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December 12, 2022

Board of Directors
Marion County Convention and Recreation Facilities Authority
c/o Chief Financial Officer
Capital Improvement Board of Managers
100 South Capitol Avenue
Indianapolis, IN 46225

We have received the audit report of the Marion County Convention and Recreational Facilities Authority, which was opined on by BKD, LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report*, the financial statements present fairly the financial condition of Marion County Convention and Recreational Facilities Authority 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.

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

**Marion County Convention and Recreational
Facilities Authority**

Independent Auditor's Reports and Financial Statements

December 31, 2021 and 2020

Marion County Convention and Recreational Facilities Authority
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Marion County Convention and
Recreational Facilities Authority
Indianapolis, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Marion County Convention and Recreational Facilities Authority (Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the 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 the Marion County Convention and Recreational Facilities Authority, as of December 31, 2021 and 2020, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Marion County Convention and Recreational Facilities 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 the Marion County Convention and Recreational Facilities Authority's ability to continue as a going concern for 12 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 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Marion County Convention and Recreational Facilities 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 the Marion County Convention and Recreational Facilities 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2022, on our consideration of Marion County Convention and Recreational Facilities 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 Marion County Convention and Recreational Facilities 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 Marion County Convention and Recreational Facilities Authority's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
May 2, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Introduction

The Marion County Convention and Recreational Facilities Authority (the "Authority"), which conducts its business in the City of Indianapolis (the "City"), offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2021. This Management's Discussion and Analysis is being presented to provide additional information regarding the activities of the Authority in connection with its financial statements.

The Authority is organized and operated to finance, acquire, construct and lease capital improvements (principally by means of lease arrangements, whereby the Authority operates as the lessor and other political units of the City operate as the lessee). As such, the Authority's principal assets are lease receivables and its principal liabilities are bonded indebtedness issued to finance such leased capital improvements. The Authority relies on its lease arrangements as the security for, and a source of payment of, its continuing operations; it has no taxing power or other sources of revenue generation except for nominal investment earnings, which are periodically credited against lease rental payments otherwise due.

Financial Highlights

The following are some highlights from the Authority's financial statements for the fiscal year ended December 31, 2021:

- The Authority experienced an increase in total assets of approximately \$323 million. This resulted from the proceeds received from the issuance of new 2021 bonds along with a new lease agreement entered into between the Authority and CIB, which was partially offset as a result of the ongoing receipt of annual lease rentals used to fund principal and interest payments on the Authority's outstanding bonds.
- Deferred outflows of resources decreased by approximately \$1.8 million and deferred inflows of resources increased approximately \$1.3 million due to refunding bonds issued during 2021.
- The Authority experienced an increase in total liabilities of approximately \$313 million. This resulted from the issuance of 2021 bonds for approximately \$284 million as well as 2021 refunding bonds issued for approximately \$117 million during 2021, which was partially offset as a result of ongoing debt service payments on bond debt, along with defeasance of certain bonds during 2021.
- The total net position of the Authority increased by approximately \$6.2 million during 2021.

Overview of Financial Statements

This financial report of the Authority includes the following financial statements for the calendar years 2021 and 2020:

- Balance Sheets
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows

Also included are notes to the financial statements that provide more detailed data. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

Net Position

The Balance Sheets reflect the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The Authority's net position - the difference of total assets and deferred outflows of resources to total liabilities and deferred inflows of resources - represent one way to measure the Authority's financial health. In a general way, changes in net position that occur over time may also serve as an indicator of whether the financial position of the Authority is strengthening or weakening.

Balance Sheets

A summarized comparison of the Authority's assets, deferred outflows of resources, liabilities and net position at December 31, 2021, 2020 and 2019 follows (in thousands):

	December 31		
	2021	2020	2019
Assets			
Restricted assets - current	\$ 138,118	\$ 223,316	\$ 179,024
Restricted assets - noncurrent	560,882	153,171	181,101
Total assets	699,000	376,487	360,125
Deferred Outflows of Resources	-	1,844	2,472
Total assets and deferred outflows of resources	<u>\$ 699,000</u>	<u>\$ 378,331</u>	<u>\$ 362,597</u>
Liabilities			
Current liabilities payable from restricted assets	\$ 142,593	\$ 42,394	\$ 27,971
Noncurrent liabilities payable from restricted assets	547,106	334,145	331,620
Total liabilities	689,699	376,539	359,591
Deferred Inflows of Resources	1,283	-	-
Net Position			
Restricted for debt service	8,018	1,792	3,006
Total liabilities, deferred inflows of resources and net position	<u>\$ 699,000</u>	<u>\$ 378,331</u>	<u>\$ 362,597</u>

The increase in *total assets* and *total liabilities* (from 2019 to 2021) is primarily attributable to the Authority's issuance of a debt for significant capital projects at CIB including the 2021 bonds issued as well as BAN's issued during 2020 and 2019.

