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March 8, 2019

Convention and Visitor Bureau Members
Lake County Convention and Visitors Bureau
7770 Corinne Drive
Hammond, IN 46323

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Lake County Convention and Visitors Bureau. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2015 to December 31, 2017. Per the *Independent Auditor's Report,* the financial statements included in the report present fairly the financial condition of Lake County Convention and Visitors Bureau as of December 31, 2015, 2016 and 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Report for Lake County Convention and Visitors Bureau was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

LAKE COUNTY CONVENTION AND VISITORS BUREAU
Lake County, Indiana

FINANCIAL STATEMENTS
December 31, 2015, 2016 and 2017

LAKE COUNTY CONVENTION AND VISITORS BUREAU

FINANCIAL STATEMENTS
December 31, 2015, 2016 and 2017

CONTENTS

LAKE COUNTY CONVENTION AND VISITORS BUREAU
SCHEDULE OF OFFICIALS
December 31, 2015, 2016 and 2017

Office	Official	Term
President/CEO	Speros A. Batistatos	01-01-15 to 12-31-17
Treasurer	John Kiernan	01-01-15 to 12-31-17
Chief Financial Officer	Janis Flutka	01-01-11 to 08-31-15
	Cathy Svetanoff	09-01-15 to 12-31-17
Chairman of the Board of Directors	Victor DeMeyer	01-01-11 to 05-19-16
	Dale Johnson	05-19-16 to 10-20-16
	Robert Forster	10-20-16 to 12-31-17

INDEPENDENT AUDITOR'S REPORT

The Officials of the Lake County Convention
and Visitors Bureau, Lake County, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake County Convention and Visitors Bureau (Bureau), as of and for the years ended December 31, 2015, 2016, and 2017, and the related notes to the financial statements, which collectively comprise the Lake County Convention and Visitors Bureau'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bureau, as of December 31, 2015 2016, and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the Bureau adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adjustment to the opening January 1, 2015 net position was a reduction of net position of $673,705 offset by increases in net pension liability, deferred outflows and deferred inflows of resources. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Officials is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of the Bureau's Proportionate Share of the Net Position Liability and Schedules of Contributions - Pension, as listed in the table of the 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 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.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
December 21, 2018

LAKE COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF NET POSITION
December 31, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	$ 2,786,817
Receivables:	
Taxes	317,121
Accounts	39,822
Other	27,141
Inventories	27,246
Prepaid items	46,707
Restricted assets:	
Cash and cash equivalents	181,131
Capital assets:	
Non-depreciable	1,688,264
Depreciable	7,157,572
Total capital assets	8,845,836
Total assets	12,271,822
Deferred outflows of resources	
Pension	421,447
Total assets and deferred outflows of resources	$ 12,693,269
Liabilities	
Accounts payable	$ 56,487
Accrued payroll and withholding payable	87,605
Payable from restricted assets:	
Accrued bond interest	2,232
Revenue bonds - due within one year	160,000
Noncurrent liabilities:	
Net pension liability	1,059,362
Due in more than one year:	
Revenue bonds payable	1,080,000
Compensated absences	178,307
Total liabilities	2,623,993
Deferred inflows of resources	
Pension	102,225
Total liabilities and deferred inflows of resources	2,726,218
Net position	
Net investments in capital assets	$ 7,605,836
Restricted:	
Debt service	104,615
Capital improvements	78,748
Unrestricted	2,177,852
Total net position	$ 9,967,051
Total liabilities, deferred inflows of resources, and net position	$ 12,693,269

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	$ 3,200,505
Receivables:	
Taxes	313,725
Accounts	42,278
Other	19,905
Inventories	69,979
Prepaid items	40,293
Restricted assets:	
Cash and cash equivalents	164,179
Capital assets:	
Non-depreciable	1,688,264
Depreciable	7,069,687
Total capital assets	8,757,891
Total assets	12,608,815
Deferred outflows of resources	
Pension	410,421
Total assets and deferred outflows of resources	$ 13,019,236
Liabilities	
Accounts payable	$ 116,384
Accrued payroll and withholding payable	91,751
Payable from restricted assets:	
Accrued bond interest	1,944
Revenue bonds - due within one year	160,000
Noncurrent liabilities:	
Net pension liability	1,191,342
Due in more than one year:	
Revenue bonds payable	920,000
Compensated absences	194,193
Total liabilities	2,675,614
Deferred inflows of resources	
Pension	86,877
Total liabilities and deferred inflows of resources	2,762,491
Net position	
Net investment in capital assets	$ 7,677,951
Restricted:	
Debt service	165,740
Unrestricted	2,413,054
Total net position	$ 10,256,745
Total liabilities, deferred inflows of resources, and net position	$ 13,019,236

See accompanying notes to financial statements.

	Governmental Activities
Assets	
Cash and cash equivalents	$ 3,754,411
Receivables:	
Taxes	305,065
Accounts	68,563
Other	17,912
Inventories	65,732
Prepaid items	34,630
Restricted assets:	
Cash and cash equivalents	186,560
Capital assets:	
Non-depreciable	1,487,536
Depreciable	6,830,463
Total capital assets	8,317,999
Total assets	12,750,872
Deferred outflows of resources	
Pension	223,779
Total assets and deferred outflows of resources	$ 12,974,651
Liabilities	
Accounts payable	$ 90,212
Accrued payroll and withholding payable	95,529
Payable from restricted assets:	
Accrued bond interest	1,647
Revenue bonds - due within one year	170,000
Noncurrent liabilities:	
Net pension liability	1,040,878
Due in more than one year:	
Revenue bonds payable	745,000
Compensated absences	221,290
Total liabilities	2,369,556
Deferred inflows of resources	
Pension	131,920
Total liabilities and deferred inflows of resources	2,501,476
Net position	
Net investments in capital assets	$ 7,402,999
Restricted:	
Debt service	187,554
Unrestricted	2,887,622
Total net position	$ 10,478,175
Total liabilities, deferred inflows of resources, and net position	$ 12,974,651

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
General government- promotion	$ 3,604,607	$ 247,315	$ -	$ (3,357,292)
Interest on long-term debt	29,088	-	-	(29,088)
Total governmental activities	$ 3,633,695	$ 247,315	$ -	(3,386,380)
General revenues:				
Innkeepers taxes				2,113,023
Casino taxes				1,425,801
Unrestricted investment earnings				5,696
Other				514,393
Total general revenues				4,058,913
Change in net position				672,533
Net position – beginning				9,968,223
Cumulative effect of GASB 68 implementation				(673,705)
Net position – beginning of the year, as restated				9,294,518
Net position – ending				$ 9,967,051

See accompanying notes to financial statements.

