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June 26, 2024

Board of Directors
Carmel Bond Bank
Hamilton County, Indiana

We have reviewed the audit report of the Carmel Bond Bank, which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Carmel Bond Bank as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

THE CITY OF CARMEL LOCAL PUBLIC IMPROVEMENT BOND BANK

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Independent Auditor's Report

Board of Directors
The City of Carmel Local Public Improvement Bond Bank

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of The City of Carmel Local Public Improvement Bond Bank as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise The City of Carmel Local Public Improvement Bond Bank's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The City of Carmel Local Public Improvement Bond Bank, as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof 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 The City of Carmel Local Public Improvement 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.

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 The City of Carmel Local Public Improvement 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 The City of Carmel Local Public Improvement 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 The City of Carmel Local Public Improvement 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 on pages 4-8 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2024 on our consideration of The City of Carmel Local Public Improvement 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 The City of Carmel Local Public Improvement 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 The City of Carmel Local Public Improvement Bond Bank's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
February 19, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

THE CITY OF CARMEL LOCAL PUBLIC IMPROVEMENT BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 and 2022

As management of The City of Carmel Local Public Improvement Bond Bank (the Bond Bank), we offer readers of the Bond Bank's financial statements this narrative overview and analysis of the financial activities of the Bond Bank for the years ended December 31, 2023 and 2022.

Indiana Code § 5-1.4 establishes an individual bond bank for each city of second-class stature within the State of Indiana. The Common Council of the City of Carmel, Indiana (the City) adopted an ordinance declaring the City as a city of second class stature pursuant to Indiana Code § 36-4-1-1.1 on January 4, 2016. The Bond Bank is a body corporate and politic, separate from the City in its corporate capacity, duly created by and validly existing under the provisions of Indiana Code 5-1.4 as amended (the "Act"), with the right and power to (a) adopt the Resolution, (b) execute and deliver the Bond Documents, the Official Statement and the Bonds, (c) perform its obligations under the Bond Documents and the Bonds, (d) issue, execute, sell and deliver the Bonds to the Purchasers, and (e) carry out and consummate all transactions contemplated by the Bond Documents, the Bonds and the aforementioned proceedings. To accomplish its purpose, the Bond Bank may issue bonds or notes. The Bond Bank also has general powers which include the power to enter into, make and perform contracts of every lawful kind to accomplish its purpose. The State pledges to and agrees with the holders of any bonds or notes issued by the Bond Bank that the State will not limit or alter the rights vested in the Bond Bank to fulfill the terms of any agreement made with the holders of its bonds or notes, or in any way impair the rights or remedies of the holders of such obligations until the bonds or notes are fully repaid. The Bond Bank has no taxing power.

Qualified entities are defined in Indiana Code § 5-1.4 to include, but are not limited to, a city, a county, a special taxing district located wholly within a county or any authority created under Indiana Code § 36 that leases land or facilities to any of the foregoing qualified entities. The qualified entities are each a qualified entity as defined in Indiana Code § 5-1.4. The Bond Bank is authorized to purchase securities offered by a qualified entity, with any such securities required, upon their delivery to the Bond Bank, to be accompanied by all documentation required by the Board of Directors and by Indiana Code § 5-1.4-8-2(b). Every qualified entity is authorized and empowered to contract with the Bond Bank with respect to the purchase of its securities, and the contracts will contain the terms and conditions of the purchase and may be in any form agreed to by the Bond Bank and the qualified entity.

The Bond Bank is governed by a five-member Board of Directors, each appointed by the Mayor of the City. The Mayor appoints an Executive Director and the Board of Directors elects a Chair and Vice-Chair. Each of the five Directors serves for a term of three years, until a successor is appointed and qualified, and is eligible for reappointment.

FINANCIAL HIGHLIGHTS

- The Bond Bank did not issue any new bonds in 2023 or 2022.
- The Bond Bank paid \$15.6 million in principal payments on outstanding debt in 2023.
- The Bond Bank paid \$14.5 million in principal payments on outstanding debt in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Bond Bank’s basic financial statements. The Bond Bank is an instrumentality of the City and is maintained as a proprietary fund. Proprietary funds are used to report any activities for which income fees are charged to external users for goods and services. In addition, proprietary funds must be used in situations where debt is backed solely by fees and charges. A proprietary fund is accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting.