The reductions in *deferred outflows of resources* (from 2019 to 2021) reflect the continued pay down of debt, whereby deferred losses on refundings are being amortized to interest expense. Deferred inflows of resources increased during 2021 as a result of refunding bonds being issued.

Net position primarily reflects the differences in timing between the pay down of the leases receivable and the pay down of the corresponding bond debt of the Authority.

Statements of Revenues, Expenses and Changes in Net Position

The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended December 31, 2021, 2020 and 2019 follows (in thousands):

	December 31		
	2021	2020	2019
Operating Revenues - interest on leases and contributions	\$ 19,508	\$ 7,240	\$ 7,987
Operating Expenses			
Interest expense	497	8,024	8,536
Debt issuance costs	6,318	339	790
Loss from lease termination	6,370	-	-
Administrative expenses	97	91	71
Total operating expenses	<u>13,282</u>	<u>8,454</u>	<u>9,397</u>
Increase (Decrease) in Net Position	<u>\$ 6,226</u>	<u>\$ (1,214)</u>	<u>\$ (1,410)</u>

The increase in *operating revenues* and *operating expenses* (from 2019 to 2021) is due to scheduled rent and debt service payments as well as a contribution received during 2021 from CIB to defease certain bonds previously held. As the lease receivable and bond payable amounts decrease in the future, the interest earned on leases and interest expense will decrease.

Capital Assets and Debt Administration

Capital Assets

Through early 2021, the Authority leased a portion of the Indiana Convention Center until the debt related to this facility was defeased and title was transferred to the CIB. The Authority presently leases a portion of Gainbridge Fieldhouse (formerly Bankers Life Fieldhouse) (the "CIB Facilities") located in downtown Indianapolis to the CIB. The CIB has entered into separate lease and other agreements (between the Authority, as lessor, and the CIB, as lessee) and certain state and local taxes (as made available respectively to the CIB, and which are used to pay lease rent) secure these bonds. The CIB is obligated to operate, maintain and insure the CIB Facilities at its expense.

The Authority has accounted for its interests in the CIB Facilities (the "Facilities") as lease receivables (and not as capital assets) because the economic substance of the Authority's activity relates to its payment rights under the respective leases. Further, under applicable agreements, the Authority is obligated to transfer full ownership of such Facilities to the CIB, upon liquidation of the related bonded indebtedness.

Long-Term Debt

The Authority's long-term debt is comprised entirely of revenue bond debt, along with two BANs which were issued during 2020 and 2019 and subsequently replaced with revenue bonds during 2021. Such debt was issued under several separate trust indentures, whereby revenue bonds are payable solely from their respective trust estates and rely upon receipt of lease rentals for the respective Facilities. The BANs issued during 2020 and 2019 were used for renovations and improvements to the Facilities until long-term financing was completed in the form of revenue bonds which occurred in March 2021.

Because the Authority is a special public entity, it is not subject to any debt limitations under Indiana law; however, the Authority does have certain contractually agreed to limitations applicable to its issuance of additional debt.

More specific information concerning the financing and security for the Authority's Facilities can be found in Notes 3 and 4 to the financial statements.

Economic Factors and Other

As a pass-through financing entity, the Authority's lease receivables are structured to match up with its bond obligations, as well as fund its annual administrative expenses. These fixed lease rental payments are anticipated to be sufficient to meet next year's budgeted expenditures.