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
General government- promotion	$ 3,896,110	$ 157,531	$ -	$ (3,738,579)
Interest on long-term debt	25,632	-	-	(25,632)
Total governmental activities	$ 3,921,742	$ 157,531	$ -	(3,764,211)
General revenues:				
Innkeepers taxes				2,123,337
Casino taxes				1,451,604
Unrestricted investment earnings				9,191
Other				469,773
Total general revenues				4,053,905
Change in net position				289,694
Net position – beginning				9,967,051
Net position – ending				$ 10,256,745

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
General government- promotion	$ 3,984,745	$ 143,859	$ -	$ (3,840,886)
Interest on long-term debt	22,167	-	-	(22,167)
Total governmental activities	$ 4,006,912	$ 143,859	$ -	$ (3,863,053)
General revenues:				
Innkeepers taxes				$ 2,213,581
Casino taxes				1,335,516
Unrestricted investment earnings				8,435
Other				526,951
Total general revenues				4,084,483
Change in net position				221,430
Net position – beginning				10,256,745
Net position – ending				$ 10,478,175

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION'S
December 31, 2015

	Promotion	Debt Service Reserve	Promo Bond Int. & Bond Proceeds	Promotion Alternative Revenue	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 1,973,650	$ -	$ -	$ 371,252	$ 441,915	$ 2,786,817
Receivables (net of allowance for uncollectibles):						
Taxes	317,121	-	-	-	-	317,121
Accounts	410	-	-	19,709	19,703	39,822
Other/interfund receivable	-	-	-	-	18,514	18,514
Inventories	-	-	-	27,246	-	27,246
Prepaid items	46,707	-	-	-	-	46,707
Restricted assets:						
Cash and cash equivalents	-	102,000	79,131	-	-	181,131
Total assets	$ 2,337,888	$ 102,000	$ 79,131	$ 418,207	$ 480,132	$ 3,417,358
Liabilities and fund balances:						
Liabilities:						
Accounts payable	$ 53,453	$ -	$ -	$ 3,034	$ -	$ 56,487
Accrued payroll, withholding, and benefits payable	82,013	-	-	5,592	-	87,605
Payable from restricted assets:						
Accrued interest payable	2,232	-	-	-	-	2,232
Total liabilities	137,698	-	-	8,626	-	146,324
Fund balances:						
Nonspendable:						
Prepaid	$ 46,707	$ -	$ -	$ -	$ -	$ 46,707
Inventories	-	-	-	-	-	-
Trade outs	-	-	-	-	9,887	9,887
Restricted for:						
Debt service	2,232	102,000	78,748	-	-	182,980
Promotion bond interest	-	-	383	-	-	383
Assigned:						
Payables	135,466	-	-	8,627	-	144,093
Encumbrances	146,671	-	-	-	-	146,671
Special revenue funds	-	-	-	400,954	470,245	871,199
Unassigned:						
General fund	1,869,114	-	-	-	-	1,869,114
Total fund balances	2,200,190	102,000	79,131	409,581	480,132	3,271,034
Total liabilities and fund balances	$ 2,337,888	$ 102,000	$ 79,131	$ 418,207	$ 480,132	$ 3,417,358

Reconciliation of Government-Wide Statement of Net Position to Balance Sheet – Governmental Funds	$ 3,271,034
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	8,854,462
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds	(1,418,306)
Net pension liabilities that are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds	(1,059,362)
Deferred outflows and inflows of resources related to pensions are applicable to reporting periods and, therefore, are not reported in the funds	319,223
Net position of governmental activities	$ 9,967,051

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION'S
December 31, 2016

	Promotion	Debt Service Reserve	Promo Bond Int. & Bond Proceeds	Promotion Alternative Revenue	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 2,153,034	$ -	$ -	$ 537,936	$ 509,535	$ 3,200,505
Receivables (net of allowance for uncollectibles):						
Taxes	313,725	-	-	-	-	313,725
Accounts	2,120	-	-	34,915	5,243	42,278
Other/interfund receivable	-	-	-	-	19,905	19,905
Inventories	-	-	-	69,979	-	69,979
Prepaid items	32,301	-	-	7,992	-	40,293
Restricted assets:						
Cash and cash equivalents	-	136,000	28,449	-	-	164,449
Total assets	$ 2,501,180	$ 136,000	$ 28,449	$ 650,822	$ 534,683	$ 3,851,134
Liabilities and fund balances:						
Liabilities:						
Accounts payable	$ 76,004	$ -	$ -	$ 38,413	$ 1,967	$ 116,384
Accrued payroll, withholding, and benefits payable	86,126	-	-	5,625	-	91,751
Payable from restricted assets:						
Accrued interest payable	1,944	-	-	-	-	1,944
Total liabilities	164,074	-	-	44,038	1,967	210,079
Fund balances:						
Nonspendable:						
Prepaid	$ 32,301	$ -	$ -	$ 7,994	$ -	$ 40,295
Inventories	-	-	-	69,979	-	69,979
Trade outs	-	-	-	-	19,007	19,007
Restricted for:						
Debt service	1,944	136,000	27,796	-	-	165,740
Promotion bond interest	-	-	653	-	-	653
Assigned:						
Payables	162,130	-	-	44,038	1,967	208,135
Encumbrances	106,792	-	-	-	40,760	147,552
Special revenue funds	-	-	-	484,773	470,982	955,755
Unassigned:						
General fund	2,033,939	-	-	-	-	2,033,939
Total fund balances	2,337,106	136,000	28,449	606,784	532,716	3,641,055
Total liabilities and fund balances	$ 2,501,180	$ 136,000	$ 28,449	$ 650,822	$ 534,683	$ 3,851,134

