INDIANA BOARD FOR DEPOSITORIES

(A COMPONENT UNIT OF THE STATE OF INDIANA)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

INDIANA BOARD FOR DEPOSITORIES
(A COMPONENT UNIT OF THE STATE OF INDIANA)

CONTENTS

Independent Auditor's Report

To the Board of Directors of Indiana Board for Depositories

We have audited the accompanying financial statements of Indiana Board for Depositories, as a component of the State of Indiana, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenditures and changes in net position, and statements of cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits 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 significant accounting estimates made by management as well as evaluating the overall presentation of financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Board for Depositories as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that that management's discussion and analysis information on pages 3-5 and the retirement plan schedule of funding progress and employer contributions on page 20-21 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 the 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 Unites State 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.

In accordance with Government Auditing Standards, we have issued our report dated October 23, 2017 in our consideration of Indiana Board for Depositories' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
October 23, 2017

Management Discussion and Analysis

June 30, 2017 and 2016

This section of the Indiana Board for Depositories' (the Board) annual financial report presents Management's Discussion and Analysis of the Board's financial performance during the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the Board's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Board generated operating income of $964,800 and $1,194,800 for fiscal years 2017 and 2016, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section), and the basic financial statements and notes. The Board is a component unit of the State of Indiana and follows enterprise fund reporting; accordingly, the financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Board. These statements are presented in a manner similar to a private business.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position provide information about the Board's financial status. The Statements of Net Position includes all of the Board's assets and liabilities and the Statements of Revenues, Expenses, and Changes in Net Position report all of the revenues and expenses during the time period. The Statements of Cash Flows reports the cash provided and used by operating activities as well as other cash sources and uses. The financial statements also include notes that explain and support the information in the financial statements.

FINANCIAL ANALYSIS OF THE BOARD

The following table is a condensed summary of financial information for the years ended June 30, 2017, 2016 and 2015:

	2017	2016	2015
Net position			
Total assets	$ 305,281,400	$ 302,247,300	$ 301,028,000
Deferred outflows	33,100	34,700	11,900
Total liabilities	2,188,800	117,900	70,000
Deferred inflows	9,800	12,900	13,500
Total net position	303,116,000	302,151,200	300,956,400
Change in net position			
Operating revenues	1,794,400	1,702,100	805,700
Operating expenses	829,600	507,500	318,300
Operating income	964,800	1,194,600	487,400
Change in net position	$ 964,800	$ 1,194,600	$ 487,400

Note: Amounts are rounded to the nearest one hundred ($100) dollars.

The largest components of assets are interest receivable, investments and loan receivable. Also included in assets is cash, prepaid expenses and capital assets. Assets and deferred outflows for 2017 have increased approximately $3,032,600 when compared with 2016. The largest increase occurred in the investments and collateral from securities lending of $8,671,600. These increases were offset by decreases in cash and cash equivalents and loan receivable of approximately $5,832,600. Comparing 2016 to 2015, assets and deferred outflows increased approximately $1,242,100. The largest decreases occurred in cash and cash equivalents and loan receivable, which declined approximately $6,023,400 which were offset by an increase in investments of $6,913,100.

During fiscal year 2004, the Board transferred $50,000,000 to the State of Indiana's general fund in compliance with Public Law 224-2003, Section 116 (a) for an interest free loan. This has been recorded as a loan receivable. On June 13, 2011, the Board adopted Public Law 229-2011, Section 227 extending the interest free loan from 2013 to 2023. Public Law 93-2013, Section 4 stipulates that the loan shall be paid in ten (10) equal installment payments of $5,000,000 made each July, beginning July 2013 and ending July 2022.

During fiscal year 2015, the Board adopted Governmental Accounting Standards Board Statement No. 68. Accounting and Financial Reporting for Pensions. Based on this, the Board recorded deferred outflows and deferred inflows related to its participation in the Indiana Public Retirement System.

Liabilities are comprised of accounts payable, accrued payroll liabilities, and the net pension liability. During the fiscal year 2017 and 2016, the net pension liability was recorded in accordance with Governmental Accounting Standards Board Statement No. 68.

