



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B56068

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 23, 2020

Treasurer of the State of Indiana
Indiana Bond Bank
10 W. Market St., Suite 2410
Indianapolis, Indiana 46204

We have received 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, 2019 to June 30, 2020. 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, 2020, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT WITH
SUPPLEMENTARY AND OTHER INFORMATION

June 30, 2020 and 2019

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

Table of Contents

	Page(s)
Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-10
Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14-39
Required Supplementary Information:	
Schedule of the Bond Bank's Proportionate Share of the Net Pension Liability (Unaudited)	40
Schedule of the Bond Bank's Contributions (Unaudited)	41
Notes to Required Supplementary Information (Unaudited)	42
Other Supplementary Information:	
Supplemental Schedules of Net Position Information by Program Type – June 30, 2020 and 2019	43-44
Supplemental Schedules of Revenues, Expenses and Changes in Net Position Information by Program Type – Years Ended June 30, 2020 and 2019	45-46
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 <i>Government Auditing Standards</i>	47-48

Independent Auditors' Report

Board of Directors
Indiana Bond Bank

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Bond Bank, a component unit of the State of Indiana, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Uniform Compliance Guidelines for Audit of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Indiana Bond Bank as of June 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the schedules of the Indiana Bond Bank's proportionate share of the net pension liability and the Indiana Bond Bank's contributions and the related notes on pages 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedules of net position information by program type and revenues, expenses and changes in net position information by program type on pages 42 through 45 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. Such information has been subjected to the auditing procedures applied in the audits 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, this information is 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 13, 2020, 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 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 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 13, 2020

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, 2020 and 2019

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, 2020 and 2019. Please read it in conjunction with the Bond Bank's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Bonds and notes payable issued during the year ended June 30, 2020, totaled \$384,499,000, including \$234,140,000 of Advance Funding Program Notes.
- Repayments of bonds and notes payable totaled \$365,333,000 including \$143,065,000 of Advance Funding Program Notes during the year ended June 30, 2020.

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 Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by program type.

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

June 30, 2020 and 2019

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, 2020, 2019, and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Position			
Current assets	\$ 347,130,000	\$ 269,293,000	\$ 239,981,000
Noncurrent assets	558,283,000	613,969,000	670,655,000
Total Assets	<u>905,413,000</u>	<u>883,262,000</u>	<u>910,636,000</u>
Deferred Outflows of Resources	<u>9,715,000</u>	<u>9,606,000</u>	<u>13,551,000</u>
Current liabilities	364,521,000	283,217,000	238,137,000
Noncurrent liabilities	535,297,000	594,896,000	671,256,000
Total Liabilities	<u>899,818,000</u>	<u>878,113,000</u>	<u>909,393,000</u>
Deferred Inflows of Resources	<u>32,000</u>	<u>35,000</u>	<u>20,000</u>
Restricted for debt service	798,000	264,000	22,000
Unrestricted	<u>14,480,000</u>	<u>14,456,000</u>	<u>14,752,000</u>
Total Net Position	<u>\$ 15,278,000</u>	<u>\$ 14,720,000</u>	<u>\$ 14,774,000</u>
Revenues, Expenses and Changes in Net Position			
Operating Revenues:			
Interest income	\$ 31,068,000	\$ 32,268,000	\$ 36,778,000
Acceptance and administration fees	1,817,000	893,000	1,827,000
Total Operating Revenues	<u>32,885,000</u>	<u>33,161,000</u>	<u>38,605,000</u>
Operating Expenses:			
Interest	28,643,000	30,488,000	34,531,000
Debt issuance costs	3,289,000	2,018,000	1,878,000
General and administrative	750,000	973,000	668,000
Total Operating Expenses	<u>32,682,000</u>	<u>33,479,000</u>	<u>37,077,000</u>
Operating Income (Loss)	203,000	(318,000)	1,528,000
Nonoperating Revenue	<u>355,000</u>	<u>264,000</u>	<u>151,000</u>
Change in Net Position	558,000	(54,000)	1,679,000
Net Position - Beginning of Year	<u>14,720,000</u>	<u>14,774,000</u>	<u>13,095,000</u>
Net Position - End of Year	<u>\$ 15,278,000</u>	<u>\$ 14,720,000</u>	<u>\$ 14,774,000</u>

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

June 30, 2020 and 2019

Statement of Net Position - June 30, 2020

Total assets and deferred outflows of resources, and total liabilities, deferred inflows of resources, and net position increased by approximately \$22 million in fiscal year 2020 from 2019. The increase in the qualified obligations receivable resulted primarily from approximately \$363 million of principal being repaid to the Bond Bank compared to \$383 million in new Qualified Entity (QE) debt issued. Similarly, there was a corresponding increase in the bonds and notes payable due to \$365 million of principal being paid compared to \$385 million of new debt issued. Included in the other current assets are cash and cash equivalents and accrued interest receivable. Accrued interest payable and accounts payable are included in other current liabilities as well.

Statement of Net Position Reconciliation - 2020

Total Assets as of June 30, 2019		\$ 883,262,000
Increase in current qualified obligations receivable	\$ 76,505,000	
Increase in other current assets	1,332,000	
Decrease in noncurrent qualified obligations receivable	(56,134,000)	
Increase in other noncurrent assets	448,000	
Total Increase in Assets		22,151,000
Total Assets as of June 30, 2020		\$ 905,413,000
Total Deferred Outflows of Resources as of June 30, 2019		\$ 9,606,000
Decrease in fair value of interest rate swaps	\$ (331,000)	
Increase in deferred refunding costs	431,000	
Increase in deferred pension costs	9,000	
Total Increase in Deferred Outflows of Resources		109,000
Total Deferred Outflows of Resources as of June 30, 2020		\$ 9,715,000
Total Deferred Inflows of Resources as of June 30, 2019		\$ 35,000
Decrease in deferred pension costs	\$ (3,000)	
Total Decrease in Deferred Inflows of Resources		(3,000)
Total Deferred Inflows of Resources as of June 30, 2020		\$ 32,000
Total Liabilities and Net Position as of June 30, 2019		\$ 892,833,000
Increase in net position	\$ 558,000	
Increase in current bonds and notes payable	80,889,000	
Increase in other current liabilities	415,000	
Decrease in noncurrent bonds and notes payable	(59,277,000)	
Decrease in other noncurrent liabilities	(322,000)	
Total Increase in Liabilities and Net Position		22,263,000
Total Liabilities and Net Position as of June 30, 2020		\$ 915,096,000

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

June 30, 2020 and 2019

Statement of Net Position - June 30, 2019

Total assets and deferred outflows of resources, and total liabilities and net position and deferred inflows of resources decreased by approximately \$31 million in fiscal years 2019 from 2018. The decrease in the qualified obligations receivable resulted primarily from approximately \$263 million of principal being repaid to the Bond Bank compared to \$234 million in new QE debt issued. Similarly, there was a corresponding decrease in the bonds and notes payable due to \$266 million of principal being paid compared to \$236 million of new debt issued. Included in the other current assets are cash and cash equivalents and accrued interest receivable. Accrued interest payable and accounts payable are included in other current liabilities as well.

Statement of Net Position Reconciliation - 2019

Total Assets as of June 30, 2018		\$	910,636,000
Increase in current qualified obligations receivable	\$ 45,795,000		
Decrease in other current assets	(16,483,000)		
Decrease in noncurrent qualified obligations receivable	(63,963,000)		
Increase in other noncurrent assets	<u>7,277,000</u>		
Total Decrease in Assets			<u>(27,374,000)</u>
Total Assets as of June 30, 2019		\$	<u>883,262,000</u>
Total Deferred Outflows of Resources as of June 30, 2018		\$	13,551,000
Decrease in fair value of interest rate swaps	\$ (1,246,000)		
Decrease in deferred refunding costs	<u>(2,699,000)</u>		
Total Decrease in Deferred Outflows of Resources			<u>(3,945,000)</u>
Total Deferred Outflows of Resources as of June 30, 2019		\$	<u>9,606,000</u>
Total Deferred Inflows of Resources as of June 30, 2019		\$	20,000
Increase in deferred pension costs	<u>\$ 15,000</u>		
Total Increase in Deferred Inflows of Resources			<u>15,000</u>
Total Deferred Inflows of Resources as of June 30, 2019		\$	<u>35,000</u>
Total Liabilities and Net Position as of June 30, 2018		\$	924,167,000
Decrease in net position	\$ (54,000)		
Increase in current bonds and notes payable	44,149,000		
Increase in other current liabilities	931,000		
Decrease in noncurrent bonds and notes payable	(75,103,000)		
Decrease in other noncurrent liabilities	<u>(1,257,000)</u>		
Total Decrease in Liabilities and Net Position			<u>(31,334,000)</u>
Total Liabilities and Net Position as of June 30, 2018		\$	<u>892,833,000</u>

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

June 30, 2020 and 2019

Operating revenues consist of interest income earned on qualified obligations receivable and the related investments. The operating interest income for the fiscal years was 3.8% for 2020, 4.1% for 2019, and 4.5% for 2018 of the related investments. Also included in operating revenues are acceptance and administration fees paid by qualified entities to the Bond Bank's operating program. These fees increased approximately \$924,000 from 2019 to 2020 and decreased \$933,000 from 2018 to 2019.

Operating expenses include interest expense on bonds and notes payable. Interest expense for the fiscal years represented 3.4% for 2020, 3.7% for 2019, and 4.0% for 2018 of the related bonds and notes payable balance. Also included in operating expenses is the actual debt issuance costs and general and administrative expenses such as management fees and arbitrage expense, as well as expenses for the operating program such as professional fees, payroll, and payroll related expenses.