Reconciliation of Government-Wide Statement of Net Position to Balance Sheet – Governmental Funds	$ 3,641,055
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	8,757,681
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds	(1,274,193)
Net pension liabilities that are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds	(1,191,342)
Deferred outflows and inflows of resources related to pensions are applicable to reporting periods and, therefore, are not reported in the funds	323,544
Net position of governmental activities	$ 10,256,745

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION'S
December 31, 2017

	Promotion	Debt Service Reserve	Promo Bond Int. & Bond Proceeds	Promotion Alternative Revenue	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 2,525,557	$ -	$ -	$ 648,342	$ 580,512	$ 3,754,411
Receivables (net of allowance for uncollectibles):						
Taxes	305,065	-	-	-	-	305,065
Accounts	-	-	-	50,125	18,438	68,563
Other/interfund receivable	-	-	-	-	17,912	17,912
Inventories	-	-	-	65,732	-	65,732
Prepaid items	34,630	-	-	-	-	34,630
Restricted assets:						
Cash and cash equivalents	-	170,000	15,909	-	-	185,909
Total assets	$ 2,865,252	$ 170,000	$ 15,909	$ 764,199	$ 616,862	$ 4,432,222
Liabilities and fund balances:						
Liabilities:						
Accounts payable	$ 86,139	$ -	$ -	$ 3,663	$ 410	$ 90,212
Accrued payroll, withholding, and benefits payable	89,487	-	-	6,042	-	95,529
Payable from restricted assets:						
Accrued interest payable	1,647	-	-	-	-	1,647
Total liabilities	177,273	-	-	9,705	410	187,388
Fund balances:						
Nonspendable:						
Prepaid	$ 34,630	$ -	$ -	$ -	$ -	$ 34,630
Inventories	-	-	-	65,732	-	65,732
Trade outs	-	-	-	-	17,912	17,912
Restricted for:						
Debt service	1,647	170,000	15,256	-	-	186,903
Promotion bond interest	-	-	653	-	-	653
Assigned:						
Payables	175,627	-	-	-	10,114	185,741
Encumbrances	69,374	-	-	9,704	41,448	120,526
Special revenue funds	-	-	-	679,059	546,977	1,226,036
Unassigned:						
General fund	2,406,701	-	-	-	-	2,406,701
Total fund balances	2,687,979	170,000	15,909	754,494	616,452	4,244,834
Total liabilities and fund balances	$ 2,865,252	$ 170,000	$ 15,909	$ 764,199	$ 616,862	$ 4,432,222

Reconciliation of Government-Wide Statement of Net Position to Balance Sheet – Governmental Funds	$ 4,244,834
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	8,318,650
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds	(1,136,290)
Net pension liabilities that are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds	(1,040,878)
Deferred outflows and inflows of resources related to pensions are applicable to reporting periods and, therefore, are not reported in the funds	91,859
Net position of governmental activities	$ 10,478,175

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015

	Promotion	Debt Service Reserve	Promo Interest & Bond Proceeds	Promotion Alternative Revenue	Nonmajor Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 3,538,824	$ -	$ -	$ -	$ -	$ 3,538,824
Charges for services	-	-	-	78,000	169,315	247,315
Interest	4,156	-	383	617	539	5,695
Other generated	(9,980)	-	8,391	353,371	162,613	514,395
Total revenues	3,533,000	-	8,774	431,988	332,467	4,306,229
Expenditures:						
Current:						
General government	3,091,957	-	190,261	214,888	131,964	3,629,070
Debt service:						
Principal	160,000	-	-	-	-	160,000
Interest	29,088	-	-	-	-	29,088
Capital outlays: Net investment in general fixed assets	204,316	-	-	-	2,079	206,395
Total expenditures	3,485,361	-	190,261	214,888	134,043	4,024,553
Excess (deficiency) of revenues over (under) expenditures	47,639	-	(181,487)	217,100	198,424	281,676
Other financing sources (uses):						
Transfers in	187,504	34,000	8,700	-	-	221,504
Transfers out	(63,581)	-	-	(139,100)	(27,523)	(221,504)
Total other financing sources (uses)	123,923	34,000	8,700	(139,100)	(27,523)	-
Net change in fund balances	171,562	34,000	(172,787)	78,000	170,901	281,676
Fund balances – beginning	2,028,628	68,000	251,918	331,581	309,231	2,989,358
Fund balances – ending	$ 2,200,190	$ 102,000	$ 79,131	$ 409,581	$ 480,132	$ 3,271,034

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended December 31, 2016

	Promotion	Debt Service Reserve	Promo Interest & Bond Proceeds	Promotion Alternative Revenue	Nonmajor Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 3,508,080	$ -	$ -	$ -	$ -	$ 3,508,080
Charges for services	-	-	-	44,000	113,530	157,530
Interest	6,569	-	270	1,344	1,008	9,191
Other generated	1,709	-	-	302,680	165,382	469,771
Total revenues	3,516,358	-	270	348,024	279,920	4,144,572
Expenditures:						
Current:						
General government	3,088,582	-	50,950	150,822	192,225	3,482,579
Debt service:						
Principal	160,000	-	-	-	-	160,000
Interest	25,632	-	-	-	-	25,632
Capital outlays: Net investment in general fixed assets	71,228	-	-	-	35,112	106,340
Total expenditures	3,345,442	-	50,950	150,822	227,337	3,774,551
Excess (deficiency) of revenues over (under) expenditures	170,916	-	(50,680)	197,202	52,583	370,021
Other financing sources (uses):						
Transfers in	36,746	34,000	-	-	-	70,746
Transfers out	(70,746)	-	-	-	-	(70,746)
Total other financing sources (uses)	(34,000)	34,000	-	-	-	-
Net change in fund balances	136,916	34,000	(50,680)	197,202	52,583	370,021
Fund balances – beginning	2,200,190	102,000	79,131	409,581	480,132	3,271,034
Fund balances – ending	$ 2,337,106	$ 136,000	$ 28,451	$ 606,783	$ 532,715	$ 3,641,055