The Bond Bank’s financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, and the notes to the financial statements.

The *statements of net position* present information on all of the Bond Bank’s assets and liabilities with the difference reported as net position.

The *statements of revenues, expenses and changes in net position* present information showing how the Bond Bank’s net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

In contrast, the *statements of cash flows* are concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

These financial statements can be found on pages 9 to 11 of this report.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 19 of this report.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of an entity’s financial position. In the case of the Bond Bank, assets exceeded liabilities by \$764 thousand, \$574 thousand, and \$543 thousand for the years ended December 31, 2023, 2022 and 2021, respectively.

The City of Carmel Local Public Improvement Bond Bank’s Condensed Statements of Net Position (In Thousands of Dollars)

	December 31, 2023	December 31, 2022	December 31, 2021
Current assets	\$ 29,317	\$ 29,242	\$ 30,507
Noncurrent assets	<u>448,267</u>	<u>472,029</u>	<u>492,946</u>
Total Assets	<u>477,584</u>	<u>501,271</u>	<u>523,453</u>
Current liabilities	28,469	28,552	29,829
Long-term liabilities	<u>448,351</u>	<u>472,145</u>	<u>493,081</u>
Total Liabilities	<u>476,820</u>	<u>500,697</u>	<u>522,910</u>
Net Position	<u>\$ 764</u>	<u>\$ 574</u>	<u>\$ 543</u>

FINANCIAL ANALYSIS (CONTINUED)

For the year ended December 31, 2023, the Bond Bank incurred the following changes:

- Loans receivable decreased \$21.0 million as a result of \$15.9 million in loan payments received and \$5.1 million in loan premium amortization.
- Bonds payable decreased \$20.7 million as a result of \$15.6 million in debt principal payments and \$5.1 million in bond premium amortization.
- As of December 31, 2023, there was approximately \$2.1 million of capitalized interest included in investments and funds held for qualified entities that had yet to be paid out related to the 2022 bond issuances, which is a \$3 million decrease from 2022.

For the year ended December 31, 2022, the Bond Bank incurred the following changes:

- Loans receivable decreased \$19.7 million as a result of \$14.4 million in loan payments received and \$5.3 million in loan premium amortization.
- Bonds payable decreased \$19.9 million as a result of \$14.5 million in debt principal payments and \$5.4 million in bond premium amortization.
- As of December 31, 2022, there was approximately \$5.1 million of capitalized interest included in investments and funds held for qualified entities that had yet to be paid out related to the 2022 bond issuances, which is a \$2.7 million decrease from 2021.

The Bond Bank did not issue any new bonds during 2023 or 2022.

The City of Carmel Local Public Improvement Bond Bank's Statements of Revenue, Expenses and Changes in Net Position (In Thousands of Dollars)

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating Revenues:			
Interest	\$23,389	\$23,965	\$21,049
Administrative fees	<u>-</u>	<u>-</u>	<u>97</u>
Total Operating Revenues	<u>23,389</u>	<u>23,965</u>	<u>21,146</u>
Operating Expenses:			
Interest	23,176	23,910	21,061
Administrative costs	<u>23</u>	<u>24</u>	<u>23</u>
Total Operating Expenses	<u>23,199</u>	<u>23,934</u>	<u>21,084</u>
Increase in Net Position	190	31	62
Net Position – Beginning of Year	<u>574</u>	<u>543</u>	<u>481</u>
Net Position – End of Year	<u>\$ 764</u>	<u>\$ 574</u>	<u>\$ 543</u>

FINANCIAL ANALYSIS (CONTINUED)

The Bond Bank had an increase in net position of approximately \$190 thousand during the year ending December 31, 2023. Key elements of this increase are as follows:

- Interest income was greater than interest expense by approximately \$213 thousand.
- No administrative fees were charged in 2023 as no new debt was issued, and administrative costs were \$23 thousand.