While economic factors could impact the continuing operations of the CIB, lease rental obligations are fixed and, in certain ways, are secured by pledges or other agreements made by the CIB of certain generally applicable state and/or local tax revenues.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, your inquiries should be directed to:

Board of Directors
Marion County Convention and Recreational Facilities Authority
c/o Chief Financial Officer
Capital Improvement Board of Managers (of Marion County, Indiana)
100 South Capitol Avenue
Indianapolis, Indiana 46225-1071

Marion County Convention and Recreational Facilities Authority

Balance Sheets December 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Restricted Assets		
Cash equivalents	\$ 86,782,841	\$ 66,179,978
Short-term investments	12,446,200	-
Interest receivable	6,965	967
Amounts receivable from CIB	14,959,462	129,204,835
Current portion of leases receivable	23,922,000	27,930,172
Total restricted current assets	138,117,468	223,315,952
Total current assets	138,117,468	223,315,952
Noncurrent Assets		
Noncurrent portion of leases receivable, restricted	542,212,000	153,170,500
Noncurrent restricted investments	18,669,300	-
Total noncurrent assets	560,881,300	153,170,500
Total assets	698,998,768	376,486,452
Deferred Outflows of Resources		
Deferred losses on refundings of debt	-	1,844,644
Total assets and deferred outflows of resources	\$ 698,998,768	\$ 378,331,096
Liabilities		
Current Liabilities Payable From Restricted Assets		
Interest payable	\$ 1,525,766	\$ 857,501
Accounts and retainage payable	21,531,846	21,506,332
Accounts payable to CIB	102,299,803	-
Current portion of bonds payable	17,235,000	20,030,000
Total current liabilities payable from restricted assets	142,592,415	42,393,833
Total current liabilities	142,592,415	42,393,833
Noncurrent Liabilities Payable From Restricted Assets		
Unearned revenue on leases receivable	99,049,657	24,588,797
Bond anticipation note payable	-	164,563,968
Bonds payable	448,055,922	144,992,878
Total noncurrent liabilities payable from restricted assets	547,105,579	334,145,643
Total liabilities	689,697,994	376,539,476
Deferred Inflows of Resources		
Deferred gains on refunding of debt	1,283,205	-
Net Position		
Restricted for debt service	8,017,569	1,791,620
Total liabilities, deferred inflows of resources and net position	\$ 698,998,768	\$ 378,331,096

Marion County Convention and Recreational Facilities Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Interest on leases	\$ 9,432,623	\$ 7,238,944
Contribution from CIB	10,074,404	-
Investment and other income, net of fees	1,087	1,487
Total revenues	19,508,114	7,240,431
Operating Expenses		
Interest expense	497,452	8,023,961
Debt issuance costs	6,317,687	339,057
Loss from lease termination	6,370,191	-
Administrative expenses	96,835	91,354
Total expenses	13,282,165	8,454,372
Increase (Decrease) in Net Position and Operating Gain (Loss)	6,225,949	(1,213,941)
Net Position, Beginning of Year	1,791,620	3,005,561
Net Position, End of Year	\$ 8,017,569	\$ 1,791,620

Marion County Convention and Recreational Facilities Authority
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Lease payments received	\$ 23,240,600	\$ 27,968,045
Contribution received	10,074,404	-
Interest received	75,743	62,128
Payments to trustees and other service providers	(90,235)	(89,717)
Net cash provided by operating activities	33,300,512	27,940,456
Noncapital and Related Financing Activities		
Principal payments on bonds and BAN's	(330,612,720)	(19,190,000)
Interest payments on bonds	(13,630,182)	(8,333,498)
Proceeds from bonds issued	466,157,246	30,322,980
Project costs expended from BAN and bond proceeds	(103,496,493)	(106,101,875)
Purchase of short-term investments	(31,115,500)	-
Sale of short-term investments	-	1,391,065
Net cash used in noncapital and related financing activities	(12,697,649)	(101,911,328)
Net Increase (Decrease) in Cash Equivalents	20,602,863	(73,970,872)
Cash Equivalents, Beginning of Year	66,179,978	140,150,850
Cash Equivalents, End of Year	\$ 86,782,841	\$ 66,179,978
Reconciliation of Operating Gain (Loss) to Net Cash Provided by Operating Activities		
Operating gain (loss)	\$ 6,225,949	\$ (1,213,940)
Interest expense considered noncapital financing activity	497,452	8,023,961
Loss from lease termination considered noncapital financing activity	6,370,191	
Debt issuance costs considered noncapital financing activity	6,317,687	339,057
Changes in assets and liabilities		
Leases receivable	23,263,954	28,011,274
Accounts payable	63,900	7,475
Deferred revenue on leases receivable	(9,432,623)	(7,238,943)
Other	(5,998)	11,572
Net cash provided by operating activities	\$ 33,300,512	\$ 27,940,456
Noncash Noncapital and Related Financing Activity		
Accounts payable included in receivable due from CIB	\$ -	\$ 13,511,943
Long-term financing lease entered into with CIB	578,450,000	-
Long-term financing lease terminated with CIB	170,176,072	-

