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June 6, 2022

Cynthia Hoye, Executive Director
Indiana State Fair Commission
1202 East 38th Street
Indianapolis, IN 46205

We have reviewed the audit report of the Indiana State Fair Commission, which was opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Indiana State Fair Commission as of December 31, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

Tammy R. White, CPA
Deputy State Examiner

INDIANA STATE FAIR COMMISSION
(A COMPONENT UNIT OF THE
STATE OF INDIANA)

FINANCIAL STATEMENTS
December 31, 2021

INDIANA STATE FAIR COMMISSION
(A COMPONENT UNIT OF THE STATE OF INDIANA)
Indianapolis, Indiana

FINANCIAL STATEMENTS
December 31, 2021

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION.....	8
STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PERF	27
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS – PERF	28

INDEPENDENT AUDITOR'S REPORT

The Members of the Commission
Indiana State Fair Commission
Indianapolis, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Indiana State Fair Commission (Commission), a component unit of the State of Indiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion analysis on pages 3 - 6, the schedule of the Commission's proportionate share of the net pension liability on page 27, and the schedule of the Commission's contributions on page 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
May 20, 2022

INDIANA STATE FAIR COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2021

As management of the Indiana State Fair Commission (Commission), we offer readers of the Commission's basic financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended December 31, 2021.

FINANCIAL HIGHLIGHTS

- The Commission's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$130.6 million (net position). There is a total of \$0.5 million in unrestricted net position internally designated by the Commission for specific purposes. This funding is utilized as a reserve for the annual Indiana State Fair.
- The Commission's current assets increased in 2021 by \$6.8 million. This is primarily attributable to the overall improvement in net operating, as a result of the Commission's core business returning to pre-pandemic levels, including holding the annual Indiana State Fair after it being canceled in 2020 for the first time since World War II.
- Noncurrent assets increased by \$46.0 million in 2021, largely based on the appropriation of capital funding by the State of Indiana to construct the Indiana Farm Bureau Fall Creek Pavilion.
- The Commission's liabilities decreased by \$48.1 million in 2021. This was due primarily to the retirement of the Commission's capital lease obligation. This impacted both current and noncurrent liabilities favorably. With the support of the Governor and the Indiana General Assembly, funds were allocated in 2021 to defease the remaining portion of the debt service on the outstanding bonds related to the Coliseum.
- The Commission's net position increased by \$96.5 million during the current fiscal year. As mentioned above, this is largely due to three key factors. The two largest factors are the retirement of the Commission's capital lease related to the Coliseum (\$43.7 million) and the appropriation of \$50.0 million to build the Indiana Farm Bureau Fall Creek Pavilion. Unrestricted net position improved substantially as well due to a significant improvement in net operating results over 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The State Fair Commission was established per Indiana Code 15-13-2-1 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is a separate body, corporate and politic. The Commission is not a state agency. Therefore, the organization's financial activities are accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting. The Commission's basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Fund Position, Statement of Cash Flows, and the notes to the financial statements. The report also contains required supplementary information in addition to the basic financial statements themselves. All information included in this analysis is presented for the two most recent fiscal years to provide the opportunity for comparison between years.

The Indiana State Fair Foundation was created in July 2011 per Indiana Code 15-13-3-11. The Board of Directors of the Foundation is made up of the Commission members of the Indiana State Fair Commission. Therefore, the Foundation is considered a blended component unit of the Commission for the purpose of financial reporting.

The *Statement of Net Position* presents information on the Commission's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

INDIANA STATE FAIR COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Commission's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. In contrast, the *Statement of Cash Flows* is concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

In addition to the financial statements within this report, the *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the entity's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$130.6 million at the close of the most recent fiscal year.

**Indiana State Fair Commission's Comparative Summary of Net Position
(In Thousands of Dollars)**

	<u>2021</u>	<u>2020</u>
Current assets	\$ 14,301	\$ 7,471
Capital and other non-current assets	<u>121,707</u>	<u>75,660</u>
Total assets	136,008	83,131
 Deferred outflows of resources	 <u>883</u>	 <u>4,087</u>
Current liabilities	3,215	5,370
Noncurrent liabilities	<u>1,140</u>	<u>47,089</u>
Total liabilities	<u>4,355</u>	<u>52,459</u>
 Deferred inflows of resources	 <u>1,947</u>	 <u>688</u>
Net position:		
Net investment in capital assets	73,820	31,336
Restricted	50,577	2,837
Unrestricted	<u>6,192</u>	<u>(102)</u>
Total net position	<u>\$ 130,589</u>	<u>\$ 34,071</u>

Operating revenue increased by \$13.7 million in 2021, due in large part to holding a more normalized year-round event schedule, as well as the annual Indiana State Fair, which was canceled in 2020 due to the pandemic. Despite operating expense increasing proportionately, net operating loss was reduced by \$4.7 million in 2021. In addition, nonoperating income exceeded 2020 by \$91.5 million, largely attributable to the appropriation of funding to build the Indiana Farm Bureau Fall Creek Pavilion (\$50.0 million), as well as the retirement by the State of Indiana of the Commission's Capital Lease obligation (\$43.7 million). The increase in net position of \$96.5 million is one of the largest increases the Commission has experienced in many years, largely due to the continued support of the capital infrastructure of the Indiana State Fairgrounds property.

