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AN EQUAL OPPORTUNITY EMPLOYER

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November 10, 2022

Board of Directors
Indiana Stadium and Convention Building Authority
c/o Indiana Finance Authority
One North Capitol Ave., Suite 900
Indianapolis, Indiana 46204

We have received the audit report of the Indiana Stadium and Convention Building Authority, which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of the Indiana Stadium and Convention Building Authority as of June 30, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

**INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

June 30, 2022 and 2021



**INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF INDIANA)**

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Independent Auditors' Report

Board Members
Indiana Stadium and Convention Building Authority

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Indiana Stadium and Convention Building Authority, a component unit of the State of Indiana, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Indiana Stadium and Convention Building Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Indiana Stadium and Convention Building Authority, as of June 30, 2022 and 2021, and the respective changes in financial position and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Indiana Stadium and Convention Building Authority 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 Indiana Stadium and Convention Building Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 on our consideration of Indiana Stadium and Convention Building Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Indiana Stadium and Convention Building Authority'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 Stadium and Convention Building Authority's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 28, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2022 and 2021

As management of Indiana Stadium and Convention Building Authority (the Building Authority), we offer readers of the basic financial statements this narrative overview, Management's Discussion and Analysis (MD&A), of the financial activities of the Building Authority for the fiscal years ended June 30, 2022, 2021 and 2020.

ORGANIZATIONAL STRUCTURE AND BACKGROUND

Organizational Structure: Effective May 15, 2005, Indiana Stadium and Convention Building Authority was established pursuant to House Bill 1120, which is codified at Ind. Code 5-1-17, as an entity of the State to finance, design, construct and own the new Indiana Stadium in Indianapolis and the expansion of the adjacent Indiana Convention Center.

The Building Authority is governed by a seven-member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. Day-to-day operations of the Building Authority are managed by the Executive Director.

Indiana Finance Authority (IFA) facilitated a portion of the project funding through the issuance of \$1 billion of lease appropriation bonds to finance a portion of the construction projects. IFA then entered into loan agreements with the Building Authority structured with a payment schedule to meet debt service requirements on the bonds.

IFA has specific responsibilities as the issuer under the trust indenture that provides guidance for the treatment of sources and uses of funds. Relevant to the Building Authority's financial statement reporting, IFA's responsibilities include, but are not limited to:

- Authorization to the trustee for the release of trust funds (cash disbursements),
- Monitoring of cash receipts to the trust in accordance with the trust indenture,
- Monitoring of the trust investment policies and coordination of the nature, timing and extent of investment activity within the trust accounts.

Because IFA performs these activities that impact the Building Authority's financial statements, the Building Authority has formalized an agreement with IFA dated May 21, 2007 specifying IFA's responsibilities with regards to personnel management, investments, cash receipts, and cash disbursements.

Project Background: The Indiana Stadium is named Lucas Oil Stadium, pursuant to a naming rights agreement between the Indianapolis Colts (the Colts) and Lucas Oil. Lucas Oil Stadium was completed in 2008. Lucas Oil Stadium is leased to Indiana's Office of Management and Budget (the IOMB) and subleased to and operated by the Capital Improvement Board of Managers of Marion County (the CIB). The CIB has, in turn, entered into a sublease with the Colts, pursuant to which the Colts will play their home NFL games within Lucas Oil Stadium. Lucas Oil Stadium is marketed by the CIB, in conjunction with the Indianapolis Convention and Visitors Association, to host NCAA and other sporting events, conventions, concerts, trade shows, and other major public events.

In order to expand the Convention Center, the Building Authority demolished the RCA Dome and proceeded to finance, design, construct and own an expansion to the Indiana Convention Center, which is located on the former site of the RCA Dome. The Convention Center Expansion was substantially completed in 2011 and is also leased to the IOMB and then subleased to, and operated by, the CIB. The CIB continues to own and operate the existing Indiana Convention Center.

**INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2022 and 2021**

OVERVIEW OF THE PROJECT COSTS

The combined development and construction budget for Lucas Oil Stadium and the Convention Center Expansion, exclusive of financing and issuance costs and certain other costs related to the pedestrian connector, was approximately \$998.8 million. This included approximately \$723.8 million for Lucas Oil Stadium and approximately \$275 million for the Convention Center Expansion.

FINANCIAL ANALYSIS

**Indiana Stadium and Convention Building Authority
Statements of Net Position (in thousands of dollars)
June 30,**

	2022	2021	2020
Current assets	\$ 33,558	\$ 80,196	\$ 76,811
Noncurrent assets	<u>966,197</u>	<u>907,290</u>	<u>919,302</u>
Total assets	<u>999,755</u>	<u>987,486</u>	<u>996,113</u>
 Deferred outflows of resources	 <u>62,626</u>	 <u>160,437</u>	 <u>200,380</u>
 Current liabilities	 33,201	 28,352	 27,306
Noncurrent liabilities	<u>1,037,225</u>	<u>1,094,413</u>	<u>1,146,368</u>
Total liabilities	<u>1,070,426</u>	<u>1,122,765</u>	<u>1,173,674</u>
 Restricted net position	 <u>(8,045)</u>	 <u>25,158</u>	 <u>22,819</u>
 Total net position	 <u>\$ (8,045)</u>	 <u>\$ 25,158</u>	 <u>\$ 22,819</u>

The majority of current assets include investments that represent direct loan payments received from the CIB. Noncurrent assets consist of direct-financing loans receivables for Lucas Oil Stadium and the Convention Center Expansion. Historically, deferred outflows of resources were primarily related to changes in the fair value of hedging derivatives. The balance, historically, had a corresponding noncurrent derivative instrument liability. In 2022, the swap was terminated. Deferred outflows of resources also relate to a deferred loss and swap termination cost from the refunding of various bonds/notes and the termination of interest rate swaps in 2015. These balances are being amortized into interest and financing expense over the life of the refunding bonds/notes.

