478,293</u>
<b>Child Support</b>				
Assets:				
Cash, cash equivalents, and investments	\$ 20,387	\$ 850,422	\$ 853,178	\$ 17,631
Receivables	-	768	-	768
Total assets	<u>\$ 20,387</u>	<u>\$ 851,190</u>	<u>\$ 853,178</u>	<u>\$ 18,399</u>
Liabilities:				
Accounts / escrows payable	\$ 20,387	\$ 851,190	\$ 853,178	\$ 18,399
Total liabilities	<u>\$ 20,387</u>	<u>\$ 851,190</u>	<u>\$ 853,178</u>	<u>\$ 18,399</u>

continued on next page

**State of Indiana**  
**Combining Statement of Changes In Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2016**

(amounts expressed in thousands)

	<u>Balance, July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30</u>
<b>Department of Insurance</b>				
Assets:				
Cash, cash equivalents, and investments	\$ 239,688	\$ 8,465	\$ 12,393	\$ 235,760
Total assets	<u>\$ 239,688</u>	<u>\$ 8,465</u>	<u>\$ 12,393</u>	<u>\$ 235,760</u>
Liabilities:				
Accounts / escrows payable	\$ 239,688	\$ 8,465	\$ 12,393	\$ 235,760
Total liabilities	<u>\$ 239,688</u>	<u>\$ 8,465</u>	<u>\$ 12,393</u>	<u>\$ 235,760</u>
<b>Other Agency Funds</b>				
Assets:				
Cash, cash equivalents, and investments	\$ 65,820	\$ 923,922	\$ 923,751	\$ 65,991
Receivables	9,943	11,935	9,942	11,936
Total assets	<u>\$ 75,763</u>	<u>\$ 935,857</u>	<u>\$ 933,693</u>	<u>\$ 77,927</u>
Liabilities:				
Accounts / escrows payable	\$ 75,763	\$ 935,857	\$ 933,693	\$ 77,927
Total liabilities	<u>\$ 75,763</u>	<u>\$ 935,857</u>	<u>\$ 933,693</u>	<u>\$ 77,927</u>
<b>Total Agency Funds</b>				
Assets:				
Cash, cash equivalents, and investments	\$ 876,966	\$ 6,327,921	\$ 6,593,058	\$ 611,829
Receivables	187,247	199,524	187,246	199,525
Total assets	<u>\$ 1,064,213</u>	<u>\$ 6,527,445</u>	<u>\$ 6,780,304</u>	<u>\$ 811,354</u>
Liabilities:				
Accounts / escrows payable	\$ 1,064,213	\$ 6,527,445	\$ 6,780,304	\$ 811,354
Total liabilities	<u>\$ 1,064,213</u>	<u>\$ 6,527,445</u>	<u>\$ 6,780,304</u>	<u>\$ 811,354</u>



## NON-MAJOR DISCRETELY PRESENTED COMPONENT UNITS

### GOVERNMENTAL FUNDS

Governmental component units represent funds that are legally separate from the State of Indiana, but provide valuable and beneficial services to the State and its citizens. The non-major discretely presented component unit consists of the following governmental fund:

**Indiana Economic Development Corporation** – The responsibility of this corporation is to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana's economy, by the orderly economic development and growth of Indiana, the creation of new jobs, the growth and modernization of existing industry and the promotion of Indiana.

### PROPRIETARY FUNDS

Proprietary component units represent funds that are legally separate from the State of Indiana, but provide valuable and beneficial services to the State and its citizens. The non-major discretely presented component units consist of the following proprietary funds:

**Indiana Stadium and Convention Building Authority** – The authority's responsibility is to finance, design, construct and own the new Indiana Stadium in Indianapolis and the expansion of the adjacent Indiana Convention Center.

**Indiana Bond Bank** – The Bond Bank issues debt obligations and invests the proceeds in various projects of State and local governments.

**Indiana Housing and Community Development Authority** – The authority's purpose is to finance residential housing for persons and families of low and moderate incomes.

**Indiana Board for Depositories** – The board is responsible to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. It provides insurance on public funds in excess of the Federal Deposit Insurance Corporation limit.

**Indiana Secondary Market for Education Loans Inc.** – The company is responsible for purchasing education loans in the secondary market.

**White River State Park Development Commission** – The responsibility of this commission is to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county.

**Ports of Indiana** – The responsibility of this commission is to construct, maintain, and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers.

**State Fair Commission** – This commission is responsible for holding the annual Indiana State Fair and for operating and maintaining the State Fairgrounds and other properties it owns.

**Indiana Comprehensive Health Insurance Association** – The responsibility of this Association is to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage.

**Indiana Political Subdivision Risk Management Commission** – This commission is responsible for administering the Basic and Catastrophic funds that aid political subdivisions in protecting themselves against liabilities.

**Indiana State Museum and Historic Sites Corporation** – The responsibility of this corporation is to operate and administer the state historic sites including the Indiana State Museum which collects, conserves and exhibits artifacts and materials reflecting the cultural and natural history of Indiana.

**Indiana Motorsports Commission** – The commission is responsible for financing and leasing real and personal property improvements for the benefit of an owner of a qualified motorsports facility within a motorsports investment district.



## COLLEGES AND UNIVERSITIES

College and university funds are used to account for the operations of state-supported colleges and universities. The non-major discretely presented component units consist of the following institutions:

Ball State University  
Indiana State University  
Ivy Tech Community College of Indiana  
University of Southern Indiana  
Vincennes University

**State of Indiana**  
**Combining Statement of Net Position**  
**Non-Major Discretely Presented Component Units -**  
**Governmental Funds**

**June 30, 2016**

(amounts expressed in thousands)

	Indiana Economic Development Corporation	Totals
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and investments - unrestricted	\$ 263,809	\$ 263,809
Receivables (net)	611	611
Total current assets	264,420	264,420
Noncurrent assets:		
Loans	53,215	53,215
Capital assets:		
Capital assets being depreciated/amortized	493	493
less accumulated depreciation/amortization	(390)	(390)
Total capital assets, net of depreciation/amortization	103	103
Total noncurrent assets	53,318	53,318
<b>Total assets</b>	<b>317,738</b>	<b>317,738</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	1,836	1,836
<b>Total deferred outflows of resources</b>	<b>1,836</b>	<b>1,836</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	19,058	19,058
Unearned revenue	14,451	14,451
Other liabilities	205	205
Current portion of long-term liabilities	262	262
Total current liabilities	33,976	33,976
Noncurrent liabilities:		
Net pension and OPEB liabilities	3,368	3,368
Total noncurrent liabilities	3,368	3,368
<b>Total liabilities</b>	<b>37,344</b>	<b>37,344</b>
<b>Deferred inflows of resources</b>		
Related to pensions	534	534
<b>Total deferred inflows of resources</b>	<b>534</b>	<b>534</b>
<b>NET POSITION</b>		
Net investment in capital assets	103	103
Restricted - expendable:		
Other purposes	445	445
Unrestricted	281,148	281,148
<b>Total net position</b>	<b>\$ 281,696</b>	<b>\$ 281,696</b>

**State of Indiana**  
**Combining Statement of Activities**  
**Non-Major Discretely Presented Component Units -**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana Economic Development Corporation	Total
Indiana Economic Development Corporation	\$ 75,029	\$ 716	\$ 5,389	\$ -	\$ (68,924)	\$ (68,924)
Total component units	\$ 75,029	\$ 716	\$ 5,389	\$ -	\$ (68,924)	\$ (68,924)
General Revenues:						
Gaming tax					1,573	1,573
Investment earnings					255	255
Payments from State of Indiana					166,873	166,873
Total general revenues					168,701	168,701
Changes in net position					99,777	99,777
Net position - beginning					181,919	181,919
<b>Net position - ending</b>					<b>281,696</b>	<b>281,696</b>

**State of Indiana**  
**Combining Statement of Net Position**  
**Non-Major Discretely Presented Component Units -**  
**Proprietary Funds**  
**June 30, 2016**  
(amounts expressed in thousands)

	Indiana Stadium and Convention Building Authority	Indiana Bond Bank	Indiana Housing and Community Development Authority	Indiana Board for Depositories	Indiana Secondary Market for Education Loans Inc.
<b>Assets</b>					
Current assets:					
Cash, cash equivalents and investments - unrestricted	\$ -	\$ -	\$ 48,518	\$ 266,660	\$ 102,224
Cash, cash equivalents and investments - restricted	45,680	63,500	136,396	-	1,640
Receivables (net)	1,729	218,672	5,804	539	3,480
Due from primary government	-	-	-	5,000	-
Inventory	-	-	-	-	-
Prepaid expenses	-	-	-	11	330
Loans	-	-	7,098	-	10,814
Investment in direct financing lease	2,425	-	-	-	-
Other assets	-	-	2,144	-	-
<b>Total current assets</b>	<b>49,834</b>	<b>282,172</b>	<b>199,960</b>	<b>272,210</b>	<b>118,488</b>
Noncurrent assets:					
Cash, cash equivalents and investments - unrestricted	-	-	160,522	-	19,941
Cash, cash equivalents and investments - restricted	-	28,225	500,964	-	-
Receivables (net)	-	869,216	-	-	-
Due from primary government	-	-	-	30,000	-
Loans	-	-	74,298	-	117,481
Investment in direct financing lease	948,138	-	-	-	-
Other assets	-	-	-	-	-
Capital assets:					
Capital assets not being depreciated/amortized	-	-	-	-	-
Capital assets being depreciated/amortized	-	-	8,234	262	687
less accumulated depreciation/amortization	-	-	(5,711)	(225)	(495)
<b>Total capital assets, net of depreciation/amortization</b>	<b>-</b>	<b>-</b>	<b>2,523</b>	<b>37</b>	<b>192</b>
<b>Total noncurrent assets</b>	<b>948,138</b>	<b>897,441</b>	<b>738,307</b>	<b>30,037</b>	<b>137,614</b>
<b>Total assets</b>	<b>997,972</b>	<b>1,179,613</b>	<b>938,267</b>	<b>302,247</b>	<b>256,102</b>
<b>Deferred Outflows of Resources</b>					
Accumulated decrease in fair value of hedging derivatives	146,472	9,019	3,440	-	-
Debt refunding loss	-	15,382	3,767	-	-
Related to pensions	-	79	1,927	35	-
<b>Total deferred outflows of resources</b>	<b>146,472</b>	<b>24,480</b>	<b>9,134</b>	<b>35</b>	<b>-</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	13	978	7,111	35	1,182
Interest payable	14,398	12,836	4,387	-	12
Unearned revenue	-	-	46,644	-	-
Accrued liability for compensated absences	-	-	-	-	-
Other liabilities	-	30,356	-	-	-
Current portion of long-term liabilities	2,425	240,894	9,245	-	16,102
<b>Total current liabilities</b>	<b>16,836</b>	<b>285,064</b>	<b>67,387</b>	<b>35</b>	<b>17,296</b>
Noncurrent liabilities:					
Accrued liability for compensated absences	-	-	-	-	-
Net pension and OPEB liabilities	-	177	3,776	83	-
Unearned revenue	-	3	-	-	-
Revenue bonds/notes payable	975,120	897,580	452,328	-	102,932
Derivative instrument liability	146,472	9,019	3,440	-	-
Other noncurrent liabilities	835	-	365	-	-
<b>Total noncurrent liabilities</b>	<b>1,122,427</b>	<b>906,779</b>	<b>459,909</b>	<b>83</b>	<b>102,932</b>
<b>Total liabilities</b>	<b>1,139,263</b>	<b>1,191,843</b>	<b>527,296</b>	<b>118</b>	<b>120,228</b>
<b>Deferred Inflows of Resources</b>					
Related to pensions	-	27	363	13	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>27</b>	<b>363</b>	<b>13</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	-	-	2,523	37	192
Restricted - nonexpendable:					
Permanent funds	-	-	-	-	-
Restricted - expendable:					
Grants/constitutional restrictions	5,181	-	130,054	-	-
Future debt service	-	-	75,044	-	1,640
Student aid	-	-	-	-	-
Endowments	-	-	-	-	-
Capital projects	-	-	-	-	-
Other purposes	-	-	-	-	-
Unrestricted	-	12,223	212,121	302,114	134,042
<b>Total net position</b>	<b>\$ 5,181</b>	<b>\$ 12,223</b>	<b>\$ 419,742</b>	<b>\$ 302,151</b>	<b>\$ 135,874</b>