INDIANA STATE FAIR COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2021

FINANCIAL ANALYSIS (Continued)

**Indiana State Fair Commission's Comparative Summary of Changes in Net Position
(In Thousands of Dollars)**

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Admissions revenue	\$ 5,344	\$ 283
Parking revenue	2,534	859
Facility revenue	5,605	3,870
Concessions revenue	4,001	538
Sponsorship revenue	1,837	487
Other revenue	<u>913</u>	<u>512</u>
Total operating revenue	20,234	6,549
Operating expenses:		
Compensation & benefits	7,882	7,009
Utilities	2,426	1,727
Maintenance	1,896	1,250
Marketing	840	205
Event services & operations	4,265	1,629
Fair production	2,806	264
Safety & security	724	242
Administrative and technology	1,839	1,326
Depreciation & amortization	<u>5,847</u>	<u>5,840</u>
Total operating expenses	28,525	19,492
Operating loss	(8,291)	(12,943)
Nonoperating revenues (expenses):		
State funding:		
General fund appropriations	5,137	5,553
Fall Creek Pavilion – state appropriation	50,000	779
Riverboat distribution	5,372	4,716
Other non-major tax distributions	100	69
Coliseum capital lease retirement	43,731	-
Coliseum roof project	-	2,313
Standardbred racing fund	1,000	1,000
Grants and contributions	403	358
Investment earnings	3	10
(Loss)/gain on disposal of capital assets	(263)	75
Capital lease interest expense	<u>(673)</u>	<u>(1,558)</u>
Net nonoperating revenues	104,810	13,315
Change in net position	<u>\$ 96,519</u>	<u>\$ 372</u>

INDIANA STATE FAIR COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Commission's total capital assets as of December 31, 2021, amounts to \$73.9 million (net of accumulated depreciation). This includes land, land improvements, buildings, equipment, and furnishings and fixtures. The Commission also has \$47.8 million in restricted cash and cash equivalents tied to capital, in particular the funding associated with the construction of the Indiana Farm Bureau Fall Creek Pavilion project in 2022 and thereafter. Net investment in capital assets on December 31, 2021 was \$73.8 million.

Additional information on the Commission's capital assets can be found in the notes to the financial statements.

Debt: On November 9, 2012, the Indiana Finance Authority (IFA) completed a bond issue (Series 2012M); the principal of that bond issue was \$57.6 million. The proceeds were used for the Coliseum Renovation Project. The Commission entered into a Master Use and Occupancy Agreement with the IFA. Per the agreement, the Commission will make lease payments to the IFA for the use of the Coliseum until the Capital Lease is repaid in full.

In January 2020, the Commission partnered with the IFA to perform a bond refunding of the majority of the 2012M debt due to favorable market conditions. As a result, the remainder of the 2012M debt and the new Series 2020A debt made up the 2020 balance of the existing Capital Lease obligation of the Commission.

In 2020, the State of Indiana appropriated funding to the Commission to support the lease payments due to the Commission's significant loss in operating revenues as a result of the COVID-19 global pandemic. In the spring of 2021, the Indiana General Assembly, in its approved biennial budget appropriated funding to retire the remaining debt associated with the Coliseum renovation project.

As a result, in June 2021, the Indiana Finance Authority, through direct appropriation from the State of Indiana, retired the remaining obligations of the Commission on the Capital Lease. The Commission's Capital Lease as of December 31, 2021 has been paid in full, and the Master Use and Occupancy Agreement has been retired.

ECONOMIC OUTLOOK

As with most enterprises in the events and hospitality industries during the global COVID-19 pandemic, market conditions; government mandated shutdowns and capacity restrictions presented challenges to the Commission in 2021. While the Commission is still dealing with some of the effects of the pandemic on the hospitality and events industry, it has seen continue forward momentum to a return to normal conditions.

The Commission, like most other industries is combating heavy price inflation, labor challenges and slightly less in overall event-attendance levels as the pandemic wanes. Aside from this, and the always general uncertainty of economic indicators on the Commission and its customers, there are no significant facts, decision or conditions that are expected that management believes will have a significant impact on the financial position or results of operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of this information should be addressed to Indiana State Fair Commission, 1202 East 38th Street, Indianapolis, IN 46205.

INDIANA STATE FAIR COMMISSION
STATEMENT OF NET POSITION
December 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 10,268,357
Commission designated cash – Indiana State Fair Reserve	500,000
Cash and cash equivalents - Foundation	<u>84,173</u>
Total unrestricted and designated cash and cash equivalents	10,852,530
Restricted cash and cash equivalents	2,952,417
Accounts receivable, net	491,933
Accrued contributions	<u>4,465</u>
Total current assets	14,301,345

Non-current assets:

Restricted cash and cash equivalents, capital	47,799,444
Capital assets, non-depreciated	6,184,513
Capital assets, depreciated, net of accumulated depreciation	<u>67,722,970</u>
Total non-current assets	<u>121,706,927</u>
Total current and noncurrent assets	136,008,272

Deferred Outflows of Resources

Pension	<u>883,012</u>
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Total assets and deferred outflows of resources	<u>\$ 136,891,284</u>
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Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$ 2,399,451
Unearned revenue	569,084
Compensated absences payable	<u>246,332</u>
Total current liabilities	3,214,867

Noncurrent liabilities:

Compensated absences payable	119,342
Net pension liability	<u>1,020,440</u>
Total noncurrent liabilities	<u>1,139,782</u>
Total current and noncurrent liabilities	4,354,649

Deferred inflows of resources

Pension	<u>1,947,048</u>
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Net position

Net investment in capital assets	73,820,225
Restricted – expendable:	
Capital projects	49,012,868
Standardbred racing and facilities	972,647
Foundation programming	<u>592,035</u>
	50,577,550
Unrestricted	<u>6,191,812</u>
Total net position	<u>130,589,587</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 136,891,284</u>
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INDIANA STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended December 31, 2021