Marion County Convention and Recreational Facilities Authority

Notes to Financial Statements December 31, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations - The Marion County Convention and Recreational Facilities Authority (the "Authority") is a separate body corporate and politic created in 1985 as an instrumentality of Marion County, Indiana ("Marion County") pursuant to Indiana Code 36-10-9.1. The Authority is generally organized to acquire, finance, construct and lease capital improvements to the Capital Improvement Board of Managers of Marion County, Indiana (the "CIB") and, when necessary, to refund indebtedness incurred on account of such capital improvements to enable the CIB to make a savings in its debt service obligations. In accordance with Indiana Code 36-7-15.3, the Authority, acting as the Redevelopment Commission of Marion County, is also organized for the purpose of financing, constructing and leasing local public improvements to the Metropolitan Development Commission of Marion County (the "Commission").

The Authority's Board of Directors consists of three members appointed by the Executive of Marion County, the Mayor of the City of Indianapolis (the "Mayor"). Before a lease may be entered into between the Authority and the CIB, the CIB and the Mayor must find that the lease rental provided for is fair and reasonable. Similarly, before a lease may be entered into between the Authority and the Commission, the Commission must find that the lease rental provided for is fair and reasonable. Any lease of a capital improvement from the Authority to the CIB must ultimately be approved by the Mayor. Notwithstanding these facts, the Authority is not financially accountable to these or any other entities and is therefore considered a stand-alone government.

The Authority's activities are currently comprised of leasing Gainbridge Fieldhouse (formerly known as Bankers Life Fieldhouse) and a portion of the Indiana Convention Center to the CIB.

Measurement Focus and Basis of Accounting - The Authority prepares its financial statements as a business-type activity using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash Equivalents - The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, the Authority's cash equivalents consisted entirely of short-term government money market mutual funds. The Authority's money market mutual funds do not have significant limitations or restrictions on withdrawals. The funds' Board of Directors does have discretion to suspend redemptions should the funds' weekly liquid assets fall below 10%.

Original Issue Discounts and Premiums - Original issue discounts and premiums on bonds are accreted or amortized using the bonds-outstanding method over the life of the bonds to which each relates.

Deferred Gain and Loss on Refundings - The Authority defers recognition of gains/losses incurred on bond refundings and reports such gains/losses as deferred inflows/outflows of resources. Deferred gains/losses on refundings are amortized using the bonds-outstanding method over the lesser of the remaining life of the original bonds or the life of the new bonds.

Revenue and Expense Recognition - The Authority records all revenues and expenses generated from its financing activities as operating, since such revenues and expenses result from the Authority's daily operations needed to carry out its statutory purpose.

Marion County Convention and Recreational Facilities Authority
Notes to Financial Statements
December 31, 2021 and 2020

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

For 2021, the CIB contributed in excess of 99% of the total contributions recognized by the Authority.

Note 2: Investments

Indiana statutes generally authorize the Authority to invest in United States obligations and issues of federal agencies, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government agency securities, municipal securities of Indiana issuers that have not defaulted during the previous 20 years, certificates of deposit and open-ended money market mutual funds.

At December 31, 2021 and 2020, the Authority had the following investments:

	2021	2020
U.S. Government money market mutual funds	\$ 86,782,841	\$ 66,179,978
U.S. Treasuries	31,115,500	-
	\$ 117,898,341	\$ 66,179,978

At December 31, 2021, the Authority had the following maturities on their investments:

	December 31, 2021		
	Fair Value	Maturities (in Years)	
		Less Than 1	1 to 5
U.S. Treasuries	\$ 31,115,500	\$ 12,446,200	\$ 18,669,300

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority is generally limited to investing in securities with a stated maturity of more than two years but not more than five years after the date of purchase or entry into a repurchase agreement. The Authority’s investment policy for interest rate risk requires compliance with the provisions of the Indiana statutes. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority’s investment policy for credit risk requires compliance with the provisions of Indiana statutes, which requires that the Authority only invest in securities that are rated AAA by Standard and Poor’s or Aaa by Moody’s Investor’s Service. At December 31, 2021 and 2020, the Authority’s investments in money market mutual funds were rated AAAM by Standard & Poor’s. At December 31, 2021, the Authority’s investment in U.S. Treasuries were rated AAA by Standard & Poor’s.

