



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

00001971A

STATE BOARD OF ACCOUNTS
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January 10, 2024

Board of Directors
Indiana Bond Bank
10 W. Market St., Suite 2410
Indianapolis, IN 46204

We have reviewed the audit report of the Indiana Bond Bank, which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indiana Bond Bank as of June 30, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT WITH
SUPPLEMENTARY INFORMATION AND OTHER REPORT

June 30, 2023 and 2022

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

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Independent Auditor's Report

Board of Directors
Indiana Bond Bank

Report on the Financial Statements

Opinion

We have audited the financial statements of Indiana Bond Bank, a component unit of the State of Indiana, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Indiana Bond Bank's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Indiana Bond Bank, as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Indiana Bond Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 5 to the financial statements, in 2023, Indiana Bond Bank adopted GASB Statement No. 91, *Conduit Debt Obligations*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana Bond Bank's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Indiana Bond Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana Bond Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of the Bond Bank's proportionate share of the net pension liability and schedule of the Bond Bank's contributions and related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indiana Bond Bank's basic financial statements. The accompanying supplemental schedules of the Bond Bank's conduit bonds and notes payable are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules of the Bond Bank's conduit bonds and notes payable are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023, on our consideration of Indiana Bond Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Indiana Bond Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indiana Bond Bank's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 17, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2023 and 2022

This section of the Indiana Bond Bank's (the Bond Bank) annual financial report presents our discussion and analysis of the Bond Bank's financial performance during the fiscal years ended June 30, 2023 and 2022. Please read it in conjunction with the Bond Bank's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- During the year ended June 30, 2023, the Bond Bank adopted Governmental Accounting Standard Board Statement (GASB) No. 91 – *Conduit Debt Obligations*, which clarified the reporting requirements related to conduit debt obligations. This guidance states that a government issuer should not recognize conduit debt obligations, in the scope of the definition provided in Statement No. 91, as a liability. All conduit debt obligations are required to be disclosed in the notes to the financial statements. This standard was applied on a retrospective basis and resulted in a decrease to net position of \$279,000 and \$745,000 as of June 30, 2022 and 2021, respectively.

The Bond Bank has issued bonds that meet the definition of a conduit debt obligation. This debt does not constitute a general or moral obligation of the Bond Bank. The Bond Bank is not obligated in any manner for repayment of the bonds. For these reasons, the Bond Bank has not recorded these debt issues and the related obligations in the accompanying financial statements.

- Bonds and notes payable issued as conduit debt during the year ended June 30, 2023, totaled \$152,855,000, including \$68,788,000 of Advance Funding Program Notes.
- Bonds and notes payable issued as conduit debt during the year ended June 30, 2022, totaled \$130,600,000, including \$79,017,000 of Advance Funding Program Notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements and notes, as well as, required and other supplementary information. The Bond Bank 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 Bond Bank. These statements are presented in a manner similar to a private business.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the Bond Bank's financial status and the change in financial status. The Statement of Net Position includes all of the Bond Bank's assets, liabilities, deferred inflows, deferred outflows and net position. Assets and liabilities are classified as either current or noncurrent. The Statement of Revenues, Expenses and Changes in Net Position reports all of the revenues and expenses during the time period. The Statement 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 statements and are followed by a section of supplementary information that further details the conduit bonds and notes payable by program type.

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2023 and 2022

FINANCIAL ANALYSIS OF THE BOND BANK

The following table is a condensed summary of financial information as of and for the years ended June 30, 2023, 2022, and 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net Position			
Current assets	\$ 7,904,000	\$ 9,380,000	\$ 9,959,000
Noncurrent assets	7,214,000	5,501,000	5,000,000
Total Assets	<u>15,118,000</u>	<u>14,881,000</u>	<u>14,959,000</u>
Deferred Outflows of Resources	<u>118,000</u>	<u>99,000</u>	<u>93,000</u>
Current liabilities	96,000	18,000	20,000
Noncurrent liabilities	365,000	85,000	189,000
Total Liabilities	<u>461,000</u>	<u>103,000</u>	<u>209,000</u>
Deferred Inflows of Resources	<u>10,000</u>	<u>131,000</u>	<u>42,000</u>
Unrestricted	<u>14,765,000</u>	<u>14,746,000</u>	<u>14,801,000</u>
Total Net Position	<u>\$ 14,765,000</u>	<u>\$ 14,746,000</u>	<u>\$ 14,801,000</u>
Revenues, Expenses and Changes in Net Position			
Operating Revenues:			
Acceptance and administration fees	\$ 839,000	\$ 1,009,000	\$ 1,510,000
Total Operating Revenues	<u>839,000</u>	<u>1,009,000</u>	<u>1,510,000</u>
Operating Expenses:			
Program subsidiary	74,000	123,000	182,000
General and administrative	999,000	995,000	1,139,000
Total Operating Expenses	<u>1,073,000</u>	<u>1,118,000</u>	<u>1,321,000</u>
Operating Income (Loss)	(234,000)	(109,000)	189,000
Nonoperating Revenue			
Interest income on investments	<u>253,000</u>	<u>54,000</u>	<u>131,000</u>
Change in Net Position	19,000	(55,000)	320,000
Net Position - Beginning of Year	<u>14,746,000</u>	<u>14,801,000</u>	<u>14,481,000</u>
Net Position - End of Year	<u>\$ 14,765,000</u>	<u>\$ 14,746,000</u>	<u>\$ 14,801,000</u>

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2023 and 2022

Statement of Net Position - June 30, 2023

Total assets and deferred outflows of resources, and total liabilities, deferred inflows of resources, and net position increased by approximately \$19,000 in fiscal year 2023 from 2022. Right to use leased asset increased \$226,000 due to new lease entered into in August 2022. In addition, the net pension liability increased \$125,000 and lease liability increased \$229,000. Deferred inflows decreased \$121,000 due to differences between projected and actual investment earnings.