Operating revenues:	
Admissions revenue	\$ 5,343,587
Parking revenue	2,534,268
Facility revenue	5,604,550
Concessions revenue	4,001,467
Sponsorship revenue	1,836,832
Other revenue	<u>913,100</u>
Total operating revenue	20,233,804
Operating expenses:	
Compensation & benefits	7,881,907
Utilities	2,426,124
Maintenance	1,896,096
Marketing	840,229
Event services & operations	4,264,774
Fair production	2,806,324
Safety & security	724,307
Administrative & technology	1,838,494
Depreciation and amortization	<u>5,846,625</u>
Total operating expenses	<u>28,524,880</u>
Operating loss	(8,291,076)
Nonoperating revenues (expenses):	
State funding:	
General fund and preventative maintenance appropriation	5,137,252
Fall Creek Pavilion project – state appropriation	50,000,000
Riverboat distribution	5,371,927
Other non-major tax distributions	100,320
Coliseum capital lease retirement	43,731,010
Standardbred racing fund	1,000,000
Grants and contributions	402,513
Investment earnings	2,583
Loss on disposal of capital assets	(262,499)
Capital lease interest expense	<u>(673,277)</u>
Net nonoperating revenues	<u>104,809,829</u>
Change in net position	96,518,753
Total Net Position, January 1	<u>34,070,834</u>
Total Net Position, December 31	<u>\$ 130,589,587</u>

INDIANA STATE FAIR COMMISSION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2021

Cash flows from operating activities:	
Receipts from customers and users	\$ 19,302,063
Payments to suppliers	(13,594,643)
Payments to employees for salary and benefits	<u>(8,630,100)</u>
Net cash used by operating activities	(2,922,680)
Cash flows from noncapital financing activities:	
Tax distributions from State	
General fund appropriations	5,137,252
Other distributions from the State	5,472,247
Standardbred racing fund	500,000
Grants and contributions	<u>23,424</u>
Net cash provided by noncapital financing activities	11,132,923
Cash flows from capital and related financing activities:	
Appropriations from State – Fall Creek Pavilion	50,000,000
Acquisition/construction of capital assets	(5,359,495)
Proceeds from sale of capital assets	43,858
Appropriations from State – Coliseum debt	1,767,684
Principal paid on capital debt	(1,172,500)
Interest paid on capital debt	(673,277)
Grants and contributions	<u>920,914</u>
Net cash used by capital and related financing activities	45,527,184
Cash flows from investing activities:	
Investment income	<u>2,583</u>
Net increase in cash and cash equivalents	53,740,010
Cash and cash equivalents, beginning of period	<u>7,864,381</u>
Cash and cash equivalents, end of period	<u>\$ 61,604,391</u>
Reconciliation of cash, cash equivalents per Statement of Net Position:	
Cash and cash equivalents, current	\$ 10,852,530
Restricted cash and cash equivalents, current	2,952,417
Restricted cash and cash equivalents, non-current	<u>47,799,444</u>
Total	<u>\$ 61,604,391</u>
Noncash Capital and Related Financing Activities	
Extinguishment of capital lease obligation	\$ 41,963,325
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (8,291,076)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	5,846,625
Changes in assets and liabilities:	
Accounts receivable	27,131
Deferred outflows - pension	(300,740)
Accounts payable	1,201,705
Other current liabilities	(11,149)
Unearned revenue	(958,872)
Compensated absences payable	6,070
Net pension liability including deferred inflows	<u>(442,374)</u>
Net cash used by operating activities	<u>\$ (2,922,680)</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Indiana State Fair Commission (Commission) was established per Indiana Code 15-13-2-1 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State. The Commission is a separate body, corporate and politic and is not a state agency. The Commission maintains and develops the Fairgrounds and other properties owned by the Commission. The Indiana State Fair Commission is a non-major discretely presented component unit – proprietary fund, to be included in the State of Indiana's Annual Comprehensive Financial Report (ACFR) because of it being established a separate body, corporate and politic (not a state agency), by Indiana Code 15-13-2-1. Proprietary component units represent funds that are legally separate from the State of Indiana, but provide valuable and beneficial services to the State and its citizens.

Blended Component Unit

Effective July 1, 2011, SEA 478 (2011) authorized the Indiana State Fair Commission to establish a nonprofit subsidiary corporation to solicit and accept private funding. Using this authority, the Indiana State Fair Foundation was established under Indiana Code 15-13-3-11 and received Internal Revenue Service approved 501(c)(3) status. The Foundation is a financially responsible organization that helps create legacies to: enrich the lives of all Hoosiers, provide resources for youth development, communicate the traditions and technology of Indiana Agriculture, preserve and enhance the campus of the Indiana State Fairgrounds in perpetuity. The Foundation is a public charity, qualified to accept tax deductible bequests, devises, transfers and gifts dedicated to support the year-round youth development, education and campus stewardship projects of the Indiana State Fair Commission, and is governed by a Board of Directors consisting of the members of the Commission.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Commission's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments for business-type activities using proprietary fund accounting and reporting as an enterprise fund. Operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing services on a continuing basis be financed and recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the annual state fair, leases and rentals, and usage charges. Operating expenses include the costs of labor, production, maintenance and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 could differ from those estimates.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Restricted assets are released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events. When expenditures are incurred for which both restricted and unrestricted resources are available, it is the standard operating practice to apply restricted resources first, then unrestricted resources as needed.

C. Assets, Liabilities and Net Position

1. Deposits and Investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Short-term investments are investments with remaining maturities of up to 90 days. State statute (IC 5-13-10.5) authorizes the Commission to invest in interest-bearing accounts, passbook savings accounts, certificates of deposit, money-market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit and obligations of the U.S. Treasury, a federal agency, a federal instrumentality, a federal government sponsored enterprise, and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations. At December 31, 2021, the Commission had a money market account with a balance of \$ 47.7 million and the Foundation had funds in a money market savings account of \$608 thousand.