Marion County Convention and Recreational Facilities Authority

Notes to Financial Statements December 31, 2021 and 2020

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2021 and 2020, the Authority's investments were primarily in money market mutual funds and U.S. Treasuries. As such, the Authority was not exposed to custodial credit risk on the money market mutual funds as the existence of the money market mutual funds are not evidenced by securities that exist in physical or book entry form. The Authority's investment in U.S. Treasuries are exposed to custodial risk.

Concentration of Credit Risk - The Authority places no limit on the amount that may be invested in any one issuer. At December 31, 2021 and 2020, the Authority's investments primarily consisted of money market mutual funds and U.S. Treasuries, which are excluded from concentration of credit risk disclosure requirements.

Foreign Currency Risk - This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Authority's investment policy prohibits investments in foreign investments.

Summary of Carrying Values

Investments included in the balance sheets are classified as follows:

	<u>2021</u>	<u>2020</u>
Current - restricted cash equivalents	\$ 68,113,541	\$ 66,179,978
Current - restricted short-term investments	31,115,500	-
Noncurrent - restricted investments	<u>18,669,300</u>	<u>-</u>
	<u>\$ 117,898,341</u>	<u>\$ 66,179,978</u>

Investment Income

Investment income for the years ended December 31, 2021 and 2020, consisted of:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 1,087	\$ 1,487

Marion County Convention and Recreational Facilities Authority

Notes to Financial Statements December 31, 2021 and 2020

Investments are restricted as follows:

	2021	2020
Excise Taxes Bonds:		
Sinking Funds	\$ 7,951,332	\$ 10,048,204
Project Funds	78,733,324	-
Capitalized Interest Funds	31,162,471	-
Expense Funds	51,214	499,504
	117,898,341	10,547,708
 Bond Anticipation Note:		
Project Funds	-	54,425,220
Interest Funds	-	1,207,050
	-	55,632,270
	\$ 117,898,341	\$ 66,179,978

Note 3: Bonds and Bond Anticipation Note Payable

Bonds Payable:

2021 Excise Taxes Lease Rental Revenue Bonds

In March 2021, the Authority issued \$284,150,000 of Excise Taxes Lease Rental Revenue Bonds and \$117,260,000 of Excise Taxes Lease Rental Refunding Revenue Bonds (The “2021 Authority Bonds”). Together, these 2021 Authority bonds were issued to finance, improve, construct, renovate and equip various capital improvements to Gainbridge Fieldhouse (formerly Bankers Life Fieldhouse), including the refunding and/or defeasance of all of the Authority’s outstanding bonds payable balances at December 31, 2020 as well as the 2019A and 2020A BAN payable outstanding at December 31, 2020. A portion of the 2021 Authority Bonds were issued to redeem its then outstanding Series 2011A Excise Taxes Lease Rental Revenue Refunding Subordinate Bonds. The refunding resulting in an accounting gain of \$1,687,958, which is included in deferred inflows of resources and is being amortized over the life of the refunded bonds. As a result of the refunding, the Authority reduced its total debt service requirements by \$15,824,197, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new debt) in the amount of \$15,430,604.

Marion County Convention and Recreational Facilities Authority

Notes to Financial Statements

December 31, 2021 and 2020

2012 Excise Taxes Lease Rental Revenue Refunding Senior Bonds

In May 2012, the Authority issued \$43,970,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2012A (the “2012A Senior Bonds”), with an average interest rate of 2.386% to partially redeem its then outstanding Series 2003A Excise Taxes Lease Rental Revenue Refunding Senior Bonds (the “2003A Senior Bonds”). The remaining portion of the 2003A Senior Bonds matured in 2013. During 2021, the 2012A Senior Bonds were fully redeemed.

2011 Excise Taxes Lease Rental Revenue Refunding Subordinate Bonds

In November 2011, the Authority issued \$186,250,000 of Excise Taxes Lease Rental Revenue Refunding Subordinate Bonds, Series 2011A (the “2011A Subordinate Bonds”), with an average interest rate of 4.96% to redeem its then outstanding Series 1997A Excise Taxes Lease Rental Revenue Subordinate Bonds (the “1997A Subordinate Bonds”). The 1997A Subordinate Bonds were originally issued to fund the construction of Bankers Life Fieldhouse, a professional sports arena, and an attached parking garage. During 2021, the Authority refunded the 2011 Subordinate Bonds with the issuance of the 2021 bonds.