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended December 31, 2017

	Promotion	Debt Service Reserve	Bond Proceeds	Promotion Alternative Revenue	Nonmajor Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 3,549,097	$ -	$ -	$ -	$ -	$ 3,549,097
Charges for services	-	-	-	35,000	108,859	143,859
Interest	6,161	-	-	1,315	959	8,435
Other generated	26,233	-	-	353,431	49,542	429,206
Total revenues	3,581,491	-	-	389,746	159,360	4,130,597
Expenditures:						
Current:						
General government	3,026,327	-	-	242,035	75,623	3,343,985
Debt service:						
Principal	165,000	-	-	-	-	165,000
Interest	22,167	-	-	-	-	22,167
Capital outlays: Net investment in general fixed assets	(4,334)	-	-	-	-	(4,334)
Total expenditures	3,209,160	-	-	242,035	75,623	3,526,818
Excess (deficiency) of revenues over (under) expenditures	372,331	-	-	147,711	83,737	603,779
Other financing sources (uses):						
Transfers in	12,542	34,000	-		-	46,542
Transfers out	(34,000)	-	(12,542)	-	-	(46,542)
Total other financing sources (uses)	(21,458)	34,000	(12,542)	-	-	-
Net change in fund balances	350,873	34,000	(12,542)	147,711	83,737	603,779
Fund balances – beginning	2,337,106	136,000	28,451	606,783	532,715	3,641,055
Fund balances – ending	$ 2,687,979	$ 170,000	$ 15,909	$ 754,794	$ 616,452	$ 4,244,834

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2015

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

Net change in fund balances - total government funds	$ 281,676
Governmental funds report capital outlays 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 capital outlays exceeded depreciation in the current period.	(70,292)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	319,390
The issuance of long-term debt (e.g., bond, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental fund. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt if first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is net effect of these differences in the treatment of long-term debt and related items.	
Bond redemption	160,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(18,241)
Change in net position of governmental activities (Statement of Activities)	$ 672,533

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2016

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

Net change in fund balances - total government funds	$ 370,021
Governmental funds report capital outlays expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	58,530
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(151,316)
The issuance of long-term debt (e.g., bond, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental fund. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt if first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is net effect of these differences in the treatment of long-term debt and related items.	
Bond redemption	160,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(147,545)
Change in net position of governmental activities (Statement of Activities)	$ 289,694

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2017

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

Net change in fund balances - total government funds	$ 603,779
Governmental funds report capital outlays 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 capital outlays exceeded depreciation in the current period.	(235,237)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(200,791)
The issuance of long-term debt (e.g., bond, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental fund. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt if first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is net effect of these differences in the treatment of long-term debt and related items.	
Bond redemption	165,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(111,321)
Change in net position of governmental activities (Statement of Activities)	$ 221,430

See accompanying notes to financial statements.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS (AGENCY)
December 31, 2015, 2016, and 2017

December 31, 2015:	**Sales Tax Fund**	**Payroll W/H Fund**	**County Innkeeper Trust Fund**	**Total**
Assets:				
Cash and cash equivalents	$ 2,483	$ 90,000	$ 226,033	$ 318,516
Liabilities:				
Accounts payable	$ -	$ -	$ 226,033	$ 226,033
Accrued sales tax and payroll withholding	2,483	90,000	-	92,483
Total liabilities	$ 2,483	$ 90,000	$ 226,033	$ 318,516

December 31, 2016:	**Sales Tax Fund**	**Payroll W/H Fund**	**County Innkeeper Trust Fund**	**Total**
Assets:				
Cash and cash equivalents	$ 2,623	$ 90,000	$ 245,010	$ 337,633
Liabilities:				
Accounts payable	$ -	$ -	$ 245,010	$ 245,010
Accrued sales tax and payroll withholding	2,623	90,000	-	92,623
Total liabilities	$ 2,623	$ 90,000	$ 245,010	$ 337,633

December 31, 2017:	**Sales Tax Fund**	**Payroll W/H Fund**	**County Innkeeper Trust Fund**	**Total**
Assets:				
Cash and cash equivalents	$ 2,991	$ -	$ 245,724	$ 248,715
Liabilities:				
Accounts payable	$ -	$ -	$ 245,724	$ 245,724
Accrued sales tax and payroll withholding	2,991	-	-	2,991
Total liabilities	$ 2,991	$ -	$ 245,724	$ 248,715

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Lake County Convention and Visitors Bureau (the "Bureau") was established under the laws of the State of Indiana on July 1, 1983. The Bureau operates under a Board of Directors form of government and leads and supports the visitor industry through the marketing and development of the County from convention, sports, gaming and special interest travel segments, thereby, increasing economic impact, creating employment and enhancing the communities' quality of life. For marketing purposes, the Bureau is doing business as the South Shore Convention and Visitors Authority.

The accompanying financial statements present the activities of the primary government. There are no significant component units which require inclusion.

Related Organizations: The Bureau's officials are also responsible for appointing the voting majority of the board of the South Shore Promotions, Inc., which is a public benefit corporation incorporated on June 17, 2008. It was created to receive charitable contributions (services, cash, or property) for hospitality specific projects. The Bureau's accountability for this organization does not extend beyond making the appointments.

Government-Wide and Fund Financial Statements: Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Bureau. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Bureau does not have what are normally considered business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Bureau-wide financial statements. Agency funds account for assets held by the government as an agent for federal, state, and other local governmental entities and payroll deductions. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the year ended December 31, 2017, the Bureau implemented the following GASB Statements, which had no effect on the Bureau's net position or changes therein:

- No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.
- No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.
- No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.
- No. 81, Irrevocable Split-Interest Agreements.
- No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year ended December 31, 2016, the Bureau implemented the following GASB Statements, which had no effect on the Bureau's net position or changes therein:

- No. 72, Fair Value Measurement and Application.
- No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.
- No. 77, Tax Abatement Disclosures.
- No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.
- No. 79, Certain External Investment Pools and Pool Participants.

In 2015, Bureau adopted GASB Statement No. 68 and 71, *Accounting and Financial Reporting for Pensions* as further described in the notes to financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Bureau considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Innkeeper taxes, riverboat admissions taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Bureau receives cash.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the Bureau's policy to use restricted resources first, then unrestricted resources as they are needed.