2. Pledges Receivable

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Commission records operating and capital pledges as revenue when all eligibility requirements have been met.

3. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. Periodically, management reviews accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with the collection policy. Management estimated an allowance for doubtful accounts was not necessary at December 31, 2021.

4. Prepaid Expense

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and amortized over the period of the agreement.

5. Capital Assets

Capital assets are reported at actual historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at acquisition value at the time received.

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Position (Continued)

Capitalization thresholds (the dollar values which asset acquisitions are added to the capital asset accounts versus expensing), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 25,000	Straight-line	15 Years
Tunnels	25,000	Straight-line	30 Years
Buildings	25,000	Straight-line	20-40 Years
Building improvements	25,000	Straight-line	4-20 Years
Machinery and equipment	25,000	Straight-line	3-10 Years
Electrical upgrades	25,000	Straight-line	12-15 Years
Furniture and equipment	25,000	Straight-line	5-10 Years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

6. Accounts Payable

Operating payables and contracts payable have been combined on the Statement of Net Position. Contracts payable make up \$876,214 of the combined accounts payable.

7. Compensated Absences

- a. Sick Leave – Commission employees earn sick leave at the rate of 9 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees.
- b. Vacation Leave – Commission employees earn vacation leave at rates from 12 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated indefinitely. Accumulated vacation leave is paid to employees in good standing, through cash payments for up to a maximum of 30 days' vacation upon separation of service.
- c. Personal Leave – Commission employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to a maximum of 3 days. Any personal leave accumulated in excess of 3 days automatically becomes part of the sick leave balance. Accumulated personal leave is not paid to employees.

Vacation leave is accrued when incurred and reported as a liability. No liability is reported for sick or personal leave.

8. Unearned Revenue

Deferred revenue represents payments received for events or sponsorship that have not yet taken place or been fulfilled as of December 31. The income will be recognized in the year the event takes place or the sponsorship is fulfilled.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Position (Continued)

9. Net Position

Net position of the Commission is classified in three components:

- Net investment in capital assets represents capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings and payables used to finance the purchase or construction of those assets.
- Restricted expendable net position is generally noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the State Fair Commission. Restricted expendable net position includes funds dedicated to specific capital projects, the Standardbred Racing Fund, and funds set aside for the Indiana State Fair Foundation Projects.
- Unrestricted net position is remaining net position that do not meet the definition of investment in capital assets. The Commission has designated \$500,000 of unrestricted net position as an internal reserve for the Indiana State Fair.

D. Grants and Contributions

From time to time, the Commission and Foundation receives grants from the State of Indiana as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific purpose are reported as nonoperating revenues.

Total grants and contributions recognized in 2021 was \$402,513.

E. Adoption of New Accounting Pronouncements

For the year ended December 31, 2021, the Commission adopted the following accounting pronouncements. There was no impact on the financial statements upon adoption of these pronouncements.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

II. DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

Federal depository insurance covers \$250,000 of demand deposits. At December 31, 2021, the Indiana State Fair Commission had deposit balances in the amount of \$61,997,254. All funds were held at banks in accounts either insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 or collateralized with securities of the U.S. Government or in municipal obligations with the appropriate credit rating at December 31, 2021. The Commission may be subject to custodial credit risk, which is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Commission does not maintain a deposit policy for custodial credit risk.

B. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, non-depreciated				
Land	\$ 1,362,256	\$ 50,702	\$ (20,357)	\$ 1,392,601
Construction in progress	3,892,753	2,409,567	(1,510,408)	4,791,912
Total capital assets not being depreciated	<u>5,255,009</u>	<u>2,460,269</u>	<u>(1,530,765)</u>	<u>6,184,513</u>
Capital assets, depreciated				
Land improvements	16,237,760	926,436	-	17,164,196
Buildings and improvements	146,384,640	3,191,156	(394,315)	149,181,481
Machinery and equipment	4,807,090	173,701	(14,750)	4,966,041
Office furniture	1,863,177	148,609	-	2,011,786
Totals	<u>169,292,667</u>	<u>4,439,902</u>	<u>(409,065)</u>	<u>173,323,504</u>
Less accumulated depreciation for				
Land improvements	(13,545,394)	(539,532)	-	(14,084,926)
Buildings and improvements	(80,235,451)	(4,904,106)	-	(85,139,557)
Machinery and equipment	(4,460,283)	(151,063)	-	(4,611,346)
Office furniture	(1,605,501)	(159,204)	-	(1,764,705)
Totals	<u>(99,846,629)</u>	<u>(5,753,905)</u>	<u>-</u>	<u>(105,600,534)</u>
Total capital assets, being depreciated, net	<u>69,446,038</u>	<u>(1,314,003)</u>	<u>(409,065)</u>	<u>67,722,970</u>
Total capital assets, net	<u>\$ 74,701,047</u>	<u>\$ 1,146,266</u>	<u>\$ (1,939,830)</u>	<u>\$ 73,907,483</u>

At December 31, 2021, construction in progress consisted of the ongoing construction of the Fall Creek Pavilion. Remaining capital commitments to complete the project are approximately \$47.7 million at December 31, 2021. The project is expected to be completed by Summer 2023.