White River State Park Development Commission	Ports of Indiana	Indiana State Fair Commission	Indiana Comprehensive Health Insurance Association	Indiana Political Subdivision Risk Management Commission	Indiana State Museum and Historic Sites Corporation	Indiana Motorsports Commission	Totals
\$ 4,103	\$ 15,302	\$ 4,326	\$ 12,760	\$ 4,935	\$ 10,276	\$ -	\$ 469,104
644	-	5,225	-	-	62	10,896	264,043
172	326	1,877	1,524	6	1,416	5	235,550
-	-	420	-	-	-	-	5,420
14	-	-	-	-	118	-	132
61	315	11	-	25	299	-	1,052
-	-	-	-	-	-	-	17,912
-	-	-	-	-	-	3,360	5,785
-	-	-	-	-	-	-	2,144
<b>4,994</b>	<b>15,943</b>	<b>11,859</b>	<b>14,284</b>	<b>4,966</b>	<b>12,171</b>	<b>14,261</b>	<b>1,001,142</b>
-	14,000	1,035	-	-	52	-	195,550
150	-	-	-	-	2,011	-	531,350
-	-	-	-	-	253	-	869,469
-	-	-	-	-	-	-	30,000
-	-	-	-	-	-	-	191,779
-	-	-	-	-	-	86,177	1,034,315
-	-	-	-	-	151	-	151
79,908	30,507	1,334	-	-	-	-	111,749
41,152	138,987	159,778	-	-	1,070	-	350,170
(18,602)	(69,794)	(72,618)	-	-	(776)	-	(168,221)
<b>102,458</b>	<b>99,700</b>	<b>88,494</b>	<b>-</b>	<b>-</b>	<b>294</b>	<b>-</b>	<b>293,698</b>
<b>102,608</b>	<b>113,700</b>	<b>89,529</b>	<b>-</b>	<b>-</b>	<b>2,761</b>	<b>86,177</b>	<b>3,146,312</b>
<b>107,602</b>	<b>129,643</b>	<b>101,388</b>	<b>14,284</b>	<b>4,966</b>	<b>14,932</b>	<b>100,438</b>	<b>4,147,454</b>
-	-	-	-	-	-	-	158,931
-	-	105	-	-	-	-	19,254
119	648	1,161	-	-	2,221	-	6,190
<b>119</b>	<b>648</b>	<b>1,266</b>	<b>-</b>	<b>-</b>	<b>2,221</b>	<b>-</b>	<b>184,375</b>
411	1,064	996	319	13	2,739	1,473	16,334
-	-	-	-	-	-	1,592	33,225
-	-	145	-	16	184	-	46,989
-	-	124	-	-	-	-	124
-	926	23	52	-	-	-	31,357
38	-	1,588	-	-	-	3,360	273,652
<b>449</b>	<b>1,990</b>	<b>2,876</b>	<b>371</b>	<b>29</b>	<b>2,923</b>	<b>6,425</b>	<b>401,681</b>
-	-	93	-	-	-	-	93
242	1,586	3,194	-	-	4,578	-	13,636
-	-	-	-	-	-	-	3
317	-	-	-	-	-	89,395	2,517,672
-	-	-	-	-	-	-	158,931
10	-	56,895	-	-	14	-	58,119
569	1,586	60,182	-	-	4,592	89,395	2,748,454
<b>1,018</b>	<b>3,576</b>	<b>63,058</b>	<b>371</b>	<b>29</b>	<b>7,515</b>	<b>95,820</b>	<b>3,150,135</b>
23	165	16	-	-	483	-	1,090
<b>23</b>	<b>165</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>483</b>	<b>-</b>	<b>1,090</b>
102,093	98,774	30,117	-	-	294	-	234,030
-	-	-	-	-	782	-	782
57	-	657	-	-	2,569	4,618	143,136
-	-	4,567	-	-	-	-	81,251
11	-	-	-	-	-	-	11
-	-	-	-	-	1,199	-	1,199
726	-	-	-	-	5,399	-	6,125
-	-	-	-	-	507	-	507
3,793	27,776	4,239	13,913	4,937	(1,595)	-	713,563
<b>\$ 106,680</b>	<b>\$ 126,550</b>	<b>\$ 39,580</b>	<b>\$ 13,913</b>	<b>\$ 4,937</b>	<b>\$ 9,155</b>	<b>\$ 4,618</b>	<b>\$ 1,180,604</b>

**State of Indiana**  
**Combining Statement of Activities**  
**Non-Major Discretely Presented Component Units -**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**  
 (amounts expressed in thousands)

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana Stadium and Convention Building Authority	Indiana Bond Bank	Indiana Housing and Community Development Authority	Indiana Board for Depositories
Indiana Stadium and Convention Building Authority	\$ 51,312	\$ 46,440	\$ 4,120	\$ -	\$ (752)	\$ -	\$ -	\$ -
Indiana Bond Bank	47,668	1,129	45,929	-	-	(610)	-	-
Indiana Housing and Community Development Authority	413,869	26,947	386,493	-	-	-	(429)	-
Indiana Board for Depositories	507	-	1,702	-	-	-	-	1,195
Indiana Secondary Market for Education Loans Inc.	4,820	-	2,124	-	-	-	-	-
White River State Park Development Commission	4,637	3,431	104	-	-	-	-	-
Parks of Indiana	9,728	13,093	667	428	-	-	-	-
Indiana State Fair Commission	32,678	20,043	202	1,770	-	-	-	-
Indiana Comprehensive Health Insurance Association	342	86	-	-	-	-	-	-
Indiana Political Subdivision Risk Management Commission	4,720	96	-	-	-	-	-	-
Indiana State Museum and Historic Sites Corporation	16,553	2,605	4,639	-	-	-	-	-
Indiana Motorsports Commission	4,182	2,000	-	-	-	-	-	-
Total component units	\$ 591,016	\$ 115,870	\$ 445,980	\$ 2,198	\$ (752)	\$ (610)	\$ (429)	\$ 1,195
General revenues:								
Investment earnings					106	159	3,822	-
Payments from State of Indiana					-	-	-	-
Other					-	-	37	-
Total general revenues					106	159	3,859	-
Change in net position					(646)	(451)	3,430	1,195
Net position - beginning					5,827	12,674	416,312	300,956
<b>Net position - ending</b>					<b>\$ 5,181</b>	<b>\$ 12,223</b>	<b>\$ 419,742</b>	<b>\$ 302,151</b>

**State of Indiana  
Combining Statement of Activities  
Non-Major Discretely Presented Component Units -  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Net (Expense) Revenue and Changes in Net Position									
	Indiana Secondary Market for Education Loans Inc.	White River State Park Development Commission	Ports of Indiana	Indiana State Fair Commission	Indiana Comprehensive Health Insurance Association	Indiana Political Subdivision Risk Management Commission	Indiana State Museum and Historic Sites Corporation	Indiana Motorsports Commission	Total	
Indiana Stadium and Convention Building Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(752)
Indiana Bond Bank	-	-	-	-	-	-	-	-	-	(610)
Indiana Housing and Community Development Authority	-	-	-	-	-	-	-	-	-	(429)
Indiana Board for Depositories	-	-	-	-	-	-	-	-	-	1,195
Indiana Secondary Market for Education Loans Inc.	(2,696)	-	-	-	-	-	-	-	-	(2,696)
White River State Park Development Commission	-	(1,102)	-	-	-	-	-	-	-	(1,102)
Ports of Indiana	-	-	4,460	-	-	-	-	-	-	4,460
Indiana State Fair Commission	-	-	-	(10,663)	-	-	-	-	-	(10,663)
Indiana Comprehensive Health Insurance Association	-	-	-	-	(256)	-	-	-	-	(256)
Indiana Political Subdivision Risk Management Commission	-	-	-	-	-	(4,624)	-	-	-	(4,624)
Indiana State Museum and Historic Sites Corporation	-	-	-	-	-	-	(9,309)	-	-	(9,309)
Indiana State Museum and Historic Sites Corporation	-	-	-	-	-	-	-	(2,182)	-	(2,182)
Total component units	(2,696)	(1,102)	4,460	(10,663)	(256)	(4,624)	(9,309)	(2,182)		(26,968)
General revenues:										
Investment earnings	524	4	52	7	-	20	73	-	-	4,767
Payments from State of Indiana	-	763	-	9,637	-	-	9,460	6,800	-	26,660
Other	288	-	136	-	-	-	-	-	-	461
Total general revenues	812	767	188	9,644	-	20	9,533	6,800	-	31,888
Change in net position	(1,884)	(335)	4,648	(1,019)	(256)	(4,604)	224	4,618	-	4,920
Net position - beginning	137,758	107,015	121,902	40,599	14,169	9,541	8,931	-	-	1,175,684
<b>Net position - ending</b>	<b>\$ 135,874</b>	<b>\$ 106,680</b>	<b>\$ 126,550</b>	<b>\$ 39,580</b>	<b>\$ 13,913</b>	<b>\$ 4,937</b>	<b>\$ 9,155</b>	<b>\$ 4,618</b>	<b>\$</b>	<b>\$ 1,180,604</b>

**State of Indiana**  
**Combining Statement of Net Position**  
**Discretely Presented Component Units -**  
**Colleges and Universities**  
**June 30, 2016**  
(amounts expressed in thousands)

	Ball State University	Indiana State University	Ivy Tech Community College	University of Southern Indiana	Vincennes University	Totals
<b>Assets</b>						
<b>Current assets:</b>						
Cash, cash equivalents and investments - unrestricted	\$ 95,891	\$ 32,572	\$ 185,738	\$ 44,441	\$ 55,437	\$ 414,079
Cash, cash equivalents and investments - restricted	38,298	4,622	13,037	4,089	9,022	69,068
Receivables (net)	34,254	20,800	61,463	12,614	8,804	137,935
Due from primary government	-	-	-	3,496	-	3,496
Inventory	1,514	71	32	1,371	1,642	4,630
Prepaid expenses	2,737	2,069	907	19	361	6,093
Investment in direct financing lease	-	-	281	-	-	281
Other assets	16,596	-	-	863	352	17,811
<b>Total current assets</b>	<b>189,290</b>	<b>60,134</b>	<b>261,458</b>	<b>66,893</b>	<b>75,618</b>	<b>653,393</b>
<b>Noncurrent assets:</b>						
Cash, cash equivalents and investments - unrestricted	153,579	124,200	250,266	62,497	112,797	703,339
Cash, cash equivalents and investments - restricted	201,668	58,930	32,854	95,169	87,572	476,193
Receivables (net)	8,372	6,842	9,082	6,993	496	31,785
Investment in direct financing lease	-	-	5,753	-	-	5,753
Net pension and OPEB assets	11,759	19,268	-	-	19,742	50,769
Other assets	4,159	3,348	2,208	5,048	218	14,981
<b>Capital assets:</b>						
Capital assets not being depreciated/amortized	52,973	65,183	67,876	10,367	35,580	231,979
Capital assets being depreciated/amortized	1,017,278	678,905	950,958	348,930	297,667	3,293,738
less accumulated depreciation/amortization	(395,774)	(276,967)	(329,796)	(180,131)	(118,090)	(1,300,758)
<b>Total capital assets, net of depreciation/amortization</b>	<b>674,477</b>	<b>467,121</b>	<b>689,038</b>	<b>179,166</b>	<b>215,157</b>	<b>2,224,959</b>
<b>Total noncurrent assets</b>	<b>1,054,014</b>	<b>679,709</b>	<b>989,201</b>	<b>348,873</b>	<b>435,982</b>	<b>3,507,779</b>
<b>Total assets</b>	<b>1,243,304</b>	<b>739,843</b>	<b>1,250,659</b>	<b>415,766</b>	<b>511,600</b>	<b>4,161,172</b>
<b>Deferred Outflows of Resources</b>						
Accumulated decrease in fair value of hedging derivatives	-	-	-	1,898	453	2,351
Debt refunding loss	-	400	217	-	-	617
Related to pensions	25,061	7,312	8,578	3,492	269	44,712
<b>Total deferred outflows of resources</b>	<b>25,061</b>	<b>7,712</b>	<b>8,795</b>	<b>5,390</b>	<b>722</b>	<b>47,680</b>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	27,171	9,622	30,639	9,056	8,458	84,946
Interest payable	-	1,445	-	952	355	2,752
Unearned revenue	887	5,415	11,527	1,316	3,345	22,490
Accrued liability for compensated absences	-	3,811	9,859	375	1,189	15,234
Other liabilities	6,466	7,139	6,344	5,359	6,547	31,855
Current portion of long-term liabilities	11,680	13,544	57,304	10,428	6,012	98,968
<b>Total current liabilities</b>	<b>46,204</b>	<b>40,976</b>	<b>115,673</b>	<b>27,486</b>	<b>25,906</b>	<b>256,245</b>
<b>Noncurrent liabilities:</b>						
Accrued liability for compensated absences	7,141	293	6,413	2,610	-	16,457
Net pension and OPEB liabilities	46,474	15,538	44,653	23,354	216	130,235
Funds held in trust for others	-	-	-	-	49,849	49,849
Advances from federal government	-	7,454	-	-	1,116	8,570
Revenue bonds/notes payable	231,169	156,751	379,294	90,564	69,335	927,113
Derivative instrument liability	-	-	-	1,898	453	2,351
Other noncurrent liabilities	10,498	32,789	778	23	-	44,088
<b>Total noncurrent liabilities</b>	<b>295,282</b>	<b>212,825</b>	<b>431,138</b>	<b>118,449</b>	<b>120,969</b>	<b>1,178,663</b>
<b>Total liabilities</b>	<b>341,486</b>	<b>253,801</b>	<b>546,811</b>	<b>145,935</b>	<b>146,875</b>	<b>1,434,908</b>
<b>Deferred Inflows of Resources</b>						
Service concession arrangement receipts	-	1,213	-	-	-	1,213
Related to pensions	5,825	1,501	4,529	944	123	12,922
<b>Total deferred inflows of resources</b>	<b>5,825</b>	<b>2,714</b>	<b>4,529</b>	<b>944</b>	<b>123</b>	<b>14,135</b>
<b>Net Position</b>						
Net investment in capital assets	452,598	290,926	289,604	77,195	153,008	1,263,331
<b>Restricted - nonexpendable:</b>						
Permanent funds	-	39,723	-	-	-	39,723
Instruction and research	24,420	-	1,300	8,217	-	33,937
Student aid	42,435	620	26,861	28,327	18,650	116,893
Other purposes	8,637	2,486	3,440	7,718	5,120	27,401
<b>Restricted - expendable:</b>						
Grants/constitutional restrictions	3,961	4,204	14,651	-	1,944	24,760
Future debt service	-	-	-	417	-	417
Instruction and research	61,191	4,825	110	13,723	-	79,849
Student aid	48,091	2,133	4,355	28,084	7,430	90,093
Endowments	-	7,584	966	-	-	8,550
Capital projects	22,158	4,959	57,798	2,913	5,534	93,362
Blank	-	-	-	-	-	-
Blank	-	-	-	-	-	-
Other purposes	23,987	1,465	2,730	8,598	3,004	39,784
Unrestricted	233,576	132,115	306,299	99,085	170,634	941,709
<b>Total net position</b>	<b>\$ 921,054</b>	<b>\$ 491,040</b>	<b>\$ 708,114</b>	<b>\$ 274,277</b>	<b>\$ 365,324</b>	<b>\$ 2,759,809</b>