The Bond Bank had an increase in net position of approximately \$31 thousand during the year ending December 31, 2022. Key elements of this increase are as follows:

- Interest expense was greater than interest income by approximately \$55 thousand.
- No administrative fees were charged in 2022 as no new debt was issued, and administrative costs were \$24 thousand.

DEBT ADMINISTRATION

Long-term Debt: At the end of the years ending December 31, 2023, 2022 and 2021, the Bond Bank had bonds payable net of unamortized premium of approximately \$467 million, \$488 million and \$508 million, respectively. The bonds payable are secured by specified revenue sources.

**The City of Carmel Local Public Improvement Bond Bank’s Outstanding Debt
(In Thousands of Dollars)**

	December 31, 2023	December 31, 2022	December 31, 2021
Bonds payable	<u>\$466,971</u>	<u>\$487,705</u>	<u>\$507,621</u>

During 2023 and 2022, the Bond Bank did not issue any new bonds.

Following is a summary of the bonds payable activity for 2023 and 2022 (in thousands of dollars):

	Balance at January 1, 2023	Increases	Decreases	Balance at December 31, 2023
Bonds payable	\$447,665	\$ -	\$15,560	\$432,105
Net premium on bonds	<u>40,040</u>	<u>-</u>	<u>5,174</u>	<u>34,866</u>
Total	<u>\$487,705</u>	<u>\$ -</u>	<u>\$20,734</u>	<u>\$466,971</u>
	Balance at January 1, 2022	Increases	Decreases	Balance at December 31, 2022
Bonds payable	\$462,205	\$ -	\$14,540	\$447,665
Net premium on bonds	<u>45,416</u>	<u>-</u>	<u>5,376</u>	<u>40,040</u>
Total	<u>\$507,621</u>	<u>\$ -</u>	<u>\$19,916</u>	<u>\$487,705</u>

DEBT ADMINISTRATION (CONTINUED)

More detailed information about the Bond Bank's debt is presented in Note 5 to the financial statements.

REQUESTS OF INFORMATION

This financial report is designed to provide a general overview of the Bond Bank's finances. Questions concerning any of this information should be addressed to The City of Carmel Local Public Improvement Bond Bank, One Civic Square, Carmel, IN 46032.

FINANCIAL STATEMENTS

THE CITY OF CARMEL LOCAL PUBLIC IMPROVEMENT BOND BANK

**STATEMENTS OF NET POSITION
December 31, 2023 and 2022**

	2023	2022
ASSETS		
Current Assets:		
Cash	\$ 121,203	\$ 134,569
Interest receivable	6,363,297	6,495,886
Investments held by trustees, at fair value	6,724,576	9,252,337
Loans receivable, current	<u>16,108,000</u>	<u>13,359,000</u>
Total Current Assets	<u>29,317,076</u>	<u>29,241,792</u>
Noncurrent Assets:		
Loans receivable, net	<u>448,266,352</u>	<u>472,029,251</u>
Total Noncurrent Assets	<u>448,266,352</u>	<u>472,029,251</u>
Total Assets	<u>477,583,428</u>	<u>501,271,043</u>
LIABILITIES		
Current Liabilities:		
Interest payable	7,477,787	7,665,501
Funds held for qualified entities	2,370,623	5,327,172
Bonds payable - current	<u>18,620,000</u>	<u>15,560,000</u>
Total Current Liabilities	<u>28,468,410</u>	<u>28,552,673</u>
Noncurrent Liabilities:		
Bonds payable, net	<u>448,351,362</u>	<u>472,144,912</u>
Total Noncurrent Liabilities	<u>448,351,362</u>	<u>472,144,912</u>
Total Liabilities	<u>476,819,772</u>	<u>500,697,585</u>
NET POSITION	<u>\$ 763,656</u>	<u>\$ 573,458</u>

See accompanying notes.