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

II. DETAILED NOTES ON ACCOUNTS (Continued)

C. Operating Leases

Operating Leases of a Lessee: The Commission, as lessee, entered into an operating lease having initial or remaining noncancelable terms exceeding one year with Konica Minolta in May 2019, for the lease of three BIZHUB model copiers. The lease agreement also includes terms related to maintenance costs. The lease expires in May 2024. The total lease expense for the year ending December 31, 2021 was \$28,374.

Future maximum lease payments under operating leases are as follows:

	<u>\$ Amount</u>
2022	\$ 67,000
2023	67,000
2024	<u>27,917</u>
Total	<u>\$ 161,917</u>

Operating Leases of a Lessor: The Commission is engaged in leasing various facilities to tenants under operating leases expiring over the next 20 years. Substantially all capital assets of the Indiana State Fair Commission are available for leases.

The approximate future minimum lease payments to be received in each of the five succeeding years and thereafter under non-cancelable operating leases are as follows:

	<u>\$ Amount</u>
2022	\$ 2,563,948
2023	2,414,780
2024	1,763,415
2025	1,303,545
2026	1,106,815
2027-2031	5,645,317
2032-2036	5,629,865
2037-2041	<u>3,080,680</u>
Total	<u>\$ 23,508,365</u>

The future minimum lease payments to be received from 2025-2039 are assuming that the lease agreement between the Commission and the Indiana Hockey Club will be renewed for each five-year renewal term.

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

II. DETAILED NOTES ON ACCOUNTS (Continued)

D. Long-Term Liabilities

1. Capital Leases

On November 9, 2012, the Indiana Finance Authority (IFA) completed a bond issue (Series 2012M); the principal of that bond issue was \$57.6 million. The proceeds from that bond were used for the Coliseum Renovation Project. The Commission has entered into a Master Use and Occupancy Agreement with the IFA; per the agreement, the Commission will make lease payments to the IFA for the use of the Coliseum until the bond fully matures.

In January 2020, the Commission worked with the IFA to do an advance refunding issue of some of the Series 2012M bonds and create a new Series 2020A bonds due to favorable market conditions. The refunding issue resulted in the accounting loss of \$3.7 million to the Commission, to be amortized over the life of the bond. The Commission recognized a deferred outflow of resource related to the refunding with a balance of \$3,504,835 at December 31, 2020.

In January 2021, the State of Indiana provided \$1.77 million appropriation to cover principal and interest payments on the capital lease. In June 2021, the State of Indiana appropriated further funding to defease the remaining outstanding portion of bonds tied to the Series 2020A bonds and the Coliseum renovation projection. The State worked directly through the Indiana Finance Authority to defease the debt, and the Commission was subsequently released from its Capital Lease obligation and Master Use and Occupancy Agreement with the IFA. The transaction resulted in a non-operating revenue transaction of \$43.7 million recognized by the Commission in 2021. The Commission has no outstanding long-term capital lease obligations as of December 31, 2021.

2. Changes in Noncurrent Liabilities

Noncurrent liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease payable	\$ 46,640,739	\$ -	\$ (46,640,739)	\$ -	\$ -
Compensated absences	<u>359,603</u>	<u>249,269</u>	<u>(243,198)</u>	<u>365,674</u>	<u>246,332</u>
Total long-term liabilities	<u>\$ 47,000,342</u>	<u>\$ 249,269</u>	<u>\$ (46,883,937)</u>	<u>\$ 365,674</u>	<u>\$ 246,332</u>

E. Designated and Restricted Assets

Cash and investments designated or restricted include the following:

1. **Indiana State Fair Foundation** – There is \$592,035 reported as restricted funds for the Indiana State Fair Foundation. These funds include gifts and grants related to the Coliseum Project Capital Campaign (including related financing) and the Youth and Education funds.

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

II. DETAILED NOTES ON ACCOUNTS (Continued)

2. **Indiana State Fair Reserve** – The net income from the Fair is used to support the operations of the Fairgrounds. The weather has a great deal of impact on the financial results of the Fair and therefore the net income can be volatile. To mitigate the risk of a Fair not meeting anticipated financial goals the Commission has set aside \$500,000 as a designated reserve to be used to meet debt obligations.
3. **Standardbred Racing Fund** – The Commission receives annual distributions from the Standardbred Racing Fund to support standardbred racing and facilities at the State Fairgrounds and to make grants to county fairs to support standardbred racing and facilities at the county fair tracks. Unspent funds are recorded as restricted funds.
4. **Fall Creek Pavilion Fund** – The Commission has restricted the funding appropriated by the State of Indiana to construct the Indiana Farm Bureau Fall Creek Pavilion for only uses specific to that purpose.
5. **Other State Appropriated Project Funds** – The Commission additionally restricts funding for certain repair and replacement projects and line-item capital projects where funding is appropriated by the State of Indiana to be used for the specific purposes of the particular project.

The balances of designated and restricted asset accounts are as follows:

	<u>Amount</u>
Indiana State Fair Foundation	\$ 641,428
Standardbred Racing Fund	972,647
Fall Creek Pavilion	47,721,128
State Funded Repair and Replacement	1,338,342
Coliseum Roof Project	<u>78,316</u>
Total restricted cash	50,751,861
Designated – Indiana State Fair Reserve	<u>500,000</u>
Total designated and restricted assets	<u>\$ 51,251,861</u>

F. Operating Revenue – Expense Reimbursement

The Indiana State Fair Commission receives revenue from the rental of buildings, grounds, equipment and services. The contracts related to rental revenue contain allowances for expenses paid by the Commission on behalf of the client. These expenses can include, but are not limited to, utilities, set-up, tear-down, equipment and clean-up. The costs are passed along to the client. In many cases, the amount billed to the client is not a dollar to dollar pass through. Therefore, the gross revenue received for these services is recorded as reimbursable revenue within facility revenue on the Statement of Revenues, Expenses, and Changes in Net Position. The corresponding expense is recorded under operating expenses.

