

**Marion County Convention and Recreational
Facilities Authority**

(A Component Unit of the Consolidated City of Indianapolis-Marion County)

Accountants' Reports and Financial Statements

December 31, 2008 and 2007

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
December 31, 2008 and 2007

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Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying basic financial statements of the Marion County Convention and Recreational Facilities Authority (Authority), a component unit of the Consolidated City of Indianapolis-Marion County, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2008 and 2007, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD_{LLP}

June 4, 2009

MANAGEMENT'S DISCUSSION & ANALYSIS (Unaudited)

Introduction

The Marion County Convention and Recreational Facilities Authority (the "Authority"), which is a component unit of the Consolidated City of Indianapolis-Marion County (the "City") and conducts its business in 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, 2008. 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, paying rent to the Authority for their use). 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 operation; 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, 2008:

- The Authority experienced a decrease in total assets of approximately \$48.3 million. Receipt of annual lease rentals and the application of such receipts to bonded indebtedness resulted in a decrease of approximately \$42.8 million. Current unrestricted assets decreased by approximately \$4.3 million and noncurrent unrestricted assets decreased by approximately \$1.2 million due to the accrual of additional amounts to be paid in connection with a swaption that was exercised in 2007.
- The Authority experienced a reduction in total liabilities of approximately \$41.3 million as a result of annual payments on its bonded indebtedness.
- Total net assets decreased by approximately \$7.0 million, principally due to a loss of approximately \$23.3 million on an interest rate swap termination, which was offset by approximately \$16.4 million in additional rental payment for the swap termination.
- Operating revenues exceeded operating expenses by approximately \$16.3 million in 2008, which resulted from the additional rental payment received for the swap termination.
- Net nonoperating expenses of approximately \$23.3 million consisted entirely of the loss on swap termination.
- The change (decrease) in net assets of approximately \$7.0 million is primarily the net result of the approximate \$23.3 million loss on swap termination, offset by the approximate \$16.4 million additional rental payment.

Overview of Financial Statements

This financial report of the Authority includes the following financial statements for the calendar years 2008 and 2007:

- Balance Sheets
- Statements of Revenues, Expenses and Changes in Net Assets
- 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).

The net assets of the Authority are comprised of three categories:

Invested in capital assets - this reflects the Authority's investment in capital assets, and relates solely to certain land donated to the Authority upon which one leased facility was constructed.

Restricted net assets - this represents resources that are subject to external restrictions on how they may be used (which principally relate to the Authority's trust agreements under which its bonded indebtedness was issued).

Unrestricted net assets - this represents resources that may be used to meet the Authority's ongoing obligations to creditors and for its other public purposes.

Net Assets

The Balance Sheets reflect the assets and liabilities 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 assets - the difference between total assets and total liabilities - represent one way to measure the Authority's financial health. In a general way, changes in net assets 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, liabilities and net assets at December 31, 2008, and 2007 and 2006 follows (in thousands):

	December 31		
	2008	2007	2006
Assets			
Unrestricted assets - current	\$ -	\$ 4,319	\$ 1,200
Restricted assets - current	48,479	48,176	47,342
Unrestricted assets - noncurrent	4,555	6,929	8,614
Restricted assets - noncurrent	590,348	632,283	673,819
Total assets	\$ 643,382	\$ 691,707	\$ 730,975
Liabilities			
Current liabilities payable from unrestricted assets	\$ -	\$ -	\$ 600
Current liabilities payable from restricted assets	12,875	12,001	11,226
Noncurrent liabilities payable from restricted assets	625,919	668,104	710,066
Total liabilities	638,794	680,105	721,892
Net Assets			
Invested in capital assets	1,300	1,300	1,300
Restricted	33	353	-
Unrestricted	3,255	9,949	7,783
Total net assets	4,588	11,602	9,083
Total liabilities and net assets	\$ 643,382	\$ 691,707	\$ 730,975

The decrease in *total assets* and *total liabilities* (from 2007 to 2008 and from 2006 to 2007) is primarily attributable to the Authority's annual receipt of lease rentals and its application of such receipts to its bonded indebtedness. More specifically, the decrease in *Restricted assets - noncurrent* of approximately \$41.9 million from 2007 to 2008 and \$41.5 million from 2006 to 2007 and the decrease in *Noncurrent liabilities* of approximately \$42.2 million from 2007 to 2008 and \$42.0 million from 2006 to 2007 reflects debt payments.

Restricted assets - current increased by approximately \$0.3 million from 2007 to 2008 and by approximately \$0.8 million from 2006 to 2007 due to changes in the current portion of leases receivable reflective of the associated bond debt service requirements. *Unrestricted assets - current* and *Unrestricted assets - noncurrent* decreased by approximately \$6.7 million from 2007 to 2008 and increased by approximately \$1.4 million from 2006 to 2007, largely due to the activity relating to the Authority's swaption.