The majority of current liabilities include interest payable and notes payable to IFA that are due within one year. The majority of noncurrent liabilities include notes payable to IFA in respect of its Lease Appropriation Bonds issued for the purpose of financing the costs of the Stadium and Convention Center Expansion Projects that are due after one year.

In fiscal year 2022, IFA issued Series 2022A Bonds for \$346.85 million and a premium of \$75.69 million, which was used to refund Series 2005A Bond, 2007A and 2008A under the Stadium Expansion, and to make a swap termination payment of \$81.35 million. IFA entered into underlying note agreements with the Building Authority.

In fiscal year 2020, IFA issued Series 2019G Bond for \$73.29 million, which was a refunding of Series 2008A Bond under the Convention Center Expansion. IFA entered into underlying note agreements with the Building Authority.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2022 and 2021

FINANCIAL ANALYSIS (CONTINUED)

Indiana Stadium and Convention Building Authority
Statements of Revenues, Expenses and Changes in Net Position (in thousands of dollars)
Years Ended June 30,

	2022	2021	2020
Operating Revenues			
Loan financing revenue	\$ 16,750	\$ 50,509	\$ 50,692
Build America Bonds rebate	4,518	4,188	4,160
Interest income	26	40	1,091
Total Revenues	<u>21,294</u>	<u>54,737</u>	<u>55,943</u>
Operating Expenses			
Interest and financing expense	51,853	52,040	52,190
Other expenses	2,644	358	400
Total Expenses	<u>54,497</u>	<u>52,398</u>	<u>52,590</u>
Change in Net Position	(33,203)	2,339	3,353
Net Position, Beginning of Year	<u>25,158</u>	<u>22,819</u>	<u>19,466</u>
Net Position, End of Year	<u>\$ (8,045)</u>	<u>\$ 25,158</u>	<u>\$ 22,819</u>

Loan financing revenue consists of real estate loan revenue earned from the CIB for the property of Lucas Oil Stadium and the Convention Center Expansion. Interest and financing expense and Build America Bonds rebate relate to financing of the Lucas Oil Stadium and Convention Center Expansion through IFA notes to the Building Authority. In 2022, revenue was budgeted to decrease, compared to prior years based on the estimated availability of cash on hand and in anticipation of the refunding transaction. There were no significant changes in expenses over the three years, as debt service requirements were consistent.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The Building Authority's investment in capital assets includes direct-financing loans receivable.

Indiana Stadium and Convention Building Authority
Capital Assets (in thousands of dollars)
June 30,

	2022	2021	2020
Direct-financing loans receivable:			
Lucas Oil Stadium	\$ 680,066	\$ 617,606	\$ 627,051
Convention Center Expansion	300,180	302,669	304,106
	<u>\$ 980,246</u>	<u>\$ 920,275</u>	<u>\$ 931,157</u>

**INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2022 and 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Additional information can be found in Notes 4 and 5 to the financial statements. The loans receivable balance increased in 2022, due to the refunding transaction and swap termination. There were no other significant changes in activity over the three years other than scheduled receipts on the direct financing loans.

Long-term Debt – The entire notes payable amount represents debt secured by specified revenue sources.

**Indiana Stadium and Convention Building Authority
Outstanding Debt (in thousands of dollars)
June 30,**

	2022	2021	2020
Lucas Oil Stadium	\$ 717,250	\$ 661,328	\$ 675,243
Convention Center Expansion	<u>333,189</u>	<u>335,678</u>	<u>337,782</u>
	<u>\$ 1,050,439</u>	<u>\$ 997,006</u>	<u>\$ 1,013,025</u>

Additional information on the Building Authority's debt can be found in Notes 6 and 8 to the financial statements.

In fiscal year 2022, the Building Authority issued Series 2022A Bond for \$346.85 million, which was a refunding of Series 2005A, 2007A, 2008A Bond under the Lucas Oil Stadium.

In fiscal year 2020, the Building Authority issued Series 2019G Bond for \$73.29 million, which was a refunding of Series 2008A Bond under the Convention Center Expansion.

REQUESTS OF INFORMATION

This financial report is designed to provide a general overview of the Building Authority's finances for all those with an interest in the Building Authority's finances. Questions concerning any of the information should be addressed to the Indiana Stadium and Convention Building Authority, One North Capitol, Suite 900, Indianapolis, Indiana 46204.

BASIC FINANCIAL STATEMENTS

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Build America Bonds rebate receivable	\$ -	\$ 1,737,662
Investments	19,508,334	65,473,653
Direct-financing loans receivable, current portion	<u>14,050,000</u>	<u>12,985,000</u>
Total Current Assets	<u>33,558,334</u>	<u>80,196,315</u>
Noncurrent Assets		
Direct-financing loans receivable, less current portion	<u>966,196,256</u>	<u>907,290,038</u>
Total Noncurrent Assets	<u>966,196,256</u>	<u>907,290,038</u>
Total Assets	<u>999,754,590</u>	<u>987,486,353</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	17,353,522	643,763
Deferred swap termination	45,272,342	50,236,283
Accumulated decrease in fair value of hedging derivatives	<u>-</u>	<u>109,556,849</u>
Total Deferred Outflows of Resources	<u>62,625,864</u>	<u>160,436,895</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	11,686	8,400
Interest payable	19,139,462	15,358,968
Current maturities of notes payable	<u>14,050,000</u>	<u>12,985,000</u>
Total Current Liabilities	<u>33,201,148</u>	<u>28,352,368</u>
Noncurrent Liabilities		
Purchase agreement obligation	835,000	835,000
Notes payable, less current maturities	1,036,389,470	984,021,051
Derivative instrument liability	<u>-</u>	<u>109,556,849</u>
Total Noncurrent Liabilities	<u>1,037,224,470</u>	<u>1,094,412,900</u>
Total Liabilities	<u>1,070,425,618</u>	<u>1,122,765,268</u>
NET POSITION		
Externally restricted for Stadium and Convention Center Expansion Projects	<u>(8,045,164)</u>	<u>25,157,980</u>
Total Net Position	<u>\$ (8,045,164)</u>	<u>\$ 25,157,980</u>