THE CITY OF CARMEL LOCAL PUBLIC IMPROVEMENT BOND BANK
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Interest	<u>\$ 23,389,183</u>	<u>\$ 23,964,435</u>
Total Operating Revenues	<u>23,389,183</u>	<u>23,964,435</u>
OPERATING EXPENSES		
Interest	23,176,035	23,910,252
Administrative costs	<u>22,950</u>	<u>23,677</u>
Total Operating Expenses	<u>23,198,985</u>	<u>23,933,929</u>
INCREASE IN NET POSITION	190,198	30,506
NET POSITION		
Beginning of Year	<u>573,458</u>	<u>542,952</u>
End of Year	<u><u>\$ 763,656</u></u>	<u><u>\$ 573,458</u></u>

See accompanying notes.

THE CITY OF CARMEL LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Cash received from interest and administrative fees	\$ 18,348,222	\$ 18,171,066
Cash payments for interest, administrative and other expenses	<u>(18,253,800)</u>	<u>(18,175,132)</u>
Net Cash Provided (Used) by Operating Activities	<u>94,422</u>	<u>(4,066)</u>
INVESTING ACTIVITIES		
Maturities of loans to qualified entities	<u>15,881,000</u>	<u>14,378,000</u>
Net Cash Provided by Investing Activities	<u>15,881,000</u>	<u>14,378,000</u>
NON-CAPITAL FINANCING ACTIVITIES		
Principal payments to reduce indebtedness	(15,560,000)	(14,540,000)
Decrease in funds held for qualified entities	<u>(2,956,549)</u>	<u>(2,723,379)</u>
Net Cash Used by Non-Capital Financing Activities	<u>(18,516,549)</u>	<u>(17,263,379)</u>
NET DECREASE IN CASH AND SHORT-TERM INVESTMENTS	(2,541,127)	(2,889,445)
CASH AND SHORT-TERM INVESTMENTS		
Beginning of Year	<u>9,386,906</u>	<u>12,276,351</u>
End of Year	<u>\$ 6,845,779</u>	<u>\$ 9,386,906</u>
CASH AND SHORT-TERM INVESTMENTS		
Cash	\$ 121,203	\$ 134,569
Investments held by trustees	<u>6,724,576</u>	<u>9,252,337</u>
TOTAL CASH AND SHORT-TERM INVESTMENTS	<u>\$ 6,845,779</u>	<u>\$ 9,386,906</u>
RECONCILIATION OF INCREASE IN NET POSITION TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Increase in net position	\$ 190,198	\$ 30,506
Adjustments to reconcile increase in net position to net cash provided (used) by operating activities:		
Loan premium amortization	5,132,899	5,331,835
Bond premium amortization	(5,173,550)	(5,375,863)
Changes in certain assets and liabilities:		
Interest receivable	132,589	(417,506)
Interest payable	<u>(187,714)</u>	<u>426,962</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 94,422</u>	<u>\$ (4,066)</u>

See accompanying notes.

THE CITY OF CARMEL LOCAL PUBLIC IMPROVEMENT BOND BANK

NOTES TO FINANCIAL STATEMENTS December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The City of Carmel Local Public Improvement Bond Bank (the Bond Bank) was created on January 4, 2016, under applicable State of Indiana statutes. The Bond Bank is a body corporate and politic, separate from the City of Carmel (the City) in its corporate capacity, duly created by and validly existing under the provisions of Indiana Code 5-1.4 as amended (the "Act"), with the right and power to (a) adopt the Resolution, (b) execute and deliver the Bond Documents, the Official Statement and the Bonds, (c) perform its obligations under the Bond Documents and the Bonds, (d) issue, execute, sell and deliver the Bonds to the Purchasers, and (e) carry out and consummate all transactions contemplated by the Bond Documents, the Bonds and the aforementioned proceedings. The Bond Bank is not a City agency and has no taxing power. It has separate corporate and sovereign capacity, and its board is composed of five directors appointed by the Mayor of the City.