Net position is reported in two categories. As of June 30, 2017 and 2016, $55,400 and $36,900, respectively, are invested in capital assets, and $303,060,600 and $302,114,300, respectively, are unrestricted.

Operating revenues consist of interest income earned on investments and income from securities lending transactions. Investment income decreased $224,100 in 2017 and increased $716,500 in 2016, respectively. Income from security lending increased approximately $316,200 in 2017 and $180,100 in 2016. Fair market value for 2017 declined $208,600 and $23,900 in 2016, respectively. The largest components of operating expenses include securities lending fees, payroll and employee benefits. For 2017, the largest expenses were approximately $657,900 for securities lending fees, payroll and employee benefits; a net increase of $307,800 from 2016 to 2017. The increase in securities lending fees are directly related to the increase in investment income and the increase in the investment account balance.

INDIANA BOARD FOR DEPOSITORIES

(A COMPONENT UNIT OF THE STATE OF INDIANA)

Statements of Net Position

June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 720,241	$ 1,552,841
Interest receivable	716,094	539,630
Prepaid expense	10,695	10,512
Investments	271,744,022	265,107,434
Collateral from securities lending	2,035,000	—
Loan receivable	30,000,000	35,000,000
Capital assets, net	55,368	36,860
TOTAL ASSETS	305,281,420	302,247,277
Deferred outflow of resources	33,148	34,698
LIABILITIES		
Accounts payable	72,159	33,806
Net pension liability	79,391	83,112
Accrued expenses	2,238	969
Securities lending transactions	2,035,000	—
TOTAL LIABILITIES	2,188,789	117,887
Deferred inflow of resources	9,815	12,907
NET POSITION		
Net investment in capital assets	55,368	36,860
Unrestricted	303,060,596	302,114,321
TOTAL NET POSITION	$ 303,115,964	$ 302,151,181

The accompanying notes are an integral part of these statements.

INDIANA BOARD FOR DEPOSITORIES

(A COMPONENT UNIT OF THE STATE OF INDIANA)

Statements of Revenues, Expenditures, and Changes in Net Position

Years Ended June 30, 2017 and 2016

	Amount		Percent	
	2017	2016	2017	2016
OPERATING REVENUES				
Investment income	$ 1,232,990	$ 1,457,041	68.7	85.6
Securities lending income	561,405	245,180	31.3	14.4
TOTAL OPERATING REVENUE	1,794,395	1,702,221	100.0	100.0
OPERATING EXPENSES				
Securities lending fees	534,559	220,358	29.8	12.9
Salaries and wages	82,747	82,347	4.6	4.8
Employee benefits	40,577	47,360	2.3	2.8
Maintenance contracts	33,762	57,423	1.9	3.4
Depreciation	24,787	14,225	1.4	0.8
Professional fees	74,834	50,797	4.2	3.0
Office supplies	16,626	15,040	0.9	0.9
Travel	6,805	5,613	0.3	0.3
Rent	9,550	9,574	0.5	0.6
Other	5,365	4,713	0.3	0.3
TOTAL OPERATING EXPENSES	829,612	507,450	46.2	29.8
CHANGE IN NET POSITION	964,783	1,194,771	53.8	70.2
NET POSITION, BEGINNING OF YEAR	302,151,181	300,956,410		
NET POSITION, END OF YEAR	$ 303,115,964	$ 302,151,181		

The accompanying notes are an integral part of these statements.

INDIANA BOARD FOR DEPOSITORIES

(A COMPONENT UNIT OF THE STATE OF INDIANA)

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from securities lending	$ 561,405	$ 245,579
Cash paid to suppliers and vendors	(770,648)	(477,698)
Interest received	2,151,603	1,177,844
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,942,360	945,725
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
	—	—
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	—	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(43,295)	(32,176)
Purchase of investments	(135,000,000)	(100,000,000)
Repayment from State of Indiana General Fund	5,000,000	5,000,000
Proceeds from redemption of investments	150,041,294	71,944,470
(Purchases)/proceeds from short-term investments, net	(22,772,959)	21,118,532
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,774,960)	(1,969,173)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(832,600)	(1,023,448)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,552,841	2,576,289
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 720,241	$ 1,552,841