Statement of Net Position - June 30, 2022

Total assets and deferred outflows of resources, and total liabilities, deferred inflows of resources, and net position decreased by approximately \$55,000 in fiscal years 2022 from 2021. There was an increase of qualified obligations receivable of \$107,000 and a decrease of cash of \$214,000. In addition, the net pension liability decreased \$105,000. Deferred inflows increased \$89,000 due to differences between projected and actual investment earnings.

Operating Revenues and Expenses

Operating revenues consist of acceptance and administration fees. Fees received decreased approximately \$170,000 from 2022 to 2023 and \$501,000 from 2021 to 2022 due to the slowdown in the interim loan program activity.

Operating expenses include program subsidy, which is the amount the Bond Bank contributes to its programs, and general and administrative expenses. General and administrative includes expenses such as professional fees, payroll and payroll related expenses. Program subsidy decreased \$49,000 from 2022 to 2023 and \$59,000 from 2021 to 2022 due to slowdown in Bond Bank program activity. General and administrative increased \$4,000 from 2022 to 2023, which is consistent between years. General and administrative decreased \$144,000 from 2021 to 2022 due to slowdown in Bond Bank program activity.

CONDUIT DEBT ADMINISTRATION

Below is a listing of the amount of conduit debt issued by program for the fiscal years ended June 30, 2023, 2022, and 2021:

<u>Programs</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Special Program	\$ -	\$ 23,875,000	\$ -
Advance Funding Program	68,788,000	79,017,000	205,499,000
USDA RD Interim Loan Program	42,357,000	27,709,000	9,458,000
Community Funding Resource	41,710,000	-	3,148,000

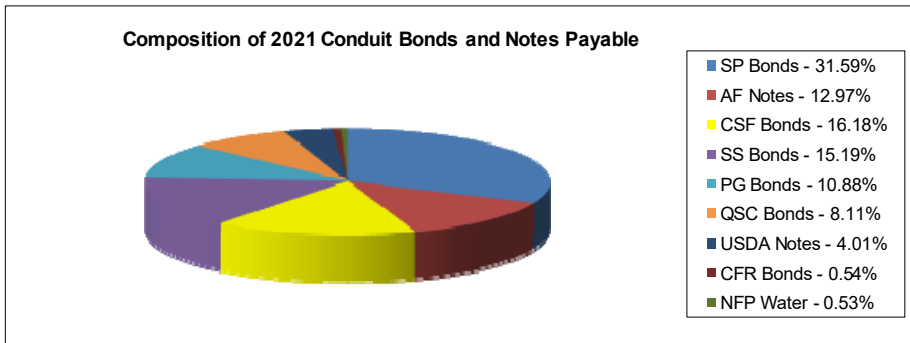
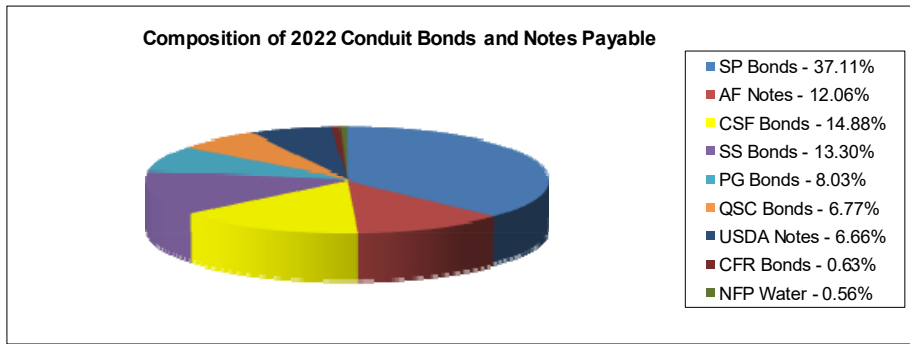
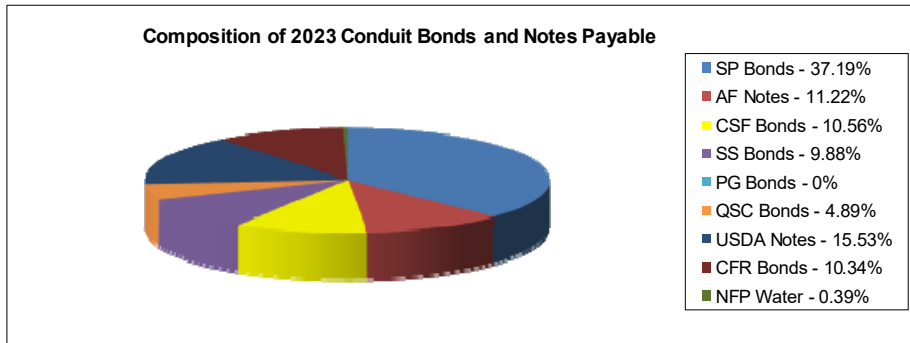
On the following pages are three graphs depicting the composition of conduit bonds and notes payable. The first graph details the composition of conduit bonds and notes payable by program as of June 30, 2023, the second graph shows as of June 30, 2022, and the third graph shows as of June 30, 2021. The composition by program has changed due to the combination of new bonds issued and maturation of old bonds during each of the years.