Unrestricted net assets primarily reflect the differences in timing between the pay down of the leases receivable and the pay down of the corresponding bond debt of the Authority, as well as the amortization of certain intangible items that are not recouped through lease payments. The decrease in this line of approximately \$6.7 million in 2008 from 2007 and the increase of approximately \$2.2 million in 2007 from 2006 is largely due to the activity relating to the Authority's swaption.

Statements of Revenues, Expenses and Changes in Net Assets

The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Assets for the fiscal years ended December 31, 2008, 2007 and 2006 follows (in thousands):

	December 31		
	2008	2007	2006
Operating Revenues			
Interest on leases	\$ 23,589	\$ 24,500	\$ 25,405
Additional rental payment for swap termination	16,371	-	-
Investment and other income, net of fees	85	166	175
Total operating revenues	<u>40,045</u>	<u>24,666</u>	<u>25,580</u>
Nonoperating Revenues			
Income from swaption	-	3,119	-
Total revenues	<u>40,045</u>	<u>27,785</u>	<u>25,580</u>
Operating Expenses			
Interest expense	23,505	24,446	25,355
Administrative expenses	221	220	230
Total operating expenses	<u>23,726</u>	<u>24,666</u>	<u>25,585</u>
Nonoperating Expenses			
Payments related to Pacers' games cablecast	-	600	1,200
Loss on swap termination	23,333	-	-
Total non-operating expenses	<u>23,333</u>	<u>600</u>	<u>1,200</u>
Total expenses	<u>47,059</u>	<u>25,266</u>	<u>26,785</u>
Increase (Decrease) in Net Assets	<u>\$ (7,014)</u>	<u>\$ 2,519</u>	<u>\$ (1,205)</u>

The increase in *operating revenues* of approximately \$15.4 million in 2008 from 2007 is primarily attributable to the approximate \$16.4 million additional rental payment for the swap termination. The interest on leases decreased approximately \$0.9 million in 2008 from 2007 and approximately \$0.9 million in 2007 from 2006 primarily from lower lease rentals related to interest compared to the prior period.

Operating expenses decreased \$0.9 million in 2008 from 2007 and \$0.9 million in 2007 from 2006 as a result of declining annual interest payment on debt.

Nonoperating revenues and *nonoperating expenses* are the direct result of payments under a multi-year commitment associated with the operation of Conseco Fieldhouse, as well as a premium on a swaption hedge agreement entered into in 2005, associated with a synthetic refunding, and the Authority's loss of \$23.3 million recognized in 2008 on the termination of the swap. Such premium was committed to provide for a multi-year expense associated with the operation of Conseco Fieldhouse, \$0.6 million in 2007 and \$1.2 million in 2006. Additionally, during 2007, additional revenue of approximately \$3.1 million was recognized in connection with the exercise of the swaption.

The decrease in net assets of approximately \$7.0 million in 2008 from 2007 is primarily due to the approximate \$23.3 million loss on the swap termination, offset by approximately \$16.4 million additional rental payment for the swap termination. The increase in net assets of approximately \$2.5 million in 2007 from 2006 was primarily due to the approximate \$3.1 million income from the swaption plus a decrease of approximately \$0.6 million in payments associated with the operation of Conseco Fieldhouse.

Capital Assets and Debt Administration

Capital Assets

As discussed, the Authority is organized and operated to finance, acquire, construct and lease capital improvements. Each is subject to a lease arrangement, whereby the Authority operates as the lessor and other political units of the City operate as the lessee, paying rent to the Authority for their use.

The Authority presently leases (a) the Indiana Convention Center, Victory Field and Conseco Fieldhouse (the "CIB Facilities") located in downtown Indianapolis to the Capital Improvement Board of Managers (of Marion County) (the "CIB") created pursuant to Indiana Code 36-10-9 and (b) a major aircraft maintenance and overhaul center at Indianapolis International Airport that was constructed and initially operated by United Air Lines, Inc. (the "Indianapolis Maintenance Center") to the Metropolitan Development Commission of Marion County, acting in its capacity as a Redevelopment Commission of the City of Indianapolis, Indiana pursuant to Indiana Code 36-7-15.1, -15.3 and -25 (the "Commission"). The CIB and the Commission have respectively entered into separate lease and other agreements (between the Authority, as lessor, and the CIB or the Commission, as lessee) and certain state and local taxes (as made available respectively to the CIB or the Commission, and used to pay lease rent) secure these bonds. The CIB is obligated to operate, maintain and insure the CIB Facilities at its expense. The Indianapolis Airport Authority is obligated to maintain and insure the Indianapolis Maintenance Center at its expense. United Air Lines, Inc. ("United"), the original tenant of the Indianapolis Maintenance Center, no longer occupies it and new tenants now lease a portion of the facility.