**State of Indiana**  
**Combining Statement of Activities**  
**Non-Major Discretely Presented Component Units -**  
**Colleges and Universities**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Ball State University	Indiana State University	Ivy Tech State College	University of Southern Indiana	Vincennes University	Total
Ball State University	\$ 499,351	\$ 230,491	\$ 94,039	\$ 7,991	\$ (166,830)	\$ -	\$ -	\$ -	\$ -	\$ (166,830)
Indiana State University	265,821	119,099	20,666	6,022	-	(120,034)	-	-	-	(120,034)
Ivy Tech Community College	610,718	149,116	207,821	5,086	-	-	(248,695)	-	-	(248,695)
University of Southern Indiana	156,092	71,024	25,321	3,144	-	-	-	(56,603)	-	(56,603)
Vincennes University	127,080	44,005	54,256	3,500	-	-	-	-	(25,319)	(25,319)
<b>Total component units</b>	<b>\$ 1,659,062</b>	<b>\$ 613,735</b>	<b>\$ 402,103</b>	<b>\$ 25,743</b>	<b>(166,830)</b>	<b>(120,034)</b>	<b>(248,695)</b>	<b>(56,603)</b>	<b>(25,319)</b>	<b>(617,481)</b>
General revenues:										
Investment earnings					(5,755)	3,610	5,384	656	4,153	8,048
Payments from State of Indiana					144,084	75,133	247,064	59,333	52,162	577,776
Other					22,828	44,110	55	3,327	5	70,325
Total general revenues					161,157	122,853	252,503	63,316	56,320	656,149
Change in net position					(5,673)	2,819	3,808	6,713	31,001	38,668
Net position - beginning					926,727	488,221	704,306	267,564	334,323	2,721,141
<b>Net position - ending</b>					<b>\$ 921,054</b>	<b>\$ 491,040</b>	<b>\$ 708,114</b>	<b>\$ 274,277</b>	<b>\$ 365,324</b>	<b>\$ 2,759,809</b>



# Statistical Section

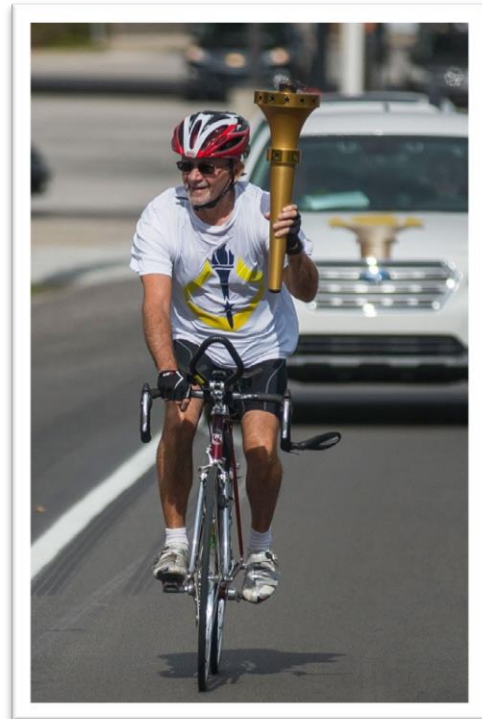
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## Comprehensive Annual Financial Report



### Torch Relay

The Bicentennial Torch Relay is a signature Bicentennial event. The Torch Relay kicked off on September 9 in Corydon, Indiana – Indiana’s first capital. Over the course of three weeks the torch traveled through all 92 counties. It was carried by more than 2,000 nominated torch bearers. These torchbearers carried the torch in a variety of ways – by foot, by car, by bike, even by bathtub! The Torch Relay ended on October 15, 2016 at Indiana Statehouse during the Hoosier Homecoming celebration.



## STATISTICAL SECTION

The statistical section is presented to provide report users a historical perspective and assistance in assessing the current financial status and trends for the State.

<b>FINANCIAL TRENDS</b>
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These schedules contain trend information to assist users in understanding and assessing how the State's financial position has changed over time.

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<b>REVENUE CAPACITY</b>
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**State of Indiana  
Net Position by Component**

(accrual basis of accounting, dollars in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ 8,693,300	\$ 9,381,292	\$ 10,315,310	\$ 10,722,683	\$ 11,344,650	\$ 12,175,413	\$ 13,303,374	\$ 13,501,419	\$ 14,467,992	\$ 14,900,321
Restricted	1,077,585	719,791	1,323,587	1,461,966	573,115	883,877	961,101	1,000,298	998,609	1,150,867
Unrestricted	7,101,915	7,513,441	6,534,641	5,728,165	6,979,715	6,188,902	5,475,103	(4,327,853)	(4,194,362)	(5,177,896)
Total governmental activities net position	\$ 16,872,800	\$ 17,614,524	\$ 18,173,538	\$ 17,912,814	\$ 18,897,480	\$ 19,218,192	\$ 19,739,578	\$ 10,174,364	\$ 11,272,239	\$ 10,873,292
<b>Business-type activities</b>										
Net investment in capital assets	\$ 11,106	\$ 13,673	\$ 122	\$ 88	\$ 84	\$ 685	\$ 664	\$ 535	\$ 138	\$ 238
Restricted	342,192	301,054	-	-	-	-	-	-	-	233,046
Unrestricted	183	10,569	(785,205)	(1,610,178)	(1,690,540)	(1,551,507)	(1,213,658)	(801,568)	(23,485)	47,332
Total business-type activities net position	\$ 353,481	\$ 325,296	\$ (785,083)	\$ (1,610,090)	\$ (1,690,456)	\$ (1,550,822)	\$ (1,212,994)	\$ (801,033)	\$ (23,347)	\$ 280,616
<b>Primary government</b>										
Net investment in capital assets	\$ 8,704,406	\$ 9,394,965	\$ 10,315,432	\$ 10,722,771	\$ 11,344,734	\$ 12,176,098	\$ 13,304,038	\$ 13,501,954	\$ 14,468,130	\$ 14,900,559
Restricted	1,419,777	1,020,845	1,323,587	1,461,966	573,115	883,877	961,101	1,000,298	998,609	1,383,913
Unrestricted	7,102,098	7,524,010	5,749,436	4,117,987	5,289,175	4,607,395	4,261,445	(5,128,921)	(4,217,847)	(5,130,564)
Total primary government net position	\$ 17,226,281	\$ 17,939,920	\$ 17,388,455	\$ 16,302,724	\$ 17,207,024	\$ 17,687,370	\$ 18,526,584	\$ 9,373,331	\$ 11,248,892	\$ 11,153,908

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**State of Indiana**  
**Changes in Net Position**  
*(accrual basis of accounting, dollars in thousands)*

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 4,764,681	\$ 5,163,869	\$ 4,166,273	\$ 1,659,190	\$ 2,261,226	\$ 2,642,907	\$ 1,473,954	\$ 1,585,751	\$ 1,541,725	\$ 1,618,364
Public safety	1,250,115	1,381,648	1,467,650	1,496,660	1,357,672	1,330,270	1,393,036	1,397,359	1,269,265	1,415,053
Health	343,586	387,354	369,434	394,570	344,115	305,202	409,096	347,353	439,288	374,818
Welfare	7,974,068	9,201,141	8,939,383	9,785,881	9,805,753	11,157,839	12,557,829	11,755,713	13,142,033	14,274,342
Conservation, culture, and development	534,993	581,548	673,972	590,275	529,963	589,351	536,561	515,844	588,540	555,637
Education	7,012,838	7,367,214	8,926,507	10,308,922	10,367,047	10,277,460	10,136,572	9,379,911	10,527,684	11,672,117
Transportation	1,770,703	1,297,521	1,267,572	1,907,655	1,748,590	1,533,603	1,809,690	2,168,639	1,857,660	2,179,933
Interest expense	758	724	732	592	796	662	216	-	48,995	45,551
Total governmental activities expenses	23,651,742	25,381,019	25,811,523	26,143,745	26,415,162	27,837,294	28,449,377	27,136,247	29,415,190	32,134,815
Business-type activities:										
Unemployment compensation fund	758,673	845,956	2,341,269	3,223,194	3,217,559	1,893,947	1,160,585	674,844	403,533	330,419
Other	32,945	24,480	39,922	24,044	23,167	22,604	24,694	23,351	22,924	23,234
Total business-type activities expenses	791,618	870,436	2,381,191	3,247,238	3,240,726	1,916,551	1,185,279	698,195	426,457	353,653
Total primary government expenses	\$ 24,443,360	\$ 26,251,455	\$ 28,192,714	\$ 29,390,983	\$ 29,655,888	\$ 29,753,845	\$ 29,634,656	\$ 27,834,442	\$ 29,841,647	\$ 32,488,468
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 490,980	\$ 837,677	\$ 684,486	\$ 586,805	\$ 636,558	\$ 700,218	\$ 376,407	\$ 528,424	\$ 529,676	\$ 615,099
Public safety	484,667	461,330	413,815	483,421	446,055	467,599	473,665	480,497	490,255	530,775
Health	11,155	15,030	7,362	8,076	8,129	8,407	204,529	101,354	139,909	149,564
Welfare	100,540	180,314	45,226	23,344	179,991	861,089	919,557	1,080,291	818,330	822,463
Conservation, culture, and development	123,264	145,246	162,403	159,542	149,781	155,953	153,828	148,077	161,771	167,467
Education	3,724	3,987	4,518	4,489	4,202	4,381	7,950	3,363	2,851	2,583
Transportation	39,174	38,142	36,088	46,231	46,900	54,977	91,990	77,861	77,558	81,642
Operating grants and contributions	8,572,608	9,372,760	10,494,940	11,223,452	10,939,012	11,065,618	10,335,986	9,908,931	10,872,352	11,974,836
Capital grants and contributions	11,260	26,882	21,397	9	-	1,270,834	1,180,142	1,180,142	1,261,230	1,187,303
Total governmental activities program revenues	9,837,372	11,081,368	11,870,235	12,639,369	12,410,628	13,318,242	13,834,746	13,508,960	14,353,932	15,531,722
Business-type activities:										
Charges for services:										
Unemployment compensation fund	629,716	653,778	1,223,731	2,393,810	1,628,446	983,708	830,527	950,328	1,175,303	629,899
Other	30,628	28,590	28,185	27,280	26,103	26,961	26,463	26,338	26,001	26,924
Operating grants and contributions	-	134,559	10,523	-	1,496,679	1,043,864	668,790	134,998	4,217	-
Capital grants and contributions	-	-	-	-	-	-	87	165	-	-
Total business-type activities program revenues	660,344	816,927	1,262,439	2,421,090	3,151,228	2,054,533	1,525,867	1,111,829	1,205,521	656,823
Total primary government program revenues	\$ 10,497,716	\$ 11,898,295	\$ 13,132,674	\$ 14,960,459	\$ 15,561,856	\$ 15,372,775	\$ 15,360,613	\$ 14,620,789	\$ 15,559,453	\$ 16,188,545
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (13,814,370)	\$ (14,299,651)	\$ (13,941,288)	\$ (13,604,376)	\$ (14,004,534)	\$ (14,519,052)	\$ (14,614,631)	\$ (13,627,287)	\$ (15,061,258)	\$ (16,603,093)
Business-type activities	(131,274)	(53,509)	(1,118,752)	(826,148)	(89,498)	137,982	340,588	413,634	779,064	303,170
Total primary government net expenses	\$ (13,945,644)	\$ (14,353,160)	\$ (15,060,040)	\$ (14,430,524)	\$ (14,094,032)	\$ (14,381,070)	\$ (14,274,043)	\$ (13,213,653)	\$ (14,282,194)	\$ (16,299,923)