Net position in fiscal year 2020 increased in total approximately \$558,000. Net position restricted for debt service increased approximately \$534,000 and unrestricted net position increased approximately \$24,000. In comparison, net position for fiscal year 2019 decreased approximately \$54,000. Net position restricted for debt service increased approximately \$241,000 and unrestricted net position decreased approximately \$295,000.

DEBT ADMINISTRATION

Below is a listing of the amount of debt issued by program for the fiscal years ended June 30, 2020, 2019, and 2018:

<u>Programs</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Special Program	\$ 75,498,000	\$ -	\$ -
Advance Funding Program	234,140,000	93,555,000	94,147,347
Common School Fund Program	-	87,110,000	74,905,000
USDA - RD Interim Loan Program	74,860,000	55,378,000	26,325,400
Community Funding Resource Program	-	-	175,000

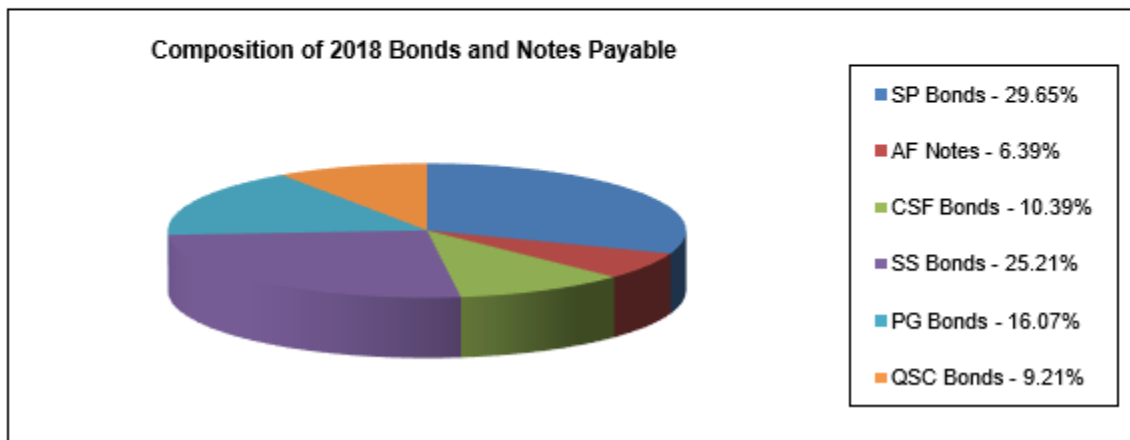
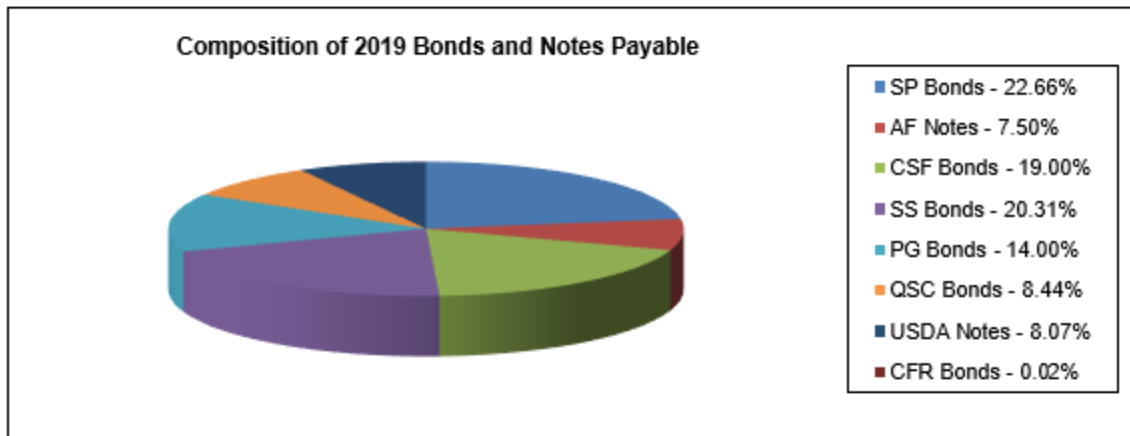
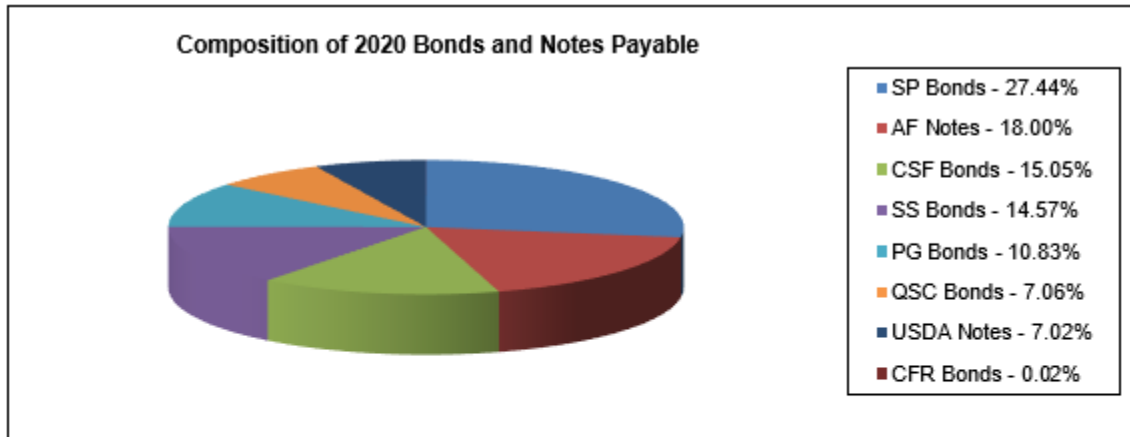
On the following pages are three graphs depicting the composition of bonds and notes payable. The first graph details the composition of bonds and notes payable by program as of June 30, 2020, the second graph shows as of June 30, 2019, and the third graph shows as of June 30, 2018. The composition by program has changed due to the combination of new bonds issued and maturation of old bonds during each of the years.

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 debt can be found in Notes 5 and 6 to the financial statements.

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

June 30, 2020 and 2019



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

June 30, 2020 and 2019

CURRENTLY KNOWN FACTS

On January 30, 2020, the World Health Organization declared a global health emergency over the novel coronavirus known as COVID-19. The extent of the impact of COVID-19 on the Bond Bank's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, all of which are uncertain and cannot be predicted. The Bond Bank has seen a significant increase in its Advanced Funding Program in efforts to assist qualified entities struggling with the impact from COVID-19. The ultimate impact of the outbreak to the Bond Bank's financial results and operations cannot be determined at this time; however, management is taking actions to mitigate the impact of the outbreak to the Bond Bank.

REQUESTS OF INFORMATION

The financial report is designed to provide a general overview of 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, 2020 and 2019**

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 42,171,197	\$ 35,577,986
Investments - short-term	3,883,957	8,455,284
Qualified obligations receivable	292,153,529	215,647,890
Accrued interest receivable	8,921,094	9,611,478
Total Current Assets	<u>347,129,777</u>	<u>269,292,638</u>
Noncurrent assets:		
Guaranteed investment contracts	32,704,424	31,205,513
Investments - long-term	5,049,164	6,100,604
Qualified obligations receivable, net of current portion	520,529,163	576,663,065
Total Noncurrent Assets	<u>558,282,751</u>	<u>613,969,182</u>
 Total Assets	 <u>905,412,528</u>	 <u>883,261,820</u>
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of interest rate swaps	2,885,000	3,216,000
Deferred refunding costs	6,745,105	6,313,965
Pension	85,369	76,142
 Total Deferred Outflows of Resources	 <u>9,715,474</u>	 <u>9,606,107</u>
LIABILITIES		
Current liabilities:		
Bonds and notes payable	319,775,789	238,887,117
Accrued interest payable	9,099,846	10,106,332
Funds held for qualified entities	35,330,264	33,867,909
Accounts payable	315,534	355,969
Total Current Liabilities	<u>364,521,433</u>	<u>283,217,327</u>
Noncurrent liabilities:		
Bonds and notes payable, net of current portion	532,211,142	591,487,722
Net pension liability	200,287	192,273
Derivative instrument liability	2,885,000	3,216,000
Total Noncurrent Liabilities	<u>535,296,429</u>	<u>594,895,995</u>
 Total Liabilities	 <u>899,817,862</u>	 <u>878,113,322</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	31,743	34,569
 Total Deferred Inflows of Resources	 <u>31,743</u>	 <u>34,569</u>
NET POSITION		
Restricted for debt service	798,011	263,809
Unrestricted	14,480,386	14,456,227
 Total Net Position	 <u>\$ 15,278,397</u>	 <u>\$ 14,720,036</u>

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, 2020 and 2019**

	2020	2019
OPERATING REVENUES		
Interest income	\$ 31,068,164	\$ 32,268,057
Acceptance and administration fees	<u>1,817,335</u>	<u>893,273</u>
Total Operating Revenues	<u>32,885,499</u>	<u>33,161,330</u>
OPERATING EXPENSES		
Interest	28,642,686	30,488,241
Debt issuance costs	3,288,808	2,018,064
General and administrative	<u>750,474</u>	<u>972,981</u>
Total Operating Expenses	<u>32,681,968</u>	<u>33,479,286</u>
Operating Income (Loss)	203,531	(317,956)
NONOPERATING REVENUE		
Interest income on investments	<u>354,830</u>	<u>264,425</u>
CHANGE IN NET POSITION	558,361	(53,531)
NET POSITION		
Beginning of Year	<u>14,720,036</u>	<u>14,773,567</u>
End of Year	<u>\$ 15,278,397</u>	<u>\$ 14,720,036</u>