See accompanying notes.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
June 30, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Loan financing revenue	\$ 16,750,135	\$ 50,508,808
Build America Bonds rebate	4,517,921	4,188,267
Interest income	<u>25,830</u>	<u>39,722</u>
Total Operating Revenues	<u>21,293,886</u>	<u>54,736,797</u>
OPERATING EXPENSES		
Interest and financing expenses	51,852,660	52,039,631
Professional fees	121,679	9,201
Personnel related expenses	10,801	110,848
Insurance expense	175,425	164,239
Parking expense	92,510	74,008
Costs of issuance and underwriter discount	<u>2,243,955</u>	<u>-</u>
Total Operating Expenses	<u>54,497,030</u>	<u>52,397,927</u>
INCREASE (DECREASE) IN NET POSITION	(33,203,144)	2,338,870
NET POSITION		
Beginning of Year	<u>25,157,980</u>	<u>22,819,110</u>
End of Year	<u>\$ (8,045,164)</u>	<u>\$ 25,157,980</u>

See accompanying notes.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
STATEMENTS OF CASH FLOWS
June 30, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Loan financing payments received	\$ 15,890,134	\$ 61,390,837
Other receipts	860,000	-
Payments for administrative and general	<u>(403,700)</u>	<u>(359,748)</u>
Net Cash Provided by Operating Activities	<u>16,346,434</u>	<u>61,031,089</u>
INVESTING ACTIVITIES		
Purchase of investments	(133,982,858)	(65,635,141)
Sales of investments	178,923,947	63,383,188
Interest received on investments	<u>25,830</u>	<u>39,722</u>
Net Cash Provided (Used) by Investing Activities	<u>44,966,919</u>	<u>(2,212,231)</u>
CAPITAL AND FINANCING ACTIVITIES		
Proceeds from note debt issuance	345,639,606	-
Proceeds from note debt issuance – premium	75,692,565	-
Escrow payments – debt refunding	(226,667,504)	-
Principal payments – debt redemption from refunding	(120,595,000)	-
Swap termination payment	(81,395,000)	-
Costs of issuance	(2,243,955)	-
Principal payments during the year on note debt	(12,985,000)	(11,855,000)
Build America Bonds rebate received	6,255,583	4,184,582
Interest and other financing payments	<u>(45,014,648)</u>	<u>(51,148,440)</u>
Net Cash Used by Capital and Financing Activities	<u>(61,313,353)</u>	<u>(58,818,858)</u>
NET CHANGE IN CASH	-	-
CASH		
Beginning of Year	<u>-</u>	<u>-</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (decrease) in net position	\$ (33,203,144)	\$ 2,338,870
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities:		
Build America Bonds rebate revenue	(4,517,921)	(4,188,267)
Interest income	(25,830)	(39,722)
Interest and financing expenses	54,096,615	52,039,631
Changes in certain assets and liabilities:		
Direct-financing loans receivable	-	10,882,030
Accounts payable and accrued expenses	<u>(3,286)</u>	<u>(1,453)</u>
Net Cash Provided by Operating Activities	<u>\$ 16,346,434</u>	<u>\$ 61,031,089</u>

See accompanying notes.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Indiana Stadium and Convention Building Authority (the Building Authority) was established as a new public body corporate and politic of the State of Indiana (the State) to finance, design, construct and own Lucas Oil Stadium and the Indiana Convention Center Expansion in Indianapolis. The Building Authority is considered a component unit of the State of Indiana and is discretely presented in the State's financial statements. Now that Lucas Oil Stadium is complete, it is leased to Indiana's Office of Management and Budget (the IOMB) and subleased to and operated by the Capital Improvement Board of Managers of Marion County (the CIB). The CIB has, in turn, entered into a sublease with the Indianapolis Colts (the Colts), pursuant to which the Colts play their home NFL games within Lucas Oil Stadium. Lucas Oil Stadium is also marketed by the CIB, in conjunction with the Indianapolis Convention and Visitors Association, to host NCAA and other sporting events, conventions, concerts, trade shows, and other major public events. Lucas Oil Stadium was completed in August 2008.

In order to expand the Convention Center, the Building Authority demolished the RCA Dome and proceeded to finance, design, construct and own an expansion to the Indiana Convention Center, which is located on the former site of the RCA Dome. The Convention Center Expansion was substantially completed in 2011 and is also leased to the IOMB and then subleased to, and operated by, the CIB. The CIB continues to own and operate the existing Indiana Convention Center.

The accompanying basic financial statements conform with accounting principles generally accepted in the United States of America as applied to governments. The Building Authority's significant accounting policies are as follows:

Basis of Presentation and Accounting: The Building Authority is reported as an Enterprise Fund. An enterprise fund uses the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated non-exchange revenues and voluntary non-exchange revenues and certain grants and entitlements are recognized in the period when all applicable eligibility requirements have been met.