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	$ 964,783	$ 1,194,771
Non-cash items		
Depreciation	24,787	14,225
Change in FMV of investments	1,095,077	23,919
Decrease (increase) in assets		
Accounts receivable	—	399
Interest receivable	(176,464)	(303,116)
Prepaid expenses	(183)	(8,996)
Increase (decrease) in liabilities		
Pension liability	(5,262)	3,222
Accounts payable	38,353	20,829
Accrued expenses	1,269	472
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 1,942,360	$ 945,725

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

1) Summary of significant accounting policies

The significant policies followed by the Indiana Board for Depositories are summarized as follows:

Nature of Operations - The Indiana Board for Depositories is a component unit of the State of Indiana. The purpose of the Indiana Board for Depositories (the "Board") is to ensure the safekeeping and prompt payment of all public funds deposited in any depository, to the extent they are not covered by insurance of any federal deposit insurance agency, by maintaining and operating in its own name the public deposit insurance fund.

The financial statements of the Board are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"). The Board's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The aspect of financial statements content and format as prescribed by GASB Statement 34, have been implemented in the financial statements.

The accounting and reporting framework and the significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of these notes is organized to provide explanations, including required disclosure of the Board's financial activities for the years ended June 30, 2017 and 2016.

Investing –The Board is authorized to invest, reinvest, and exchange investments of the insurance fund in excess of the cash working balance as described in Indiana Code 5-13-12-7(d). This includes, but is not limited to, securities fully guaranteed or issued by (1) the United States Treasury (2) a federal agency (3) a federal instrumentality (4) a federal government sponsored enterprise and (5) supranational issuers having the highest investment credit rating by at least two (2) nationally recognized credit rating agencies. The Board also may invest or reinvest in money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940. Such investment company or investment trust must be limited to direct obligations of the United States, a federal agency, a federal instrumentality, a federal government sponsored enterprise, or repurchase agreements fully collateralized by obligations described in numbers (1) through (4) above.

Indiana Code 5-13-12-3 (a)(8) authorizes the Board to deposit all uninvested funds of the public deposit insurance fund in deposit accounts with financial institutions that are designated depositories to receive state funds under Indiana Code 5-13-9.5.

Cash and Cash Equivalents - The Board considers cash and cash equivalents to be cash on hand, in bank accounts, and highly liquid investments with an original maturity of three months or less. At times, such cash and cash equivalents may be in excess of the FDIC insurance limit. Indiana Public Deposit Insurance Fund provides coverage for public funds in excess of FDIC limits.

1) Summary of significant accounting policies (continued)

Capital Assets - Capital assets are defined as assets with an initial, individual cost of more than $500 and an estimated useful life of at least 3 years. The Board depreciates capital assets on the straight-line method. Office furniture is depreciated over 7 years, office and camera equipment are depreciated over 5 years; and computer equipment and software are depreciated over 3 years.

Investments - Investments are reported at fair value based upon quoted market prices for those or similar investments. Investments that do not have an established market are reported at estimated fair value. Gains and losses are determined using the specific identification method.

Loan Receivable - During 2004, the Board was required to transfer $50,000,000 to the state general fund under Section 116(a) of Public Law 224-2003. Under Public Law 224-2003, the transfer constitutes an interest free loan from the Board. Under Public Law 93-2013 Sec. 4, the loan is to be repaid in annual increments of $5,000,000, to be paid each July beginning July 2013. As of June 30, 2017 and 2016, the amount that was receivable from the state general fund was $30,000,000 and $35,000,000, respectively.

Collateralization - Effective December 13, 2010, the Board adopted a framework of collateralization requirements for institutions requiring collateral deposits for state and local funds held in deposit accounts for institutions with an elevated risk of failure. This collateral is based upon the financial condition of each institution, which requires the institutions to post deposits ranging from 0%, 50%, or 100% of their total public fund balance.

Revenue Recognition - The Board accounts for its operations on an accrual basis where revenues earned and expenditures made are recorded in the period earned and incurred.

Advertising - Advertising costs are expensed when incurred. Expenditures of $394 and $624 were made during 2017 and 2016, respectively.