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, 2020 and 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interest, acceptance and administrative fees	\$ 33,575,883	\$ 32,858,158
Cash payments for interest and operating expenses	(33,122,408)	(33,519,800)
Cash payments to suppliers and employees	(606,481)	(772,780)
Net Cash Used by Operating Activities	<u>(153,006)</u>	<u>(1,434,422)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuances	386,514,399	238,103,002
Debt issuance costs paid	(3,288,808)	(2,018,064)
Repayment of bonds and notes payable	(365,333,449)	(266,358,622)
Net Cash Provided (Used) in Non-Capital Financing Activities	<u>17,892,142</u>	<u>(30,273,684)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(44,688,563)	(46,038,049)
Purchases of qualified obligations receivable	(384,045,388)	(233,982,216)
Interest received on investments	354,830	264,425
Maturities of investments	48,812,419	43,226,868
Maturities of qualified obligations receivable	368,420,777	255,916,902
Net Cash Provided (Used) by Investing Activities	<u>(11,145,925)</u>	<u>19,387,930</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,593,211	(12,320,176)
CASH AND CASH EQUIVALENTS		
Beginning of Year	<u>35,577,986</u>	<u>47,898,162</u>
End of Year	<u>\$ 42,171,197</u>	<u>\$ 35,577,986</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest received during the year	\$ 31,758,548	\$ 31,964,885
Interest paid during the year	29,649,172	30,695,912
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 203,531	\$ (317,956)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Changes in certain assets and liabilities:		
Accrued interest receivable	690,384	(303,172)
Accrued interest payable	(1,006,486)	(207,671)
Accounts payable	(40,435)	(605,623)
Net Cash Used by Operating Activities	<u>\$ (153,006)</u>	<u>\$ (1,434,422)</u>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(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 5 for 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:

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

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 below market interest rate for construction projects.

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.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(1) Summary of Significant Accounting Policies (Continued)

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

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, 2020 and 2019, 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. Guaranteed investment contracts are recorded at cost.

Defeasance of Debt

The Bond Bank considers debt to be defeased when cash or other assets are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on a specific obligation. The related liability and assets held in trust for the related bonds are removed from the financial statements.

Retirement Plan

The employees of the Bond Bank participate in the Indiana Public Retirement System (INPRS). See Note 8.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(1) Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019, related to the defined benefit pension plan, including contributions made to the plan between the measurement date of the net pension liability and the end of the Bond Bank's fiscal year, changes in the Bond Bank's allocated proportion from the previous year, and differences between the Bond Bank's contributions to the plan and its proportionate share. The amounts related to changes in the Bond Bank's allocated proportion from the previous year and differences between the Bond Bank's contributions to the plan and its proportionate share 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. In addition, deferred outflows of resources includes the fair market value of interest rate swaps (see Note 6) and deferred refunding costs, which are recognized at the time of refunding and are amortized over the life of the bond.

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, 2020 and 2019, related to the defined benefit pension plan, including actual pension plan investment earnings in excess of the expected amounts and the difference between expected and actual experience on the pension plan included in determining pension expense. These amounts are being amortized into pension expense over the average expected remaining service lines, except 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 into the following net position categories:

- *Restricted* - Net position subject to externally imposed stipulations as to use. These net assets are restricted under the related program's bond indentures.
- *Unrestricted* - Net position which are available for the use of the Bond Bank.

Operating and Nonoperating Revenues

Revenues are classified as either operating or nonoperating. Operating revenues consist of interest income earned on qualified obligations receivable, related investments, and acceptance and administration fees paid by qualified entities to the Bond Bank's operating program. All other items are considered nonoperating.

Subsequent Events

The Bond Bank has evaluated the financial statements for subsequent events occurring through October 13, 2020, the date of which the financial statements were available to be issued. See Note 11.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(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.

The Bond Bank's deposits and investments at June 30, 2020 and 2019 are summarized as follows:

	2020	
	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 37,827,805	\$ 37,827,805
U.S. government agency obligations	12,756,917	12,756,917
Guaranteed investments	32,704,424	32,704,424
Cash	<u>519,596</u>	<u>519,596</u>
Total Deposits and Investments	<u>\$ 83,808,742</u>	<u>\$ 83,808,742</u>
	2019	
	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 32,138,242	\$ 32,138,242
U.S. government agency obligations	17,825,797	17,825,797
Guaranteed investments	31,205,513	31,205,513
Cash	<u>169,835</u>	<u>169,835</u>
Total Deposits and Investments	<u>\$ 81,339,387</u>	<u>\$ 81,339,387</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, 2020 and 2019, the Bond Bank had no cash balances with custodial risk.

Investments

Investments are restricted for repayment of bonds and notes payable issued under the respective programs (see Note 5). Funds deposited under investment agreements with banks and insurance companies earn a fixed interest rate and generally expire upon extinguishment of the debt issues to which they relate. Investments are also restricted to authorized investments per the applicable trust indentures.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(2) Deposits and Investments (Continued)

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, 2020, the Bond Bank had investments with maturities as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Money market funds	\$ 37,827,805	\$ 37,827,805			
Government obligations	12,756,917	7,707,753	\$ 5,049,164		
Guaranteed investments	32,704,424		32,704,424		
Totals	<u>\$ 83,289,146</u>	<u>\$ 45,535,558</u>	<u>\$ 37,753,588</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 no 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, 2020:

Credit Ratings	S & P	Fitch	Moody's	Fair Value
Money market funds	AA-,A+,A-	AA-,A-	Aa1,Aa3,A1	\$37,827,805
Government obligations	AA+	AAA	Aaa	12,756,917
Guaranteed investments	A+	A-	A3	<u>32,704,424</u>
Total Rated Investments				<u>\$ 83,289,146</u>

Concentration of Credit Risk

There are no limits on the amount that may be invested in any one issuer. The following table shows investment issuers that represent 5% or more of the total investment at June 30, 2020:

Aegon Institutional Guaranteed Investment Contracts	39%
U.S. Bank	33%
Bank of New York Cash Reserve	17%
Huntington Collateral Backed Deposit Account	9%

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(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.

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, 2020 and 2019.

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.

Interest Rate Swaps: Valued by a third-party using models which include assumptions about the LIBOR yield curve at the reporting date. The Bond Bank uses the fair value provided by the third-party without adjustment. See Note 6.

For those assets and liabilities measured at fair value, management determines the fair value measurement policies. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(3) Fair Value Measurement (Continued)

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 and liabilities could result in a different fair value measurement at the reporting date.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Bond Bank's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2020 and 2019:

2020	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$37,827,805			\$37,827,805
U.S. government agency obligations	<u> </u>	<u>\$12,756,917</u>		<u>12,756,917</u>
Investments at Fair Value	<u>\$37,827,805</u>	<u>\$12,756,917</u>		<u>\$50,584,722</u>
Liabilities:				
Interest rate swap derivatives			<u>\$2,885,000</u>	<u>\$ 2,885,000</u>
 2019				
Assets:				
Money market funds	\$32,138,242			\$32,138,242
U.S. government agency obligations	<u> </u>	<u>\$17,825,797</u>		<u>17,825,797</u>
Investments at Fair Value	<u>\$32,138,242</u>	<u>\$17,825,797</u>		<u>\$49,964,039</u>
Liabilities:				
Interest rate swap derivatives			<u>\$3,216,000</u>	<u>\$ 3,216,000</u>

At June 30, 2020 and 2019, the Bond Bank had no other assets or liabilities that are measured at fair value on a recurring basis. See Note 6 for further discussion on the interest rate swaps.

(4) Qualified Obligations Receivable

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

In the event of default, the Bond Bank Act provides that certain qualified entities can, to the extent permitted by law, be required to levy tax or the Bond Bank may receive state funding to which the qualified entities are otherwise entitled. No qualified entity has defaulted on its obligation to the Bond Bank since inception of Bond Bank operations.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(4) Qualified Obligations Receivable (Continued)

At June 30, 2020 and 2019, qualified obligations receivable included \$17,985,000 and \$22,280,000, respectively, which is to be repaid from incremental property tax revenues. The ability of the qualified entities to realize these incremental property tax revenues is dependent upon certain economic developments occurring in the future. Furthermore, the Bond Bank does not have the remedies, as described above, available should the qualified entities default due to the realization of insufficient property tax revenues. Management, however, believes the amount of these obligations to be fully collectible. Additionally, the Bond Bank executed letter of credit arrangements with a bank to further secure the related indebtedness to the Bond Bank bondholders (see Note 5 and Note 6).

As of June 30, 2020 and 2019, the Bond Bank's Board of Directors authorized the purchase and subsequent leasing of equipment totaling approximately \$21,842,000 and \$16,469,000, respectively, through the Hoosier Equipment Lease Purchase Program. These lease receivables and related obligations are not reflected in the financial statements as the leases and related obligations have been assigned to a bank and the Bond Bank has been legally released from the obligations.

Qualified obligation receivables typically require semi-annual payments of principal and interest with maturities through January 15, 2039. All rates bear interest at varying rates, which are generally than the corresponding interest rate on the bond or note payable. Refunding principal credits are issued to qualified entities in instances where the corresponding debt has been refunded at a lower interest rate. The refunding principal credits are amortized on an effective interest rate method over the life of the qualified obligation receivable.