Application of Accounting Principles Generally Accepted in the United States: The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For the year ended June 30, 2022, GASB Statement No. 87, *Leases* was effective. The Building Authority's activities include lessee and lessor agreements that are considered to be a financed purchase under GASB 87. Therefore, the agreements are not subject to GASB 87. Notes 4 and 5 include more detail about the plan of financing. The financial statements have been updated to change the presentation as follows:

- Assets – Direct Financing Lease is now Direct-financing Loan Receivable
- Revenues – Lease Revenue is now Loan Financing Revenue
- Cash Flows – Lease Payments Received is now Loan Financing Payments Received
- Cash Flows – Direct Financing Leases is now Direct-financing Loan Receivable

The note disclosures have been updated where appropriate for consider that the activities do not meet the definition of a lease under the implementation of GASB 87. However, the actual names of the various agreements still use the term lease for the financing.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In a financed purchase, a buyer acquires a capital asset from a seller. In exchange, the buyer promises to make payments over time for that capital asset. Therefore, the buyer has financed the acquisition of the capital asset. The provisions applicable to a financed purchase by a governmental buyer, including disclosures, are those related to capital assets or loans receivable, and to long-term debt or payables, depending on the terms of the financing. The provisions applicable to a financed purchase by a governmental seller are those related to long-term receivables. Additionally, because the transaction is a sale of a capital asset, a governmental seller should recognize a gain or loss (if applicable) in financial statements prepared using the economic resources measurement focus.

Estimates: Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

Net Position: The Restricted Net Position component represents net position with constraints placed on use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in the GASB Codification.

Cash: Cash is considered to be cash on hand and demand deposits at a bank. All account balances at the bank were insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2022 and 2021.

Investments: Investments are money market funds recorded at fair value and held by the Building Authority at the reporting date. For investments at June 30, 2022 and 2021, fair value of investments approximated historical cost. Changes in the fair value of investments, including interest, dividends, realized and unrealized gains and losses are included in the statements of revenues, expenses and changes in net position.

Build America Bonds Rebate Receivable: The IFA has a Series 2009B bond for the Convention Center that was designated as Direct Payment Build America Bond. This bond provides a subsidy from the Internal Revenue Service to cover up to 35% of the interest costs paid back to the issuer which is remitted to the Building Authority.

Direct-Financing Loans: Direct-financing loans receivable are accounted for by the Building Authority, as lessor, as the sum of minimum lease payments and indirect costs. Direct costs are amortized over the lease term using the effective interest rate method that mirrors the underlying long-term debt.

Long-term Debt: Notes payable are recorded at the principal amount outstanding, net of any applicable premium or discount.

Deferred Outflows of Resources represents a consumption of net assets that is applicable to a future reporting period. The Building Authority's deferred outflows of resources may relate to loss on bond/note refunding transactions, deferred swap termination, and accumulated decrease in fair value of hedging derivatives. The deferred swap termination and the loss on bond/note refunding are being amortized into interest and financing expense over the life of the refunding bonds. The accumulated decrease in fair value of hedging derivatives has a corresponding noncurrent derivative instrument liability, which represents the fair market value of interest rate swaps.

Loan Financing Revenue Recognition: Loan financing revenue is recognized over the lease term using the interest rate method that mirrors the underlying long-term debt.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Classification: Expenses have been classified using functional and activity classifications using direct costs and estimated indirect cost allocations based upon time allocation and benefit.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through October 28, 2022, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments Background: Indiana statutes generally authorize investments in United States obligations and issues of federal agencies, repurchase agreements fully collateralized by U.S. Government or U.S. Government Agency securities, bank certificates of deposit, and open-end money market mutual funds.

All investments of the Building Authority are contained within the provisions of the trust indenture related to Indiana Finance Authority's (IFA) issuance of revenue bonds. At year end, all investments are held by, or in the name of, The Bank of New York Trust Company, N.A., as trustee under certain indentures of trusts (Trust Indentures) pertaining to IFA Lease Appropriation Bonds, 2015A and 2022A (Stadium Project), and Series 2009A, 2015A, 2019B, and 2019G (Convention Center Project).

The provisions of the Trust Indentures state that all investments shall be made under prudent investment standards reasonably expected to produce the greatest investment yields while seeking to produce principal without causing any of the bonds to be arbitrage bonds as defined in Section 148 of the Code. Monies shall be invested in investment securities with maturity dates coinciding as nearly as practicable with the times at which monies will be required for disbursement or transfer, provided that any such investment securities in the debt service reserve account shall have a term to maturity not greater than five years. The Trustee was also directed to invest substantial proceeds in Investment Agreements (also referred to as guaranteed investment contracts) as specified in the Trust Indentures.

The Building Authority formalized an agreement with IFA dated May 21, 2007, specifying IFA's responsibilities pertaining to personnel management, investments, cash receipts, and cash disbursements. IFA has legal responsibility, as the issuer under the Trust Indentures, for monitoring of the Trust Indentures' investment policies and coordination of the nature, timing and extent of investment activity within trust accounts. Due to IFA's responsibilities and the limitations on investments within the Trust Indentures, the Building Authority has not adopted a formal investment policy.

The following disclosures provide information on the risk elements and related Trust Indentures' policies:

Allowable Investments: IFA, as the issuer under the Trust Indentures, is only permitted to invest in securities authorized by the applicable bond indenture. The Trust Indentures' provisions only relate to the investment of cash within the bond indenture. Under the provisions of the bond indenture, IFA is to limit allowable investments to the following list of securities.