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

G. Non-Operating Revenue – State Funding

The Indiana State Fair Commission receives state appropriated and statutory funding from various sources. The funding is used to mitigate operating expenses and support capital projects including the payment of capital leases, when necessary.

	<u>\$ Amount</u>
State General Fund appropriations	\$ 5,137,252
Riverboat Supplemental Wagering Tax	5,371,927
Fall Creek Pavilion project	50,000,000
Pari-mutual, off-track betting distribution	78,589
Commercial Vehicle Excise Tax	21,731
Coliseum capital lease retirement	<u>43,731,010</u>
Total State Funding	<u>\$ 104,340,509</u>

III. OTHER INFORMATION

A. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters. The Commission is subject to the protection offered by the Indiana Tort Claims Act. Tort claims shall be paid from the Indiana Tort Claims Fund established at IC 34-13-3-24.

The State Fair Commission generally does not purchase commercial insurance for the risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. However, the Commission does carry property insurance for specific buildings to guard against the destruction of assets, which covers up to \$226 million, and possible loss of business revenue related to such destruction of assets, which covers up to \$12.2 million. Currently, the Commission records, as an expenditure, any loss not covered by property insurance as the liability is incurred or replacement items are purchased.

The State Fair Commission does have a faithful performance bond, as required by statute (IC 15-13-2-15), which covers up to \$50,000 for each of the following: Executive Director, Chief Financial Officer, Commission Chair, and each Commission member. There were no significant reductions in insurance coverage during 2021 and there were no settlements that exceeded insurance coverage during any of the past three fiscal years for those risks that the Commission purchased insurance.

B. Retirement Medical Benefits Account

SEA 501 (2007) established a retirement medical benefits account as a health reimbursement arrangement for eligible state government retirees. Full-time benefited employees of the Indiana State Fair Commission are eligible participants to receive this benefit as outlined in SEA 501. Contributions on behalf of the eligible Indiana State Fair Commission participants are made by the State of Indiana. Therefore, no actuarial information is included in this report. Actuarial information concerning the retirement medical benefits account can be found in the State of Indiana Annual Comprehensive Financial Report.

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

III. OTHER INFORMATION (Continued)

C. Condensed Combining Information

GASB Statement No. 61 requires that combining information be presented for business-type activities that include a blended component unit within a single column on the basic financial statements.

The following summarizes the combining information for the statement of net position as of December 31, 2021:

	2021			
	<u>State Fair</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Assets				
Current assets	\$ 13,607,062	\$ 732,026	\$ (37,743)	\$ 14,301,345
Noncurrent assets	<u>121,706,927</u>	<u>-</u>	<u>-</u>	<u>121,706,927</u>
Total assets	<u>135,313,989</u>	<u>732,026</u>	<u>(37,743)</u>	<u>136,008,272</u>
Deferred outflows of resources	<u>883,012</u>	<u>-</u>	<u>-</u>	<u>883,012</u>
Total assets and deferred outflows of resources	<u>\$ 136,197,001</u>	<u>\$ 732,026</u>	<u>\$ (37,743)</u>	<u>\$ 136,891,284</u>
Liabilities				
Current liabilities	\$ 3,196,792	\$ 55,818	\$ (37,743)	\$ 3,214,867
Noncurrent liabilities	<u>1,139,782</u>	<u>-</u>	<u>-</u>	<u>1,139,782</u>
Total liabilities	<u>4,336,574</u>	<u>55,818</u>	<u>(37,743)</u>	<u>4,354,649</u>
Deferred inflows of resources	1,947,048	-	-	1,947,048
Net investment in capital assets	73,820,225	-	-	73,820,225
Restricted – expendable:	49,985,515	592,035	-	50,577,550
Unrestricted	<u>6,107,639</u>	<u>84,173</u>	<u>-</u>	<u>6,191,812</u>
Total net position	<u>129,913,379</u>	<u>676,208</u>	<u>-</u>	<u>130,589,587</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 136,197,001</u>	<u>\$ 732,026</u>	<u>\$ (37,743)</u>	<u>\$ 136,891,284</u>

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

III. OTHER INFORMATION (Continued)

C. Condensed Combining Information (Continued)

The following summarizes the combining information for the statement of revenues, expenses, and changes in net position for the year ended December 31, 2021:

	2021			
	<u>State Fair</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating revenues				
Operating revenues	\$ 20,231,984	\$ 1,820	\$ -	\$ 20,233,804
Operating expenses				
Depreciation and amortization	5,846,625	-	-	5,846,625
Other operating expenses	<u>22,276,924</u>	<u>401,331</u>	-	<u>22,678,255</u>
Total operating expenses	<u>28,123,549</u>	<u>401,331</u>	-	<u>28,524,880</u>
Operating loss	<u>(7,891,565)</u>	<u>(399,511)</u>	-	<u>(8,291,076)</u>
Nonoperating revenues (expenses)				
State funding	104,340,509	-	-	104,340,509
Standardbred racing fund	1,000,000	-	-	1,000,000
Grants and contributions	(18,401)	420,914	-	402,513
Investment earnings	1,913	670	-	2,583
Loss on disposal of capital asset	(262,499)	-	-	(262,499)
Capital lease interest expense	<u>(673,277)</u>	-	-	<u>(673,277)</u>
Net nonoperating revenues	<u>104,388,245</u>	<u>421,584</u>	-	<u>104,809,829</u>
Change in net position	96,496,680	22,073	-	96,518,753
Beginning net position	<u>33,416,699</u>	<u>654,135</u>	-	<u>34,070,834</u>
Ending net position	<u>\$ 129,913,379</u>	<u>\$ 676,208</u>	<u>\$ -</u>	<u>\$ 130,589,587</u>