At June 30, 2020, maturities of qualified obligations receivable were as follows:

Fiscal Year Ending June 30	Principal
2021	\$ 292,153,529
2022-2026	352,410,592
2027-2031	87,324,536
2032 and after	81,754,670
	813,643,327
Plus: Unamortized premium	6,267,640
Less: Refunding credit	(7,228,275)
	\$ 812,682,692

INDIANA BOND BANK
(A COMPONENT UNITS OF THE STATE OF INDIANA)

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

(5) Bonds and Notes Payable

Bonds and notes payable at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Special Program Bonds:		
Series 2006 D (rates vary from 4.00% to 4.25%, redeemed in 2020)	\$ -	\$ 3,755,000
Series 2007 A (Ref) (rate of 5.25% with maturities from April 1, 2020 to April 1, 2030)	29,865,000	32,095,000
Series 2008 B (rates vary from 5.61% to 5.79% with maturities from May 1, 2029 to May 1, 3034, partially redeemed in 2017)	39,721,801	37,544,262
Series 2009 C (rates vary from 4.00% to 4.77%, redeemed in 2020)	-	14,785,000
Series 2010 A-1 (rates vary from 3.38% to 3.50%, redeemed in 2020)	-	835,000
Series 2010 A-2 (rates of 4.51%, redeemed in 2020)	-	160,000
Series 2010 A-3 (rates vary from 3.38% to 3.80%, redeemed in 2020)	-	300,000
Series 2011 A (Ref) (rates vary from 3.00% to 5.00% with maturities from September 1, 2020 to September 1, 2021)	12,010,000	14,365,000
Series 2012 A (rate of 3.06% with maturities from October 1, 2020 to April 1, 2027)	2,030,439	2,286,849
Series 2012 C (rate of 5.00% with maturities from August 1, 2020 to February 1, 2025)	10,030,000	11,760,000
Series 2012 D (rates vary from 3.00% to 5.00% with maturities from February 1, 2021 to February 1, 2033)	25,325,000	26,765,000
Series 2013 A (rate of 1.84% with maturities from February 1, 2021 to February 1, 2023)	1,690,000	2,230,000
Series 2015 A (Ref) (rate of 2.78% with maturities from August 15, 2020 to February 15, 2027)	12,065,265	13,776,681
Series 2015 B (Ref) (rate of 2.20% with maturities from June 1, 2021 to June 1, 2026)	4,250,000	4,905,000
Series 2015 C (Ref) (rate of 2.85% with maturities from August 1, 2020 to August 1, 2028)	2,390,000	2,620,000
Series 2016 A (Ref) (rate of 1.70% with maturities February 1, 2021 to February 1, 2023)	5,975,000	7,915,000
Series 2016 B (Ref) (rates vary from 1.45% to 4.00% with maturities from August 1, 2020 to February 1, 2024)	6,660,000	8,650,000
Series 2019 A-1 (Ref) (rates vary from 2.50% to 4.00% with maturities from August 1, 2020 to February 1, 2030)	10,815,000	-
Series 2019 A-2 (Ref) (rate of 2.50% to 4.00% with maturities from February 1, 2021 to February 1, 2025)	165,000	-
Series 2019 B (rates vary from 1.86% to 5.00% with maturities from July 15, 2021 to January 15, 2039)	64,661,747	-
	<u>64,661,747</u>	<u>-</u>
Total Special Program Bonds	<u>\$ 227,654,252</u>	<u>\$ 184,747,792</u>

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(5) Bonds and Notes Payable (Continued)

	2020	2019
Advance Funding Program Notes:		
Series 2019 A Special Notes (rate of 1.85%, matured on January 3, 2020)	\$ -	\$ 550,000
Series 2019 A (rate of 4.00%, matured on January 3, 2020)	-	61,050,000
Series 2020 A (rate of 3.00% maturing on January 11, 2021)	76,635,000	-
Series 2020 C Midyear (rate of 0.28% maturing on July 1, 2020 and July 30, 2020)	76,040,000	-
	<u>\$ 152,675,000</u>	<u>\$ 61,600,000</u>
Total Advance Funding Program Notes		
Common School Fund Bonds:		
Series 2017 A (rates vary from 1.74% to 3.70% with maturities from August 1, 2019 to February 2, 2037)	\$ 64,280,000	\$ 70,660,000
Series 2019 A (rates vary from 2.75% to 2.97% with maturities from August 1, 2018 to February 2, 2037)	63,950,000	87,110,000
	<u>\$ 128,230,000</u>	<u>\$ 157,770,000</u>
Total Common School Fund Bonds		
School Severance Program Bonds:		
Series 12A (rates vary from 2.49% to 3.32% with maturities from July 15, 2020 to January 15, 2023)	\$ 3,600,000	\$ 4,735,000
Series 12B (rates vary from 2.69% to 3.52% with maturities from July 15, 2020 to July 15, 2022)	1,210,000	1,675,000
Series 12C (rates vary from 1.20% to 2.56% with maturities from July 15, 2020 to January 15, 2023)	1,435,000	1,900,000
Series 13A (rates vary from 2.13% to 4.03% with maturities from July 15, 2020 to January 15, 2030)	43,290,000	64,100,000
Series 13C (rates vary from 2.73% to 4.34% with maturities from July 15, 2020 to January 13, 2026)	26,415,000	34,630,000
Series 15A (rates vary from 2.05% to 3.93% with maturities from July 15, 2020 to January 15, 2029)	46,970,000	59,745,000
Series 15B (rates vary from 2.00% to 2.15%, matured on January 15, 2020)	-	195,000
Series 15C (rate of 2.25% with maturities from July 15, 2020 to January 15, 2021)	295,000	580,000
Series 15D (rate of 4.75% with maturities from July 15, 2020 to January 15, 2027)	970,000	1,080,000
	<u>\$ 124,185,000</u>	<u>\$ 168,640,000</u>
Total School Severance Program Bonds		
Prepaid Gas Funding Program Bonds:		
Series 2007 A and B		
2007 A Fixed Bonds rate of 5.25%, with maturities from October 15, 2020 to October 15, 2021.		
2007 B-1 LIBOR Index Rate Bonds rates vary based on 67% of the Three-Month LIBOR Rate plus the per annum spread of 0.97%. Rate at June 30, 2020 was 1.17%, maturing on October 15, 2022.		
2007 B-2 BMA Index Rate Bonds rates vary based on the BMA Municipal Swap Index plus the per annum spread 0.66%. Rate at June 30, 2020 was 1.01%, maturing on October 15, 2022.		
	<u>\$ 92,125,000</u>	<u>\$ 115,840,000</u>
Total Prepaid Gas Funding Program Bonds	<u>\$ 92,125,000</u>	<u>\$ 115,840,000</u>

INDIANA BOND BANK
(A COMPONENT UNITS OF THE STATE OF INDIANA)

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

(5) Bonds and Notes Payable (Continued)

	2020	2019
Qualified School Construction Bonds:		
Series 2009 (rates of 1.75% with maturities from January 15, 2021 to January 15, 2025)	\$ 25,816,000	\$ 31,304,000
Series 2010 (rates vary from 5.06% to 5.49% with maturities from July 15, 2020 to July 15, 2026)	34,225,000	38,605,000
Total Qualified School Construction Bonds	\$ 60,041,000	\$ 69,909,000
USDA-RD Interim Loan Program Bonds		
Series 2018 C (rates vary from 2.44% to 2.54%, matured on August 31, 2019)	\$ -	\$ 13,134,400
Series 2018 D (rate of 1.49%, matured on August 15, 2019)	-	10,635,900
Series 2018 E (rate of 1.86%, matured on September 20, 2019)	-	1,354,000
Series 2018 F (rate of 1.98%, matured on December 3, 2019)	-	14,165,000
Series 2018 G (rate of 1.85%, matured on January 3, 2020)	-	3,358,000
Series 2019 A (rate of 1.67%, matured on February 15, 2020)	-	3,419,020
Series 2019 B (rate of 1.55% with maturing on February 23, 2021)	14,769,000	18,634,000
Series 2019 C (rate of 1.55%, matured on May 18, 2020)	-	2,337,750
Series 2019 D (rate of 1.24% with maturities of July 21, 2020 and October 20, 2020)	5,146,250	-
Series 2019 E (rate of 1.09% maturing on November 25, 2020)	10,572,000	-
Series 2019 F (rate of 1.01% maturing on March 19, 2021)	8,394,000	-
Series 2019 G (rate of 1.14% maturing on April 2, 2021)	6,828,000	-
Series 2020 A (rate of 0.82% maturing on February 22, 2021)	2,413,000	-
Series 2020 B (rate of 0.59% with maturities of January 4, 2021 and August 3, 2021)	3,060,000	-
Series 2020 C (rate of 0.12% with maturities of June 2, 2021 and July 2, 2021)	8,639,000	-
Total USDA-RD Interim Loan Program Bonds	\$ 59,821,250	\$ 67,038,070
Community Funding Resource Program Bonds:		
Series 2017 A (rates vary from 2.15% to 2.87% with maturities from July 15, 2020 to January 15, 2026)	\$ 144,838	\$ 166,058
Total Community Funding Resource Program Bonds	\$ 144,838	\$ 166,058
Total	844,876,340	825,710,920
Add: Net unamortized premium	7,110,591	4,663,919
Total Bonds and Notes Payable	851,986,931	830,374,839
Less: Current portion	(319,775,789)	(238,887,117)
Noncurrent Portion of Bonds and Notes Payable	\$ 532,211,142	\$ 591,487,722

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. Assets held in debt service reserve accounts are included in investments and amounted to \$633,002 and \$2,648,948 at June 30, 2020 and 2019, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(5) Bonds and Notes Payable (Continued)

The faith, credit and taxing power of the State of Indiana or any political subdivision thereof are not pledged to the payment of principal and interest on these obligations. However, the following series of Bond Bank bonds are fully insured by a private insurer at June 30, 2020:

Special Program Bonds

Series 2007 A Refunding
Series 2008 B
Series 2011 A Refunding
Series 2016 B Refunding
Series 2019A-1 and Series 2019A-2

The Bond Bank is required under the trust indentures of certain series of Special Program Bonds to enter into letter of credit arrangements with banks in order to secure the indebtedness.