Net Position - The Board's resources are classified for accounting and financial reporting purposes into the following net position categories:

Net investment in capital assets are resources resulting from capital acquisition, net of accumulated depreciation and related debt.

Unrestricted net position is available for the use of the Board.

Operating and Non-operating Revenues - Revenues are classified as either operating or non-operating. Operating revenues consists of income from investments and security lending. All other items are considered non-operating. Investment income consists of interest revenue, amortization of premium/discount, and realized/unrealized gains and losses.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1) Summary of significant accounting policies (continued)

Subsequent Events - Subsequent events have been evaluated through October 23, 2017, the date of which these financial statements were available for distribution.

2) Investments

See investing section in Note 1 for the Board's investment policies.

As of June 30, 2017, the Board had the following investments and maturities:

Investment Type	Total	Investment Maturities (In Years) Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	$ 44,679,007	$ 44,679,007	$ —	$ —	$ —
Federal home loan bank	9,971,465	9,971,465	—	—	—
Other U.S. government obligations	22,986,500	22,986,500	—	—	—
U.S. agencies	179,118,900	—	179,118,900	—	—
Corporate bonds	14,988,150	4,991,600	9,996,550	—	—
Total fair value	271,744,022	82,628,572	189,115,450	—	—
Difference in cost and fair value	—	—	—	—	—
Total carrying amount	$ 271,744,022	$ 82,628,572	$ 189,115,450	$ —	$ —

As of June 30, 2016, the Board had the following investments and maturities:

Investment Type	Total	Investment Maturities (In Years) Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	$ 44,827,178	$ 44,827,178	$ —	$ —	$ —
Federal home loan bank	24,922,450	24,922,450	—	—	—
Other U.S. government obligations	34,983,006	24,929,106	10,053,900	—	—
U.S. agencies	140,328,100	—	140,328,100	—	—
Corporate bonds	20,046,700	—	20,046,700	—	—
Total fair value	265,107,434	94,678,734	170,428,700	—	—
Difference in cost and fair value	—	—	—	—	—
Total carrying amount	$ 265,107,434	$ 94,678,734	$ 170,428,700	$ —	$ —

2) Investments (continued)

The following table provides information on the credit ratings, as of June 30, 2017, associated with the Board's investments that are not an investment in or guaranteed by U.S. government debt.

	Fair Value	S&P Rating	Fitch Rating	Moody's Rating
U.S. agencies	$ 179,118,900	AA+	AAA	Aaa

As a means of limiting its exposure to credit risk, the Board cannot deposit funds in any one depository in an amount aggregating at any one time more than 50% of the combined capital, surplus, and undivided profits of that depository by its last published statement of condition filed with the Treasurer of State. Additionally, for investments other than a State of Indiana agency bond, the maximum investment is 25% for investment with maturities two to five years.

Rate of return on the portfolio for 2017 and 2016 are 0.88% and 0.48%, respectively.

3) Capital assets, net

Capital assets, net consist of the following for the year ending June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Cost				
Computer equipment	$ 256,147	$ 43,295	$ —	$ 299,442
Office equipment	6,104	—	—	6,104
Total capital assets	262,251	43,295	—	305,546
Less accumulated depreciation	225,391	24,787	—	250,178
Net capital assets	$ 36,860	$ 18,508	$ —	$ 55,368

3) Capital assets, net (continued)

Capital assets, net consist of the following for the year ending June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Cost				
Computer equipment	$ 223,972	$ 32,175	$ —	$ 256,147
Office equipment	6,729	—	(625)	6,104
Total capital assets	230,701	32,175	(625)	262,251
Less accumulated depreciation	211,792	14,224	(625)	225,391
Net capital assets	$ 18,909	$ 17,951	$ —	$ 36,860

Depreciation expense charged to operations was $24,787 and $14,225 for 2017 and 2016, respectively. The depreciation policies followed were described in Note 1.

4) Fair value measurement

The Board follows generally accepted accounting principles relating to accounting for fair value measurements and disclosures. These principles define fair value, establish a framework for measuring fair value and expand disclosures on fair value measurement. The required disclosure surrounding the various inputs that are used in determining the fair value of the Pool's investments are summarized into the three broad levels listed below.