The following summarizes the combining information for the statement of cash flows for the year ended December 31, 2021:

	2021			
	<u>State Fair</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Cash flows from operating activities	\$ (2,469,279)	\$ (453,401)	\$ -	\$ (2,922,680)
Cash flows from noncapital financing activities	11,092,833	40,090	-	11,132,923
Cash flows from capital and related financing activities	45,106,270	420,914	-	45,527,184
Cash flows from investing activities	<u>1,913</u>	<u>670</u>	-	<u>2,583</u>
Net increase in cash and cash equivalents	53,731,737	8,273	-	53,740,010
Cash and cash equivalents, beginning of period	<u>7,147,053</u>	<u>717,328</u>	-	<u>7,864,381</u>
Cash and cash equivalents, end of period	<u>\$ 60,878,790</u>	<u>\$ 725,601</u>	<u>\$ -</u>	<u>\$ 61,604,391</u>

III. OTHER INFORMATION (Continued)

D. Pension Plan - Public Employees' Retirement Fund (PERF)

Public Employees' Retirement Fund (PERF):

The Commission contributes to the Public Employees' Retirement Fund (PERF), which is administered by the Indiana Public Retirement System (INPRS).

Public Employees' Retirement System - Defined Benefit Plan

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

PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, along with the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Plans section), a member-funded account.

Retirement benefits provided: A member is entitled to a full retirement benefit 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position. A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is reduced to 44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59.

Disability and survivor benefits provided: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month). If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joints with Two-Thirds Benefits, or Joint with One-Half Survivor Benefits.

The lifetime annual benefit equals years of creditable service multiplied by the average highest five year annual salary multiplied by 1.1 percent (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. Historically, eligible members receive a one-time check (13th check) with the dollar amount tied to years of service.

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

III. OTHER INFORMATION (Continued)

D. Pension Plan - Public Employees' Retirement Fund (PERF) (Continued)

Contributions: Contributions are determined by the INPRS Board of Trustees based on an actuarial valuation. During fiscal year 2021, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members, with 0.44 percent funding a supplemental reserve account for postretirement benefits. No member contributions are required for the defined benefit plan.

The employer contribution requirement, which was made by the Commission, was \$551,048 for 2021 which represents the required 11.2% of covered payroll for 2021.

The following represents the Commission's annual required contributions for the last two years:

<u>Year Ended</u> <u>December 31</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2021	\$ 551,048	100%
2020	\$ 530,427	100%

Financial Report: INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Actuarial Assumptions: The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

- Measurement Date – June 30, 2021
- Asset valuation date – June 30, 2021
- Liability valuation date – June 30, 2020 – Member census data as of June 30, 2020 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2020 and June 30, 2021. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2020 to the June 30, 2021 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%, includes inflation and net of investment expenses
- COLA – In 2021, HEA 1001-2021 granted a 1% COLA beginning January 1, 2022, and no additional postretirement benefit increases through June 30, 2023. The COLA assumption thereafter will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65%
- Inflation – 2.00%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using the SOA Scale MP-2019.

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

III. OTHER INFORMATION (Continued)

D. Pension Plan - Public Employees' Retirement Fund (PERF) (Continued)

The most recent comprehensive experience study, based on member experience between June 30, 2014 and June 30, 2019 was completed in February 2020. The demographic assumptions were approved by the Board in June 2020 and were used beginning with the June 30, 2020 actuarial valuation. Economic assumptions were updated and approved by the Board in May 2021 following the completion of an Asset-Liability student and first used in the June 30, 2021 actuarial valuation.

Changes in Assumptions from the Prior Year:

The following economic assumptions were adopted for the June 30, 2021 actuarial valuation:

- The investment return assumption was lowered from 6.75% (as of June 30, 2020) to 6.25%.
- Price inflation was lowered from 2.25% (as of June 30, 2020) to 2.00%.
- General wage inflation was lowered from 2.75% (as of June 30, 2020) to 2.65%.

Legislation granted a 1.00% cost-of-living adjustment effective January 1, 2022 to paid from the Supplemental Reserve Account. No supplement benefits were granted for fiscal year 2023. This replaces the COLA assumption of 0.4% for Fiscal Years 2022 and 2023 but does not change the assumption for future years.

The long-term return expectation for the INPRS defined benefit retirement plans 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. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.25% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change.

<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Geometric Basis Long-Term Expected Real Rate of Return</u>
Public equity	20.0%	3.6%
Private equity	15.0	7.3
Fixed income – ex inflation - linked	20.0	1.5
Fixed income – inflation - linked	15.0	(0.3)
Commodities	10.0	0.8
Real estate	10.0	4.2
Absolute return	5.0	2.5
Risk parity	20.0	4.4
Leverage Offset	(15.0)	(1.4)
Total	100.0%	

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

III. OTHER INFORMATION (Continued)

D. Pension Plan - Public Employees' Retirement Fund (PERF) (Continued)

Discount rate: Total pension liability for each defined benefit pension plan was calculated using the long-term expected rate of return of 6.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the nonemployee contributing entity) would be made as stipulated by Indiana statute. Projected inflows from investment earnings were calculated using the 6.25 percent long-term assumed investment rate of return. Based on those assumptions, each defined benefit pension plan's Fiduciary Net Position were projected to be available to make all projected future benefit payments of current plan members, therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Sensitivity: The following presents the Commission's share of the net pension liability calculated using the discount rate of 6.25 percent for 2021, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%), or one percentage point higher (7.25%) than the current rate:

	1% Decrease <u>(5.25%)</u>	Current Rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
Proportionate share of the collective net pension liability	\$ 2,668,898	\$ 1,020,440	\$ (354,592)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2021, the Commission reported a liability of \$1,020,440 for its proportionate share of the net pension liability. The Commission's proportionate share of the net pension liability was based on the Commission's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2021 measurement date was 0.0007755 percent. This represents a slight decrease from the prior measurement date. The proportionate share used at the June 30, 2020 measurement date was 0.0009012 percent.