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, 2020 and 2019 were as follows:

<u>Series</u>	<u>2020 Eligible Amount</u>	<u>2019 Eligible Amount</u>
Special Program Bonds, Series 2006 D		\$ 1,584,938
Special Program Bonds, Series 2007 A Refunding	\$ 3,920,650	3,920,650
Special Program Bonds, Series 2010 A-1, A-2 Taxable, A-3 Multipurpose		2,865,702
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 2012 D Refunding	2,727,225	2,727,225
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	
Advance Funding Program Notes, Series 2019 A		5,494,500
Advance Funding Program Notes, Series 2020 A	6,897,150	

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, 2020 or 2019.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(5) Bonds and Notes Payable (Continued)

At June 30, 2020, maturities of long-term debt and interest were as follows:

Fiscal Year Ending June 30	General Purpose Bonds		Direct Placement Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 180,254,317	\$ 23,087,724	\$ 139,521,472	\$ 2,012,588	\$ 319,775,789	\$ 25,100,312
2022	107,537,467	16,904,192	17,795,787	888,742	125,333,254	17,792,934
2023	101,795,867	12,525,565	11,041,575	654,412	112,837,442	13,179,977
2024	38,244,528	9,374,192	7,722,139	437,610	45,966,667	9,811,802
2025	31,089,119	7,827,746	6,779,129	278,509	37,868,248	8,106,255
2026-2030	94,274,353	39,914,154	5,332,252	218,712	99,606,605	40,132,866
2031-2035	62,701,534	50,217,519	-	-	62,701,534	50,217,519
2036-2040	40,786,801	1,658,310	-	-	40,786,801	1,658,310
	<u>656,683,986</u>	<u>\$ 161,509,402</u>	<u>188,192,354</u>	<u>\$ 4,490,573</u>	<u>844,876,340</u>	<u>\$ 165,999,975</u>
Add: Unamortized premium (discount)	<u>7,115,791</u>		<u>(5,200)</u>		<u>7,110,591</u>	
	<u>\$ 663,799,777</u>		<u>\$ 188,187,154</u>		<u>\$ 851,986,931</u>	

The Bond Bank issued \$56,435,000 of debt on behalf of seventeen not-for-profit qualified water utilities. At June 30, 2020 and 2019, the balance outstanding for these qualified water utilities totaled \$3,540,000 and \$4,040,000, respectively. Under the provisions of these debt issues, the bonds are payable solely from the revenues generated by the qualified water utilities. This debt does not constitute a general or moral obligation of the Bond Bank nor are debt service reserve funds maintained for these debt issues. 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 utilities' obligations in the accompanying financial statements.

The Bond Bank is restricted by statute (IC 5-1.5-4-1(c)) to limit its total outstanding debt to \$1,000,000,000. However, the statute allows for the exclusion of bonds and notes issued funding the refunding of bonds or notes, as well as bonds, notes, or other obligations that are not secured by a reserve fund as defined by IC 5-1.5-5. Accordingly, the debt involving not-for-profit water utilities discussed above is not included when computing the Bond Bank's available debt limit. In addition, certain debt recorded in the Bond Bank's financial statements is not included in such a computation due to the provisions described in the statute.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(5) Bonds and Notes Payable (Continued)

A reconciliation of debt outstanding as reflected in the financial statements to the statutory debt limit is as follows:

	2020	2019
Bonds and notes payable - face amount	\$ 844,876,340	\$ 825,710,920
Less: Debt recorded which does not require reserve funds	723,636,075	680,794,239
Debt outstanding for statutory debt limit purposes at June 30	121,240,265	144,916,681
Available remaining debt limit for statutory purposes	878,759,735	855,083,319
Statutory debt limit	\$ 1,000,000,000	\$ 1,000,000,000

The total bonds considered to have been defeased and removed from the financial statements in total have no outstanding principal balances at June 30, 2020 and had outstanding principal balances of approximately \$33,570,000 at June 30, 2019.

Changes in the Bond Bank's long-term liabilities, including unamortized premiums, during fiscal years 2020 and 2019 were as follows:

<u>2020</u>	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
General purpose bonds and notes payable	\$ 699,683,130	\$ 174,394,657	\$ 210,278,010	\$ 663,799,777	\$ 180,254,317	\$ 483,545,460
Direct placement bonds and notes payable	130,691,709	215,250,392	157,754,948	188,187,153	139,521,472	48,665,681
Net pension liability	192,273	8,014	-	200,287	-	200,287
Derivative instrument liability	3,216,000	-	331,000	2,885,000	-	2,885,000
Total	\$ 833,783,112	\$ 389,653,063	\$ 368,363,958	\$ 855,072,217	\$ 319,775,789	\$ 535,296,428
<u>2019</u>	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
General purpose bonds and notes payable	\$ 706,675,215	\$ 149,297,269	\$ 156,289,354	\$ 699,683,130	\$ 175,301,411	\$ 524,381,719
Direct placement bonds and notes payable	154,653,708	87,882,547	111,844,546	130,691,709	63,585,706	67,106,003
Net pension liability	203,000	-	10,727	192,273	-	192,273
Derivative instrument liability	4,462,000	-	1,246,000	3,216,000	-	3,216,000
Total	\$ 865,993,923	\$ 237,179,816	\$ 269,390,627	\$ 833,783,112	\$ 238,887,117	\$ 594,895,995

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(6) Derivative Instruments and Fair Value Measurement

Objective of the Interest Rate SWAP Agreement. In August 2007, in anticipation of issuing the Series 2007 B1, B2, and B3 Gas Prepayment Bonds and protecting, in part, the Bond Bank from the risk of any adverse change in interest rates on the Series 2007 Gas Prepayment Bonds, the Bond Bank entered into a Swap Agreement with JP Morgan Chase Bank N.A. (JP Morgan) to lock in a fixed interest rate.

SUMMARY OF DERIVATIVE INSTRUMENTS (INTEREST RATE SWAPS)

Business-Type Activities	Changes in Fair Value		Fair Value at June 30, 2020	Notional Amount
	Classification	Amount	Amount	
Pay-fixed interest rate swap - LIBOR Index Rate Bonds (B-1)	Deferred Outflow	\$ (102,000)	\$ (1,495,000)	\$ 22,500,000
Pay-fixed interest rate swap - SIFMA Index Rate Bonds (B-2)	Deferred Outflow	433,000	(1,390,000)	15,690,000
		<u>\$ 331,000</u>	<u>\$ (2,885,000)</u>	<u>\$ 38,190,000</u>

Terms for B1 (LIBOR Index). Under the Swap Agreement, the Bond Bank pays interest to JP Morgan on the notional amount set forth in the three month LIBOR agreements at the fixed interest rate of 4.73%, in exchange for which JP Morgan pay interest to the Bond Bank on notional amounts at a variable interest rate equal to 67% of the three month LIBOR plus a spread of .97%. The swap's notional amount of \$22,500,000 at June 30, 2020 matched the variable rate bonds. The obligation began to bear interest on October 15, 2007, and each party is required to make payments, if any, to the other party under the 2007 swap agreements, on the 15th of October, January, April, and July.

Fair Value (LIBOR Index). Because LIBOR interest rates have decreased since execution of the swap Agreement, the swap had a negative fair value of \$1,495,000 at June 30, 2020. The swap's negative fair value may be countered by a decrease in total interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the coupons on the Bond Bank's variable-rate bond adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of the future net settlement on the swap.

Terms for B2 (SIFMA Municipal Swap Index). Under the Swap Agreement, the Bond Bank pays interest to JP Morgan on the notional amount set forth in the weekly SIFMA Municipal Index Swap agreements at the fixed interest rate of 4.80%, in exchange for which JP Morgan pay interest to the Bond Bank on notional amounts at a variable interest rate equal to the weekly SIFMA Municipal Index Swap plus a spread of .66%. The swap's notional amount of \$15,690,000 at June 30, 2020 matches the variable rate bonds. The obligation began to bear interest on October 15, 2007, and each party is required to make payments, if any, to the other party under the 2007 Swap agreements, on the 15th of October, January, April, and July.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(6) Derivative Instruments and Fair Value Measurement (Continued)

Fair Value (SIFMA Municipal Swap Index). Because SIFMA Municipal Swap Index rates have decreased since execution of the swap agreement, the Swap had a negative fair value of \$1,390,000 at June 30, 2020. The swap's negative fair value may be countered by a decrease in total interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the coupons on the Bond Bank's variable-rate bond adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the current weekly SIFMA Municipal Index to be used for the July 15, 2020 swap payment. This method calculates the future net settlement payments required by the swap, assuming that the current weekly SIFMA Municipal Index reflects the fair value of the Swap payments. These payments are then discounted using the current weekly SIFMA Municipal Index swap on the coupon due on the date of the future net settlement on the swap.

Credit Risk. As of June 30, 2020, the Bond Bank was not exposed to credit risk because the index swaps had negative fair values. However, should interest rates change and the fair value of the Swap become positive, the Bond Bank would be exposed to credit risk in the amount of the derivative's fair value.

The Swap Agreement counterparty, JP Morgan, was rated A+ by Standard & Poor's and Aa1 by Moody's Investor Service as of June 30, 2020.

Termination Risk. At any time, the Bond Bank may terminate the Swap Agreement by providing at least a two day written notice to JP Morgan. If at the time of termination the Swap Agreement has a negative fair value, the Bond Bank would be liable to JP Morgan for a payment equal to the swap's fair value.