INDIANA BOND BANK
 (A COMPONENT UNIT OF THE STATE OF INDIANA)
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2023 and 2022

The Bond Bank's bond and note issues are rated A+ to AAA by the national rating agencies. The ratings are based on the financing program structure.

Additional information on the Bond Bank's conduit debt can be found in Note 5 to the financial statements.



INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2023 and 2022

REQUESTS OF INFORMATION

The financial report is designed to provide a general overview of the Bond Bank's finances for all those with an interest in the Bond Bank's finances. Questions concerning any of the information should be addressed to the Indiana Bond Bank, 10 West Market Street, Suite 2410, Indianapolis, Indiana 46204.

FINANCIAL STATEMENTS

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**STATEMENTS OF NET POSITION
June 30, 2023 and 2022**

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 918,926	\$ 884,312
Investments - short-term	6,804,081	8,362,857
Qualified entities programs loans receivable	180,000	132,153
Accrued interest receivable	963	963
Total Current Assets	7,903,970	9,380,285
Noncurrent assets:		
Investments - long-term	6,988,359	5,500,000
Right to use leased assets, net of amortization	226,046	—
Total Noncurrent Assets	7,214,405	5,500,000
Total Assets	15,118,375	14,880,285
DEFERRED OUTFLOWS OF RESOURCES		
Pension	117,770	98,914
Total Deferred Outflows of Resources	117,770	98,914
LIABILITIES		
Current liabilities:		
Accounts payable	22,477	18,128
Current portion of lease liabilities	73,987	—
Total Current Liabilities	96,464	18,128
Noncurrent liabilities:		
Lease liabilities, net of current portion	154,835	—
Net pension liability	209,730	84,477
Total Noncurrent Liabilities	364,565	84,477
Total Liabilities	461,029	102,605
DEFERRED INFLOWS OF RESOURCES		
Pension	10,015	130,727
Total Deferred Inflows of Resources	10,015	130,727
NET POSITION		
Unrestricted	14,765,101	14,745,867
Total Net Position	\$ 14,765,101	\$ 14,745,867

See accompanying notes to financial statements.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2023 and 2022**

	2023	2022
OPERATING REVENUES		
Acceptance and administration fees	\$ 838,649	\$ 1,009,120
Total Operating Revenues	838,649	1,009,120
OPERATING EXPENSES		
Program subsidy	73,580	123,183
General and administrative	998,676	995,041
Total Operating Expenses	1,072,256	1,118,224
Operating Loss	(233,607)	(109,104)
NONOPERATING REVENUE		
Interest income on investments	252,841	54,133
CHANGE IN NET POSITION	19,234	(54,971)
NET POSITION		
Beginning of Year	14,745,867	14,800,838
End of Year	\$ 14,765,101	\$ 14,745,867

See accompanying notes to financial statements.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from acceptance and administrative fees	\$ 838,649	\$ 1,009,120
Cash payments for program subsidiary	(73,580)	(123,183)
Cash payments to suppliers and employees	<u>(957,052)</u>	<u>(1,019,811)</u>
Net Cash Used by Operating Activities	<u>(191,983)</u>	<u>(133,874)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of lease liabilities	<u>(48,815)</u>	<u>—</u>
Net Cash Used in Capital and Related Financing Activities	<u>(48,815)</u>	<u>—</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(13,549,848)	(11,862,544)
Purchases of qualified entities programs loans receivable	(180,000)	(132,153)
Interest received on investments	252,841	54,133
Maturities of investments	13,620,266	11,835,287
Maturities of qualified entities programs loans receivable	<u>132,153</u>	<u>25,000</u>
Net Cash Provided (Used) by Investing Activities	<u>275,412</u>	<u>(80,277)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,614	(214,151)
CASH AND CASH EQUIVALENTS		
Beginning of Year	<u>884,312</u>	<u>1,098,463</u>
End of Year	<u>\$ 918,926</u>	<u>\$ 884,312</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (233,607)	\$ (109,104)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in certain assets and liabilities:		
Accrued interest receivable	—	(963)
Pension	(14,315)	(22,067)
Amortization of right to use leased assets	51,590	—
Accounts payable	<u>4,349</u>	<u>(1,740)</u>
Net Cash Used by Operating Activities	<u>\$ (191,983)</u>	<u>\$ (133,874)</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid during the year	\$ 5,594	—

See accompanying notes to financial statements.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(1) Summary of Significant Accounting Policies

Organization

Indiana Bond Bank (the Bond Bank), a component unit of the State of Indiana (the State), was created by Senate Enrolled Act No. 97 (as amended) (the Bond Bank Act) of the Indiana General Assembly on July 1, 1984. The Bond Bank is an instrumentality of the State but is not a State agency and has no taxing power. It has separate corporate and sovereign capacity and its Board of Directors is composed of the Treasurer of the State (who serves as Chairman of the Board, ex officio), the Director of Public Finance (who serves as director, ex officio) and five directors appointed by the Governor of the State. The Bond Bank has no oversight authority over any other entity.