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	Fiscal Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<b>General Revenues and Other Changes in Net Position</b>											
Governmental activities:											
Taxes	\$ 5,638,203	\$ 5,833,169	\$ 5,135,398	\$ 4,495,576	\$ 5,781,340	\$ 5,424,347	\$ 5,371,040	\$ 5,811,823	\$ 6,259,262	\$ 6,234,704	
Income taxes	5,491,750	5,869,177	6,146,378	5,837,225	6,365,077	6,520,664	6,846,294	6,995,678	7,266,581	7,336,630	
Sales taxes	707,354	677,084	763,994	799,356	754,839	762,563	791,659	763,833	793,966	806,895	
Fuel taxes	851,853	826,358	880,491	911,633	904,353	867,055	788,636	681,383	642,910	629,910	
Gaming taxes	-	-	-	807	320	102	80	914	-	-	
Unemployment taxes	154,817	166,094	183,214	127,873	160,917	169,769	160,820	53,701	-	-	
Inheritance taxes	398,601	536,948	540,201	458,420	464,699	479,621	503,879	445,381	445,765	443,214	
Alcohol & Tobacco taxes	197,064	203,110	187,329	179,024	189,948	206,733	211,987	224,711	223,039	235,310	
Insurance taxes	59,003	37,419	26,264	55,611	84,743	71,467	121,369	72,976	120,900	120,226	
Financial institution taxes	519,747	580,144	506,699	265,900	222,603	228,919	251,579	325,265	329,780	324,172	
Other taxes	260,805	239,372	91,331	33,566	22,460	16,345	27,990	19,769	22,084	38,318	
Investment earnings	69,522	76,199	41,116	76,289	35,283	90,078	58,915	58,912	52,093	32,217	
Other	(1,006)	(3,699)	(2,113)	2,572	2,618	2,101	2,769	2,724	2,753	2,550	
Transfers within primary government	14,347,713	15,041,375	14,500,302	13,343,652	14,989,200	14,839,764	15,136,017	15,457,070	16,159,133	16,204,146	
Total governmental activities	24,992	21,625	6,260	3,713	1,750	3,753	9	1,051	1,375	3,343	
Business-type activities:											
Investment earnings	-	-	-	-	10,000	-	-	-	(2,753)	-	
Other	1,006	3,699	2,113	(2,572)	(2,618)	(2,101)	(2,769)	(2,724)	(1,378)	(2,550)	
Transfers within primary government	25,998	25,324	8,373	1,141	9,132	1,652	(2,760)	(1,673)	(1,378)	793	
Total business-type activities	14,373,711	15,066,999	14,508,675	13,344,793	14,998,332	14,841,416	15,133,257	15,455,397	16,157,755	16,204,939	
Total primary government	533,343	741,724	559,014	(260,724)	984,666	320,712	521,386	1,829,783	1,097,875	(98,947)	
Governmental activities	(105,276)	(28,185)	(1,110,379)	(825,007)	(80,366)	139,634	337,828	411,961	777,686	303,963	
Business-type activities	428,067	713,539	(551,365)	(1,085,731)	904,300	460,346	859,214	2,241,744	1,875,561	(94,984)	
Total primary government											

**General Revenues and Other Changes in Net Position**

Governmental activities:

Taxes

Income taxes

Sales taxes

Fuel taxes

Gaming taxes

Unemployment taxes

Inheritance taxes

Alcohol & Tobacco taxes

Insurance taxes

Financial institution taxes

Other taxes

Investment earnings

Other

Transfers within primary government

Total governmental activities

Business-type activities:

Investment earnings

Other

Transfers within primary government

Total business-type activities

Total primary government

**Changes in Net Position**

Governmental activities

Business-type activities

Total primary government

**State of Indiana  
Fund Balances, Governmental Funds,**  
*(modified accrual basis of accounting, dollars in thousands)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund (Pre-GASB 54)										
Reserved	\$ 409,227	\$ 616,861	\$ 73,682	\$ 304,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,937,955	2,183,461	1,488,457	2,213,432	-	-	-	-	-	-
Total general fund	<u>\$ 2,347,182</u>	<u>\$ 2,800,322</u>	<u>\$ 1,562,139</u>	<u>\$ 2,517,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Fund (Per GASB 54)										
Nonspendable										
Prepaid expense										
Total Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,955	\$ 99,022	\$ 98,712	\$ 83,105
Restricted										
Administration					71,990	363,212	378,559	379,568	382,324	547,931
Total Restricted					<u>71,990</u>	<u>363,212</u>	<u>378,559</u>	<u>379,568</u>	<u>382,324</u>	<u>547,931</u>
Committed										
Administration						20,859				
Economic development							6,030	5,628	5,339	2,551
Roads & bridges								20		
Total Committed						<u>20,859</u>	<u>6,030</u>	<u>5,648</u>	<u>5,339</u>	<u>2,551</u>
Assigned										
Administration					65,156	41,550	72,575	65,421	102,189	160,875
Corrections					6,717	11,680	46,195	12,724	9,150	569,149
Police & protection					1,679	2,920	11,277	11,891	14,622	23,237
Mental health										26,491
Public health									22	28,698
Child services					77,285	73,302	205,713	522,388	638,815	902,085
Disability & aging								4		12,960
Economic development					26,044	9,733	862	1,073	623	12,541
Environmental					16,528	6,177	552	427	364	14,851
Natural resources					7,513	2,808	249	147	149	1,086
Higher education										10,871
Secondary education					9,572	6,346	5,311	158,564	304,236	416,578
Roads & bridges					2,925	1,068	81	63	33	2
Capital outlay					84,855	54,112	31,929	143,235	175,810	164,923
Other purposes					1,515	966	44,705	158,060	41,559	18,541
Encumbrances					303,018	441,412	759,540	737,249	931,194	-
Total Assigned					<u>602,807</u>	<u>652,074</u>	<u>1,179,014</u>	<u>1,811,288</u>	<u>2,218,770</u>	<u>2,362,888</u>
Unassigned					2,358,283	2,354,999	1,712,795	1,325,910	1,017,829	835,780
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,033,080</u>	<u>\$ 3,391,144</u>	<u>\$ 3,337,353</u>	<u>\$ 3,621,416</u>	<u>\$ 3,722,974</u>	<u>\$ 3,832,255</u>

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**State of Indiana  
Fund Balances, Governmental Funds,**  
*(modified accrual basis of accounting, dollars in thousands)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>All other Governmental Funds (Pre-GASB 54)</b>										
Reserved	\$ 2,286,840	\$ 2,283,874	\$ 3,584,616	\$ 2,269,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,160,707	2,807,884	2,514,631	2,184,021	-	-	-	-	-	-
Capital project funds	90,207	78,953	83,961	89,829	-	-	-	-	-	-
Permanent funds	607,815	628,534	661,509	740,778	-	-	-	-	-	-
Total all other governmental funds	\$ 6,145,569	\$ 5,799,245	\$ 6,844,717	\$ 5,284,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>All other Governmental Funds (Per GASB 54)</b>										
Nonspendable										
Permanent fund principal	\$ -	\$ -	\$ -	\$ -	\$ 501,125	\$ 520,665	\$ 520,665	\$ 521,028	\$ 501,125	\$ 520,124
Prepaid expense	-	-	-	-	-	-	922	680	496	344
Total Nonspendable	-	-	-	-	501,125	520,665	521,587	521,708	501,621	520,468
Committed										
Administration	-	-	-	-	-	580,245	6,734	8,581	7,682	7,721
Public health	-	-	-	-	3	306,793	316,290	353,881	284,504	197,400
Economic development	-	-	-	-	-	103	11,270	10,313	9,911	7,402
Environmental	-	-	-	-	-	-	561	646	537	568
Natural resources	-	-	-	-	-	-	468	144	19,123	-
Higher education	-	-	-	-	4	-	-	3	4	5
Secondary education	-	-	-	-	553,686	72	564,681	569,555	572,843	577,124
Roads & bridges	-	-	-	-	16,180	171,733	166,166	175,343	194,812	45,732
Other purposes	-	-	-	-	-	-	14,818	14,972	14,277	14,067
Total Committed	-	-	-	-	569,873	1,058,946	1,080,992	1,133,438	1,103,693	850,019
Assigned										
Administration	-	-	-	-	423,553	263,210	155,532	136,070	131,935	141,052
Corrections	-	-	-	-	14,976	26,945	10,676	11,872	13,430	14,193
Police & protection	-	-	-	-	284,551	511,947	190,802	256,484	229,190	287,489
Mental health	-	-	-	-	62,709	52,335	62,061	68,576	51,328	46,995
Public health	-	-	-	-	689,801	575,680	692,340	669,393	734,043	727,099
Child services	-	-	-	-	134,377	112,146	133,753	160,895	183,926	141,464
Disability & aging	-	-	-	-	8,958	7,476	9,445	9,223	8,455	3,702
Economic development	-	-	-	-	43,734	53,942	43,135	47,554	51,685	59,352
Environmental	-	-	-	-	94,757	116,874	88,426	113,320	113,366	114,831
Natural resources	-	-	-	-	104,476	128,861	105,746	127,959	137,433	138,636
Higher education	-	-	-	-	27,812	19,745	23,582	42,080	35,764	69,297
Secondary education	-	-	-	-	35,396	25,129	29,698	9,626	20,612	21,614
Roads & bridges	-	-	-	-	2,071,404	1,490,793	1,141,414	1,118,884	1,094,302	1,165,886
Capital outlay	-	-	-	-	138,978	86,366	66,192	76,883	63,059	93,811
Other purposes	-	-	-	-	99,270	61,690	52,351	57,454	72,376	78,425
Total Assigned	-	-	-	-	4,234,753	3,533,138	2,805,153	2,906,273	2,940,904	3,103,846
Unassigned	-	-	-	-	(248,233)	(258,550)	(176,649)	(180,202)	(327,955)	(384,701)
Total all other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ 5,057,518	\$ 4,854,199	\$ 4,231,083	\$ 4,381,217	\$ 4,218,263	\$ 4,089,632

**State of Indiana**  
**Changes in Fund Balances, Governmental Funds,**  
*(modified accrual basis of accounting, dollars in thousands)*