2011 Excise Taxes Lease Rental Revenue Refunding Senior Bonds

In April 2011, the Authority issued \$35,035,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011A (the “2011A Senior Bonds”), with an average interest rate of 4.50% to redeem its then outstanding Series 2001A Excise Taxes Lease Rental Revenue Refunding Senior Bonds (the “2001A Senior Bonds”). During 2021, the 2011A Senior Bonds were fully redeemed.

In June 2011, the Authority also issued \$20,010,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011B (the “2011B Senior Bonds”), with an average interest rate of 5.00% to redeem its then outstanding Series 1997A Excise Taxes Lease Rental Revenue Senior Bonds (the “1997A Senior Bonds”). During 2021, the 2011B Senior Bonds were fully redeemed.

Marion County Convention and Recreational Facilities Authority
Notes to Financial Statements
December 31, 2021 and 2020

Bonds payable at December 31, 2021 and 2020 consisted of:

	2021	2020
Excise Taxes Lease Rental Revenue Bonds, Series 2021A		
Serial bonds, maturing June 1, 2029 to June 1, 2041. Interest at 4% to 5% due semiannually on June 1 and December 1	\$ 284,150,000	\$ -
Unamortized premium	50,441,820	-
	334,591,820	-
Excise Taxes Lease Rental Refunding Bonds, Series 2021A		
Serial bonds, maturing June 1, 2022 to June 1, 2027. Interest at 5% due semiannually on June 1 and December 1	117,260,000	-
Unamortized premium	13,439,102	-
	130,699,102	-
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2012A		
Serial bonds, maturing June 1, 2014 to June 1, 2021. Interest at 0.866% to 3.056% due semiannually on June 1 and December 1	-	6,060,000
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011A		
Serial bonds, maturing June 1, 2013 to June 1, 2021. Interest at 2.00% to 5.00% due semiannually on June 1 and December 1	-	4,600,000
Excise Taxes Lease Rental Revenue Refunding Subordinate Bonds, Series 2011A		
Serial bonds, maturing June 1, 2013 to June 1, 2027. Interest at 3.00% to 5.00% due semiannually on June 1 and December 1	-	130,605,000
Unamortized premiums	-	3,376,027
	-	133,981,027
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011B		
Serial bonds, maturing June 1, 2022 to June 1, 2027. Interest at 5.00% due semiannually on June 1 and December 1	-	20,010,000
Unamortized premiums	-	371,851
	-	20,381,851
Total bonds payable	\$ 465,290,922	\$ 165,022,878

Marion County Convention and Recreational Facilities Authority
Notes to Financial Statements
December 31, 2021 and 2020

Aggregate debt service requirements for all Authority bonds at December 31, 2021 are as follows:

	Principal	Interest	Total
2022	\$ 17,235,000	\$ 17,878,325	\$ 35,113,325
2023	18,110,000	16,994,700	35,104,700
2024	19,010,000	16,066,700	35,076,700
2025	19,955,000	15,092,575	35,047,575
2026	20,950,000	14,069,950	35,019,950
2027-2031	58,475,000	60,569,125	119,044,125
2032-2036	98,045,000	42,052,375	140,097,375
2037-2041	149,630,000	15,441,600	165,071,600
	401,410,000	\$ 198,165,350	\$ 599,575,350
Add:			
Unamortized bond premiums	63,880,922		
	\$ 465,290,922		

Bond Anticipation Notes (BAN) Payable:

During December 2019, the Authority issued the Bond Anticipation Note, Series 2019A (2019 Fieldhouse Project BAN) in the amount of \$133,960,000. The 2019 Fieldhouse Project BAN bears interest at 1.45% with a final maturity of June 1, 2021 and semi-annual interest payments due June 1 and December 1 of each year. Upon 30 days' prior notice, the Authority has the right, at its option, to redeem the 2019 Fieldhouse Project BAN, on any date not earlier than June 1, 2020, at a redemption price equal to the face value thereof plus interest. The proceeds from the 2019 Fieldhouse BAN are to be used to finance the design, construction, renovation and purchase of equipment related to Bankers Life Fieldhouse, which is leased to the CIB, along with cost of issuance and capitalized interest during the term of the 2019 Fieldhouse Project BAN.

During September 2020, the Authority issued the Bond Anticipation Note, Series 2020A (2020 Fieldhouse Project BAN) in the amount of \$30,760,000. The 2020 Fieldhouse Project BAN bears interest at 1.4% with final maturity of June 1, 2021 and semi-annual interest payments due June 1 and December 1 of each year. The proceeds from the 2020 Fieldhouse BAN are to be used to finance the design, construction, renovation and purchase of equipment related to Bankers Life Fieldhouse, which is leased to the CIB, along with the cost of issuance and capitalized interest during the term of the 2020 Fieldhouse Project BAN.