- United States Government Securities fully and unconditionally guaranteed

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 2 - INVESTMENTS (CONTINUED)

- United States Agency Obligations which are fully guaranteed
 - Export-Import Bank of the United States
 - Federal Housing Administration (FHA)
 - Government National Mortgage Association (GNMA)
 - Small Business Administration (SBA)
 - Housing and Urban Development (HUD)
 - Federal National Mortgage Association (FNMA) – rated Aaa by Moody’s and AAA by S&P
 - Federal Home Loan Mortgage Corporation (FHLMC) – rated Aaa by Moody’s and AAA by S&P
 - Maritime Administration
 - Including any securities with full faith and credit of the U.S. Government
- United States Agency Obligations which are not fully guaranteed
 - Federal Home Loan Banks (FHLB) – consolidated debt obligations
 - Student Loan Marketing Association – debt obligations
 - Resolution Funding Corporation – debt obligations
- Obligations of States of the United States or their subdivisions – rated at the time of purchase, A2 or better by Moody’s and A or better by Standard & Poor’s (S&P)
- Commercial Paper (having original maturities of not more than 270 days) rated at the time of purchase, P-1 by Moody’s and A-1 or better by S&P
- Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the FDIC
- Certificates of deposit, deposit accounts, federal funds or bankers’ acceptances (having maturities of not more than 365 days), rated P-1 by Moody’s and A-1 or better by S&P
- Money market funds rated AAAM or AAAM-G by S&P
- State-sponsored investment pools rated AA- or better by S&P
- Repurchase Agreements
- Investment Agreements (also referred to as guaranteed investment contracts)
 - Domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody’s and AA by S&P
 - Domestic insurance companies rated Aaa by Moody’s and AAA by S&P
 - Domestic structured investment companies approved and rated Aaa by Moody’s and AAA by S&P
- Forward delivery agreements in which the securities delivered mature on or before each interest payment date or drawn down date
- Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of IFA or the Trustee to put the securities back

Interest Rate Risk: The Building Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Trust Indentures state that monies shall be invested in investment securities with maturity dates coinciding as nearly as practicable with the times at which monies will be required for disbursement or transfer, provided that any such investment securities in the debt service reserve account shall have a term to maturity not greater than five years. At June 30, 2022 and 2021, the Building Authority had the following investments, all maturing in less than one year:

	2022	2021
	Fair Value	Fair Value
Money Market Funds	<u>\$ 19,508,334</u>	<u>\$ 65,473,653</u>

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 2 - INVESTMENTS (CONTINUED)

Credit Risk: Credit quality guidance is included in the Trust Indentures. Credit ratings for the Building Authority's investments at June 30, 2022 are as follows:

	S&P	Moody's	Fair Value
Money Market Funds	AAM	Aaa-mf	<u>\$ 19,508,334</u>
			<u>\$ 19,508,334</u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. The Building Authority and Trust Indentures placed no limit on the amount that IFA may invest in any one issuer. The one fund shown below constitutes more than 5% of investments.

The following table shows investment by issuer at June 30, 2022 and 2021:

	2022 Fair Value	2021 Fair Value
Goldman Financial Square Money Market Fund	<u>\$ 19,508,334</u>	<u>\$ 65,473,653</u>

Custodial Credit Risk: Custodial credit risk is the risk that the Building Authority 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 Building Authority and are held by either the counterparty or the counterparty's trust department of agent but not in the Building Authority's name. Custodial credit risk for investments at June 30, 2022 and 2021 was \$0.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Building Authority has categorized its assets 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 (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset'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 Building Authority has the ability to access.

Level 2 – Inputs to the valuation methodology 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 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.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

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 Building Authority 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 Building Authority 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, 2022 and 2021.

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

Interest Rate Swap Derivatives: Valued by a third-party using models which include assumptions about the SIFMA yield curve at the reporting date. The Building Authority uses the fair value provided by the third party without adjustment. See Note 8.

For those assets measured at fair value, management determines the fair value measurement policies and procedures in consultation with the Building Authority’s Finance Committee. 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.

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 Building Authority’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 certain assets could result in a different fair value measurement at the reporting date.

Following is a summary, within each level of the fair value hierarchy, of the Building Authority’s assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2022 and 2021:

June 30, 2022	Level 1	Level 2	Total
Assets:			
Money market fund shares	<u>\$ 19,508,334</u>	<u>\$ -</u>	<u>\$ 19,508,334</u>
Investments at Fair Value	<u>\$ 19,508,334</u>	<u>\$ -</u>	<u>\$ 19,508,334</u>
June 30, 2021	Level 1	Level 2	Total
Assets:			
Money market fund shares	<u>\$ 65,473,653</u>	<u>\$ -</u>	<u>\$ 65,473,653</u>
Investments at Fair Value	<u>\$ 65,473,653</u>	<u>\$ -</u>	<u>\$ 65,473,653</u>
Liabilities:			
Interest rate swap derivatives		<u>\$109,556,849</u>	<u>\$109,556,849</u>

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

At June 30, 2022 and 2021, the Building Authority had no other assets or liabilities that are measured at fair value on a recurring basis.

NOTE 4 - DIRECT-FINANCING LOANS RECEIVABLE

All construction costs associated with the Lucas Oil Stadium and Convention Center Expansion Projects were capitalized during the construction period. Now that Lucas Oil Stadium and the Convention Center Expansion are complete, the properties are leased and reported as direct-financing leases by the Building Authority. Lease terms are reflective of related debt service.