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Income taxes	\$ 5,597,801	\$ 5,841,470	\$ 5,174,275	\$ 4,434,924	\$ 5,501,154	\$ 5,773,137	\$ 5,441,631	\$ 5,891,093	\$ 6,246,897	\$ 6,300,908
Sales taxes	5,466,299	5,853,582	6,155,721	5,978,919	6,308,356	6,654,008	6,822,875	7,046,734	7,269,291	7,351,788
Fuels taxes	707,576	671,164	772,613	796,624	747,545	780,653	785,744	777,448	795,023	809,692
Gaming taxes	851,886	826,340	880,504	911,548	904,354	867,073	788,545	681,501	642,902	629,941
Unemployment taxes	-	-	-	807	320	102	80	914	-	-
Inheritance taxes	154,820	166,095	183,216	127,674	160,912	169,792	160,820	53,701	-	-
Alcohol and tobacco taxes	398,031	537,433	540,100	458,109	463,608	477,507	477,448	447,795	439,451	443,192
Insurance taxes	197,063	203,110	187,329	179,024	189,948	206,734	211,987	224,712	223,040	235,310
Financial institutions taxes	60,465	38,777	16,025	56,726	56,726	92,763	120,571	92,862	125,754	119,345
Other taxes	519,126	579,987	515,711	272,861	221,264	238,459	251,551	325,299	329,380	324,502
Current service charges	1,248,641	1,714,922	1,501,504	1,325,594	1,472,570	2,212,027	2,268,429	2,424,542	2,219,401	2,366,344
Investment income	535,109	442,567	197,569	449,357	170,768	86,750	56,005	44,743	49,744	68,260
Sales/rent	26,190	23,194	20,369	18,123	19,264	28,523	21,412	21,771	22,181	19,680
Grants	7,793,657	8,087,169	9,459,340	10,469,843	10,783,807	10,827,180	11,260,430	11,342,554	11,850,748	13,119,923
Other	557,551	1,165,009	748,771	359,975	95,156	160,771	147,936	136,346	135,805	99,900
<b>Total revenues</b>	<b>24,114,215</b>	<b>26,150,819</b>	<b>26,353,047</b>	<b>25,840,108</b>	<b>27,095,752</b>	<b>28,575,479</b>	<b>28,815,464</b>	<b>29,512,015</b>	<b>30,349,617</b>	<b>31,888,785</b>
<b>Expenditures</b>										
General government	4,788,813	5,117,722	4,188,547	1,685,082	2,206,773	2,597,513	1,884,770	1,505,475	1,654,082	1,700,457
Public safety	1,225,740	1,387,396	1,499,499	1,398,199	1,348,998	1,343,299	1,615,975	1,410,723	1,382,649	1,382,649
Health	338,558	389,299	372,181	384,249	345,552	308,994	407,354	352,624	439,529	375,616
Welfare	7,948,305	9,159,386	8,777,637	9,708,584	9,911,129	11,072,382	12,187,764	12,332,600	12,978,655	14,347,763
Conservation, culture and development	529,097	591,696	661,585	615,349	587,669	538,297	556,795	514,655	518,478	546,644
Education	7,073,057	7,400,925	8,957,503	10,311,411	10,115,073	10,189,027	10,276,564	10,542,087	10,688,255	10,941,014
Transportation	1,790,017	2,031,850	2,100,952	2,363,333	2,297,316	2,444,590	2,564,367	2,436,606	2,625,744	2,499,595
Capital outlay	-	-	-	-	-	-	14,006	16,999	26,252	15,715
Debt service	-	-	-	-	-	-	-	-	58,703	61,765
Capital lease principal	-	-	-	-	-	-	-	-	48,995	45,551
Capital lease interest	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>23,693,587</b>	<b>26,078,274</b>	<b>26,557,904</b>	<b>26,466,207</b>	<b>26,812,510</b>	<b>28,494,102</b>	<b>29,507,595</b>	<b>29,111,769</b>	<b>30,422,172</b>	<b>31,916,769</b>
Revenues over (under) expenditures	420,628	72,545	(204,857)	(626,099)	283,242	81,377	(692,131)	400,246	(72,555)	(27,984)
<b>Other Financing Sources (Uses)</b>										
Transfers in	9,185,086	9,446,639	10,576,393	10,025,593	6,597,579	7,280,645	6,326,178	6,066,309	6,252,261	6,015,123
Transfers (out)	(9,184,865)	(9,439,088)	(10,569,905)	(10,019,079)	(6,594,961)	(7,239,094)	(6,329,465)	(6,061,530)	(6,245,727)	(6,012,631)
Proceeds from capital leases	63,714	26,720	5,658	14,472	2,995	31,817	18,511	10,645	4,625	6,142
Total other financing sources (uses)	63,935	34,271	12,146	20,986	5,613	73,368	15,224	15,424	11,159	8,634
<b>Net Change in Fund Balances</b>	<b>\$ 484,563</b>	<b>\$ 106,816</b>	<b>\$ (192,711)</b>	<b>\$ (605,113)</b>	<b>\$ 288,855</b>	<b>\$ 154,745</b>	<b>\$ (676,907)</b>	<b>\$ 415,670</b>	<b>\$ (61,396)</b>	<b>\$ (19,350)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.36%	0.34%

**State of Indiana  
Taxable Sales by Industry\***  
**Last Ten Fiscal Years**  
*(in thousands of dollars)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agricultural/forestry, fishing, and other	\$ 205,487	\$ 153,275	\$ 143,358	\$ 126,517	\$ 130,231	\$ 129,966	\$ 128,095	\$ 140,095	\$ 149,414	\$ 156,681
Construction	1,765,964	1,856,219	1,620,022	1,279,265	1,340,711	1,510,019	1,580,877	1,781,986	1,870,388	1,929,358
Finance, insurance, and real estate	2,199,126	2,321,049	2,332,655	2,099,712	2,094,247	2,147,592	2,182,265	2,295,985	2,502,584	2,784,352
Government	1,811,668	1,643,680	1,922,664	1,808,186	1,979,237	1,894,375	1,884,352	2,057,106	2,116,281	2,069,774
Manufacturing	4,243,723	4,469,688	3,913,887	3,188,113	3,715,294	3,941,682	4,097,942	4,058,106	4,215,796	4,516,587
Mining	131,671	126,818	123,336	112,985	117,678	130,653	127,684	159,511	168,676	157,954
Retail trade	47,417,850	49,334,517	47,657,626	48,266,093	50,436,113	52,155,614	52,663,282	53,464,042	54,266,178	56,413,949
Services	19,495,771	20,515,724	21,077,825	20,627,338	21,304,124	22,527,920	23,150,000	23,776,008	24,766,402	25,736,534
Transportation and public utilities	7,273,142	7,885,138	9,196,507	8,119,779	8,915,098	8,690,036	9,270,372	10,113,433	10,115,547	9,229,683
Wholesale trade	5,382,417	5,788,835	5,423,178	4,939,157	5,391,142	5,833,438	5,925,561	6,282,849	6,426,045	6,776,887
Unknown**	2,971,736	2,745,111	2,577,779	2,295,451	2,556,367	2,475,366	2,455,147	2,724,478	3,140,142	3,672,654
<b>Total</b>	<b>\$ 92,898,555</b>	<b>\$ 96,840,054</b>	<b>\$ 95,988,837</b>	<b>\$ 92,862,596</b>	<b>\$ 97,980,242</b>	<b>\$ 101,436,661</b>	<b>\$ 103,465,577</b>	<b>\$ 106,853,599</b>	<b>\$ 109,737,453</b>	<b>\$ 113,444,413</b>
Direct sales tax rate	6%	6 - 7%	7%	7%	7%	7%	7%	7%	7%	7%

Source: Indiana Department of Revenue

\* Indiana Code 6-8.1-7-1 prevents the disclosure of the top ten sales tax payers in Indiana as required by GASB Statement No. 44. This schedule is presented as a substitute for that requirement.

\*\* Industry category is provided to the Department of Revenue on Sales Tax information submitted by retail merchants on their Business Tax Application. In the past, type of industry field was not required on the form. Thus, businesses started prior to the addition of the industry category field were classified as unknown. The industry category field was added in recent years.

**State of Indiana**  
**Sales Tax Revenue Payers by Industry\***  
**Fiscal Years 2010 and 2016**  
*(in thousands of dollars)*

	Fiscal Year Ended June 30, 2010			Fiscal Year Ended June 30, 2016		
	Number of Filers	% of Total	Tax Liability	Number of Filers	% of Total	Tax Liability
Agricultural/forestry, fishing, and other	3,331	1.86%	\$ 7,591	3,484	2.03%	\$ 9,401
Construction	8,572	4.80%	76,756	7,373	4.30%	115,761
Finance, insurance, and real estate	4,882	2.73%	125,983	4,456	2.60%	167,061
Government	1,141	0.64%	108,491	1,079	0.63%	124,186
Manufacturing	16,077	9.00%	191,287	16,153	9.42%	270,995
Mining	320	0.18%	6,779	302	0.18%	9,477
Retail trade	54,532	30.53%	2,895,966	53,275	31.08%	3,384,837
Services	60,000	33.59%	1,237,640	58,617	34.20%	1,544,192
Transportation and public utilities	4,496	2.52%	487,187	4,046	2.36%	553,781
Wholesale trade	10,743	6.01%	296,349	10,032	5.85%	406,613
Unknown**	14,522	8.13%	137,727	12,597	7.35%	220,359
<b>Total</b>	<b>178,616</b>	<b>100.00%</b>	<b>\$ 5,571,756</b>	<b>171,414</b>	<b>100.00%</b>	<b>\$ 6,806,663</b>

**Source: Indiana Department of Revenue**

\* Indiana Code 6-8.1-7-1 prevents the disclosure of the top ten sales tax payers in Indiana as required by GASB Statement No. 44. This schedule is presented as a substitute for that requirement.

\*\* Industry category is provided to the Department of Revenue on Sales Tax information submitted by retail merchants on their Business Tax Application. In the past, type of industry field was not required on the form. Thus, businesses started prior to the addition of the industry category field were classified as unknown. The industry category field was added in recent years.

**State of Indiana**  
**Personal Income Tax Filers and Liability by Income Level**  
**Fiscal Years 2009 and 2015**  
*(in millions of dollars)*

Income Level	Fiscal YE 2009			Fiscal YE 2015			
	Number of Filers	% of Total	Tax Liability	Number of Filers	Percentage of Total	Tax Liability	% of Total
\$50,000 and under	2,093,192	66.43%	\$ 1,457.35	2,159,330	67.17%	\$ 1,775.97	24.67%
\$50,001 - \$100,000	712,563	22.61%	1,962.15	673,173	20.94%	2,017.65	28.03%
\$100,001 - \$250,000	290,756	9.23%	1,536.86	333,301	10.37%	2,027.64	28.16%
\$250,001 - \$1,000,000	45,140	1.43%	620.56	44,434	1.38%	835.36	11.60%
\$1,000,001 and over	9,302	0.30%	396.31	4,391	0.14%	542.70	7.54%
<b>Total</b>	<b>3,150,953</b>	<b>100.00%</b>	<b>\$ 5,973.23</b>	<b>3,214,629</b>	<b>100.00%</b>	<b>\$ 7,199.32</b>	<b>100.00%</b>

Source: Indiana Department of Revenue

**State of Indiana**  
**Personal Income by Industry**  
**Last Ten Fiscal Years**  
*(in millions of dollars)*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Farm earnings	\$ 1,136	\$ 1,507	\$ 2,259	\$ 1,494	\$ 1,581	\$ 2,698	\$ 2,320	\$ 5,207	\$ 3,154	\$ 1,314
Agriculture, forestry, fishing, and hunting	453	448	432	389	472	379	434	504	578	637
Mining	567	527	582	492	578	746	686	662	661	636
Construction and utilities	12,002	12,169	12,080	10,573	10,768	11,854	13,494	13,134	13,057	13,448
Manufacturing	37,079	36,918	36,074	30,519	31,878	33,714	35,805	36,673	39,213	41,187
Wholesale trade	7,832	8,221	8,317	7,660	7,978	8,593	8,897	9,053	9,491	9,782
Retail trade	10,165	10,240	9,916	9,761	9,968	10,631	10,605	10,895	11,260	12,105
Transportation and warehousing	6,849	7,052	6,913	6,412	6,702	7,132	7,603	7,687	8,050	8,330
Information	2,527	2,679	2,748	2,626	2,473	2,428	2,680	2,715	2,846	2,666
Finance and insurance	7,102	7,226	7,225	6,848	7,110	7,428	7,789	7,873	8,367	8,842
Real estate and rental and leasing	2,872	2,335	3,928	6,441	7,572	8,779	8,576	8,211	7,796	8,207
Services	25,568	26,451	27,404	26,235	27,137	28,944	30,716	31,568	33,388	35,037
Management of companies and enterprises	2,560	2,708	2,745	2,518	2,591	2,837	3,033	3,320	3,505	3,721
Health care and social assistance	16,895	17,617	18,845	19,308	20,220	20,722	21,837	22,449	23,129	24,297
Arts, entertainment, and recreation	1,638	1,683	1,613	1,467	1,481	1,420	1,443	1,902	2,046	2,125
Government and government enterprises	21,207	22,060	23,068	23,629	23,887	24,153	24,010	23,606	24,434	25,016
<b>Total personal income</b>	<b>\$ 156,452</b>	<b>\$ 159,841</b>	<b>\$ 164,149</b>	<b>\$ 156,372</b>	<b>\$ 162,396</b>	<b>\$ 172,458</b>	<b>\$ 179,928</b>	<b>\$ 185,459</b>	<b>\$ 190,975</b>	<b>\$ 197,350</b>

Note: The Services industry includes professional, scientific, and technical services, administrative and waste management services, educational services, accommodation and food services, and other services, except public administration.

Source: U.S. Department of Commerce - Bureau of Economic Analysis, SA5N - Personal income by major component and earnings by NAICS industry

## State of Indiana Personal Income Tax Rates Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Personal Income Tax Revenues (in millions)	\$ 4,382	\$ 4,580	\$ 4,826	\$ 4,305	\$ 3,864	\$ 4,584	\$ 4,765	\$ 4,889	\$ 5,233	\$ 5,266
Personal Income (in millions)	207,377	215,099	225,760	220,157	227,692	242,798	253,771	257,170	266,953	277,629
Average Effective Rate <sup>1</sup>	2.1%	2.1%	2.1%	2.0%	1.7%	1.9%	1.9%	1.9%	2.0%	1.9%

		<b>Tax Rates on the Portion of Taxable Income in Ranges<sup>2</sup></b>								
<b>Tax Years 2006-08</b>	Tax Rate	1.2%	2.7%	3.0%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%
	Income Bracket (in thousands)	\$0-20	\$21-40	\$41-60	\$61-80	\$81-100	\$101-120	\$121+		
<b>Tax Years 2009-11</b>	Tax Rate	1.1%	2.6%	2.9%	3.1%	3.1%	3.2%	3.2%	3.2%	3.2%
	Income Bracket (in thousands)	\$0-20	\$21-40	\$41-60	\$61-80	\$81-100	\$101-120	\$121+		
<b>Tax Years 2012-15</b>	Tax Rate	1.1%	2.6%	2.9%	3.1%	3.1%	3.2%	3.2%	3.2%	3.2%
	Income Bracket (in thousands)	\$0-20	\$21-40	\$41-60	\$61-80	\$81-100	\$101-120	\$121+		

<sup>1</sup> Average effective rate equals tax collections divided by income.