The Bond Bank is authorized to buy and sell securities (see Note 6 for certain statutory limitations) for the purpose of providing funds to Indiana qualified entities, as defined under the Bond Bank Act. Accordingly, the Bond Bank enables qualified entities to issue debt at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. Certain financing agreements specify that any residual cash remaining at maturity or refinancing of a series is the property of the Bond Bank.

To achieve its purpose, the Bond Bank operates the following programs which are all considered conduit debt of the Bond Bank under Governmental Accounting Standards Board Statement No. 91 – *Conduit Debt Obligations*:

Special Program - Bonds issued to assist qualified entities with various long-term financing needs, primarily expansion of water and sewer systems.

Advance Funding Program - Notes issued to provide qualified entities with short-term cash flow financing during the periods of time prior to the semi-annual receipt of property taxes.

Common School Fund Program - Bonds issued to purchase outstanding advancements made from the State's constitutionally established Common School Fund to finance technology or construction costs. The proceeds replenish the Fund's balance, allowing the Indiana Department of Education to provide additional financial assistance for Indiana school corporations.

School Severance Program - Bonds issued to assist qualified entities with financing for contractual retirement or severance liabilities.

Year End Warrant Assistance Program - Notes issued to assist Indiana political subdivisions with financing for continued cash flow deficits at year end. These notes were issued to fund outstanding amounts from the Advance Funding and Midyear Programs.

Hoosier Equipment Lease Purchase Program – Equipment leases issued to assist qualified entities in obtaining low cost lease financing for essential equipment purchases. The leases and related obligations are not reflected on the Bond Bank's financial statements as these are assigned to a bank.

Prepaid Gas Funding Program - Bonds issued to allow qualified entities a mechanism for financing the prepayment of supplies of natural gas to be delivered over time.

Fuel Budgeting Program - Program to offer municipalities a means to reduce price volatility in gasoline and diesel fuel through use of commodity hedges.

Qualified School Construction Program - Tax credit bonds that enable schools to borrow funds at a zero percent (0%) interest rate for construction projects.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(1) Summary of Significant Accounting Policies (Continued)

USDA-RD Interim Loan Program - Program is a partnership between the Bond Bank and USDA-Rural Development (USDA-RD). The Bond Bank assists with project financing prior to USDA-RD permanent financing.

Community Funding Resource - Provides local governmental units with an alternative financing tool for infrastructure and other related projects.

Not-For-Profit Water Program – Program is designed to issue bonds on behalf of not-for-profit water utilities.

Basis of Presentation

The financial statements of the Bond Bank have been prepared on the accrual basis of accounting and using the economic resources management focus. Accordingly, the Bond Bank recognizes revenue in the period earned and expenses in the period incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Estimates

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

Federal Income Taxes

The Bond Bank is exempt from federal income taxes under Internal Revenue Code Section 115.

Cash and Cash Equivalents

The Bond Bank considers all investments in commercial paper, certificates of deposit, repurchase agreements, passbook savings, money market deposits, and money market funds with original maturities of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value, based on quoted market prices of the investment or similar investments. See Note 3 for discussion of fair value measurements. For investments at June 30, 2023 and 2022, fair value approximates cost. Changes in the fair value of investments are included in the statement of revenues, expenses and changes in net position. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior year(s) and the current year.

Retirement Plan

The employees of the Bond Bank participate in the Indiana Public Retirement System (INPRS). See Note 7.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(1) Summary of Significant Accounting Policies (Continued)

Leases

The Bond Bank determines if an arrangement is a lease at inception. The Bond Bank recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding obligation to make lease payments. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The present value is calculated using the rate implicit in the lease. If the rate is not readily determinable from the lease, the Bond Bank uses the incremental borrowing rate. The Bond Bank does not recognize an asset and liability for leases with a term of 12 months or less.

Deferred Outflows of Resources

The Bond Bank reports net position that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources reported at June 30, 2023 and 2022, includes amounts related to the defined benefit pension plan. The amounts related to the pension plan are being amortized into pension expense over the average expected remaining service lives, except for the difference between expected and actual investment earnings, which is being amortized over five years.

Deferred Inflows of Resources

The Bond Bank's statement of net position reports a separate section for deferred inflows of resources, which reflects an increase in net position that applies to future periods. Deferred inflows of resources reported at June 30, 2023 and 2022, related to the defined benefit pension plan. These amounts are being amortized into pension expense over the average expected remaining service lines, expect for the difference between expected and actual investment earnings, which is being amortized over five years.

Net Position

The Bond Bank's resources are classified for accounting and financial reporting purposes as unrestricted, which represents net position available for the use of the Bond Bank. The Board of Directors has established a board reserve fund of \$12,500,000 for future program development. Any expenditures or reclassification from the reserve fund are subject to approval by the Board of Directors.

Operating and Nonoperating Revenues

Revenues are classified as either operating or nonoperating. Operating revenues consist of acceptance and administration fees paid by qualified entities to the Bond Bank's operating program. Interest income on investments is considered nonoperating.