Swap Payments and Associated Debt. As rates vary, variable-rate bond interest payments and net swap payments will vary for the qualified entities. As of June 30, 2020, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(6) Derivative Instruments and Fair Value Measurement (Continued)

Variable-Rate Bonds (B-1, LIBOR Index)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
2021	\$ -	\$ 577,125	\$ 487,125	\$ 1,064,250
2022	-	577,125	487,125	1,064,250
2023	<u>22,500,000</u>	<u>577,125</u>	<u>487,125</u>	<u>1,064,250</u>
Total	<u>\$ 22,500,000</u>	<u>\$ 1,731,375</u>	<u>\$ 1,461,375</u>	<u>\$ 3,192,750</u>

Variable-Rate Bonds (B-2, SIFMA Index)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
2021	\$ -	\$ 594,808	\$ 158,312	\$ 753,120
2022	-	594,808	158,312	753,120
2023	<u>15,690,000</u>	<u>594,808</u>	<u>158,312</u>	<u>753,120</u>
Total	<u>\$ 15,690,000</u>	<u>\$ 1,784,424</u>	<u>\$ 474,936</u>	<u>\$ 2,259,360</u>

(7) Concentrations of Credit

The Bond Bank has qualified obligations receivable in counties throughout the State of Indiana. The largest concentrations of such receivables are with qualified entities and are as follows:

<u>County</u>	<u>Qualified Obligations Receivable</u>	<u>Concentration Percentage</u>
Marion	\$ 126,881,858	16%
Hamilton	101,002,572	13%
Hendricks	49,071,898	6%

No other county has a concentration over 5% of the total qualified obligations receivable at June 30, 2020.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(8) Employee Benefits

The Bond Bank contributed to the Public Employees' Retirement Fund (PERF), which is administered by INPRS as a cost-sharing, multiple-employer defined benefit plan. PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, or township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two tiers to PERF. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the My Choice: Retirement Savings Plan for Public Employees (My Choice). The Bond Bank does not participate in My Choice.

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.3 and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

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

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

Retirement Benefits – Defined Benefit Pension

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

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(8) Employee Benefits (Continued)

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups. For PERF members who serve as an elected official, the highest one year (total of four consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2019; however, for the year ended June 30, 2019, postretirement benefits of \$29.6 million were issued to members as a 13th check.

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service. As of July 1, 2019, a surviving spouse or a surviving dependent of a member is entitled to a survivor benefit regardless of whether the member dies in service or out of service, if the member has at least 10 years of creditable service, and the surviving spouse or surviving dependent otherwise qualifies for the benefit.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(8) Employee Benefits (Continued)

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.inprs.in.gov/>. Detailed information about the Plan's fiduciary net position is included in the INPRS financial report.

Investment Valuation and Benefit Payment Policies

The pooled and non-pooled investments are reported at fair value by INPRS.

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' annuity savings accounts. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

Significant Actuarial Assumptions

The total pension liability is determined by INPRS actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. In 2019, none of the actuarial assumptions or methods changed.

The accompanying Schedule of Contributions in the Required Supplementary Information presents trend information about the amounts contributed to the plan by employers and a nonemployer contributing entity in comparison to the Actuarially Determined Contribution (ADC). The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and the amortization of any unfunded actuarial accrued liability (or funding excess).

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly-hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(8) Employee Benefits (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Asset valuation date:	June 30, 2019
Liability valuation date and method:	June 30, 2018 – Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Computed April 2015 and reflects the experience period from July 1, 2010 to June 30, 2014
Investment rate of return:	6.75%
Cost of living adjustment:	2020-2021 -13 th check Beginning January 1, 2022 - 0.40% Beginning January 1, 2034 - 0.50% Beginning January 1, 2039 - 0.60%
Future salary increases, including inflation:	2.50% - 4.25%
Inflation:	2.25%
Mortality – Healthy:	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006
Mortality – Disabled:	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006

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

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(8) Employee Benefits (Continued)

	<u>2020</u>	<u>2019</u>	
	Target Asset Allocation	Geometric Basis Long- Term Expected Real Rate of Return	Geometric Basis Long- Term Expected Real Rate of Return
Public Equity	22.0%	4.9%	4.4%
Private Equity	14.0%	7.0%	5.4%
Fixed Income – Ex Inflation-Linked	20.0%	2.5%	2.2%
Fixed Income – Inflation-Linked	7.0%	1.3%	0.8%
Commodities	8.0%	2.0%	2.3%
Real Estate	7.0%	6.7%	6.5%
Absolute Return	10.0%	2.9%	2.7%
Risk Parity	12.0%	5.3%	5.2%

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

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 6.75 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 (5.75 percent), or one percentage point higher (7.75 percent) than the current rate:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
<u>\$321,663</u>	<u>\$200,287</u>	<u>\$99,050</u>

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(8) Employee Benefits (Continued)

Funding Policy

The State is obligated by statute to make contributions to the PERF Hybrid Plan or My Choice. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the Plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the fiscal year ended June 30, 2019, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State and Political Subdivisions.

For My Choice, the State was also required to contribute 11.2 percent of covered payroll. In accordance with IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than the normal cost of the fund and any amount not credited to the member's account shall be applied to the pooled assets of PERF Hybrid Plan. The political subdivisions were required to contribute a supplemental cost of 7.1 percent of covered payroll as of July 1, 2018, which increased to 7.4 percent as of January 1, 2019.

The PERF Hybrid Plan and My Choice members contribute 3 percent of covered payroll to their ASA, which is not used to fund the defined benefit pension for PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The State pays the member's contributions on behalf of the member employed by the State that participate in My Choice. Political subdivisions may choose to pay part or all of the member's contributions on behalf of the member for My Choice. In addition, members of PERF Hybrid and My Choice may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their ASA. Political subdivisions that participate in My Choice may elect to match voluntary contributions at a rate of 50 percent.

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

At June 30, 2020 and 2019, the Bond Bank reported a liability of \$200,287 and \$192,273, 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, 2019 and 2018 measurement date was 0.00606 percent and 0.00566 percent.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(8) Employee Benefits (Continued)

For the years ended June 30, 2020 and 2019, the Bond Bank recognized pension expense of \$44,003 and \$39,482, respectively, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$12,304 and \$9,335, respectively. At June 30, 2020 and 2019, 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>2020</u>		
Differences between expected and actual experience	\$ 5,304	
Net difference between projected and actual earnings on pension plan investments		\$ 9,467
Changes of assumptions	45	21,773
Changes in proportion and differences between Bond Bank contributions and proportionate share of contributions	<u>32,236</u>	<u>503</u>
Total that will be recognized in pension expense based on table below	37,585	31,743
Pension contribution subsequent to measurement date	<u>37,893</u>	_____
Total	<u>\$75,478</u>	<u>\$31,743</u>
<u>2019</u>		
Differences between expected and actual experience	\$ 2,515	\$ 13
Net difference between projected and actual earnings on pension plan investments	5,694	
Changes of assumptions	458	30,872
Changes in proportion and differences between Bond Bank contributions and proportionate share of contributions	<u>32,366</u>	<u>3,684</u>
Total that will be recognized in pension expense based on table below	41,033	34,569
Pension contribution subsequent to measurement date	<u>35,109</u>	_____
Total	<u>\$76,142</u>	<u>\$34,569</u>

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(8) 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
2020	\$6,695
2021	(525)
2022	406
2023	<u>(734)</u>
	<u>\$5,842</u>

(9) Operating Leases

The Bond Bank leases office space as well as office equipment under non-cancelable leases with terms in excess of one year. The following is a schedule of the future minimum rentals under the leases as of June 30, 2020:

Fiscal Year Ending June 30,	Amount
2021	\$ 65,729
2022	60,227
2023	<u>15,372</u>
	<u>\$141,328</u>

In addition to the minimum lease payments, the Bond Bank is required to pay insurance, taxes and a proportional share of operating costs in excess of a basic level for the office space. The aggregate rental expense charged to operations was \$68,047 and \$59,665 for 2020 and 2019, respectively.

(10) Uncertainty Related to Coronavirus

On January 30, 2020, the World Health Organization declared a global health emergency over the novel coronavirus known as COVID-19. The extent of the impact of COVID-19 on the Bond Bank's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, all of which are uncertain and cannot be predicted. The Bond Bank has seen a significant increase in its Advanced Funding Program in efforts to assist qualified entities struggling with the impact from COVID-19. The ultimate impact of the outbreak to the Bond Bank's financial results and operations cannot be determined at this time; however, management is taking actions to mitigate the impact of the outbreak to the Bond Bank.

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

**NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

(11) Subsequent Events

Since July 1, 2020, the Bond Bank has closed 16 Hoosier Equipment Lease Purchase (HELP) program leases. These transactions provided \$9,479,156 in equipment financing assistance to 15 local units of government.

On July 30, 2020, the Bond Bank issued \$64,625,000 of its Midyear Interim Funding Programs Notes, Series 2020 D. This issuance with pre-payments from certain Qualified Entities ("QEs") redeemed the previously issued Midyear Interim Funding Program Notes, Series 2020 C. On September 9th, these notes with pre-payments from certain QEs were redeemed through the issuance of \$36,685,000 in Midyear Funding Program Notes, Series 2020 A. The Midyear Funding Program Notes, Series 2020 A mature January 5, 2021.