The Bureau reports the following major governmental funds:

- The Promotion Fund is the primary general operating fund. It accounts for all innkeeper and riverboat admission taxes and interest earned on investments. The promotion fund is used to account for expenditures of traditional economic development services.
- The Debt Service Reserve Fund accounts for the financial resources held in a reserve account in accordance with the revenue bond indenture requirements.
- The Promotion Bond Interest and Bond Proceeds Fund allows for the Promotion Fund to be reimbursed for capital expenditures related to the 2012 Bonds. As of January 1, 2015, the two funds were combined into one fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The Promotion Alternative Revenue Fund allows for The Bureau to expend money from the alternate revenue fund to promote and encourage conventions, trade shows, visitors, special events, sporting events, and exhibitions in the county. Additionally, the Bureau may operate auxiliary services to generate revenue in its role as the Indiana Welcome Center.

The Capital Improvement Fund, Promotion Payroll Holding and Interest Fund, Litigation Fund, Change fund, Trade Out Fund, Air Show Fund, South Shore Posters Fund, and Partnership Fund are considered to be nonmajor funds.

Assets, Liabilities, and Net Position or Fund Balance:

Restricted Assets: All restricted assets, as presented in the accompanying financial statements, are restricted due to bond covenants.

Deposits and Investments: The Bureau's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statute (IC 5-13-9) authorizes the Bureau to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost. Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

Interfund Transactions and Balances: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

Innkeeper and Riverboat Admission Taxes: State statute (IC 6-9-2) establishes the Lake County Innkeeper's Tax which is levied on every person engaged in the business of renting or furnishing, for periods of less than thirty (30) days, any room or rooms, lodgings, or accommodations, in any hotel, motel, inn, tourist camp, tourist cabin or any other place in which rooms, lodgings, or accommodations are regularly furnished for a consideration. Such tax shall be at a rate of five percent (5%) on the gross retail income derived there from. Per an interlocal agreement between the Bureau and Lake County, the tax is collected by the Bureau and distributed in accordance with state statute. Thirty-five percent (35%) of the first $1,200,000 and eighty-five (85%) of amounts over $1,200,000 received revenues are distributed to the Bureau's Promotion Fund.

State statute (IC 4-33-12-6) instructs the treasurer of state to pay the county in which a riverboat is docked a one dollar ($1) admissions tax collected by the licensed owner for each person admitted to a riverboat during the quarter that has implemented flexible scheduling. Per Indiana Code 4-33-12-6(b)(3), nine cents ($0.09) of the admissions tax collected by the licensed owner shall be paid to the county convention and visitors bureau or promotion fund for the county in which the riverboat is docked.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items: All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of govern-mental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	$ 5,000	Straight-line	20-50 years
Improvements other than buildings	2,500	Straight-line	20-50 years
Machinery and equipment	1,000	Straight-line	5-7 years
Computer equipment	1,000	Straight-line	3 years

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

Compensated Absences:

Sick/Personal Leave - Bureau employees earn sick/personal leave at the rate of 10 to 12 days per year. Unused sick/personal leave may be accumulated to a maximum of 30 days. Only six (6) days of unused leave may be carried over to the following year. Accumulated sick/personal leave is not paid to employees upon termination.

Vacation Leave - Bureau employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year; however, vacation time is paid in the year after it is earned and a portion of vacation time may be carried over with proper approval year to year. Accumulated vacation leave is paid to employees upon termination.

Vacation leave is accrued when incurred.

Fund Balance: Fund balance for governmental funds should be reported in classifications that comprise a hierarchy on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The classifications should depict the nature of the net resources that are reported in a governmental fund. The fund balance classifications are reported as follows: nonspendable, restricted, committed, assigned, and unassigned.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **The nonspendable fund balance** category includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, for example, as inventories or prepaid amounts.

- **The restricted fund balance** category includes amounts that can be spent only for the specific purposes. External restrictions may be imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

- **The committed fund balance** category includes amounts that can be spent only for the specific purposes determined by a formal action of the Bureau's Board of Directors.

- **The assigned fund balance** category includes amounts that are constrained by the Bureau's intent to be used for a specific to be used for a specific purpose, but are neither restricted nor committed. The Bureau’s Board of Directors may assign a portion of a fund balance through resolution.

- **The unassigned fund balance** category is the residual classification for the Bureau's general fund and includes all spendable amounts not contained in the other classifications. The Bureau has not established a Financial Stabilization Policy.

Long-Term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Net Pension Liability: The Bureau has recorded a net pension liability reflecting their proportionate share of the difference between the total pension liabilities and the fiduciary net positions of the Indiana Public Retirement System (INPRS) PERF Plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of INPRS PERF Plan and additions to/deductions from the INPRS PERF Plan fiduciary net position have been determined on the same basis as they are reported by the INPRS system. For this purpose, 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.

Deferred Outflows of Resources and Deferred Inflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period. The Bureau’s activities are related to recognition of changes in its defined benefit plan’s net pension liability that will be amortized in future periods.

New Accounting Pronouncements: In 2015, the Bureau adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. These Statements require the Bureau to record the excess of the total pension liability over the fiduciary net position of the pension plan as a net pension liability on the statement of net position. The change in accounting for pensions, as further discussed in Note 8, resulted in the following restatement at January 1, 2015:

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Revenues, Expenses and Changes in Net Position:	Beginning Balance	As Restated	GASB 68 Adjustment
Net position	$ 9,968,223	$ 9,294,518	$ (673,705)

Budgetary Information: Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year-end.

On or before December 20th of each year, the Bureau shall prepare a budget, for the funds set up by the Bureau, for the following year. Copies of the budget are on file with the Lake County Auditor and the Indiana Department of Local Government Finance.

Expenditures did not exceed appropriations for any fund which required legally approved budgets.

NOTE 2 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments:

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Bureau does not have a deposit policy for custodial credit risk, as funds are only deposited into eligible state depositories.

At December 31, 2015, 2016 and 2017 the Bureau had book balances in the amount of $3,214,974, $3,632,126 and $4,206,934, and bank balances in the amount of $3,119,173, $3,504,616, and $4,150,441 respectively. Differences between the book and bank balances are primarily due to outstanding checks. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investments: As of December 31, 2015, 2016 and 2017, the Bureau had no investments.