Subsequent Events

The Bond Bank has evaluated the financial statements for subsequent events occurring through October 17, 2023, the date of which the financial statements were available to be issued.

(2) Deposits and Investments

The Bond Bank Act permits funds to be invested as provided by resolutions of the Board of Directors or trust indentures executed by the Bond Bank. In addition to authorizing investments in qualified entities, these resolutions and trust indentures have authorized the Bond Bank to invest in obligations of the U.S. Treasury, U.S. agencies and secured and unsecured investment agreements. The Bond Bank has also been authorized to invest in commercial paper, certificates of deposit, repurchase agreements, passbook savings and money market deposit accounts.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(2) Deposits and Investments (Continued)

The Bond Bank's deposits and investments at June 30, 2023 and 2022 are summarized as follows:

	2023	
	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 835,671	\$ 835,671
U.S. government agency obligations	13,792,440	13,792,440
Cash	<u>83,255</u>	<u>83,255</u>
Total Deposits and Investments	<u>\$ 14,711,366</u>	<u>\$ 14,711,366</u>
	2022	
	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,453,711	\$ 1,453,711
U.S. government agency obligations	13,191,652	13,191,652
Cash	<u>101,806</u>	<u>101,806</u>
Total Deposits and Investments	<u>\$ 14,747,169</u>	<u>\$ 14,747,169</u>

Deposits with Financial Institutions

Custodial risk is the risk that in the event of bank failure, the Bond Bank's deposits may not be returned to it. The Bond Bank's cash is insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, certain cash balances maintained by the Bond Bank exceed federally insured limits. As of June 30, 2023 and 2022, the Bond Bank had no cash balances with custodial risk.

Interest Rate Risk

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

As of June 30, 2023 and 2022, the Bond Bank had investments with maturities as follows:

<u>2023</u>		Investment Maturities (in Years)			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than</u>
Money market funds	\$ 835,671	\$ 835,671	\$ -	\$ -	\$ -
Government obligations	<u>13,792,440</u>	<u>6,804,081</u>	<u>6,988,359</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 14,628,111</u>	<u>\$ 7,639,752</u>	<u>\$ 6,988,359</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>2022</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than</u>
Money market funds	\$ 1,453,711	\$ 1,453,711	\$ -	\$ -	\$ -
Government obligations	<u>13,191,652</u>	<u>7,691,652</u>	<u>5,500,000</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 14,645,363</u>	<u>\$ 9,145,363</u>	<u>\$ 5,500,000</u>	<u>\$ -</u>	<u>\$ -</u>

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(2) Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that the Bond Bank will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the Bond Bank, and are held by either the counterparty or the counterparty's trust department or agent but not the Bond Bank's name. The Bond Bank has no custodial risk on investments.

Credit Risk Disclosure

The following table provides information on the credit ratings associated with the Bond Bank's cash equivalents and investments as of June 30, 2023 and 2022:

2023

Credit Ratings	S & P	Fitch	Moody's	Fair Value
Money market funds	AAA	AAA	Aaa	\$ 835,671
Government obligations	AAA	AA+	Aaa	<u>13,792,440</u>
Total Rated Investments				<u>\$ 14,628,111</u>

2022

Credit Ratings	S & P	Fitch	Moody's	Fair Value
Money market funds	AAA	AAA	Aaa	\$ 1,453,711
Government obligations	AAA	AA+	Aaa	<u>13,191,652</u>
Total Rated Investments				<u>\$ 14,645,363</u>

Concentration of Credit Risk

There are no limits on the amount that may be invested in any one issuer. As of June 30, 2023, the Bond Bank had 95% of its total investments with U.S. Bank.

(3) Fair Value Measurement

The Bond Bank has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(3) Fair Value Measurement (Continued)

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Bond Bank has the ability to access.

Level 2 – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Bond Bank makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Bond Bank for assets and liabilities that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Money Market Funds: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

U.S. Government Agency Obligations: Valued using pricing models maximizing the use of observable inputs for similar securities.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Bond Bank's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of these assets could result in a different fair value measurement at the reporting date.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(3) Fair Value Measurement (Continued)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Bond Bank's assets that are measured at fair value on a recurring basis as of June 30, 2023 and 2022:

2023	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 835,671			\$ 835,671
U.S. government agency obligations	<u> </u>	<u>\$13,792,440</u>		<u>13,792,440</u>
Investments at Fair Value	<u>\$ 835,671</u>	<u>\$13,792,440</u>		<u>\$14,628,111</u>
2022				
Assets:				
Money market funds	\$1,453,711			\$ 1,453,711
U.S. government agency obligations	<u> </u>	<u>\$13,191,652</u>		<u>13,191,652</u>
Investments at Fair Value	<u>\$1,453,711</u>	<u>\$13,191,652</u>		<u>\$14,645,363</u>

(4) Qualified Obligations Receivable

Qualified obligations receivable represents amounts due to the Bond Bank from various entities. The Bond Bank will occasionally hold qualified obligations receivable to help facilitate a deal. Amounts due to the Bond Bank at June 30, 2023 and 2022 are \$0 and \$132,153, respectively. All purchases of qualified obligations are authorized by the Board of Directors.