The Bond Bank is authorized to buy and sell securities for the purpose of providing funds to the following:

City of Carmel, Indiana
Carmel Redevelopment District

Carmel Redevelopment Authority
Carmel Storm Water District

The Bond Bank enables the qualified entities to issue debt, in some circumstances, at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. To accomplish its purpose, the Bond Bank may issue its own bonds. It also has general powers to enter into, make, and perform contracts of every lawful kind to accomplish its purpose. Bonds and notes are issued by the Bond Bank to provide funds to loan to the qualified entities and are limited obligations of the Bond Bank. They are secured and payable solely from principal and interest payments received by the Bond Bank on loans to qualified entities (evidenced by bonds and notes issued by the qualified entities) that were made from proceeds of the issuance of particular bonds or notes, and in certain issues, from designated funds and earnings held in trust. Owners of the Bond Bank bonds and notes have a claim solely against the payments received on the respective loans to qualified entities made by the Bond Bank with proceeds from the issuance of particular bonds or notes (and other funds held in trust when applicable) and have no claims or rights against any other assets held by the Bond Bank. Indiana statutes permit the Bond Bank to invest in securities authorized by its respective fiduciary documents. These investments include obligations of the U.S. Treasury and U.S. agencies, commercial paper, certificates of deposit, repurchase agreements, passbook savings, money market deposit accounts, guaranteed investment contracts and negotiable order of withdrawal accounts. Repurchase agreements are required to be fully collateralized by interest-bearing obligations as determined by the current market value computed on the day the agreement is effective.

The Bond Bank was established to develop infrastructure and assist in the economic development of the City of Carmel. Accordingly, financial support is provided to certain city initiatives and properties. Such support indirectly maintains the credit rating of the Bond Bank, and helps it achieve its statutory purpose. Board approved financial support expenditures represent support of historical city properties and economic development initiatives.

Basis of Presentation: The Bond Bank is accounted for as a proprietary fund. The financial statements of the Bond Bank have been prepared on the accrual basis of accounting and using the economic resources measurement 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: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents include deposits in financial institutions and short-term investments with original maturities of three months or less. Short-term investments held in trust accounts are considered cash equivalents.

Investments: All investments are reflected at fair value, which is the price that would be received to sell an asset or transfer a liability in an orderly transaction. See Note 3. Changes in the fair value of investments are included in the statements of revenues, expenses and changes in net position.

Loans Receivable: Loans to qualified entities are recorded at cost and adjusted for amortization of discounts or premiums on a basis approximating a constant return rate over the remaining life of the loan. Because there are a small number of significant loans outstanding, management estimates the allowance for loan loss by identifying specific troubled loans. The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. Management does not believe an allowance was necessary as of December 31, 2023 and 2022.

Original Issue Premiums and Discounts: Original issue premiums and discounts on bonds are amortized using a method that approximates the effective interest method over the life of the bonds to which they relate.

Bond Issuance Costs: Bond issuance costs are passed through to the qualified entities.

Income Taxes: The Bond Bank is exempt from federal and state income taxes.

Subsequent Events: The Bond Bank has evaluated the financial statements for subsequent events occurring through February 19, 2024, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

Proceeds of certain bond issues are invested with various banks in their capacity as trustees under trust agreements executed concurrently with the indentures and are pledged to the repayment of certain bonds payable. The Bond Bank Act permits funds to be invested as provided in trust indentures executed by the Bond Bank and based on resolutions of its Board of Directors.

The Bond Bank’s deposits and investments at December 31, 2023, are summarized as follows:

	Cost	Fair Value
Cash	\$ 121,203	\$ 121,203
Investments:		
Money market funds	<u>6,724,576</u>	<u>6,724,576</u>
Total Deposits and Investments	<u>\$ 6,845,779</u>	<u>\$ 6,845,779</u>

The Bond Bank’s deposits and investments at December 31, 2022, are summarized as follows:

	Cost	Fair Value
Cash	\$ 134,569	\$ 134,569
Investments:		
Money market funds	<u>9,252,337</u>	<u>9,252,337</u>
Total Deposits and Investments	<u>\$ 9,386,906</u>	<u>\$ 9,386,906</u>

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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. Cash deposits up to \$250,000 per financial institution are insured by Federal Deposit Insurance Corporation (FDIC). Balances that exceed \$250,000 are covered by the Public Deposit Insurance Fund.