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Pool's own assumptions in determining the fair value of investments)

4) Fair value measurement (continued)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used as of June 30, 2017 and 2016 in valuing the Pool's assets and liabilities. Level 1 investments consist of money market funds valued at the current day's closing net assets value per share. Level 2 investments are determined by observing the value of similar investments as of the date of the financial statements. Level 3 investments are carried at amortized cost which approximates fair value:

	Description	Total	Level 1	Level 2	Level 3
2017	Investments at value	$ 271,744,022	$ 44,679,007	$ 227,065,015	$ —
2016	Investments at value	$ 265,107,434	$ 54,881,078	$ 210,226,356	$ —

5) Securities lending transactions

The Board is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least 10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

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

Collateral securities and cash are initially pledged at 102% of the market value of the securities lent. The collateral securities cannot be pledged or sold by the Board unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-15 days. At year-end, the Board had no credit risk exposure to borrowers because the amount the Board owes the borrowers exceeds the amounts the borrowers owe the Board.

6) Pension plan

The Board is a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employers' Retirement Fund (PERF) and the Teacher's Retirement Fund (TRF), with the merger of the funds being effective July 1, 2011. The Board contributes to the INPRS, a cost-sharing multiple-employer public employee retirement plan, which acts as a common investment and administrative agent for units of state and local government in Indiana. INPRS is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. INPRS is a qualified plan under the Internal Revenue Code Section 401(a) and is tax exempt. INPRS is a contributory defined benefit plan that covers substantially all of the Board's employees.

INPRS retirement benefits vest after 10 years of service. Senate Bill 74, effective July 1, 1995, enabled INPRS participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the pension benefit at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of INPRS-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement.

Participants who retire between the ages of 50 and 55 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

In addition, the participants are required to contribute to an annuity savings account. Legislation permits an INPRS employer to make the participant's contributions on behalf of the participants. Participants may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described above. The participant's balance in the annuity savings account may be withdrawn at any time with interest should a participant terminate employment.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol Avenue, Suite 001, Indianapolis, Indiana, 46204.

The Board is required to contribute to the Plan at an actuarially determined rate. The current rate is 11.2% of annual covered payroll. The Board contributed 3% of the participant's annual salary to the annuity savings account. The contribution requirements of participants are determined by State statute.

6) Pension plan (continued)

The Board reported a liability of $79,391 and $83,112 as of June 30, 2017 and 2016, respectively, for its proportionate share of the net pension liability. The Board's proportionate share of the net pension liability was based on a projection of long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. June 30, 2017 and 2016, the Board's proportion was 0.0000175 and 0.0000204, respectively.

For the years ended June 30, 2017 and 2016, the Board recognized pension expense of $7,083 and $14,921, respectively. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 364	$ 5,202
Differences between expected and actual experience	1,779	146
Net difference of projected and actual investment earnings	17,462	4,467
Change of assumptions	3,503	—
Contribution subsequent to the measurement date	10,040	—
Total	$ 33,148	$ 9,815

At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 689	$ 4,919
Differences between expected and actual experience	3,568	172
Net difference of projected and actual investment earnings	14,013	7,816
Change of assumptions	7,026	—
Contribution subsequent to the measurement date	9,402	—
Total	$ 34,698	$ 12,907

6) Pension plan (continued)

Amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Fiscal Year Ending June 30:

2017	$	(3,816)
2018		(2,433)
2019		(4,930)
2020		(2,113)
Total	$	(13,292)

The total pension liability in the June 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.25%
Salary increases	Projected salary increases based on INPRS experience from 2005 to 2010
Investment rate of return	6.75%
Cost of living adjustment	1.00%

Mortality rates were based on the 2013 IRS Static Mortality Tables projected five years with Scale AA. Disability assumptions were based on 2000-2005 experience for males and 1995-2000 for females.

The long-term expected rate of return on pension plan investments is based on an estimated long-term investment yield for the plan, with consideration given to the nature and mix of current and expected plan investments. INPRS' management and Board continually monitor the investment rate of return assumption and the Board formally reviews the assumption and makes changes as appropriate.