(5) Conduit Debt

During the year ended June 30, 2023, the Bond Bank adopted GASB Statement No. 91 – *Conduit Debt Obligations*, which clarified the reporting requirements related to conduit debt obligations. This guidance states that a government issuer should not recognize conduit debt obligations, in the scope of the definition provided in Statement No. 91, as a liability. All conduit debt obligations are required to be disclosed in the notes to the financial statements. This standard was applied on a retrospective basis and resulted in a decrease to net position of \$279,111 and \$744,514 as of June 30, 2022 and 2021, respectively.

The Bond Bank has issued bonds that meet the definition of a conduit debt obligation. These bonds are issued through programs that the Bond Bank facilitates described in Note 1 of the financial statements. The bonds provide entities with access to capital for use in various projects. The underlying bonds are funded by many sources, including property tax revenues and user fees. The individual bond issues are designed to be independent with the Bond Bank acting as the issuer and the obligation of repayment being on the underlying entities.

This debt does not constitute a general or moral obligation of the Bond Bank. The Bond Bank is not obligated in any manner for repayment of the bonds. For these reasons, the Bond Bank has not recorded these debt issues and the related obligations in the accompanying financial statements, which also includes eliminating related deferred outflows (accumulated decrease in fair value of interest rate swaps and deferred refunding costs), qualified obligations receivables, and derivative instrument liability. However, there is a portion of debt that constitutes a moral obligation of the State of Indiana. See Note 6 for further detail.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(5) Conduit Debt (Continued)

The outstanding principal of conduit debt by program as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Special Program	\$ 158,938,877	\$ 176,398,703
Advance Funding Program	47,935,000	57,350,000
Common School Fund Program	45,140,000	70,760,000
School Severance Program	42,200,000	63,215,000
Prepaid Gas Funding Program	-	38,190,000
Qualified School Construction Program	20,897,000	32,196,000
USDA-RD Interim Loan Program	66,349,878	31,665,350
Community Funding Resource	44,206,970	2,982,879
Not-For-Profit Water Program	1,660,000	2,640,000
	<u>\$ 427,327,725</u>	<u>\$ 475,397,932</u>
Totals		

The bonds and notes payable listed above were issued under respective indentures of trust. Each indenture requires the maintenance of various trust accounts, and several of the bonds and notes payable require debt service reserve accounts.

Additionally, the Bond Bank was required under the trust indentures of certain series of bonds and notes payable to enter into line of credit arrangements with banks in order to secure the indebtedness. These line of credit arrangements are renewable each year.

The amounts eligible to be drawn under these arrangements at June 30, 2023 and 2022 were as follows:

<u>Series</u>	<u>2023 Eligible Amount</u>	<u>2022 Eligible Amount</u>
Special Program Bonds, Series 2007 A Refunding	\$ 3,920,650	\$ 3,920,650
Special Program Bonds, Series 2011 A Refunding	3,008,950	3,008,950
Special Program Bonds, Series 2012 C Refunding	2,294,750	2,294,750
Special Program Bonds, Series 2016 B Refunding	2,177,093	2,177,093
Special Program Refunding Bonds, Series 2019A-1 and Series 2019A-2	1,612,425	1,612,425
Special Program Bonds, Series 2021 A Refunding	2,705,650	2,705,650

In the event of a draw on either a letter or line of credit facility, each borrowing will bear an interest rate based upon a series of optional rates as specified in the particular agreement. No draws were made against any debt service reserve account, letter, or line of credit facility during the years ended June 30, 2023 or 2022.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(6) Moral Obligation

The Bond Bank is restricted by statute (IC 5-1.5-4-1(c)) to limit its total outstanding moral obligation debt to \$1,000,000,000. A reconciliation of moral obligation debt outstanding to the statutory debt limit is as follows:

	2023	2022
Statutory debt limit	\$ 1,000,000,000	\$ 1,000,000,000
Debt outstanding for statutory debt limit purposes at June 30		
Special Programs		
2007 A Refunding	22,450,000	25,050,000
2011 A Refunding	4,290,000	6,980,000
2012 C Refunding	4,315,000	6,315,000
2013 A Refunding	-	575,000
2015 A Refunding	6,865,016	8,598,974
2015 B Refunding	2,195,000	2,895,000
2015 C Refunding	1,660,000	1,910,000
2016 A Refunding	-	2,005,000
2016 B Refunding	1,725,000	3,390,000
2019 A-1 Refunding	8,380,000	9,350,000
2019 A-2 Refunding	80,000	115,000
2021 A Refunding	21,015,000	22,960,000
Total debt outstanding for statutory debt limit purposes at June 30	72,975,016	90,143,974
Available remaining deb limit for statutory purposes	\$ 927,024,984	\$ 909,856,026

(7) Employee Benefits

Plan Description

The Bond Bank is a participating employer of the Public Employees' Hybrid plan (PERF Hybrid), and its employees are participating members. PERF Hybrid is part of the Public Employees' Retirement Fund (PERF) and consists of two components: the Public Employees' Defined Benefit Account (PERF DB), the monthly employer-funded defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), a member-funded account.

PERF Hybrid is administered by the Indiana Public Retirement System (INPRS). INPRS issues a publicly available financial report, including PERF Hybrid, that may be obtained at <http://www.inprs.in.gov/>.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(7) Employee Benefits (Continued)

Public Employees' Defined Benefit Account

PERF DB is a cost-sharing, multiple employer defined benefit fund providing retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2, and other Indiana pension law.