The Authority has accounted for its interests in these Facilities as lease receivables (and not as capital assets) because the economic substance of the Authority's activity relates to its payment rights under its leases. Further, under applicable agreements, the Authority is obligated to transfer full ownership of such Facilities to the CIB or the Commission, as the case may be, upon liquidation of the related bonded indebtedness. Readers are referred to the notes to the financial statements for more detailed information on capital asset activity.

Long-Term Debt

The Authority's long-term debt is primarily comprised of bonded indebtedness 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.

United, the original end user of the Indianapolis Maintenance Center, rejected its related lease through bankruptcy. While United no longer occupies the Indianapolis Maintenance Center, this occurrence has not affected the continuing obligation of the Commission (including its payment of rent used to pay the Authority's bonds) under its lease agreement with the Authority.

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

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. Certain of the Authority's revenue bonds are presently insured as to their payment pursuant to municipal bond insurance policies issued by MBIA Insurance Corporation (MBIA) and AMBAC Assurance Corporation (AMBAC) and it is these policies that form the basis by which they are rated by certain national credit rating agencies. 2008 evidenced the commencement of events that have significantly changed finance and related credit matters. This included the publication of multiple downgrades by the national rating agencies of the credit ratings of certain bond insurers, including MBIA and AMBAC. Such actions have affected the credit ratings of MCCRFA's bonds. Further ongoing operating and restructuring activities of such insurers may continue to affect their ratings.

Economic Factors and Other

As a pass-through financing entity, the Authority operations are not, in a direct way, dependent on the general economic environment. Rather, the Authority's principal assets are (or are related to) lease receivables and its principal liabilities are (or are related to) bonded indebtedness issued to finance such leased capital improvements. Lease receivables are structured to match up with bonded indebtedness obligations, as well as provide resources to fund annual administrative expenses. These fixed lease rental payments are anticipated to be sufficient to meet next year's budgeted expenditures.

Further, while economic factors could impact continuing operations of the CIB and the Commission, and, thus, indirectly, could affect the performance of their respective obligations under the lease agreements, lease rental obligations are fixed and have been, in certain ways, secured by pledges or other agreements made by the CIB and the Commission 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 Controller, Capital Improvement Board of Managers (of Marion County, Indiana)
100 South Capitol Avenue
Indianapolis, Indiana 46225-1071

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Balance Sheets
December 31, 2008 and 2007

	2008	2007
Assets		
Current Assets		
Unrestricted Assets		
Receivable from swaption	\$ -	\$ 4,319,300
Restricted Assets		
Cash equivalents	6,543,213	6,628,075
Interest receivable	1,940	11,207
Current portion of leases receivable	41,933,686	41,536,999
Total restricted current assets	48,478,839	48,176,281
Total current assets	48,478,839	52,495,581
Noncurrent Assets		
Noncurrent portion of leases receivable, restricted	590,347,909	632,281,593
Receivable from swaption	-	1,250,000
Deferred bond issuance costs	3,255,332	4,379,439
Non-depreciable land and improvements, at cost	1,300,000	1,300,000
Total noncurrent assets	594,903,241	639,211,032
Total assets	\$ 643,382,080	\$ 691,706,613
Liabilities		
Current Liabilities Payable From Restricted Assets		
Due to local government	\$ 596,143	\$ 456,143
Interest payable	1,378,862	1,419,598
Current portion of bonds payable	10,900,000	10,125,000
Total current liabilities payable from restricted assets	12,875,005	12,000,741
Total current liabilities	12,875,005	12,000,741
Noncurrent Liabilities Payable From Restricted Assets		
Deferred revenue on leases receivable	215,368,970	238,883,354
Bonds payable	410,550,083	429,220,828
Total noncurrent liabilities payable from restricted assets	625,919,053	668,104,182
Total liabilities	638,794,058	680,104,923
Net Assets		
Invested in capital assets	1,300,000	1,300,000
Restricted for		
Debt service	32,690	352,951
Unrestricted	3,255,332	9,948,739
Total net assets	4,588,022	11,601,690
Total liabilities and net assets	\$ 643,382,080	\$ 691,706,613