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with the current funding policy adopted by the INPRS Board, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level dollar installments over 30 years utilizing a closed period approach. Since the current funding policy was adopted, the employer contribution rate has been set by the INPRS Board at a level equal to or exceeding the actuarially calculated rate. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

6) Pension plan (continued)

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
Board's proportionate share of the net pension liability	$ 114,024	$ 79,391	$ 50,606

Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Report on Allocation of Pension Amounts.

7) Operating lease

The Board leases office space under a non-cancelable lease with terms to expire in 2017. The aggregate rental expense charged to operations is $9,550 and $9,574 for 2017 and 2016, respectively. The minimum rental payment remaining under the lease is $8,693, for the fiscal year end of June 30, 2017.

8) Pending litigation

The Board was named as a respondent in a civil action lawsuit regarding contract enforcement. This case in ongoing and an estimate of the possible loss or range of loss is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

INDIANA BOARD FOR DEPOSITORIES

(A COMPONENT UNIT OF THE STATE OF INDIANA)

Retirement Plan Schedule of Proportionate Share of Pension Liability

Last 10 Fiscal Years*

	2017	2016	2015
Board's proportion of the net pension liability	0.0000175	0.0000204	0.0000215
Board's proportionate share of the net pension liability	$ 79,391	$ 83,112	56,511
Board's covered-employee payroll	$ 89,278	$ 83,752	102,210
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.9%	99.2%	55.3%
Plan fiduciary net position as a percentage of the total pension liability	75.3%	77.4%	84.3%

* The effect and cost to re-create financial statement information for 10 years was not practical.
Information was prepared prospectively from June 30, 2015 for GASB Statement No. 68 purposes.

INDIANA BOARD FOR DEPOSITORIES

(A COMPONENT UNIT OF THE STATE OF INDIANA)

Retirement Plan Schedule of Contributions

Last 10 Fiscal Years*

	2017	2016	2015
Statutorily required contribution	$ 9,999	$ 9,380	11,448
Contributions in relation to the statutorily required contribution	9,999	9,380	11,448
Deficit (excess)	$ —	$ —	—
Board's covered-employee payroll	$ 89,278	$ 83,752	102,210
Contributions as a percentage of covered-employee payroll	11.2%	11.2%	11.2%

* The effect and cost to re-create financial statement information for 10 years was not practical.
Information was prepared prospectively from June 30, 2015 for GASB Statement No. 68 purposes.

CPAS ▲ ADVISORS

October 23, 2017

To the Management
of Indiana Board for Depositories

We have audited the financial statements of the Indiana Board for Depositories as of and for the year ended June 30, 2017, and have issued our report thereon dated October 23, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Indiana Board for Depositories' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indiana Board for Depositories' internal control over financial reporting (internal control) to determine the audit procedures are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, not for the purpose of expressing an opinion on the effectiveness of Indiana Board for Depositories' internal control. Accordingly, we do not express an opinion on the effectiveness of Indiana Board for Depositories' internal control.

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exists that have not been identified.

Purpose of the Report

The purpose of these report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
October 23, 2017

CPAS ▲ ADVISORS

October 23, 2017

Board of Directors
Indiana Board for Depositories
Office of the Treasurer of State
1 North Capitol Avenue
Suite 900
Indianapolis, IN 46204

We have audited the financial statements of the Indiana Board for Depositories as of and for the year ended June 30, 2017 and have issued our report thereon dated October 23, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States and *Government Auditing Standards*

As communicated in our engagement letter dated May 31, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility as prescribed by professional standards, is to plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial statement. Accordingly, as part of our audit, we considered the internal control of the Indiana Board for Depositories solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. In addition, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we assessed the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants could cause the financial statements to be materially misstated. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and other matters noted during our audit in a separate letter to you dated October 23, 2017.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Indiana Board for Depositories is included in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Indiana Board for Depositories' financial statements or the auditor's report. We are pleased to report that no such disagreement arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the attached letter dated October 23, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultation with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with the Indiana Board for Depositories, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted on a condition to our retention as Indiana Board for Depositories' auditors.

This information is intended solely for the use of the board of directors and management of the Indiana Board for Depositories, and is not intended to be and should not be used by anyone other than these specified parties.

LWG CPAs & Advisors

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