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

III. OTHER INFORMATION (Continued)

D. Pension Plan - Public Employees' Retirement fund (PERF) (Continued)

For the year ended December 31, 2021, the Commission recognized pension income of \$(193,841), which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$(105,739). At December 31, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,902	\$ 20,375
Net difference between projected and actual earnings on pension plan investments	-	1,324,948
Changes in assumptions	513,288	229,210
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>17,762</u>	<u>372,515</u>
Total that will be recognized in pension expense (income) based on table below	565,952	1,947,048
Pension contributions subsequent to measurement date	<u>317,060</u>	-
Total	<u>\$ 883,012</u>	<u>\$ 1,947,048</u>

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of net pension liability in the year ending December 31, 2022, respectively. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5-year period. A change in an employer's proportionate share: represents the change as of the current year measurement date versus the prior year measurement date and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ (405,697)
2023	(364,943)
2024	(231,722)
2025	(378,734)

INDIANA STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

III. OTHER INFORMATION (Continued)

D. Pension Plan – Public Employee’s Retirement fund (PERF) (Continued)

Public Employees’ Retirement Fund - Defined Contribution Plan

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

The Public Employees’ Hybrid Members Defined Contribution Account (PERF Hybrid DC) is the defined contribution component of the Public Employees’ Hybrid Plan. The Public Employees’ Defined Benefit Account (see Defined Benefit Plans section) is the other component of the Public Employees’ Hybrid Plan. Member contributions are set by statute at three percent of compensation, and the employer may choose to make these contributions on behalf of the member. Members are 100 percent vested in their account balance, which includes all contributions and earnings. The Commission has elected to make the required member contributions on behalf of employees.

The Commission made payments on behalf of employees of 3% of covered payroll for the last two years as follows:

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2021	\$ 147,602	100%
2020	\$ 142,079	100%

REQUIRED SUPPLEMENTARY INFORMATION

INDIANA STATE FAIR COMMISSION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY – PERF
December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Commission's proportion of the net pension liability	0.0007755	0.0009012	0.0009317	0.0009152	0.0008958	0.0008684	0.0007841
Commission's proportionate share of the net pension liability	\$ 1,020,440	\$ 2,721,979	\$ 3,079,328	\$ 3,108,976	\$ 3,996,651	\$ 3,941,185	\$ 3,193,562
Commission's covered payroll	\$ 4,275,711	\$ 4,865,206	\$ 4,854,462	\$ 4,669,841	\$ 4,444,103	\$ 4,161,765	\$ 3,755,635
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	23.87%	55.95%	63.43%	66.58%	89.93%	94.70%	85.03%
Plan fiduciary net position as a percentage of the total pension liability	92.51%	81.40%	80.06%	78.90%	76.60%	75.30%	77.30%

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

- Asset valuation date – June 30, 2021
- Liability valuation date – June 30, 2020 – The TPL as of June 30, 2021 was determined based on an actuarial valuation prepared as of June 30, 2020 rolled forward one year to June 30, 2021, using the following key assumptions and other inputs, such as benefit accruals and actual benefits payments during that time period.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%
- COLA – Members in pay were granted a 1.0% COLA on January 1, 2022 and no COLA on January 1, 23. Therefore, the COLA assumption will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65% based on service
- Inflation – 2.00%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

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

Measurement date: Actuarial valuation reports from the prior fiscal year.

INDIANA STATE FAIR COMMISSION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS – PERF
December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 551,048	\$ 530,427	\$ 573,706	\$ 533,419	\$ 489,635	\$ 487,710	\$ 452,597
Contributions in relation to the statutorily required contribution	<u>(551,048)</u>	<u>(530,427)</u>	<u>(573,706)</u>	<u>(533,419)</u>	<u>(489,635)</u>	<u>(487,710)</u>	<u>(452,597)</u>
Annual contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
The Commission's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%	100%
Commission's covered payroll	\$ 4,920,074	\$ 4,735,955	\$ 5,122,400	\$ 4,762,700	\$ 4,372,000	\$ 4,355,000	\$ 4,041,000
Contributions as a percentage of covered payroll	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%

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

Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Actuarial cost method: Entry age normal (Level Percent of Payroll)

Amortization method: Level dollar

Remaining amortization period: 20 years, closed

Asset valuation method: 5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

Inflation: 2.0%

Salary increases: 2.65% - 8.65%

Investment rate of return: 6.25%

Mortality: Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Other information:

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/16 was 9.80%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/17 was 10.11%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/18 was 9.89%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/19 was 10.03%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/20 was 7.83%. In addition, SEA 373-2018 mandated that the cost of any expected postretirement benefit increases after 6/30/2018 be broken out into separate surcharges. The surcharges used in the fiscal year ended 6/30/20 are 0.43% for 7/1/19-12/31/19 and 0.44% for 1/1/20-6/30/20. However, the INPRS Board approved a State employer contribution rate of 11.2%, which includes both the base benefit and surcharge rates. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of the prior year end was used in the valuation and adjusted, where appropriate, to reflect changes during the current fiscal year. Standard actuarial roll forward techniques were then used to project the liabilities computed as of prior year end to the current year measurement date.