<sup>2</sup> This assumes (a) a family of four that consists of husband, wife, and two children and (b) state taxable income equals federal adjusted gross income minus renter's/homeowner's property tax deduction minus exemptions. The State income tax rate was 3.4% from 2006 through 2014 and was 3.3% for 2015.

**Sources:** U.S. Department of Commerce - Bureau of Economic Analysis; Auditor of State Financial Records; U.S. Census Bureau; & Indiana Department of Revenue Tax Forms.

**State of Indiana**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
*(in thousands of dollars)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental activities</b>										
Capital leases	\$ 1,333,099	\$ 1,321,593	\$ 1,286,107	\$ 1,269,809	\$ 1,225,312	\$ 1,209,977	\$ 1,156,910	\$ 1,112,599	\$ 1,057,910	\$ 1,000,258
<b>Total Governmental Activities</b>	<u>1,333,099</u>	<u>1,321,593</u>	<u>1,286,107</u>	<u>1,269,809</u>	<u>1,225,312</u>	<u>1,209,977</u>	<u>1,156,910</u>	<u>1,112,599</u>	<u>1,057,910</u>	<u>1,000,258</u>
<b>Total Primary Government</b>	\$ 1,333,099	\$ 1,321,593	\$ 1,286,107	\$ 1,269,809	\$ 1,225,312	\$ 1,209,977	\$ 1,156,910	\$ 1,112,599	\$ 1,057,910	\$ 1,000,258
<b>Debt as a Percentage of Personal Income</b>	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.4%	0.3%
<b>Amount of Debt per Capita</b> <i>(in whole dollars)</i>	\$ 209	\$ 206	\$ 199	\$ 196	\$ 188	\$ 185	\$ 176	\$ 169	\$ 160	\$ 150



# State of Indiana

## State Facts

<b>AREA</b>	36,291 square miles, which includes 253 square miles of water. Length, 275 miles; width, 144 miles. Highest altitude, 1,257 feet in Wayne County; lowest altitude, 320 feet in Posey County.
<b>CLIMATE</b>	Four distinct seasons. Average temperatures in July can range from 73 and 78 degrees Fahrenheit; January averages range from 35 to 36 degrees Fahrenheit. Record high: 116 degrees at Collegeville in 1936. Record low: 35 below zero at Greensburg in 1951. Average annual precipitation is 40 inches.
<b>STATE CAPITAL</b>	Indianapolis (combination of Indiana and Greek word "polis" meaning city -- therefore, Indianapolis means "city of Indiana.")
<b>STATE MOTTO</b>	The Crossroads of America. Adopted 1937.
<b>STATE FLOWER</b>	Peony. Adopted 1957.
<b>STATE TREE</b>	Tulip tree (yellow poplar). Adopted 1931.
<b>STATE BIRD</b>	Cardinal. Adopted 1933.
<b>STATE SONG</b>	"On the Banks of the Wabash, Far Away" by Paul Dresser. Adopted 1913.
<b>STATE POEM</b>	"Indiana", by Arthur Franklin Mapes, Kendallville. Adopted 1963.
<b>STATE STONE</b>	Limestone. Adopted 1971.
<b>STATE SEAL</b>	The seal depicts a pioneer scene: a woodsman felling a tree, a bison fleeing from the sound of the axe and the sun gleaming over a distant hill. In use since 1801, the seal was officially adopted in 1963.
<b>STATE FLAG</b>	The Indiana flag displays 19 gold stars surrounding a gold torch centered on a rectangular field of blue. The torch stands for liberty and enlightenment. Thirteen stars in the outer circle represent the 13 original states; the five in the inner circle represent the five states next admitted to the Union. The star above the torch stands for Indiana, the 19th state. Adopted 1917.
<b>STATE NAME</b>	The name Indiana means "land of the Indians." It was coined in 1800 when Congress carved the new state of Ohio from the Northwest Territory and designated the remaining vast area as the Indiana Territory. The territorial name was retained when Indiana became a state in 1816.
<b>NICKNAME</b>	Residents of Indiana have long been referred to as "Hoosiers," and according to the Indiana Historical Bureau, the term came into general usage in the 1830s as a result of a poem entitled "The Hoosiers Nest" by John Finley of Richmond. On January 8, 1933, John W. Davis offered "Hoosier State" as a toast at the Jackson Dinner. The origins of the actual word have been in debate for well over a century. The earliest written documentation of Hoosier was in 1827 in a diary quoted by Sandford Cox. The oral tradition goes back much earlier.

**Source:** Here Is Your Indiana Government, 2015-2016, Indiana Chamber of Commerce.

# State of Indiana County Facts

County Name	2016 Total Population	Area Sq. Miles	2016 County Road Miles	2016 Municipal Street Miles	2016 County Bridges
ADAMS	34,387	345	680.50	96.82	160
ALLEN	355,200	671	1,298.16	1,263.50	390
BARTHOLOMEW	76,418	402	682.42	279.73	202
BENTON	9,221	409	661.77	56.28	118
BLACKFORD	12,621	167	322.02	60.18	59
BOONE	56,665	427	760.12	255.38	189
BROWN	15,242	319	382.56	10.80	83
CARROLL	20,155	347	756.91	42.66	116
CASS	38,966	415	867.98	122.13	121
CLARK	110,232	384	471.80	372.17	141
CLAY	26,890	364	663.64	81.91	157
CLINTON	33,224	407	776.44	86.09	162
CRAWFORD	11,086	312	442.35	34.97	79
DAVISS	31,648	430	789.17	111.03	125
DEARBORN	50,047	306	501.51	81.68	101
DECATUR	26,156	370	636.35	93.50	181
DEKALB	42,318	366	710.56	148.47	102
DELAWARE	117,874	396	793.01	452.16	194
DUBOIS	41,889	433	649.78	184.50	164
ELKHART	198,045	468	1,141.44	456.27	172
FAYETTE	24,201	215	377.07	64.76	86
FLOYD	74,578	149	347.44	183.46	87
FOUNTAIN	17,240	397	652.75	74.50	143
FRANKLIN	21,448	394	622.83	25.66	118
FULTON	20,836	368	778.18	54.51	57
GIBSON	33,503	498	950.51	136.61	252
GRANT	69,993	421	798.85	280.27	189
GREENE	33,165	549	870.44	103.91	161
HAMILTON	274,569	401	579.63	1,340.54	305
HANCOCK	67,627	305	650.96	189.15	157
HARRISON	38,991	479	825.67	36.59	74
HENDRICKS	145,423	417	755.55	459.05	240
HENRY	49,265	400	779.75	147.28	142
HOWARD	82,752	293	585.06	339.21	136
HUNTINGTON	37,572	369	673.31	124.13	114
JACKSON	42,376	520	733.21	130.24	183
JASPER	33,478	562	927.13	84.03	126
JAY	21,398	386	734.08	82.21	162
JEFFERSON	32,428	366	529.79	80.27	101
JENNINGS	28,525	377	669.50	44.20	128
JOHNSON	140,126	315	594.58	422.48	158
KNOX	38,440	516	870.53	173.88	206
KOSCIUSKO	76,872	540	1,171.86	200.55	108
LAGRANGE	37,657	381	775.08	41.68	57
LAKE	496,005	513	522.32	2,018.14	178
LAPORTE	111,467	607	1,029.09	355.78	119
LAWRENCE	46,134	459	658.47	132.10	127
MADISON	131,643	453	883.38	522.43	216

County Name	2016 Total Population	Area Sq. Miles	2016 County Road Miles	2016 Municipal Street Miles	2016 County Bridges
MARION	905,965	392	1,938.54	1,617.39	536
MARSHALL	47,051	443	910.68	127.02	116
MARTIN	10,334	345	371.48	31.30	45
MIAMI	37,175	377	785.20	87.28	127
MONROE	137,974	386	708.65	265.66	153
MONTGOMERY	38,124	507	830.41	94.88	172
MORGAN	68,894	406	686.86	125.12	140
NEWTON	14,244	413	659.62	41.73	122
NOBLE	47,007	412	809.64	110.62	64
OHIO	6,128	87	136.06	10.60	32
ORANGE	19,840	405	597.05	64.91	106
OWEN	21,575	390	623.83	24.08	111
PARKE	17,339	445	732.91	45.37	175
PERRY	19,338	384	485.77	62.60	99
PIKE	12,845	335	544.02	30.23	110
PORTER	164,343	425	789.43	512.81	127
POSEY	25,910	412	708.17	66.03	149
PULASKI	13,402	433	876.73	32.24	73
PUTNAM	37,963	490	751.19	89.02	221
RANDOLPH	25,967	457	856.64	83.35	217
RIPLEY	30,457	442	710.86	78.82	134
RUSH	17,468	409	748.21	38.65	194
SAINT JOSEPH	266,931	396	1,142.41	708.80	101
SCOTT	24,181	466	308.91	54.67	73
SHELBY	43,924	193	831.74	100.25	186
SPENCER	20,952	409	738.72	66.77	166
STARKE	23,363	310	672.53	56.90	58
STEBEN	34,090	309	612.37	96.78	49
SULLIVAN	21,475	457	857.10	88.63	178
SWITZERLAND	10,613	221	354.77	11.18	41
TIPPECANOE	172,413	500	853.42	420.87	208
TIPTON	15,930	261	556.43	45.45	84
UNION	7,516	168	264.55	14.69	42
VANDERBURGH	179,703	241	568.87	544.82	157
VERMILLION	16,212	263	395.02	81.27	76
VIGO	107,848	415	835.57	368.37	188
WABASH	32,888	398	731.15	114.92	156
WARREN	8,508	368	546.76	23.92	94
WARRICK	59,689	391	752.47	91.91	114
WASHINGTON	28,262	561	764.36	65.13	114
WAYNE	68,917	405	687.22	255.40	233
WELLS	27,315	368	711.14	80.80	131
WHITE	24,643	497	906.52	77.86	165
WHITLEY	33,292	337	622.52	66.76	88
<b>Total</b>	<b>6,484,004</b>	<b>36,117</b>	<b>65,312.01</b>	<b>19,213.71</b>	<b>13,071</b>

Source: Association of Indiana Counties 2016 County Fact Book, Indiana Department of Transportation, United States Department of Commerce - Bureau of Census