Investments

Investments are restricted for repayment of bonds payable issued under the respective programs (see Note 5). Investments are also restricted to authorized investments per the applicable trust indentures.

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 December 31, 2023, the Bond Bank had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money market funds	<u>\$6,724,576</u>	<u>\$6,724,576</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 in the Bond Bank's name. The Bond Bank has no custodial risk on investments.

Credit Risk

The following table provides information on the credit ratings associated with the Bond Bank's investments at December 31, 2023:

Credit Ratings	S&P	Fitch	Moody's	Fair Value
Money market funds	AAAm	AAAmf	Aaa-mf	<u>\$6,724,576</u>

Concentration of Credit Risk

There are no limits on the amount that may be invested in any one issuer. The following shows investments in issuers that represents 5% or more of the total investments at December 31, 2023:

Investment	Percent of Total Investments
Federal Hermes Treasury Obligation Fund	57%
Federated Government Obligations Fund	42%

NOTE 3 - FAIR VALUE MEASUREMENTS

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.

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 that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Money Market Fund Shares: 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.

Following is a summary, 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 December 31, 2023 and 2022:

	2023	Level 1	Total
Assets			
Investments Held by Trustees:			
Money market fund shares		<u>\$6,724,576</u>	<u>\$6,724,576</u>
Total Assets at Fair Value		<u>\$6,724,576</u>	<u>\$6,724,576</u>
2022			
Assets			
Investments Held by Trustees:			
Money market fund shares		<u>\$9,252,337</u>	<u>\$9,252,337</u>
Total Assets at Fair Value		<u>\$9,252,337</u>	<u>\$9,252,337</u>

NOTE 4 - LOANS RECEIVABLE

All purchases of qualified obligations are authorized by the Board of Directors of the Bond Bank. Prior to being presented to the Board of Directors, an evaluation of each purchase is made by the Bond Bank's management and independent consultants. Repayment of these obligations by the qualified entities is funded by many sources, including property tax revenues and user fees.

The Bond Bank's loans receivable from qualified entities at December 31, 2023 and 2022, were as follows:

	2023	2022
Carmel Redevelopment District, Carmel Redevelopment Authority, and Carmel Storm Water District, Multipurpose Bonds, Series 2016, maturing January 15, 2017 to 2036, with interest ranging from 2% to 5%.	\$176,763,000	\$183,804,000
Carmel Redevelopment District and Carmel Redevelopment Authority, Taxable Special Program Bonds, 2016 (City Center II and Midtown Phase 1A), maturing January 15, 2020 to 2041, with interest ranging from 1.576% to 3.762%.	25,325,000	26,425,000
City of Carmel, Program Bonds, Series 2016 (Waterworks Revenue Bonds), maturing May 1, 2017 to 2028, with interest ranging from 4.125% to 5%.	37,865,000	41,525,000
Carmel Redevelopment Authority Taxable Special Program Bonds, Series 2017 (Midtown South Project) maturing July 15, 2020 to 2042, with interest ranging from 1.973% to 3.864%.	6,720,000	6,980,000
Carmel Redevelopment Authority Special and Taxable Special Program Bonds, Series 2017 (LIT and TIF Supported) maturing July 15, 2018 to 2037, with interest ranging from 2.006% to 5.000%.	66,535,000	68,205,000
Carmel Municipal Facilities Building Corporation Lease Rental Revenue Bonds, Series 2022 (LIT Supported / Property Tax Back-Up) ("LIT/PT Bonds"), maturing January 15, 2025 to 2041, with interest ranging from 3.00% to 4.00%.	32,380,000	32,380,000
City of Carmel Redevelopment Authority Ad Valorem Property Tax Lease Rental Bonds, Series 2022 ("SBT Bonds"), maturing July 15, 2024 to 2041, with interest ranging from 3.00% to 4.00%.	54,225,000	54,225,000
City of Carmel Taxable Redevelopment District Bonds, Series 2022 ("TIF/SBT Bonds"), maturing January 15, 2023 to 2035, with interest ranging from 0.211% to 2.301%.	19,240,000	21,390,000
City of Carmel Taxable Local Income Tax General Obligation Bonds, Series 2022 ("TIF/SBT Bonds"), maturing January 15, 2025 to 2041, with interest ranging from 0.855% to 2.706%.	10,550,000	10,550,000
	<u>429,603,000</u>	<u>445,484,000</u>
Plus: Unamortized premium	34,771,352	39,904,251
	<u>464,374,352</u>	<u>485,388,251</u>
Less: Current portion of loans receivable	<u>(16,108,000)</u>	<u>(13,359,000)</u>
Loans Receivable, net	<u>\$448,266,352</u>	<u>\$472,029,251</u>