The Interim Loan Program is a partnership with the United States Department of Agriculture - Rural Development (USDA-RD), in which the Bond Bank assists local entities with financing their construction costs. On September 23, 2020, the Bond Bank issued \$755,000 in interim loan notes on behalf of the Town of Monroe City. The Bond Bank's USDA-RD Interim Loan Program Notes, Series 2019 E (\$10,572,000) and Series 2019 D (\$2,336,250) were redeemed on September 25, 2020 and September 29, 2020, respectively.

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>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	0.00606%	0.00566%	0.00455%	0.00480%	0.00435%	0.00433%	0.00433%
Bond Bank's proportionate share of the net pension liability	\$ 200,287	\$ 192,273	\$ 203,000	\$ 217,845	\$ 177,171	\$ 113,790	\$ 166,459
Bond Bank's covered-employee payroll	\$ 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	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**	80.10%	78.90%	72.70%	71.20%	73.30%	81.10%	74.30%

*The effort and cost to re-create financial statement information for 10 years was not practical.

Information was prepared prospectively from June 30, 2013 for GASB Statement No. 68 purposes.

** 2013-2017 were adjusted to reflect the Defined Benefit activity only due to the Defined Benefit/Defined Contribution split effective January 1, 2008.

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 35,367	\$ 31,798	\$ 25,291	\$ 24,835	\$ 24,268	\$ 23,697	\$ 22,634
Contributions in relation to the contractually required contribution	<u>35,367</u>	<u>31,798</u>	<u>25,291</u>	<u>24,835</u>	<u>24,268</u>	<u>23,697</u>	<u>22,634</u>
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Bank's covered-employee payroll	\$ 315,779	\$ 283,906	\$ 225,809	\$ 221,741	\$ 216,680	\$ 216,680	\$ 233,338
Contributions as a percentage of covered-employee payroll	11.2%	11.2%	11.2%	11.2%	11.2%	10.9%	9.7%

*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB Statement No. 68 purposes.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2020 and 2019**

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

Plan Amendments: In 2019, the Plan was modified pursuant to House Enrolled Act No. 1059 (HEA 1059). Previously, statute generally required Plan members to have 15 years of service to qualify for a survivor benefit prior to retirement. Statute now allows a qualifying spouse/dependent to receive a benefit if the deceased member had a minimum of 10 years of creditable service. There were no other changes to the Plan that impacted the pension benefits during the fiscal year.

Assumption Changes: In 2019, there were no changes to the assumptions that impacted the Net Position Liability during the fiscal year.

SCHEDULE OF THE BOND BANK'S CONTRIBUTIONS (UNAUDITED)

Methods and Assumptions Used in Calculating Actuarially Determined Contributions: The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution Rates (a):

Asset valuation date and method:	June 30, 2017 - Five year smoothing of gains and losses on the Fair Value of assets subject to a 20% corridor
Liability valuation date and method:	June 30, 2016 - Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2016 to the June 30, 2017 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Actuarial amortization method and period:	Level dollar - 20 years, closed
Remaining amortization period (weighted):	24 years
Investment rate of return:	6.75%
COLA:	1.0%
Future salary increases, including inflation:	2.50% - 4.25%
Inflation:	2.25%

(a) Differs from Note 8 schedule as this table is for funding purposes and Note 8 is for financial reporting purposes. The Actuarially Determined Contributions in a given year are determined based on the actuarial valuation dated two fiscal years prior.

Trends: In 2019, there were no significant trends in contributions to the Plan.

OTHER SUPPLEMENTARY INFORMATION

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

**SUPPLEMENTAL SCHEDULE OF NET POSITION INFORMATION BY PROGRAM TYPE
June 30, 2020**

	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Fuel Budgeting Program	Qualified School Construction Bonds	USDA-RD Loans Program	Community Resource Funding	Eliminations	Total
ASSETS												
Current assets:												
Cash and cash equivalents	\$ 1,811,921	\$ 14,496,689	\$ 6,580,838	\$ 93,910	\$ 14,602,578	\$ 2,625,840	\$ 360,878	\$ 1,334,145	\$ 261,640	\$ 2,758	\$ -	\$ 42,171,197
Investments - short-term	1,282,543	-	2,601,414	-	-	-	-	-	-	-	-	3,883,957
Qualified obligations receivable	14,749,871	139,177,698	225,000	28,605,888	20,959,113	25,955,000	-	9,788,000	52,671,000	21,959	-	292,153,529
Accrued interest receivable	2,143,024	523,244	-	2,500,900	898,892	967,431	-	876,857	1,008,246	2,500	-	8,921,094
Interfund receivables	249,465	-	-	-	-	-	-	-	-	-	(249,465)	-
Total Current Assets	<u>20,236,824</u>	<u>154,197,631</u>	<u>9,407,252</u>	<u>31,200,698</u>	<u>36,460,583</u>	<u>29,548,271</u>	<u>360,878</u>	<u>11,999,002</u>	<u>53,940,886</u>	<u>27,217</u>	<u>(249,465)</u>	<u>347,129,777</u>
Noncurrent assets:												
Guaranteed investment contracts	-	-	-	-	-	32,704,424	-	-	-	-	-	32,704,424
Investments - long-term	-	-	5,049,164	-	-	-	-	-	-	-	-	5,049,164
Qualified obligations receivable, net of current portion	211,461,525	-	191,331	98,812,302	87,656,990	66,247,872	-	49,276,166	6,760,098	122,879	-	520,529,163
Total Noncurrent Assets	<u>211,461,525</u>	<u>-</u>	<u>5,240,495</u>	<u>98,812,302</u>	<u>87,656,990</u>	<u>98,952,296</u>	<u>-</u>	<u>49,276,166</u>	<u>6,760,098</u>	<u>122,879</u>	<u>-</u>	<u>558,282,751</u>
Total Assets	<u>231,698,349</u>	<u>154,197,631</u>	<u>14,647,747</u>	<u>130,013,000</u>	<u>124,117,573</u>	<u>128,500,567</u>	<u>360,878</u>	<u>61,275,168</u>	<u>60,700,984</u>	<u>150,096</u>	<u>(249,465)</u>	<u>905,412,528</u>
DEFERRED OUTFLOWS OF RESOURCES												
Accumulated decrease in fair value of interest rate swaps	-	-	-	-	-	2,885,000	-	-	-	-	-	2,885,000
Deferred refunding costs	3,929,165	-	-	-	2,815,940	-	-	-	-	-	-	6,745,105
Pension	-	-	85,369	-	-	-	-	-	-	-	-	85,369
Total Deferred Outflows of Resources	<u>3,929,165</u>	<u>-</u>	<u>85,369</u>	<u>-</u>	<u>2,815,940</u>	<u>2,885,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,715,474</u>
LIABILITIES												
Current liabilities:												
Bonds and notes payable	15,936,580	152,675,000	-	29,820,000	31,780,000	25,955,000	-	10,733,000	52,854,250	21,959	-	319,775,789
Accrued interest payable	2,184,999	956,882	-	1,583,000	1,770,009	967,431	-	1,067,400	568,325	1,800	-	9,099,846
Funds held for qualified entities	-	-	-	-	-	35,330,264	-	-	-	-	-	35,330,264
Accounts payable	-	-	20,700	-	-	243,700	-	51,134	-	-	-	315,534
Interfund payables	-	-	-	-	249,465	-	-	-	-	-	(249,465)	-
Total Current Liabilities	<u>18,121,579</u>	<u>153,631,882</u>	<u>20,700</u>	<u>31,403,000</u>	<u>33,799,474</u>	<u>62,496,395</u>	<u>-</u>	<u>11,851,534</u>	<u>53,422,575</u>	<u>23,759</u>	<u>(249,465)</u>	<u>364,521,433</u>
Noncurrent liabilities:												
Bonds and notes payable, net of current portion	217,842,760	710,691.00	-	98,410,000	92,394,341	66,335,536	-	49,427,935	6,967,000	122,879	-	532,211,142
Net pension liability	-	-	200,287	-	-	-	-	-	-	-	-	200,287
Derivative instrument liability	-	-	-	-	-	2,885,000	-	-	-	-	-	2,885,000
Total Noncurrent Liabilities	<u>217,842,760</u>	<u>710,691</u>	<u>200,287</u>	<u>98,410,000</u>	<u>92,394,341</u>	<u>69,220,536</u>	<u>-</u>	<u>49,427,935</u>	<u>6,967,000</u>	<u>122,879</u>	<u>-</u>	<u>535,296,429</u>
Total Liabilities	<u>235,964,339</u>	<u>154,342,573</u>	<u>220,987</u>	<u>129,813,000</u>	<u>126,193,815</u>	<u>131,716,931</u>	<u>-</u>	<u>61,279,469</u>	<u>60,389,575</u>	<u>146,638</u>	<u>(249,465)</u>	<u>899,817,862</u>
DEFERRED INFLOWS OF RESOURCES												
Pension	-	-	31,743	-	-	-	-	-	-	-	-	31,743
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>31,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,743</u>
NET POSITION												
Restricted for debt service	(336,825)	(144,942)	-	200,000	739,698	(331,364)	360,878	(4,301)	311,409	3,458	-	798,011
Unrestricted	-	-	14,480,386	-	-	-	-	-	-	-	-	14,480,386
Total Net Position	<u>\$ (336,825)</u>	<u>\$ (144,942)</u>	<u>\$ 14,480,386</u>	<u>\$ 200,000</u>	<u>\$ 739,698</u>	<u>\$ (331,364)</u>	<u>\$ 360,878</u>	<u>\$ (4,301)</u>	<u>\$ 311,409</u>	<u>\$ 3,458</u>	<u>\$ -</u>	<u>\$ 15,278,397</u>