	2022	2021
Direct-financing loans receivable:		
Lucas Oil Stadium	\$ 680,065,998	\$ 617,606,378
Convention Center Expansion	<u>300,180,258</u>	<u>302,668,660</u>
Total direct-financing loans receivable	<u>\$ 980,246,256</u>	<u>\$ 920,275,038</u>

In accordance with the plan of finance, the Building Authority is leasing the Lucas Oil Stadium and Convention Center Expansion to the IOMB under separate lease agreements which have two-year initial terms with automatic two-year renewals available through December 31, 2039. The IOMB is, in turn, subleasing the Projects under separate sublease agreements to the CIB. Sublease rentals are payable from and are secured by a pledge of 2005 New Excise Tax Revenues, the PSDA Revenues (each as defined in the bond indentures) and certain other fees and certain existing state and local assistance tax revenues starting in 2028 that are more fully described in the bond indentures.

NOTE 5 - LEASES

Under both sublease agreements, the CIB has the option to purchase the leased facilities at a price equal to the amount required to enable the IOMB to exercise its right to purchase the same facilities from the Building Authority and thereby provide for payment or redemption of all related outstanding obligations of IFA. During construction of the Projects, the CIB was obligated under each respective sublease to make certain initial rent payments.

Lucas Oil Stadium Leases

In August 2008, the Stadium Project was completed, at which time, a direct-financing lease commenced. The Building Authority reported a direct-financing lease of \$680,065,998 and \$617,606,378 at June 30, 2022 and 2021, respectively. Direct-financing payments are structured based on the related bond principal and interest schedules that are reflected in Note 6 of the financial statements for each bond issue. Under the Supplemental Lease Agreements, the IOMB pays on a semiannual basis, in advance, the rental amounts set forth below:

Lucas Oil Stadium Period Available for Date Use and Occupancy	Supplemental Lease	Date Payment Due	Rentals
July 1, 2022 to December 31, 2022	Ninth	July 1, 2022	\$33,971,793
January 1, 2023 to June 30, 2023	Ninth	January 1, 2023	33,971,793
July 1, 2023 to December 31, 2023	Tenth	July 1, 2023	21,548,231
January 1, 2024 to June 30, 2024	Tenth	January 1, 2024	21,548,231
July 1, 2024 to December 31, 2024	Tenth	July 1, 2024	21,648,356
January 1, 2025 to June 30, 2025	Tenth	January 1, 2025	21,648,356

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 5 - LEASES (CONTINUED)

During each fiscal year which the Lucas Oil Stadium is available for use and occupancy, rental payments are expected to yield 100% of the debt service for such fiscal year allocable to the Lucas Oil Stadium and all expenses incurred by the Building Authority and IFA in connection with the Lucas Oil Stadium.

Convention Center Expansion Leases

In January 2011, the Convention Center Expansion was substantially completed, at which time, a direct-financing lease commenced. The Building Authority reported a direct-financing lease of \$304,753,854 and \$302,668,660 at both June 30, 2022 and 2021, respectively. Direct-financing lease payments are structured based on the related bond principal and interest schedules that are reflected in Note 6 of the financial statements for each bond issue. Under the Supplemental Leases, the IOMB pays on a semiannual basis, in advance, the rental amounts set forth below:

Convention Center Expansion Period Available for Use and Occupancy	Supplemental Lease	Date Payment Due	Rentals
July 1, 2022 to December 31, 2022	Eighth	July 1, 2022	\$ 7,359,850
January 1, 2023 to June 30, 2023	Eight	January 1, 2023	7,359,850
July 1, 2023 to December 31, 2023	Ninth	July 1, 2023	8,467,381
January 1, 2024 to June 30, 2024	Ninth	January 1, 2024	8,467,381
July 1, 2024 to December 31, 2024	Ninth	July 1, 2024	8,591,256
January 1, 2025 to June 30, 2025	Ninth	January 1, 2025	8,591,256

During each fiscal year in which the Convention Center Expansion is available for use and occupancy, rental payments are expected to yield 100% of the debt service for such fiscal year allocable to the Convention Center Expansion and all expenses incurred by the Building Authority and IFA in connection with the Convention Center Expansion.

NOTE 6 - LONG-TERM DEBT ACTIVITY

At June 30, 2022, the debt service requirements for notes payable were as follows:

Year Ending	Total Principal	*Total Interest	Total Net Debt Service
June 30, 2022	\$ 14,050,000	\$ 43,684,068	\$ 57,734,068
June 30, 2023	15,040,000	44,391,224	59,431,224
June 30, 2024	16,210,000	43,669,224	59,879,224
June 30, 2025	17,470,000	42,858,724	60,328,724
June 30, 2026	18,760,000	42,034,349	60,794,349
June 30, 2027 – June 30, 2031	267,440,000	183,688,180	451,128,180
June 30, 2032 – June 30, 2036	402,795,000	100,837,392	503,632,392
June 30, 2037 – June 30, 2041	<u>184,175,000</u>	<u>12,927,426</u>	<u>197,102,426</u>
	935,940,000	<u>\$514,090,587</u>	<u>\$1,450,030,587</u>
Premium (Discount)	<u>114,499,470</u>		
	<u>\$ 1,050,439,470</u>		

*In prior years, total interest reflected variable rate bond/note interest payments and net swap payments assuming current interest rates remain the same in future years. The 2022A bond/note refunding resulted in all remaining debt being fixed rate debt and no swap agreements at June 30, 2022.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 6 - LONG-TERM DEBT ACTIVITY (CONTINUED)

The loan agreements allow for remedies in case there is an event of default. An event of default can be (i) failure of the Building Authority to pay any loan payment or additional payment on any note when the same becomes due and payable, whether at maturity or upon any date fixed for prepayment, by acceleration or otherwise; (ii) failure of the Building Authority to observe and perform any other covenant, condition or provision of the loan agreement for a period of 60 days after written notice; (iii) the Building Authority (a) applies for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Building Authority, (b) commence a voluntary case under the United States Bankruptcy Code, or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustments or debts; (iv) a proceeding or case is commenced, without the application or consent of the Building Authority, in any court or competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts of the Building Authority, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the Building Authority or of all or any substantial part of its property or (c) similar relief in respect of the Building Authority under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustments of debt; or (v) any event of default under the lease.