(Continued)

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets: Capital asset activity for the years ended December 31, 2015, 2016 and 2017, were as follows:

2015:	**01-01-15 Balance**	**Increases**	**Decreases**	**12-31-15 Balance**
Governmental activity:				
Capital assets, not being depreciated:				
Land	$ 1,059,250	$ -	$ -	$ 1,059,250
Dillinger Collection	1,220,345	163,158	754,489	629,014
Total capital assets, not being depreciated	2,279,595	163,158	754,489	1,688,264
Capital assets, being depreciated, net:				
Buildings	5,554,587	1,119,035	169,006	6,504,616
Improvements other than buildings	196,364	2,695	40,315	158,744
Machinery and equipment	513,948	73,586	93,322	494,212
Total capital assets being depreciated, net	6,264,899	1,195,316	302,643	7,157,572
Total governmental activity capital assets, net	$ 8,544,834	$ 1,358,474	$ 1,057,472	$ 8,845,836

2016:	**01-01-16 Balance**	**Increases**	**Decreases**	**12-31-16 Balance**
Governmental activity:				
Capital assets, not being depreciated:				
Land	$ 1,059,250	$ -	$ -	$ 1,059,250
Dillinger Collection	629,014	-	-	629,014
Total capital assets, not being depreciated	1,688,264	-	-	1,688,264
Capital assets, being depreciated, net:				
Buildings	6,504,616	17,283	319,402	6,202,497
Improvements other than buildings	158,744	35,112	19,109	174,747
Machinery and equipment	494,212	304,671	106,440	692,443
Total capital assets being depreciated, net	7,157,572	357,066	444,951	7,069,687
Total governmental activity capital assets, net	$ 8,845,836	$ 357,066	$ 444,951	$ 8,757,951

2017:	**01-01-17 Balance**	**Increases**	**Decreases**	**12-31-17 Balance**
Governmental activity:				
Capital assets, not being depreciated:				
Land	$ 1,059,250	$ -	$ -	$ 1,059,250
Dillinger Collection	629,014	1,896	202,624	428,286
Total capital assets, not being depreciated	1,688,264	1,896	202,624	1,487,536
Capital assets, being depreciated, net:				
Buildings	6,202,497	-	168,825	6,033,672
Improvements other than buildings	174,747	-	19,639	155,108
Machinery and equipment	692,443	59,939	110,699	641,683
Total capital assets being depreciated, net	7,069,686	59,939	299,163	6,830,463
Total governmental activity capital assets, net	$ 8,757,951	$ 61,835	$ 501,787	$ 8,317,999

(Continued)

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets: As of the year ended December 31, 2015, gross capital assets totaled $11,001,493 and accumulated depreciation totaled $2,155,657. As of the year ended December 31, 2016, gross capital assets totaled $11,196,064 and accumulated depreciation totaled $2,438,113. As of the year ended December 31, 2017, gross capital assets totaled $11,051,529 and accumulated depreciation totaled $2,733,530. Depreciation expense for the years ended December 31, 2015, 2016, and 2017, was $276,687, $291,868, and $295,168, respectively.

Operating Leases: The Bureau has entered into an operating lease having initial or remaining non-cancelable terms exceeding one year for copiers. Rental expenditures for this lease were $21,529, $19,413 and $23,787 for 2015, 2016, and 2017, respectively. Future minimum rental payments as of December 31, 2017, are $19,980 for 2018 and $19,980 for 2019.

Long-Term Liabilities:

Revenue Bonds: The Bureau issues bonds to be paid by income derived from innkeepers' tax. Revenue bonds outstanding at 2017 year end are as follows:

Purpose	**Interest Rates**	**Balance at December 31, 2017**
2012 Capital Improvement Revenue Bond	2.160%	$ 915,000

Revenue bonds debt service requirements to maturity are as follows:

	Governmental Activities	
	Principal	**Interest**
2018	$ 170,000	$ 19,764
2019	175,000	16,092
2020	185,000	12,312
2021	190,000	8,316
2022	195,000	4,212
Totals	$ 915,000	$ 60,696

Changes in Long-Term Liabilities: Long-term liability activity for the years ended December 31, 2015, 2016 and 2017, was as follows:

	01-01-15 Balance	**Additions**	**Reductions**	**12-31-15 Balance**	**Due Within One Year**
Governmental activities:					
Revenue bonds payable	$ 1,400,000	$ -	$ 160,000	$ 1,240,000	$ 160,000
Compensated absences	153,719	24,587	-	178,306	-
Total	$ 1,553,719	$ 24,587	$ 160,000	$ 1,418,306	$ 160,000

	01-01-16 Balance	Additions	Reductions	12-31-16 Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	$ 1,240,000	$ -	$ 160,000	$ 1,080,000	$ 165,000
Compensated absences	178,306	15,887	-	194,193	-
Total	$ 1,418,306	$ 15,887	$ 160,000	$ 1,274,193	$ 165,000

(Continued)

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

	01-01-17 Balance	Additions	Reductions	12-31-17 Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	$ 1,080,000	$ -	$ 165,000	$ 915,000	$ 170,000
Compensated absences	194,193	27,097	-	221,290	-
Total	$ 1,274,193	$ 27,097	$ 165,000	$ 1,136,290	$ 170,000

Compensated absences for governmental activities typically have been liquidated from the promotion fund.

NOTE 3 - OTHER INFORMATION

Risk Management: The Bureau is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits: Per Indiana Code 6-9-2-10, the Bureau participated in the Lake County Self-Insurance Health Insurance Program. However, the Interlocal Cooperation Agreement for Group Health, Disability Insurance and Life Insurance with the Lake County Council and Lake County Board of Commissioners was terminated in writing effective June 30, 2014. On July 1, 2014, the Bureau purchased medical, dental, vision and life insurance from third-party providers. The plan chosen for medical insurance is administered by Anthem. Total medical insurance premiums paid by the Bureau were $155,879 in 2015, $165,100 in 2016 and $183,214 in 2017.