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

**SUPPLEMENTAL SCHEDULE OF NET POSITION INFORMATION BY PROGRAM TYPE
June 30, 2019**

	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Fuel Budgeting Program	Qualified School Construction Bonds	USDA-RD Loans Program	Community Resource Fund	Eliminations	Total
ASSETS												
Current assets:												
Cash and cash equivalents	\$ 4,348,961	\$ 5,292,245	\$ 4,112,750	\$ 171,712	\$ 17,974,704	\$ 2,662,396	\$ 304,119	\$ 702,194	\$ 7,456	\$ 1,449	\$ -	\$ 35,577,986
Investments - short-term	4,466,261	-	3,989,023	-	-	-	-	-	-	-	-	8,455,284
Qualified obligations receivable	15,267,233	57,167,148	424,792	27,753,391	29,286,306	23,715,000	-	9,533,000	52,479,800	21,220	-	215,647,890
Accrued interest receivable	1,811,641	596,353	-	3,058,200	1,213,091	1,225,963	-	1,076,700	626,670	2,860	-	9,611,478
Total Current Assets	25,894,096	63,055,746	8,526,565	30,983,303	48,474,101	27,603,359	304,119	11,311,894	53,113,926	25,529	-	269,292,638
Noncurrent assets:												
Guaranteed investment contracts	-	-	-	-	-	31,205,513	-	-	-	-	-	31,205,513
Investments - long-term	-	-	6,100,604	-	-	-	-	-	-	-	-	6,100,604
Qualified obligations receivable, net of current portion	161,945,406	-	-	128,722,097	118,878,335	92,311,289	-	59,982,340	14,678,760	144,838	-	576,663,065
Total Noncurrent Assets	161,945,406	-	6,100,604	128,722,097	118,878,335	123,516,802	-	59,982,340	14,678,760	144,838	-	613,969,182
Total Assets	187,839,502	63,055,746	14,627,169	159,705,400	167,352,436	151,120,161	304,119	71,294,234	67,792,686	170,367	-	883,261,820
DEFERRED OUTFLOWS OF RESOURCES												
Accumulated decrease in fair value of interest rate swaps												
	-	-	-	-	-	3,216,000	-	-	-	-	-	3,216,000
Deferred refunding costs	2,074,801	-	-	-	4,239,164	-	-	-	-	-	-	6,313,965
Pension	-	-	76,142	-	-	-	-	-	-	-	-	76,142
Total Deferred Outflows of Resources	2,074,801	-	76,142	-	4,239,164	3,216,000	-	-	-	-	-	9,606,107
LIABILITIES												
Current liabilities:												
Bonds and notes payable	17,432,827	61,600,000	-	29,540,000	44,455,000	23,715,000	-	9,868,000	52,255,070	21,220	-	238,887,117
Accrued interest payable	1,932,729	940,775	-	1,735,400	2,244,299	1,225,963	-	1,215,300	809,846	2,020	-	10,106,332
Funds held for qualified entities	-	-	-	-	-	33,867,909	-	-	-	-	-	33,867,909
Accounts payable	-	-	20,242	-	92,027	243,700	-	-	-	-	-	355,969
Total Current Liabilities	19,365,556	62,540,775	20,242	31,275,400	46,791,326	59,052,572	-	11,083,300	53,064,916	23,240	-	283,217,327
Noncurrent liabilities:												
Bonds and notes payable, net of current portion	170,754,509	668,614	-	128,230,000	124,170,523	92,521,003	-	60,215,235	14,783,000	144,838	-	591,487,722
Net pension liability	-	-	192,273	-	-	-	-	-	-	-	-	192,273
Derivative instrument liability	-	-	-	-	-	3,216,000	-	-	-	-	-	3,216,000
Total Noncurrent Liabilities	170,754,509	668,614	192,273	128,230,000	124,170,523	95,737,003	-	60,215,235	14,783,000	144,838	-	594,895,995
Total Liabilities	190,120,065	63,209,389	212,515	159,505,400	170,961,849	154,789,575	-	71,298,535	67,847,916	168,078	-	878,113,322
DEFERRED INFLOWS OF RESOURCES												
Pension												
	-	-	34,569	-	-	-	-	-	-	-	-	34,569
Total Deferred Inflows of Resources	-	-	34,569	-	-	-	-	-	-	-	-	34,569
NET POSITION												
Restricted for debt service	(205,762)	(153,643)	-	200,000	629,751	(453,414)	304,119	(4,301)	(55,230)	2,289	-	263,809
Unrestricted	-	-	14,456,227	-	-	-	-	-	-	-	-	14,456,227
Total Net Position	\$ (205,762)	\$ (153,643)	\$ 14,456,227	\$ 200,000	\$ 629,751	\$ (453,414)	\$ 304,119	\$ (4,301)	\$ (55,230)	\$ 2,289	\$ -	\$ 14,720,036

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

**SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION BY PROGRAM TYPE
Year Ended June 30, 2020**

	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Fuel Budgeting Program	Qualified School Construction Bonds	USDA-RD Loans Program	Community Resource Funding	Total
OPERATING REVENUES											
Interest income	\$ 10,589,059	\$ 1,384,586	\$ -	\$ 4,048,953	\$ 5,786,108	\$ 4,958,873	\$ 4,382	\$ 2,433,426	\$ 1,857,034	\$ 5,743	\$ 31,068,164
Acceptance and administration fees	-	-	749,085	-	-	-	1,068,250	-	-	-	1,817,335
Total Operating Revenues	<u>10,589,059</u>	<u>1,384,586</u>	<u>749,085</u>	<u>4,048,953</u>	<u>5,786,108</u>	<u>4,958,873</u>	<u>1,072,632</u>	<u>2,433,426</u>	<u>1,857,034</u>	<u>5,743</u>	<u>32,885,499</u>
OPERATING EXPENSES											
Interest	8,453,568	979,841	-	3,886,753	5,598,957	4,806,823	1,495,622	2,422,587	994,461	4,074	28,642,686
Debt issuance costs	2,284,520	454,880	-	135,200	-	-	-	-	414,208	-	3,288,808
General and administrative	43,856	6,500	606,939	27,000	13,339	30,000	5,251	10,839	6,250	500	750,474
Total Operating Expenses	<u>10,781,944</u>	<u>1,441,221</u>	<u>606,939</u>	<u>4,048,953</u>	<u>5,612,296</u>	<u>4,836,823</u>	<u>1,500,873</u>	<u>2,433,426</u>	<u>1,414,919</u>	<u>4,574</u>	<u>32,681,968</u>
Operating Income (Loss)	(192,885)	(56,635)	142,146	-	173,812	122,050	(428,241)	-	442,115	1,169	203,531
NONOPERATING REVENUES											
Interest income on investments	-	-	354,830	-	-	-	-	-	-	-	354,830
Change in Net Position Before Transfers	(192,885)	(56,635)	496,976	-	173,812	122,050	(428,241)	-	442,115	1,169	558,361
Transfers	61,822	65,336	(472,817)	-	(63,865)	-	485,000	-	(75,476)	-	-
CHANGE IN NET POSITION	<u>\$ (131,063)</u>	<u>\$ 8,701</u>	<u>\$ 24,159</u>	<u>\$ -</u>	<u>\$ 109,947</u>	<u>\$ 122,050</u>	<u>\$ 56,759</u>	<u>\$ -</u>	<u>\$ 366,639</u>	<u>\$ 1,169</u>	<u>\$ 558,361</u>

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

**SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION BY PROGRAM TYPE
Year Ended June 30, 2019**

	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Fuel Budgeting Program	Qualified School Construction Bonds	USDA-RD Loans Program	Community Resource Funding	Total
OPERATING REVENUES											
Interest income	\$ 9,547,132	\$ 1,249,319	\$ -	\$ 4,233,872	\$ 7,247,668	\$ 6,148,070	\$ 5,253	\$ 2,728,379	\$ 1,101,923	\$ 6,441	\$ 32,268,057
Acceptance and administration fees	-	-	800,343	-	-	-	92,930	-	-	-	893,273
Total Operating Revenues	9,547,132	1,249,319	800,343	4,233,872	7,247,668	6,148,070	98,183	2,728,379	1,101,923	6,441	33,161,330
OPERATING EXPENSES											
Interest	9,546,669	949,991	-	2,950,941	7,106,685	5,968,517	335,519	2,717,340	908,065	4,514	30,488,241
Debt issuance costs	-	428,369	-	1,299,514	-	-	-	-	288,078	2,103	2,018,064
General and administrative	39,884	-	775,123	37,750	15,589	26,133	40,323	11,039	26,640	500	972,981
Total Operating Expenses	9,586,553	1,378,360	775,123	4,288,205	7,122,274	5,994,650	375,842	2,728,379	1,222,783	7,117	33,479,286
Operating Income (Loss)	(39,421)	(129,041)	25,220	(54,333)	125,394	153,420	(277,659)	-	(120,860)	(676)	(317,956)
NONOPERATING REVENUES											
Interest income on investments	-	-	264,425	-	-	-	-	-	-	-	264,425
Change in Net Position Before Transfers	(39,421)	(129,041)	289,645	(54,333)	125,394	153,420	(277,659)	-	(120,860)	(676)	(53,531)
Transfers	(20,278)	28,666	(584,806)	200,000	-	-	334,418	-	42,000	-	-
CHANGE IN NET POSITION	\$ (59,699)	\$ (100,375)	\$ (295,161)	\$ 145,667	\$ 125,394	\$ 153,420	\$ 56,759	\$ -	\$ (78,860)	\$ (676)	\$ (53,531)

OTHER INFORMATION

*Independent Auditors' 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*

Year Ended June 30, 2020

To the 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 statements of net position as of June 30, 2020, 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 13, 2020.

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 may exist that have not been identified.

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 13, 2020