During 2021, both the 2019A BAN and the 2020A BAN were paid in full from proceeds received from the 2021 excise tax lease rental revenue bonds issued.

Marion County Convention and Recreational Facilities Authority

Notes to Financial Statements December 31, 2021 and 2020

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 161,275,000	\$ 401,410,000	\$ (161,275,000)	\$ 401,410,000	\$ 17,235,000
Bond premiums	3,747,878	71,064,933	(10,931,889)	63,880,922	-
Bond anticipation notes (BAN's)	164,720,000	-	(164,720,000)	-	-
BAN discount	(156,032)	-	156,032	-	-
Total long-term obligations	<u>\$ 329,586,846</u>	<u>\$ 472,474,933</u>	<u>\$ (336,770,857)</u>	<u>\$ 465,290,922</u>	<u>\$ 17,235,000</u>
	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 180,465,000	\$ -	\$ (19,190,000)	\$ 161,275,000	\$ 20,030,000
Bond premiums	4,902,996	-	(1,155,118)	3,747,878	-
Bond anticipation note (BAN)	133,960,000	30,760,000	-	164,720,000	-
BAN discount	(345,468)	(97,963)	287,399	(156,032)	-
Total long-term obligations	<u>\$ 318,982,528</u>	<u>\$ 30,662,037</u>	<u>\$ (20,057,719)</u>	<u>\$ 329,586,846</u>	<u>\$ 20,030,000</u>

Note 4: Financing Leases

Gainbridge Fieldhouse

Pursuant to a Master Lease Agreement dated May 1, 1991, as amended (1991 lease agreement), the Authority had leased a portion of the Indiana Convention Center to the CIB. In March 2021, the 1991 lease agreement was terminated in connection with the defeasance of the related revenue bonds and the Indiana Convention Center was deeded the CIB. Also, pursuant to a Master Lease Agreement II, dated December 1, 1997 (1997 lease agreement), the Authority had leased Gainbridge Fieldhouse (formerly Bankers Life Fieldhouse) to the CIB. Effective March 1, 2021, the Authority entered into a new Master Lease Agreement (2021 lease agreement) with CIB to lease portions of Gainbridge Fieldhouse, which amended, restated and replaced the 1997 lease agreement. Under the 2021 lease agreement, the CIB has the option to purchase the leased facilities at a price equal to the amount required to provide for payment or redemption of all related outstanding bonds of the Authority. Also, the CIB is obligated to pay the expenses of the Authority and to insure and maintain the leased facilities. The leases provide for fixed annual rentals, payable in semiannual installments. The CIB's lease payment obligations are payable from and secured by a pledge of certain state and local taxes to be received annually by the CIB. Certain Authority bonds have specific or senior liens on some state and local taxes.

Marion County Convention and Recreational Facilities Authority
Notes to Financial Statements
December 31, 2021 and 2020

Future minimum lease payments due from the CIB at December 31, 2021, together with amounts representing interest are as follows:

2022		\$ 23,922,000
2023		23,209,000
2024		29,600,000
2025		35,982,500
2026		35,962,000
2027-2031		118,279,000
2032-2036		147,059,000
2037-2041		<u>152,120,500</u>
		566,134,000
Current portion		<u>(23,922,000)</u>
Lease receivable - noncurrent		<u>\$ 542,212,000</u>

Note 5: Disclosures About Fair Value of Assets and Liabilities

The Authority categorizes its fair value measurements (investments) within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements:

- Money market mutual funds of \$86,782,841 and \$66,179,978 as of December 31, 2021 and 2020, respectively, are valued using quoted market prices (Level 1 inputs).
- U.S. Treasuries of \$31,115,500 as of December 31, 2021 were valued using quoted market prices (Level 1 inputs).