**State of Indiana  
Demographic and Economic Statistics  
Last Ten Calendar Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Population</b>										
State (in thousands)	6,333	6,380	6,425	6,459	6,491	6,517	6,538	6,571	6,598	6,620
Percentage change	0.9%	0.7%	0.7%	0.5%	0.5%	0.4%	0.3%	0.5%	0.3%	0.3%
National (in thousands)	298,380	301,231	304,094	306,772	309,347	311,719	314,103	316,427	318,907	321,419
Percentage change	1.0%	1.0%	1.0%	0.9%	0.8%	0.8%	0.8%	0.7%	0.8%	0.8%
<b>Total Personal Income</b>										
State (in millions)	\$ 207,377	\$ 215,099	\$ 225,760	\$ 220,157	\$ 227,692	\$ 242,798	\$ 253,771	\$ 257,170	\$ 266,953	\$ 277,629
Percentage change	6.3%	3.7%	5.0%	-2.5%	3.4%	6.6%	4.5%	1.3%	3.8%	4.0%
National (in millions)	\$ 11,381,350	\$ 11,995,419	\$ 12,492,705	\$ 12,079,444	\$ 12,459,613	\$ 13,233,436	\$ 13,904,485	\$ 14,068,960	\$ 14,801,624	\$ 15,463,981
Percentage change	7.3%	5.4%	4.1%	-3.3%	3.1%	6.2%	5.1%	1.2%	5.2%	4.5%
<b>Per Capita Personal Income</b>										
State	\$ 32,747	\$ 33,717	\$ 35,139	\$ 34,084	\$ 35,080	\$ 37,257	\$ 38,813	\$ 39,140	\$ 40,460	\$ 41,940
Percentage change	5.4%	3.0%	4.2%	-3.0%	2.9%	6.2%	4.2%	0.8%	3.4%	3.7%
National	\$ 38,144	\$ 39,821	\$ 41,082	\$ 39,376	\$ 40,277	\$ 42,453	\$ 44,267	\$ 44,462	\$ 46,414	\$ 48,112
Percentage change	6.2%	4.4%	3.2%	-4.2%	2.3%	5.4%	4.3%	0.4%	4.4%	3.7%
<b>Resident Civilian Labor Force and Employment</b>										
Civilian labor force (in thousands)	3,072	3,061	3,042	2,865	2,846	2,892	2,907	2,949	3,036	3,109
Employed (in thousands)	2,909	2,914	2,852	2,536	2,516	2,602	2,643	2,705	2,844	2,952
Unemployed (in thousands)	163	147	190	329	330	290	264	244	192	157
Unemployment rate	5.3%	4.8%	6.2%	11.5%	11.6%	10.0%	9.1%	8.3%	6.3%	5.0%
<b>State and Area Employment</b>										
Goods-producing industries	7,000	6,800	6,700	6,500	6,600	6,900	6,800	7,100	7,200	6,500
Mining and logging	153,100	149,800	134,700	114,700	116,900	124,200	124,500	121,800	124,900	131,000
Manufacturing	556,700	544,800	488,300	439,400	453,900	470,700	487,100	498,400	516,200	520,200
Subtotal goods-producing industries	716,800	701,400	623,700	560,600	577,400	601,800	618,400	627,300	648,300	657,700
Service-producing industries	133,100	133,900	130,200	123,500	127,200	130,400	134,000	136,600	138,800	145,300
Transportation and utilities	39,700	39,900	39,200	36,600	34,900	35,400	35,800	35,800	34,400	33,200
Information	138,900	137,700	133,800	129,600	131,700	130,200	129,000	128,400	129,100	131,300
Financial activities	123,900	125,900	121,700	112,900	112,700	115,700	116,200	117,200	118,400	118,000
Wholesale trade	329,600	327,100	314,800	303,600	305,900	310,600	313,300	319,400	320,000	329,600
Retail trade	284,000	291,000	275,000	266,500	282,500	291,900	299,600	318,600	329,900	327,900
Professional and business services	390,100	402,000	414,500	417,600	420,400	426,400	436,700	437,400	441,900	459,500
Education and health services	284,700	283,300	283,000	272,500	275,200	280,000	288,200	292,400	297,200	304,600
Leisure and hospitality	116,900	117,700	114,500	114,100	115,500	116,800	119,900	124,700	125,700	126,000
Other services	113,600	113,200	114,000	114,700	112,700	115,000	112,500	118,100	117,500	116,900
State government	36,800	37,300	37,800	39,200	38,800	38,000	37,700	36,400	36,700	37,100
Federal government	280,200	282,700	285,000	283,400	275,100	278,400	273,100	272,300	272,600	272,600
Local government	2,271,500	2,291,700	2,266,500	2,214,200	2,232,600	2,268,800	2,296,000	2,337,300	2,362,200	2,402,000
Subtotal service-producing industries	2,988,300	2,993,100	2,896,200	2,774,800	2,810,000	2,870,600	2,914,400	2,964,600	3,010,500	3,059,700

Sources: U.S. Department of Commerce - Bureau of Economic Analysis (BEA), U.S. Department of Labor - Bureau of Labor Statistics, and U.S. Census Bureau (via BEA data).

## State of Indiana

### Twenty Largest Indiana Public Companies

(ranked by 2014 revenue)

Ranking	Company	2014 Revenue in Millions	City
1	Anthem Inc.	\$ 73,900	Indianapolis
2	Eli Lilly and Co.	19,600	Indianapolis
3	Cummins Inc.	19,200	Columbus
4	Steel Dynamics Inc.	8,800	Fort Wayne
5	NiSource Inc.	6,500	Merrillville
6	Calumet Specialty Products Partners LP	5,800	Indianapolis
7	Berry Plastics Corp.	5,000	Evansville
8	Simon Property Group Inc.	4,900	Indianapolis
9	Zimmer Holdings Inc.	4,700	Warsaw
10	CNO Financial Group Inc.	4,100	Carmel
11	Thor Industries	3,500	Elkhart
12	Springleaf Holdings Inc.	2,800	Evansville
13	Vectren Corp.	2,600	Evansville
14	KAR Auction Services Inc.	2,400	Carmel
15	HHGregg Inc.	2,100	Indianapolis
15	Allison Transmission Inc.	2,100	Indianapolis
15	Allegion Plc	2,100	Carmel
18	Wabash National Corp.	1,900	Lafayette
19	The Finish Line Inc.	1,800	Indianapolis
20	Hill-Rom Holdings Inc.	1,700	Batesville
20	Hillenbrand, Inc.	1,700	Batesville

SOURCE: Indianapolis Business Journal, 2016 Book of Lists.

<b>State of Indiana</b>			
<b>Twenty Largest Indiana Private Companies</b>			
(Ranked by 2014 Revenue)			
<b>Ranking</b>	<b>Company</b>	<b>2014 Revenue (in millions)</b>	<b>City</b>
1	Do It Best Corp.	\$ 2,900	Fort Wayne
1	Petroleum Traders Corp.	2,900	Fort Wayne
3	LDI Ltd. LLC	1,700	Indianapolis
4	CountryMark	1,600	Indianapolis
5	OneAmerica Financial Partners, Inc.	1,500	Indianapolis
6	Jayco Corp.	1,100	Middlebury
6	Steel Warehouse Co. LLC	1,100	South Bend
8	Koch Enterprises Inc.	1,000	Evansville
9	The Bob Rohrman Auto Group	965	Lafayette
10	Co-Alliance LLP	950	Avon
11	Atlas World Group Inc.	878	Evansville
12	Moorehead Communications Inc d/b/a The Cellu	825	Carmel
13	Telamon Corp.	815	Carmel
14	Rea Magnet Wire Co. Inc.	812	Fort Wayne
15	Indiana Farm Bureau Insurance-- Property/Casualty & Life	786	Indianapolis
16	Hoosier Energy Rural Electric Cooperative Inc.	710	Bloomington
17	Ray Skillman Auto Centers	695	Indianapolis
18	Vertellus	586	Indianapolis
19	USIC LLC	577	Indianapolis
20	Jasper Engines & Transmissions	519	Jasper

SOURCE: Indianapolis Business Journal, 2016 Book of Lists.

**State of Indiana  
Principal Employers  
Current Year and Nine Years Ago**

	2015			2006		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
U.S. Government	36,800	1	1.21%	33,642	3	1.13%
Wal-Mart Stores Inc.	35,687	2	1.18%	37,197	1	1.25%
State of Indiana (1)	30,849	3	1.02%	34,897	2	1.17%
Indiana University Health	27,584	4	0.91%	N/A		
Indiana University	17,373	5	0.57%	16,115	4	0.54%
The Kroger Company	16,562	6	0.55%	N/A		
St. Vincent Health	15,642	7	0.52%	10,384	10	0.35%
Purdue University	14,152	8	0.47%	14,262	5	0.48%
Franciscan Alliance Inc.	12,213	9	0.40%	N/A		
Eli Lilly and Co.	11,679	10	0.39%	13,161	6	0.44%
Community Health Network	10,735	11	0.35%	7,685	12	0.26%
ArcelorMittal	9,941	12	0.33%	10,720	9	0.36%
Thor Industries	9,400	13	0.31%	N/A		
FedEx Corp	9,041	14	0.30%	5,000	19	0.17%
Cummins Inc.	9,000	15	0.30%	5,370	18	0.18%
City of Indianapolis/Marion County	7,507	16	0.25%	7,006	13	0.23%
General Motors Corp.	7,172	17	0.24%	10,862	8	0.36%
Amazon.com	6,000	18	0.20%	N/A		
Ivy Tech Community College	5,699	19	0.19%	N/A		
University of Notre Dame	5,419	20	0.18%	N/A		
<b>Total</b>	<b>298,455</b>		<b>9.85%</b>	<b>206,301</b>		<b>6.91%</b>

(1) Full time State employees paid through the Auditor of State's Office as of June 2015 and June 2006.  
N/A = Not available

Sources: Indianapolis Business Journal, 2016 and 2007 Book of Lists; and Auditor of State payroll records.

**State of Indiana  
School Enrollment  
Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public School Enrollment, Grades K-12										
Elementary (KG through Grade 6)	549,182	550,468	551,803	554,421	555,344	557,983	557,257	556,228	556,622	556,677
Secondary (Grades 7 through 12)	477,886	478,186	479,581	476,685	475,457	477,455	476,516	477,879	478,820	478,520
Total, all grades	<u>1,027,068</u>	<u>1,028,654</u>	<u>1,031,384</u>	<u>1,031,106</u>	<u>1,030,801</u>	<u>1,035,438</u>	<u>1,033,773</u>	<u>1,034,107</u>	<u>1,035,442</u>	<u>1,035,197</u>
Public Higher Education Enrollment <sup>1</sup>										
Indiana University	86,424	85,540	85,373	84,786	82,671	83,228	82,830	81,261	77,178	74,717
Purdue University	56,476	56,645	56,701	57,284	58,704	59,186	59,526	60,241	57,891	57,010
Ball State University	18,771	18,231	18,255	18,340	18,831	19,526	19,965	19,202	18,247	17,919
Indiana State University	11,450	11,574	11,273	10,772	10,282	9,738	9,685	8,839	8,718	8,823
Ivy Tech Community College	42,708	45,065	49,727	56,024	58,719	65,957	67,588	63,351	50,104	42,193
University of Southern Indiana	8,137	7,668	7,822	8,215	8,740	9,031	8,971	8,789	8,438	8,230
Vincennes University	9,551	10,032	10,162	9,825	9,393	10,077	9,410	7,704	7,348	6,457
Total, public colleges and universities	<u>233,516</u>	<u>234,755</u>	<u>239,313</u>	<u>245,246</u>	<u>247,340</u>	<u>256,743</u>	<u>257,975</u>	<u>249,387</u>	<u>227,924</u>	<u>215,349</u>

<sup>1</sup> based on Fall full-time equivalent enrollment.

Sources: Indiana Commission for Higher Education (for Public Higher Education Enrollment); and Indiana Department of Education (for Grades K-12)

## State of Indiana Largest Indiana Private Colleges & Universities

(Ranked by Fall 2015 Full-Time Equivalent Enrollment)

Ranking	Institution	Fall 2015 FTE Enrollment	Location
1	Indiana Wesleyan University	13,597	Marion
2	University of Notre Dame	12,179	Notre Dame
3	Indiana Tech	6,649	Fort Wayne
4	University of Indianapolis	6,032	Indianapolis
5	Butler University	4,803	Indianapolis
6	Valparaiso University	4,311	Valparaiso
7	WGU Indiana	4,307	Indianapolis
8	Harrison College	3,953	Indianapolis
9	University of Evansville	2,985	Evansville
10	Marian University	2,583	Indianapolis
11	Grace College	2,401	Winona
12	Trine University	2,383	Angola
13	Rose Hulman Institute of Technology	2,314	Terre Haute
14	DePauw University	2,241	Greencastle
15	Anderson University	2,062	Anderson
16	Taylor University	1,961	Upland
17	Manchester University	1,527	North Manchester
18	Bethel College	1,424	Mishawaka

SOURCE: Indianapolis Business Journal, 2016 Book of Lists



**State of Indiana  
Operating Indicators by Function of Government  
Last Ten Fiscal Years**

**General Government**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Department of Revenue										
Number of Tax Returns Filed Electronically	N/A	2,734,420	2,721,693	2,565,620	2,328,203	2,268,866	2,179,678	2,046,564	1,981,644	1,879,652
Number of Tax Returns Processed	1	3,328,805	3,353,918	3,254,314	3,140,076	3,034,479	2,966,371	2,946,873	3,061,394	3,102,053
Percent of Tax Returns Filed Electronically	1	82.1%	81.1%	78.8%	74.1%	73.3%	73.5%	69.4%	64.7%	60.6%
Number of Taxpayers Assisted - Walk-in	2,3	77,184	102,120	12,969	18,748	21,784	23,752	24,853	13,787	14,792
Number of Taxpayers Assisted - Telephone	2	1,116,757	823,387	753,939	534,680	416,231	367,217	358,750	364,230	361,910
Number of Taxpayers Assisted - Total	2	1,193,941	888,801	856,059	643,321	438,015	390,969	383,603	378,017	376,702

Department of Administration  
Construction projects administered  
Construction value excluding design fee (thousands)

	50	53	43	33	67	38	72	79	105	61
	\$44,200	\$36,352	\$27,613	\$27,448	\$31,161	\$22,265	\$25,585	\$31,817	\$53,977	\$63,191

**Public Safety**

Department of Correction  
Department Active Personnel  
Number of Adult Institutions  
Incarcerated Offenders  
Average Cost Per Diem  
Contract Beds  
Average Offender Age at Intake  
Average Offender Age - Current  
Supervised Offenders