The remedies include the following (i) the trustee may declare all loan payments and notes to be immediately due and payable, whereupon the same will become immediately due and payable; (ii) the Indiana Finance Authority and the trustee may have access to inspect, examine and make copies of the books, records, accounts and financial data of the Building Authority pertaining to the facilities; and (iii) the Indiana Finance Authority or the trustee may pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the loan agreements or the notes or to enforce the performance and observance of any other obligation or agreement of the Building Authority under those instruments, the lease agreements, the sublease and the revenue deposit agreements. If the Building Authority fails to pay any on the notes when and as the same become due and payable, whether at maturity, upon designation for prepayment, by declaration or otherwise, then, upon written demand of the trustee, the Building Authority will pay to the trustee the whole amount which has become due and payable.

Under the loan agreements, in order to secure the payment of all amounts payable on the notes and the performance of the covenants of the Building Authority in the loan agreement, the Building Authority has granted to IFA a security interest in the pledged property.

The following is a summary of long-term debt outstanding, without premiums, at June 30, 2022:

	Future Interest Rates Range	Maturity Range	Annual Principal Payment Range	Amount
Lucas Oil Stadium Convention Center	4.000%-5.250%	2023-2037	<u>\$11,985,000 - \$71,670,000</u>	<u>\$ 619,140,000</u>
Expansion	2.500%-6.596%	2023-2039	<u>\$ 2,065,000 - \$93,370,000</u>	<u>\$ 316,800,000</u>

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 6 - LONG-TERM DEBT ACTIVITY (CONTINUED)

Changes in long-term liabilities were as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amount Due Within One Year
Purchase Agreement Obligation	\$ 835,000	\$ -	\$ -	\$ 835,000	\$ -
Notes Payable	951,615,000	346,850,000	(362,525,000)	935,940,000	14,050,000
Note Premiums	45,391,051	75,692,565	(6,584,146)	114,499,470	-
Derivative Instrument Liability	<u>109,556,849</u>	<u>-</u>	<u>(109,556,849)</u>	<u>-</u>	<u>-</u>
	<u>\$1,107,397,900</u>	<u>\$422,542,565</u>	<u>\$(478,665,995)</u>	<u>\$1,051,274,470</u>	<u>\$ 14,050,000</u>

In 2022, the Series 2022A Bonds were issued which refunded the remaining variable debt for the Lucas Oil Stadium. At June 30, 2022, all Building Authority debt is fixed rate debt. The gross cash flow savings between the prior debt service and the refunding debt services was \$11,626,454 and the net present value savings was \$105.

NOTE 7 - PURCHASE AGREEMENT OBLIGATION

The Building Authority entered into a purchase agreement for a parcel necessary for development of the Lucas Oil Stadium. Half of the purchase price was deferred due to continued use by the Post Office. The balance of \$835,000 is due upon the earlier of December 8, 2025, the date of complete relocation of the Post Office, conveyance to United States Postal Service by the Building Authority of an acceptable parcel, or the commencement date of a lease for a replacement. The net present value of the rent will be credited against the remaining purchase price.

NOTE 8 - FINANCING OF STADIUM AND CONVENTION CENTER EXPANSION

IFA adopted an original financing program for Lucas Oil Stadium whereby it issued three separate series of bonds; the first being the Series 2005A Bonds, the second being the Series 2007A Bonds, and the third being the Series 2008A Bonds. The Building Authority received loans from IFA in connection with the issuance of \$400 million, \$212 million and \$55 million in Lease Appropriation Bonds, Series 2005A, 2007A and 2008A, respectively, for purposes of financing the costs of the Lucas Oil Stadium. A similar but separate financing program was adopted for the Convention Center Expansion, which includes IFA's \$120 million, \$18 million and \$192 million in Lease Appropriation Bonds, Series 2008A, 2009A and 2009B, respectively. The Building Authority also received loans from IFA for these issues.

IFA's revenue obligations are payable from and secured by the Building Authority obligations that are supported by the Building Authority's leases with the IOMB, as lessee, who in turn receives rent under subleases with the CIB, as sub-lessee.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 8 - FINANCING OF STADIUM AND CONVENTION CENTER EXPANSION (CONTINUED)

In October 2009, IFA altered the liquidity facilities in connection with the variable rate bonds issued for Lucas Oil Stadium and the Convention Center Expansion. Following a mandatory tender of the bonds, the prior Standby Bond Purchase Agreements (the SBPA) syndicates were replaced by individual SBPAs between a bank and IFA for certain sub-series of bonds. Subsequent to this alteration, IFA continues to use SBPA and also has added Direct Purchases to the existing liquidity mix. Below is a breakdown of the current liquidity picture for variable rate debt within Stadium and Convention Center portfolio.