Supplementary Information

Marion County Convention and Recreational Facilities Authority

Schedule of Receipts and Disbursements

Years Ended December 31, 2021 and 2020

	Excise Taxes Lease Rental Revenue Bonds				Total Excise Taxes Lease Rental Revenue Bonds
	2021 Bond	Sinking	Capitalized	Expense	
	Financing	Funds	Interest Fund	Funds	
Balances, January 1, 2020	\$ -	\$ 9,632,870	\$ -	\$ 517,980	\$ 10,150,850
Receipts					
Lease payments from Capital Improvement Board of Managers	-	27,968,045	-	-	27,968,045
Bond proceeds - 2020A BAN	-	-	-	-	-
Interest on cash equivalents and investments, net of fees	-	39,937	-	2,091	42,028
Total receipts	-	28,007,982	-	2,091	28,010,073
Transfer Between Accounts - net	-	(69,150)	-	69,150	-
Disbursements					
Interest paid on bonds	-	(8,333,498)	-	-	(8,333,498)
Bond principal payments	-	(19,190,000)	-	-	(19,190,000)
Payment of expenses, including issuance costs	-	-	-	(89,717)	(89,717)
Project costs	-	-	-	-	-
Total disbursements	-	(27,523,498)	-	(89,717)	(27,613,215)
Balances, December 31, 2020	-	10,048,204	-	499,504	10,547,708
Receipts					
Lease payments from Capital Improvement Board of Managers	10,924,600	12,316,000	-	-	23,240,600
Bond proceeds - 2021 bonds	197,156,263	-	40,381,005	-	237,537,268
Bond premium proceeds - 2021 bonds	71,064,933	-	-	-	71,064,933
CIB contribution	10,035,944	-	-	-	10,035,944
Miscellaneous contributions and income	38,360	-	-	99	38,459
Interest on cash equivalents and investments, net of fees	-	263	46,970	26	47,259
Total receipts	289,220,100	12,316,263	40,427,975	125	341,964,463
Transfer Between Accounts - net	47,710,307	(782,953)	(9,265,504)	(352,877)	37,308,973
Disbursements					
Interest paid on bonds	-	(13,630,182)	-	-	(13,630,182)
Payment of BAN's	(165,385,775)	-	-	-	(165,385,775)
Transfer to bond escrow for use in refunding	(133,849,098)	-	-	-	(133,849,098)
Payments to defease senior bonds	(31,377,847)	-	-	-	(31,377,847)
Payment of expenses, including issuance costs	(6,317,687)	-	-	(95,538)	(6,413,225)
Project costs	-	-	-	-	-
Total disbursements	(336,930,407)	(13,630,182)	-	(95,538)	(350,656,127)
Balances, December 31, 2021	\$ -	\$ 7,951,332	\$ 31,162,471	\$ 51,214	\$ 39,165,017

Bond Anticipation Notes				
Project	Capitalized	Total	2021	
Fund	Interest	Bond	Project	Totals
Fund	Fund	Anticipation	Fund	
		Note		
\$ 130,000,000	\$ 2,816,509	\$ 132,816,509	\$ -	\$ 142,967,359
-	-	-	-	27,968,045
30,339,057	322,980	30,662,037	-	30,662,037
527,095	20,520	547,615	-	589,643
30,866,152	343,500	31,209,652	-	59,219,725
-	-	-	-	-
-	(1,952,959)	(1,952,959)	-	(10,286,457)
-	-	-	-	(19,190,000)
(339,057)	-	(339,057)	-	(428,774)
(106,101,875)	-	(106,101,875)	-	(106,101,875)
(106,440,932)	(1,952,959)	(108,393,891)	-	(136,007,106)
54,425,220	1,207,050	55,632,270	-	66,179,978
-	-	-	-	23,240,600
-	-	-	163,872,732	401,410,000
-	-	-	-	71,064,933
-	-	-	-	10,035,944
-	-	-	-	38,459
3,008	79	3,087	30,701	81,047
3,008	79	3,087	163,903,433	505,870,983
(36,101,844)	(1,207,129)	(37,308,973)	-	-
-	-	-	-	(13,630,182)
-	-	-	-	(165,385,775)
-	-	-	-	(133,849,098)
-	-	-	-	(31,377,847)
-	-	-	-	(6,413,225)
(18,326,384)	-	(18,326,384)	(85,170,109)	(103,496,493)
(18,326,384)	-	(18,326,384)	(85,170,109)	(454,152,620)
\$ -	\$ -	\$ -	\$ 78,733,324	\$ 117,898,341

**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***

Independent Auditor's Report

Board of Directors
Marion County Convention and
Recreational Facilities Authority
Indianapolis, Indiana

We have audited, 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, the financial statements of Marion County Convention and Recreational Facilities Authority (Authority), which comprise the balance sheet as of December 31, 2021, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
May 2, 2022