	6,121	6,074	6,094	6,256	6,198	6,064	6,768	7,071	7,417	7,423
	20	20	20	20	20	21	21	21	21	22
	25,993	27,693	28,329	29,156	28,378	28,307	29,278	29,314	27,412	25,849
	\$57.89	\$54.43	\$55.42	\$55.19	\$54.85	\$54.53	\$53.69	\$54.28	\$52.61	\$52.25
	307	301	341	333	399	294	167	317	225	166
	33.0	32.9	33.6	32.7	32.7	32.6	32.5	32.4	32.4	32.4
	37.9	37.9	36.5	36.9	36.6	36.6	36.3	36.4	36.1	40.0
	8,865	9,596	9,689	10,385	9,581	10,606	9,037	8,383	11,138	8,108

**Health**

Department of Health  
Number of Birth and Death Certificates Issued  
Number of Adoption Records Received  
Number of Marriage Records Received

	79,076	41,454	34,012	42,076	49,208	61,884	46,236	49,420	52,300	51,428
	3,936	3,936	3,904	1,831	3,402	2,186	N/A	N/A	N/A	N/A
	49,157	44,143	44,841	41,301	48,756	39,586	32,000	18,270	35,770	42,570

**Welfare**

FSSA  
Medicaid and Children's Health Insurance Program (CHIP) recipients  
Temporary Assistant for Needy Families (TANF) recipients  
Food Stamp recipients

	1,726,848	1,500,587	1,365,748	1,303,958	1,279,288	1,274,341	1,232,456	965,852	884,879	894,378
	16,832	19,290	22,396	28,285	37,591	63,278	119,957	124,765	127,267	130,285
	720,822	814,959	879,342	924,180	908,511	882,716	823,818	684,280	607,989	582,972

**Conservation, Culture, and Development**

Department of Natural Resources  
Hunting licenses sold  
Fishing licenses sold  
Trapping licenses sold

	311,457	375,061	395,258	400,575	458,156	447,003	454,264	434,508	360,684	366,572
	415,088	459,630	474,361	418,535	496,423	429,373	472,174	511,345	417,952	441,414
	4,929	5,556	5,670	4,609	3,714	3,326	3,043	4,045	3,806	4,117

**Transportation**

Department of Transportation  
Construction projects administered  
Construction value excluding design fee (thousands)  
Construction awarded amount (thousands)

	545	528	487	379	425	443	819	467	480	368
	\$ 299,045	\$ 307,686	\$ 262,629	\$ 248,003	\$ 282,352	\$ 253,751	\$ 479,562	\$ 233,888	\$ 195,062	\$ 181,390
	\$ 1,000,398	\$ 935,980	\$ 954,516	\$ 1,018,335	\$ 996,806	\$ 1,443,156	\$ 1,410,254	\$ 1,280,037	\$ 1,067,548	\$ 992,722

**Business-type activities**

Unemployment Insurance  
Number of payments made to claimants (thousands)  
Percentage of unemployment

	1,251	1,469	2,032	2,324	2,588	3,144	4,525	5,416	2,762	2,124
	4.3%	4.9%	5.9%	8.4%	8.7%	9.0%	10.0%	8.3%	5.9%	4.7%

**Notes:**

- 1 Tax Year (January 1 - December 30)
- 2 Fiscal Year (July 1-June 30)
- 3 2014 through 2016 walk-ins assisted included the DoP's main, district, and motor carrier offices. Prior years included only the main office.
- 4 Includes inmates held in county jails and contract beds
- 5 Excludes Indiana parolees on parole in other states; includes other states parolees supervised by Indiana

Sources: Various state agencies.

# 262 - State of Indiana - Comprehensive Annual Financial Report

## State of Indiana Capital Assets Statistics by Function of Government Last Ten Fiscal Years

Function	Fiscal Year Ended June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Conservation, Culture and Development</b>										
<i>Department of Natural Resources</i>										
Acres of land (parks, lakes, etc.) owned	413,835	411,686	414,212	410,817	406,243	385,950	381,267	378,411	383,755	379,408
Number of state parks	24	24	24	24	24	24	24	24	24	24
Number of reservoirs	8	8	8	8	8	8	9	9	9	9
Number of state forests	15	15	16	16	15	16	15	16	16	16
Number of historic sites	0	0	0	0	0	13	14	14	14	15
Number of fish & wildlife areas	25	26	26	26	25	22	21	21	21	21
Number of dams	132	132	133	133	134	134	129	129	129	129
Number of vehicles	1,986	1,996	2,041	2,071	2,073	2,049	2,067	2,278	2,534	2,833
Number of watercraft, registered	746	799	822	901	899	899	879	928	1,435	1,667
Number of watercraft, non-registered	319	324	306	210	212	212	201	196	Unavailable	Unavailable
<b>Education</b>										
<i>Department of Education</i>										
Number of public schools, K-12	1,926	1,938	1,923	1,928	1,931	1,936	1,941	1,971	1,969	1,967
Number of non-public schools, K-12 *	308	301	301	304	294	293	304	309	298	302
<i>Commission for Higher Education</i>										
Number of public postsecondary institutions										
number of institutions	7	7	7	7	7	7	7	7	7	7
number of campuses	43	41	43	43	47	47	39	39	39	39
Number of private not-for-profit postsecondary institutions										
number of institutions	31	31	29	31	32	32	32	31	31	31
number of campuses	31	31	29	31	32	32	32	31	31	31
Number of private for profit postsecondary institutions **										
number of institutions	31	29	29	32	36	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
number of campuses	59	59	59	61	65	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
<b>General Government</b>										
<i>Department of Administration</i>										
Number of buildings	12	10	10	10	7	7	7	7	7	7
Number of fleet service vehicles ***	1,341	235	239	285	257	259	270	332	28	32
Number of aircraft	0	0	0	0	0	0	7	10	12	13
<b>Public Safety</b>										
<i>Department of Correction</i>										
Number of adult facilities	20	20	20	20	20	21	21	21	21	22
Number of juvenile facilities	4	4	4	4	5	6	6	7	7	7
Number of parole facilities	10	10	10	10	9	9	9	9	10	10
Number of vans	282	284	289	299	291	294	310	313	318	332
<i>State Police</i>										
Number of state police posts	14	14	14	14	14	14	17	18	18	18
Number of state police cars	1,699	1,728	1,937	2,080	1,931	1,847	1,807	1,792	1,844	1,844
Number of aircraft	3	3	5	6	6	6	0	0	0	0
Number of trailers	118	117	121	120	116	108	108	98	94	82
<b>Transportation</b>										
<i>Department of Transportation</i>										
Number of interstate miles	1,265	1,238	1,236	1,238	1,014	1,014	1,014	1,185	1,013	Unavailable
Number of non-interstate miles	9,944	9,947	9,933	9,930	10,127	10,095	9,942	10,014	10,170	Unavailable
Number of interstate and non-interstate total miles	11,209	11,185	11,169	11,168	11,141	11,109	10,956	11,199	11,183	11,197
Number of interstate bridges	1,432	1,381	1,392	1,377	1,264	1,263	1,256	1,260	1,267	1,247
Number of non-interstate bridges	5,749	4,308	4,233	4,081	4,056	4,049	3,977	3,954	3,965	3,896
Number of interstate and non-interstate total bridges	7,181	5,689	5,625	5,458	5,320	5,312	5,233	5,214	5,232	5,143
Acreage from excess land	11,513	7,165	5,974	6,022	5,879	5,216	4,810	3,270	1,922	1,952
Acreage from fixed assets	2,278	2,262	2,243	2,262	2,298	2,286	2,289	2,343	2,232	2,232
Total acres of land owned	13,791	9,427	8,217	8,284	8,177	7,502	7,099	5,613	4,154	4,184
Number of heavy equipment owned	3,259	3,186	3,101	2,827	2,902	2,864	2,777	2,749	2,675	2,520
<b>Welfare</b>										
<i>Family and Social Services Administration</i>										
Number of hospitals owned	6	6	6	6	6	6	6	6	6	7
<b>Health</b>										
<i>Indiana State Department of Health</i>										
Number of pieces of laboratory equipment	751	751	749	757	742	777	751	631	535	505

Noted: \* Includes only the accredited and freeway schools.

\*\* Institutions authorized through the Board for Proprietary Education, which is administered through ICHE; the list includes six not-for-profit institutions

\*\*\* Increase in 2016 due to policy change requiring vehicle purchases to be made through the Department of Administration

Sources: Various state agencies.

**Full Time State Employees Paid Through The Auditor of State's Office**

Function of Government	June 2016	June 2015	June 2014	June 2013	June 2012	June 2011	June 2010	June 2009	June 2008	June 2007
<b>General Government</b>	4,828	4,854	4,872	4,937	4,901	5,152	5,323	5,551	5,317	5,261
<b>Public Safety</b>	10,453	10,478	10,666	10,936	11,162	10,893	11,376	11,975	12,484	12,388
<b>Health</b>	744	773	783	794	783	802	835	932	1,495	1,479
<b>Welfare</b>	7,852	7,608	7,392	7,037	6,907	6,858	7,302	7,508	7,551	6,857
<b>Conservation, Culture and Development</b>	3,090	3,192	3,272	3,366	3,275	3,251	3,290	3,481	3,507	3,427
<b>Education</b>	620	619	641	532	550	706	766	671	760	755
<b>Transportation</b>	3,390	3,325	3,346	3,532	3,685	3,668	3,909	4,046	4,508	4,354
<b>Totals</b>	<b>30,977</b>	<b>30,849</b>	<b>30,972</b>	<b>31,134</b>	<b>31,263</b>	<b>31,330</b>	<b>32,801</b>	<b>34,164</b>	<b>35,622</b>	<b>34,521</b>
<b>G - Governor's Authority</b>	28,315	28,157	28,279	28,398	28,485	28,472	29,911	31,254	32,606	31,524
<b>J - Judiciary</b>	886	865	845	831	835	830	846	835	811	772
<b>O - Other Elected Officials</b>	1,107	1,083	1,065	1,049	1,049	1,067	1,056	1,093	1,139	1,123
<b>D - Disability Leave - in pay status</b>	419	455	471	511	545	610	647	624	727	789
<b>D2 - Disability Leave - in non-pay status</b>	250	289	312	345	349	351	341	358	339	313
<b>Total</b>	<b>30,977</b>	<b>30,849</b>	<b>30,972</b>	<b>31,134</b>	<b>31,263</b>	<b>31,330</b>	<b>32,801</b>	<b>34,164</b>	<b>35,622</b>	<b>34,521</b>

**Employees Other Than Full Time Paid Through The Auditor of State's Office**

Function of Government	June 2016	June 2015	June 2014	June 2013	June 2012	June 2011	June 2010	June 2009	June 2008	June 2007
General Government	209	185	182	173	150	138	152	196	340	329
Public Safety	169	141	410	260	296	1,168	292	365	1,993	918
Health	2	1	1	3	-	-	-	6	107	114
Welfare	300	295	319	35	349	313	351	384	401	393
Conservation, Culture and Development	1,462	1,433	1,511	1,480	1,492	1,557	1,142	2,942	1,756	2,030
Education	174	133	127	105	109	112	110	160	183	167
Transportation	110	66	64	154	170	102	86	105	224	206
<b>Totals</b>	<b>2,426</b>	<b>2,254</b>	<b>2,614</b>	<b>2,210</b>	<b>2,566</b>	<b>3,390</b>	<b>2,133</b>	<b>4,158</b>	<b>5,004</b>	<b>4,157</b>
<b>G - Governor's Authority</b>	<b>2,312</b>	<b>2,135</b>	<b>2,502</b>	<b>2,103</b>	<b>2,476</b>	<b>3,292</b>	<b>2,036</b>	<b>4,015</b>	<b>4,731</b>	<b>3,880</b>
J - Judiciary	22	25	25	17	18	15	12	11	158	155
O - Other Elected Officials	92	94	87	90	72	83	85	131	110	117
D - Disability Leave - in pay status	-	-	-	-	-	-	-	-	4	4
D2 - Disability Leave - in non-pay status	-	-	-	-	-	-	-	1	1	1
<b>Total</b>	<b>2,426</b>	<b>2,254</b>	<b>2,614</b>	<b>2,210</b>	<b>2,566</b>	<b>3,390</b>	<b>2,133</b>	<b>4,158</b>	<b>5,004</b>	<b>4,157</b>

**Pension, Death Benefits, and Former Governors  
Number of People Paid Through The Auditor of State's Office**

Category	June 2016	June 2015	June 2014	June 2013	June 2012	June 2011	June 2010	June 2009	June 2008	June 2007
Governor's Widows	3	2	2	2	1	1	1	2	2	2
Death Benefits (Police)	25	26	28	30	30	31	33	31	31	28
Former Governors	2	3	3	2	3	3	2	2	2	2
Police Pension	1,622	1,617	1,584	1,622	1,550	1,536	1,531	1,499	1,490	1,482
<b>Total</b>	<b>1,652</b>	<b>1,648</b>	<b>1,617</b>	<b>1,656</b>	<b>1,584</b>	<b>1,571</b>	<b>1,567</b>	<b>1,534</b>	<b>1,525</b>	<b>1,514</b>