An HSA (health savings account) was set up for each employee covered under the plan and is administrated by First Source Bank. The Bureau funded the HSA contributions for employees to supplement the high deductibles associated with an HSA plan. Total HSA contributions were $100,138 in 2015, $53,900 in 2016, and $80,288 in 2017.

In accordance with the Affordable Care Act, lifetime limits on most benefits are prohibited in any health plan or insurance policy. The previous plans set a **lifetime limit** – a dollar limit on what carriers would spend for covered benefits during the entire time the employee was enrolled in the plan. Employees were required to pay the cost of all care exceeding those limits.

The Affordable Care Act bans **annual dollar limits** that all job-related plans and individual health insurance plans can put on most covered health benefits. Before the health care law, many health plans set an annual limit – a dollar limit on their yearly spending for your covered benefits. The current plan can put an annual dollar limit and a lifetime dollar limit on spending for health care services that are not considered essential health benefits.

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

Dental, vision and life insurance were provided by Standard Insurance Company in 2015 with premiums equal to $10,819. In 2016, MetLife provided these insurance services for a premium total of $21,878. MetLife again provided services through July 2017 in the amount of $13,522, with Principal Financial Group providing these services from July to December 2017 in the amount of $12,464.

Pension Plan: The following information applies to the 2017, 2016, and 2015 reporting years except as noted for changes between years,:

Plan Description: The Bureau contributes to the Public Employees' Retirement Fund (PERF), which is administered by the Indiana Public Retirement System (INPRS). PERF is a cost-sharing, multiple-employer defined benefit plan based on based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two tiers to PERF. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid) and the second is the My Choice: Retirement Savings Plan for Public Employees' (My Choice), formerly known as the Public Employees' Annuity Savings Account Only Plan. The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3 and IC 5-10.5. There are two aspects to the PERF Hybrid 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 benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

Retirement Savings Plan for Public Employees (My Choice) was formerly known as the PERF ASA Only Plan. My Choice was established by the Indiana Legislature in 2011 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12 and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. My Choice members are full-time employees of the State (as defined in IC 5-10.3-7-1(d)), or a political subdivision who elected to participate in My Choice, and who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of My Choice. Any government agency that pays employees through the Auditor of the State is a mandatory participant in My Choice and must offer eligible employees My Choice option. Quasi-government agencies and State educational institutions may choose to offer My Choice as an option to their employees.

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

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

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

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups. For PERF members who serve as an elected official, the highest one year (total of four 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 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 years ended June 30, 2017; however, eligible members received a one-time check (a.k.a. 13th check) in September 2016. 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, 2015, and who was entitled to receive a monthly benefit on July 1, 2016.

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five 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.

(Continued)

NOTE 3 – OTHER INFORMATION (Continued)

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 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.

Members are required to participate in the ASA. The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their ASA. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Investments in the members' ASA are self-directed, as participants direct the investment of their account balances among eight (8) investment options, with varying degrees of risk and return potential. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections. Members may direct changes to their investment fund allocations daily and investments are reported at fair value.

<u>Contributions</u>: The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or My Choice. 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 2017, 2016, and 2015, participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State and Political Subdivisions.

For My Choice, the State was also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less that 3 percent and not be greater than the normal cost of the fund which was 3.3 percent for the State for the year ended June 30, 2017 and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan. The political subdivisions were required to contribute a supplemental cost of 5.4 percent of covered payroll as of July 1, 2016, which increased to 7.2 percent as of January 1, 2017. In addition, for political subdivisions, the amount credited to the members account for the normal cost ranged up to 5.8 percent as of July 1, 2016, and up to 4 percent as of January 1, 2017. The Bureau contributed 11.2 percent for the 2017 and 2016, respectively.

PERF Hybrid Plan and My Choice members contribute three percent of covered payroll to their ASA, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for My Choice. Political subdivisions may choose to pay part or all of the member's contributions on behalf of the member for My Choice. In addition, members of the PERF Hybrid Plan may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their ASA.

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

Political subdivisions that participate in My Choice may elect to match voluntary contributions at a rate of 50 percent. The contribution requirement, which was made by the Bureau, was approximately $140,000, $133,000, and $135,000 for 2017, 2016, and 2015, respectively. These total contributions represent 11.2% of covered payroll for 2017, 2016, and 2015.

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

- Asset valuation dates – June 30, 2015, 2016, and 2017
- Liability valuation date –
    - June 30, 2014 – Member census data as of June 30, 2014 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2014 and June 30, 2015. Valuation results from June 30, 2014 were rolled-forward to June 30, 2015 to reflect benefit accruals during the year less benefits paid.
    - June 30, 2016 – Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Valuation results from June 30, 2016 were rolled-forward to June 30, 2017 to reflect benefit accruals during the year less benefits paid.
- Experience study date – Period of 4 years ended June 30, 2014
- Actuarial cost method – Entry age normal (level percent of payroll)
- Investment rate of return – 6.75%
- Cost of living increases – 1.0%
- Future salary increases, including inflation – 2.5% - 4.25%
- Inflation – 2.25%
- Mortality - RP-2014 Total Data Set Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration's 2014 Trustee Report

There were no changes in actuarial assumptions or plan provisions for the June 30, 2016 fiscal year. The INPRS Board approved the following changes in actuarial methods effective for June 30, 2016:

- For funding purposes and when the plan is below 100% funded, gains and losses occurring from census experience different than assumed, assumption changes, and benefit changes will be amortized over a 20-year period with level payments each year, rather than a 30-year period.
- For the funding purposes, the smoothing period of investment gains and losses in the development of the Actuarial Value of Assets was increased from four years to five years at June 30, 2016.

There were no changes in actuarial methods or plan provisions for the June 30, 2017 fiscal year. The following changes in actuarial assumptions were made for the June 30, 2017 fiscal year:

- For vested members, a salary load of $400 was added to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment
- For disabled members, the mortality assumptions were updated from the RP-2014 Total Data Set Mortality tables to the RP-2014 Disability Mortality tables.