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

Loans receivable from qualified entities, registered to the Bond Bank, are either serial, term, or serial and term maturities.

NOTE 5 - BONDS AND NOTES PAYABLE

The Bond Bank's bonds payable at December 31, 2023 and 2022, are summarized as follows:

	2023	2022
Multipurpose Bonds, Series 2016, maturing January 15, 2017 to 2036, with interest ranging from 2% to 5%.	\$177,855,000	\$184,825,000
Taxable Special Program Bonds, Series 2016, maturing January 15, 2020 to 2041, with interest ranging from 1.576% to 3.762%.	25,680,000	26,775,000
Special Program Bonds, Series 2016, maturing June 1, 2017 to 2028, with interest ranging from 3% to 5%.	37,845,000	41,480,000
Taxable Special Program Bonds, Series 2017, maturing July 15, 2020 to 2042, with interest ranging from 1.973% to 3.864%.	6,720,000	6,980,000
Special and Taxable Special Program Bonds, Series 2017, maturing July 15, 2020 to 2042, with interest ranging from 1.973% to 3.864%.	66,535,000	68,205,000
Multipurpose Bonds, Series 2022A, maturing July 15, 2024 to 2041, with interest ranging from 3% to 4%.	86,605,000	86,605,000
Taxable Multipurpose Bonds, Series 2022B, maturing January 15, 2023 to 2041, with interest ranging from 0.211% to 2.706%.	<u>30,865,000</u>	<u>32,795,000</u>
	432,105,000	447,665,000
Plus: Unamortized premium	<u>34,866,362</u>	<u>40,039,912</u>
	466,971,362	487,704,912
Less: Current portion of bonds payable	<u>(18,620,000)</u>	<u>(15,560,000)</u>
Bonds Payable, net	<u>\$448,351,362</u>	<u>\$472,144,912</u>

All of the bond issues listed above are either serial or serial and term maturities.

The faith, credit and taxing power of the City of Carmel or any political subdivision thereof are not pledged to the payment of principal and interest on these obligations.

Scheduled principal payments due on bonds payable outstanding at December 31, 2023, are summarized as follows:

Principal	General Obligation Bonds Payable	Direct Placement Bond Payable	Total
2024	\$ 18,265,000	\$ 355,000	\$ 18,620,000
2025	22,010,000	365,000	22,375,000
2026	25,150,000	380,000	25,530,000
2027	28,165,000	555,000	28,720,000
2028	33,630,000	905,000	34,535,000

NOTE 5 - BONDS AND NOTES PAYABLE (CONTINUED)

Principal (Continued)	General Obligation Bonds Payable	Direct Placement Bond Payable	Total
2029-2033	\$145,530,000	\$ 8,210,000	\$153,740,000
2034-2038	112,005,000	11,805,000	123,810,000
2039-2042	<u>24,775,000</u>	<u>-</u>	<u>33,965,000</u>
	409,530,000	22,575,000	432,105,000
Plus: Unamortized premium on bonds	<u>34,866,362</u>	<u>-</u>	<u>34,866,362</u>
	<u>444,396,362</u>	<u>22,575,000</u>	<u>466,971,362</u>
Interest			
2024	16,868,049	719,600	17,587,649
2025	16,032,078	708,160	16,740,238
2026	15,035,991	696,400	15,732,391
2027	13,915,741	684,080	14,599,821
2028	12,638,321	663,600	13,301,921
2029-2033	45,733,714	2,716,480	48,450,194
2034-2038	13,424,515	953,680	14,378,195
2039-2042	<u>1,227,178</u>	<u>-</u>	<u>1,227,178</u>
	<u>134,875,587</u>	<u>7,142,000</u>	<u>142,017,587</u>
Total Debt Service	<u>\$579,271,949</u>	<u>\$29,717,000</u>	<u>\$608,988,949</u>