- 2005A-1 Direct Purchase – Bank of America/Merrill Lynch
- 2005A-4 Direct Purchase – Wells Fargo
- 2005A-5 Direct Purchase – US Bank
- 2007A-2 SBPA – Wells Fargo
- 2007A-3 SBPA – US Bank
- 2008A (Stadium) Self Liquidity

In addition to the variable rate debt mentioned above, the 2009A and 2009B bonds were fixed rate bonds. In fiscal year 2015, IFA terminated two Goldman Sachs swaps and refunded a portion of the variable rate associated with the hedging instruments into the 2015A fixed rate refunding bonds. In fiscal year 2020, IFA refunded the 2008A variable rate bonds, with the 2019G fixed rate refunding bonds. Upon closing of the 2019G, the Convention Center portfolio is 100% traditional fixed rate bonds. There no longer are any variable rate bonds, liquidity facilities, swap, etc. associated with the Convention Center debt profile. In fiscal year 2019, IFA refunded the 2009 bonds with the 2019B fixed rate refunding bonds.

In 2022, the Series 2022A Bonds were issued which refunded the remaining variable debt for the Lucas Oil Stadium. At June 30, 2022, all Building Authority debt is fixed rate debt.

Variable Rate Terms

Hedged, Tax-exempt Variable Rate Debt: An interest rate swap with a notional amount of \$611,525,000 commenced for the Stadium Lease Appropriation Bonds, Series 2005A and 2007A, on August 15, 2008, with IFA receiving the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) and paying the swap counterparties a fixed rate of 4.231%. On May 21, 2015, a swap with a notional amount of \$269,071,000 was terminated. Due to the termination, \$269,035,000 of the Variable Rate Demand Obligations (VRDOs) were called and mostly refunded with the Series 2015A traditional fixed rate bonds in a par amount of \$296,530,000. With the reductions of VRDOs, IFA terminated Standby Purchase Agreements in the amount of \$269,035,000. The purchase price of tendered but not remarketed 2005 and 2007 Bonds is payable from Standby Purchase Agreements (the SBPAs) and Direct Purchases (the DPs) in an aggregate amount of \$328,150,000, expiring July 28, 2023 through June 4, 2024. The bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2005A and 2007A bonds are subject to optional redemption by IFA, in whole or in part, in authorized denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The 2005A and 2007A bonds were fully redeemed as part of the 2022A bond transaction leaving no remaining variable rate debt.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 8 - FINANCING OF STADIUM AND CONVENTION CENTER EXPANSION (CONTINUED)

Partially Hedged, Tax-exempt Variable Rate Debt: An interest rate swap with an original notional amount of \$46,875,000 commenced for the Stadium Lease Appropriation Bonds, Series 2008A, on August 15, 2008, with IFA receiving the SIFMA and paying the swap counterparties a fixed rate of 3.796%. The purchase price of tendered but not remarketed 2008A bonds is payable from a Liquidity Facility provided by IFA (self-liquidity) in the current amount of \$28,575,000, which expires February 1, 2035. The 2008A bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A bonds are subject to optional redemption by IFA, in whole or in part, in authorized denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date.

The 2008A bonds were fully redeemed as part of the 2022A bond transaction leaving no remaining variable rate debt.

Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreements: In order to protect against the potential of rising interest rates, IFA entered into three separate pay-fixed, receive-variable interest rate swaps. During 2022, the remaining swap agreements were terminated using proceeds of the 2022A bonds. The swap termination cost was \$81,395,000. Information about the swap agreements in place in prior reporting period is shown below:

Terms, Fair Values, and Credit Risk: The notional amounts of the swaps match the anticipated principal amounts of the associated debt. IFA's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in the associated bonds payable category. The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2021, were as follows:

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	6/30/2021 Fair Values
2005A/2007A Stadium	\$ 328,118,000	8/15/2008	4.231%	SIFMA	\$ (102,208,605)
2008A Stadium	<u>26,815,000</u>	8/15/2008	3.796%	SIFMA	<u>(7,348,244)</u>
	<u>\$ 354,933,000</u>				<u>\$ (109,556,849)</u>

The original swap termination dates were 2/1/2037 for the 2005A/2007A Stadium and 2/1/2035 for the 2008A Stadium.

The swap counterparties include JP Morgan Chase Bank, N.A. and The Bank of New York Mellon. They were rated by Moody's as being Aa3 and Aa2, respectively. The change in fair value is classified as deferred outflows of resources on the statements of net position for all outstanding swaps noted above.

Termination Risk: IFA or the swap provider may terminate the swap if the other party fails to perform under the terms of the contract (as defined by the swap agreement). If at the time of termination, the swap has a positive fair value, the swap providers would be liable to IFA for a payment equal to the swap's fair value.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

NOTE 9 - COMMITMENTS

The Development Agreement provides in the definition of "Authority Provided Parking" that the Building Authority is to provide for the construction of approximately 2,600 parking spaces on the Project Site. It has been determined that approximately 1,000 of the 2,600 parking spaces cannot be constructed on the Project Site at the present time. Therefore, an agreement has been made which commits the Building Authority to provide the Colts game day parking spaces through the term of the Lucas Oil Stadium lease. The Building Authority is responsible for the costs associated with providing this parking. Parking costs are expensed as they are incurred by the Building Authority.

Loss Contingencies: In the course of normal operations, the Building Authority is subject to various claims and assessments and is involved in litigation that it intends to vigorously defend. The range of loss, if any, from these potential claims cannot be reasonably estimated. However, the management of the Building Authority believes the ultimate resolution of these matters will not have a material adverse impact on the Building Authority's operations or net position.

OTHER REPORT

*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*

Board Members
Indiana Stadium and Convention Building Authority
State of Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Indiana Stadium and Convention Building Authority, a component unit of the State of Indiana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Indiana Stadium and Convention Building Authority's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Indiana Stadium and Convention Building Authority'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 28, 2022