Eligibility for Pension Benefit Payment

Full Retirement Benefit: A member is entitled to a full retirement benefit at 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position.

Early Retirement Benefit: A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is 44% of full benefits at age 50, increasing 5% per year up to 89% at age 59.

Disability Benefit: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of disability.

Survivor Benefit: If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

Contribution Rates

Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board updates the percentage of covered payroll annually effective July 1. Employers currently contribute 11.2% of covered payroll. No member contributions are required. Indiana Bond Bank's contributions PERF DB were \$49,390 and \$42,869 for the years ended June 30, 2023 and 2022.

Benefit Formula and Postretirement Benefit Adjustment

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1% (minimum of \$180 per month). Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS Board.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(7) Employee Benefits (Continued)

Public Employees' Defined Contribution Account

PERF DC is a multiple-employer defined contribution fund providing retirement benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2, and other Indiana pension law.

Contribution Rates

Member contributions under PERF DC are set by statute and the INPRS Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. The Board made no contributions to PERF DC for the years ended June 30, 2023 and 2022. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

Benefit Terms

Members (or their beneficiaries) are entitled to the sum total of contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death) or upon providing proof of the member's qualification for Social Security disability benefits. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF DC members are 100% vested in their account balance.

Significant Actuarial Assumptions

The total pension liability is determined using an actuarial valuation performed by the actuaries of INPRS, which involves estimates of the value of reported amounts (e.g., salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to review and modifications, as actual results are compared with past expectations and new estimates are developed.

Key methods, assumptions, and dates of experience studies used in calculating the total pension liability in the latest actuarial valuation are included in the publicly available financial report published by INPRS. In addition, the INPRS financial report includes a target asset allocation and geometric real rates of return expected to be realized in calculating the total pension liability, as well as how those rates of return were determined.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of the Plan calculated using the discount rate of 6.25 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent), or one percentage point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
2023	<u>\$354,310</u>	<u>\$209,730</u>	<u>\$ 89,139</u>
2022	<u>\$220,945</u>	<u>\$ 84,477</u>	<u>\$(29,355)</u>

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(7) Employee Benefits (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023 and 2022, the Bond Bank reported a liability of \$209,730 and \$84,477, respectively, for its proportionate share of the net pension liability. The Bond Bank's proportionate share of the net pension liability was based on the Bond Bank's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2022 and 2021, measurement dates was 0.00665 percent and 0.00642 percent, respectively.

For the years ended June 30, 2023 and 2022, the Bond Bank recognized pension expense of \$35,542 and \$9,977, respectively, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$8,725 and \$17,271, respectively. At June 30, 2023 and 2022, the Bond Bank 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
<u>2023</u>		
Differences between expected and actual experience	\$ 4,523	\$ 798
Net difference between projected and actual earnings on pension plan investments	25,883	-
Changes of assumptions	28,407	8,973
Changes in proportion and differences between Bond Bank contributions and proportionate share of contributions	<u>9,567</u>	<u>244</u>
Total that will be recognized in pension expense based on table below	68,380	10,015
Pension contribution subsequent to measurement date	<u>49,390</u>	<u>-</u>
Total	<u>\$117,770</u>	<u>\$ 10,015</u>
<u>2022</u>		
Differences between expected and actual experience	\$ 2,889	\$ 1,687
Net difference between projected and actual earnings on pension plan investments	-	109,686
Changes of assumptions	42,493	18,975
Changes in proportion and differences between Bond Bank contributions and proportionate share of contributions	<u>11,130</u>	<u>379</u>
Total that will be recognized in pension expense based on table below	56,512	130,727
Pension contribution subsequent to measurement date	<u>42,402</u>	<u>-</u>
Total	<u>\$ 98,914</u>	<u>\$130,727</u>

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(7) Employee Benefits (Continued)

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

Fiscal Year Ending June 30,	Amount
2023	\$14,028
2024	19,675
2025	(2,718)
2026	<u>27,380</u>
	<u>\$58,365</u>

(8) Leases

The Bond Bank leases office space as well as office equipment under non-cancelable leases with terms in excess of one year.

In August 2022, the Bond Bank entered into an office space lease that is a 45-month lease beginning on October 1, 2022 and expiring on June 30, 2026, with a renewal option for an additional term of 60 months. The equipment lease is a 60-month lease of a copier, expiring June 30, 2026. The following is a schedule of the right to use assets as of June 30, 2023:

	<u>2023</u>
Right to use leased assets:	
Leased office space	\$ 246,732
Leased equipment	<u>30,904</u>
Total right to use assets	<u>277,636</u>
Less accumulated amortization for:	
Leased office space	43,864
Leased equipment	<u>7,726</u>
Total accumulated amortization	<u>51,590</u>
Right to use leased assets, net	<u><u>\$ 226,046</u></u>

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

(8) Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 73,987	\$ 6,187	\$ 80,174
2025	78,333	3,780	82,113
2026	<u>76,502</u>	<u>1,226</u>	<u>77,728</u>
Total	<u>\$ 228,822</u>	<u>\$ 11,193</u>	<u>\$ 240,015</u>

REQUIRED SUPPLEMENTARY INFORMATION

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**SCHEDULE OF THE BOND BANK'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (UNAUDITED)**

**PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Bond Bank's proportion of the net pension liability	0.00665%	0.00642%	0.00627%	0.00606%	0.00566%	0.00455%	0.00480%	0.00435%	0.00433%	0.00433%
Bond Bank's proportionate share of the net pension liability	\$209,730	\$ 84,477	\$ 189,379	\$ 200,287	\$ 192,273	\$203,000	\$217,845	\$ 177,171	\$ 113,790	\$166,459
Bond Bank's covered-employee payroll	\$382,761	\$353,868	\$338,328	\$315,779	\$283,906	\$225,809	\$221,741	\$216,680	\$211,582	\$233,338
Bond Bank's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.79%	23.87%	55.97%	63.43%	67.72%	89.90%	98.24%	81.77%	53.78%	71.34%
Plan fiduciary net position as a percentage of the total pension liability*	82.50%	92.51%	81.40%	80.10%	78.90%	72.70%	71.20%	73.30%	81.10%	74.30%

* 2013-2017 were adjusted to reflect the Defined Benefit activity only due to the Defined Benefit/Defined Contribution split effective January 1, 2018.

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

SCHEDULE OF THE BOND BANK'S CONTRIBUTIONS (UNAUDITED)

**PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 49,390	\$ 42,869	\$ 39,633	\$ 37,893	\$ 35,367	\$ 31,798	\$ 25,291	\$ 24,835	\$ 24,268	\$ 23,697
Contributions in relation to the contractually required contribution	<u>49,390</u>	<u>42,869</u>	<u>39,633</u>	<u>37,893</u>	<u>35,367</u>	<u>31,798</u>	<u>25,291</u>	<u>24,835</u>	<u>24,268</u>	<u>23,697</u>
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Bank's covered-employee payroll	\$ 440,979	\$ 382,761	\$ 353,868	\$ 338,328	\$ 315,779	\$ 283,906	\$ 225,809	\$ 221,741	\$ 216,680	\$ 216,680
Contributions as a percentage of covered-employee payroll	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	10.9%

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2023 and 2022**

**SCHEDULE OF THE BOND BANK'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(UNAUDITED)**

Plan Amendments: In 2023, there were no changes to the plan provisions during the fiscal year.

SCHEDULE OF THE BOND BANK'S CONTRIBUTIONS (UNAUDITED)

Methods Used in Calculating Contributions: Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board updates the percentage of covered payroll annually effective July 1. Employers currently contribute 11.2% of covered payroll. There have been no changes in the percentage of covered payroll used since 2015.

Trends: There were no factors that significantly affected trends in contributions to the Plan.

OTHER SUPPLEMENTARY INFORMATION

**INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**SUPPLEMENTAL SCHEDULES OF THE BOND BANK'S CONDUIT BONDS AND NOTES PAYABLE
Years Ended June 30, 2023 and 2022**

	<u>Special Program</u>	<u>Advance Funding Program</u>	<u>Common School Fund Program</u>	<u>School Severance Program</u>	<u>Prepaid Gas Funding Program</u>	<u>Qualified School Construction Program</u>	<u>USDA-RD Interim Loan Program</u>	<u>Community Funding Resource</u>	<u>NFP Water Program</u>	<u>Total</u>
June 30, 2021 Balance	\$ 192,115,198	\$ 78,860,000	\$ 98,410,000	\$ 92,405,000	\$ 66,170,000	\$ 49,308,000	\$ 24,412,655	\$ 3,270,638	\$ 3,230,000	\$ 608,181,491
New Issues	23,875,000	79,016,825	-	-	-	-	27,708,650	-	-	130,600,475
Payments	<u>(39,591,495)</u>	<u>(100,526,825)</u>	<u>(27,650,000)</u>	<u>(29,190,000)</u>	<u>(27,980,000)</u>	<u>(17,112,000)</u>	<u>(20,455,955)</u>	<u>(287,759)</u>	<u>(590,000)</u>	<u>(263,384,034)</u>
June 30, 2022 Balance	176,398,703	57,350,000	70,760,000	63,215,000	38,190,000	32,196,000	31,665,350	2,982,879	2,640,000	475,397,932
New Issues	-	68,788,235	-	-	-	-	42,357,250	41,710,000	-	152,855,485
Payments	<u>(17,459,826)</u>	<u>(78,203,235)</u>	<u>(25,620,000)</u>	<u>(21,015,000)</u>	<u>(38,190,000)</u>	<u>(11,299,000)</u>	<u>(7,672,722)</u>	<u>(485,909)</u>	<u>(980,000)</u>	<u>(200,925,692)</u>
June 30, 2023 Balance	<u>\$ 158,938,877</u>	<u>\$ 47,935,000</u>	<u>\$ 45,140,000</u>	<u>\$ 42,200,000</u>	<u>\$ -</u>	<u>\$ 20,897,000</u>	<u>\$ 66,349,878</u>	<u>\$ 44,206,970</u>	<u>\$ 1,660,000</u>	<u>\$ 427,327,725</u>

OTHER REPORT

*Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards*

Board of Directors
Indiana Bond Bank

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Indiana Bond Bank, a component unit of the State of Indiana, which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Indiana Bond Bank's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Indiana Bond Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Indiana Bond Bank's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 17, 2023