Events of Default and Remedies

The bond agreements allow for remedies in case there is an event of default. An event of default can be (i) default in the due and punctual payment of any principal or interest on any bond (ii) the Bond Bank fails to make required remittances to the Trustee within the time limits prescribed in the Bond Bank Indenture (iii) default in carrying out any of its other covenants, agreements, or conditions contained in the bond indenture or in the bonds (iv) any warranty, representation or other statement contained in the bond indenture or in any instrument furnished in compliance with or in reference to the bond indenture is found to be false or misleading in any material respect and not remedied in appropriate time (v) a petition is filed against Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation of any jurisdiction (vi) the Bond Bank is generally not paying their debts as such debts become due and (vii) the Bond Bank is rendered incapable of fulfilling its obligations under the bond indenture.

The remedies include the following (i) the bond trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on the bonds (ii) the bond trustee may by action or suit in equity require the Bond Bank to account as if it were the trustee of an express trust for the owners of the bonds and may take such action with respect to the qualified obligations as the bond trustee deems necessary or appropriate and in the best interest of the owners of the bonds (iii) upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the bond trustee and of the owners of bonds under the bond indenture, the bond trustee will be entitled to the appointment of a receiver or receivers of the trust estate and of the revenues, issues, earnings, income, products and profits and (iv) if the bond trustee certifies that there are sufficient money on deposit in the funds and accounts to pay principal of and accrued interest on bonds outstanding, the trustee may declare the principal of and accrued interest on all bonds to be due and payable immediately in accordance with the provisions of the bond indenture and the act, by notice to the Bond Bank and the Corporation Counsel of the City.

NOTE 5 - BONDS AND NOTES PAYABLE (CONTINUED)

Changes in long-term liabilities were as follows:

2023	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds payable	\$424,755,000	\$ -	\$15,225,000	\$409,530,000	\$18,265,000
Direct placement bonds payable	22,910,000	-	335,000	22,575,000	355,000
Net premium on bonds	<u>40,039,912</u>	<u>-</u>	<u>5,173,550</u>	<u>34,866,362</u>	<u>-</u>
Total	<u>\$487,704,912</u>	<u>\$ -</u>	<u>\$20,733,550</u>	<u>\$466,971,362</u>	<u>\$18,620,000</u>
2022					
General obligation bonds payable	\$438,970,000	\$ -	\$14,215,000	\$424,755,000	\$15,225,000
Direct placement bonds payable	23,235,000	-	325,000	22,910,000	335,000
Net premium on bonds	<u>45,415,777</u>	<u>-</u>	<u>5,375,865</u>	<u>40,039,912</u>	<u>-</u>
Total	<u>\$507,620,777</u>	<u>\$ -</u>	<u>\$19,915,865</u>	<u>\$487,704,912</u>	<u>\$15,560,000</u>

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Bond Bank has loans to qualified entities, all of whom are located in Carmel, Indiana.

OTHER INFORMATION

*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
The City of Carmel Local Public Improvement 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 The City of Carmel Local Public Improvement Bond Bank as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise The City of Carmel Local Public Improvement Bond Bank's basic financial statements, and have issued our report thereon dated February 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City of Carmel Local Public Improvement Bond Bank's internal control over financial reporting (internal control) as a basis for designing 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 City of Carmel Local Public Improvement Bond Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Carmel Local Public Improvement 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Carmel Local Public Improvement 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
February 19, 2024