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

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

2015

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

2016

Asset Class	Target Allocation %	Geometric Long-Term Expected Real Rate of Return
Public equity	22.0%	5.7%
Private equity	10.0	6.2
Fixed income – ex inflation - linked	24.0	2.7
Fixed income – inflation - linked	7.0	0.7
Commodities	8.0	2.0
Real estate	7.0	2.7
Absolute return	10.0	4.0
Risk parity	12.0	5.0
Total	100.0%	

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

2017

Asset Class	Target Allocation %	Geometric Long-Term Expected Real Rate of Return
Public equity	22.0%	4.9%
Private equity	14.0	5.7
Fixed income – ex inflation - linked	20.0	2.3
Fixed income – inflation - linked	7.0	0.6
Commodities	8.0	2.2
Real estate	7.0	3.7
Absolute return	10.0	3.9
Risk parity	12.0	5.1
Total	100.0%	

Discount Rate: Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent for 2017 and 2016). Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

Sensitivity: The following presents the Bureau's share of the net pension liability calculated using the discount rate of 6.75 percent for 2017 and 2016, as well as what the Bureau's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
2017			
Proportionate share of the Collective Net Pension Liability	$ 1,518,079	$ 1,040,878	$ 644,192
2016			
Proportionate share of the Collective Net Pension Liability	$ 1,711,049	$ 1,191,342	$ 759,387
2015			
Proportionate share of the Collective Net Pension Liability	$ 1,562,649	$ 1,059,362	$ 641,541

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

Investment Valuation and Benefit Payment Policies: The following information applies for the 2017, 2016 and 2015 reporting years.

- The pooled and non-pooled investments are reported at fair value by INPRS. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are reported at cost, which approximates fair value or, for fixed income instruments, valued using similar methodologies as other fixed income securities described below.
- Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that include market observable inputs required to develop a fair value. Commingled funds are valued using the net asset value (NAV) of the entity.
- Alternative investments include limited partnership interests in private equity, absolute return, private real estate and risk parity investment strategies. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Moreover, holdings are generally valued by a general partner or investment manager on a quarterly or semi-annual basis. Valuation assumptions are based upon the nature of the investment and the underlying business.

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

- Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private equity or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ from the fair value.
- Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income.
- Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' ASAs. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2017, 2016, and 2015, the Bureau reported a liability of $1,059,362, $1,191,342 and $1,040,878, respectively, for its proportionate share of the net pension liability. The Bureau's proportionate share of the net pension liability was based on the Bureau's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2017 measurement date was 0.0002333. The proportionate share used at the June 30, 2016 measurement date was 0.0002625. The proportionate share used at the June 30, 2015 measurement date was 0.0002601.

For the years ended December 31, 2017, 2016, and 2015, the Bureau recognized pension expense of $211,191, $263,377 and $210,864, respectively, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of $43,839, $38,229 and $5,119, respectively. At December 31, 2017, 2016, and 2015, the Bureau reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2017		
Differences between expected and actual experience	$ 19,767	$ 808
Net difference between projected and actual earnings on pension plan investments	164,649	52,186
Changes in assumptions	16,712	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,651	78,926
Total	$ 223,779	$ 131,920

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

2016		
Differences between expected and actual experience	$ 26,691	$ 2,199
Net difference between projected and actual earnings on pension plan investments	262,031	67,032
Changes in assumptions	52,562	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	69,136	17,646
Total	$ 410,420	$ 86,877
2015		
Differences between expected and actual experience	$ 45,473	$ 2,191
Net difference between projected and actual earnings on pension plan investments	178,622	99,629
Changes in assumptions	89,552	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	107,800	404
Total	$ 421,447	$ 102,224

Deferred inflows or outflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5-year period. A change in an employer's proportionate share represents the change as of the current year measurement date versus the prior year measurement date, and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan.

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

Year Ending December 31, 2017	Amount
2018	$ 40,808
2019	36,585
2020	20,065
2021	(5,599)
Total	$ 91,859

Year Ending December 31, 2016	Amount
2017	$ 137,214
2018	78,751
2019	75,870
2020	31,709
Total	$ 323,544

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

Year Ending December 31, 2015	Amount
2016	$ 110,905
2017	110,905
2018	52,756
2019	44,657
Total	$ 319,223

REQUIRED SUPPLEMENTARY INFORMATION

LAKE COUNTY CONVENTION AND VISITORS BUREAU
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BUREAU'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
December 31, 2017, 2016, and 2015

	2017	2016	2015
Bureau's proportion of the net pension liability	0.0002333	0.0002625	0.0002601
Bureau's proportionate share of the net pension liability	$ 1,040,878	$ 1,191,342	$ 1,059,362
Bureau's covered payroll	$ 1,191,342	$ 1,258,242	$ 1,246,000
Bureau's proportionate share of the net pension liability as a percentage of its covered payroll	87.37%	94.68%	85.02%
Plan fiduciary net position as a percentage of the total pension liability	76.6%	75.30%	77.30%

* The amounts presented for each calendar year were determined as of the June 30 fiscal year-end that occurred within the calendar year.

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

- Inflation decreased from 3.00% to 2.25%
- The future salary increase rate decreased from a table ranging from 3.25% to 4.50% to a table ranging from 2.50% to 4.25%
- Mortality changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report
- Retirement, Termination and Disability rates were adjusted to reflect recent experience
- The ASA Annuitization was updated from 50% of members assumed to annuitize the ASA balance to 60% of members prior to January 1, 2018

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

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 2016, there were no changes to the plan that impacted 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.

	2017	2016	2015
Statutorily required contribution	$ 129,643	$ 135,718	$ 144,757
Contributions in relation to the statutorily required contribution	(129,643)	(135,718)	(144,757)
Annual contribution deficiency (excess)	$ -	$ -	$ -
The Bureau's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%
Bureau's covered payroll	$ 1,191,342	$ 1,258,242	$ 1,246,000
Contributions as a percentage of covered payroll	11.2%	11.2%	11.2%

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

Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the 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: 4 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.
Inflation: 2.25%
Salary increases: 2.50% - 4.25%
Investment rate of return: 6.75%
Mortality: RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2016
Other information:

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/15 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 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/17 was 10.11%; however, the INPRS Board approved a State employer contribution rate of 11.2%. 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, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2016 to June 30, 2017.

In addition to this report, other reports may have been issued for the Bureau. All reports can be found on the Indiana State Board of Accounts' website: http://www.in.gov/sboa/.