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Interest on leases	\$ 23,588,560	\$ 24,500,051
Additional rental payment for swap termination	16,371,000	-
Investment and other income, net of fees	85,394	165,575
Total revenues	<u>40,044,954</u>	<u>24,665,626</u>
Operating Expenses		
Interest expense	23,504,284	24,445,971
Administrative expenses	221,095	219,882
Total expenses	<u>23,725,379</u>	<u>24,665,853</u>
Operating Income (Loss)	<u>16,319,575</u>	<u>(227)</u>
Nonoperating Revenues (Expenses)		
Income from swaption	-	3,119,300
Loss on swap termination	(23,333,243)	-
Payments related to Pacers' games cablecast	-	(600,000)
	<u>(23,333,243)</u>	<u>2,519,300</u>
Change in Net Assets	(7,013,668)	2,519,073
Net Assets, Beginning of Year	<u>11,601,690</u>	<u>9,082,617</u>
Net Assets, End of Year	<u>\$ 4,588,022</u>	<u>\$ 11,601,690</u>

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	2008	2007
Operating Activities		
Lease payments received	\$ 41,525,676	\$ 41,155,474
Additional rental payment for swap termination	16,371,000	-
Interest received	180,158	303,889
Payments to trustees and other vendors	<u>(81,096)</u>	<u>(70,682)</u>
Net cash provided by operating activities	<u>57,995,738</u>	<u>41,388,681</u>
Noncapital and Related Financing Activities		
Principal payments on bonds	(18,835,000)	(17,650,000)
Interest payments on bonds	(22,220,914)	(23,158,531)
Income from swaption	4,551,045	1,200,000
Payments relating to swap termination	(21,575,731)	-
Payments related to Pacers' games cablecast	-	(1,200,000)
Net cash used in noncapital and related financing activities	<u>(58,080,600)</u>	<u>(40,808,531)</u>
Net Increase (Decrease) in Cash Equivalents	(84,862)	580,150
Cash Equivalents, Beginning of Year	<u>6,628,075</u>	<u>6,047,925</u>
Cash Equivalents, End of Year	<u>\$ 6,543,213</u>	<u>\$ 6,628,075</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 16,319,575	\$ (227)
Interest expense considered noncapital financing activity	23,504,284	24,445,971
Changes in assets and liabilities		
Leases receivable	41,536,999	41,266,101
Deferred revenue on leases receivable	(23,514,384)	(24,489,551)
Other	<u>149,264</u>	<u>166,387</u>
Net Cash Provided by Operating Activities	<u>\$ 57,995,738</u>	<u>\$ 41,388,681</u>

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Notes to Financial Statements
December 31, 2008 and 2007

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 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. Additionally, the Authority has financed local public improvements for lease to the Metropolitan Development Commission of Marion County (the "Commission"), acting as the Redevelopment Commission of the City of Indianapolis.

Reporting Entity - The Authority is considered a component unit of the Consolidated City of Indianapolis-Marion County, a unified government commonly referred to as Unigov (the governments of the City of Indianapolis and Marion County, Indiana, have been consolidated and operate under one elected City-County Council) under criteria established by the Governmental Accounting Standards Board (GASB). The Authority's Board of Directors consists of three members appointed by the Mayor of the City, and the Authority has the potential to provide specific financial benefits to the Consolidated City of Indianapolis-Marion County.

The Authority's activities are currently comprised of leasing the Indiana Convention Center, Conseco Fieldhouse and Victory Field to the CIB and leasing, as a tenant-in-common, an aircraft maintenance, repair and overhaul facility at the Indianapolis International Airport to the Commission. Prior to August 2008, the Authority leased the RCA Dome, a professional sports arena, to the CIB. The RCA Dome was replaced by Lucas Oil Stadium and subsequently demolished in December 2008. Lucas Oil Stadium is being leased by the CIB under a separate lease agreement with the Indiana Office of Management and Budget.

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. Grants and similar voluntary non-exchange transactions are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Marion County Convention and Recreational Facilities Authority
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Notes to Financial Statements
December 31, 2008 and 2007

Cash Equivalents - Cash equivalents are reported at amortized cost. The Authority's cash equivalents at December 31, 2008 and 2007 consisted entirely of short-term government money market mutual funds.

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 Bond Issuance Costs - Deferred bond issuance costs are being amortized over the life of the bonds using the bonds-outstanding method.

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.

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.

Reclassifications - Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation. The reclassifications had no effect on the change in net assets.

Note 2: Investments

Indiana statutes 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, certificates of deposit, money market deposit accounts and mutual funds.

At December 31, 2008 and 2007, the Authority had the following investments:

	2008	2007
U.S. Government money market mutual funds	\$ 6,543,213	\$ 6,628,075

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
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Notes to Financial Statements
December 31, 2008 and 2007

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority is limited to investing in securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. 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, and Indiana Code Section 5-13-9-2.5 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, 2008 and 2007, the Authority's investments in money market mutual funds were rated AAA by Standard & Poor's.

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, 2008 and 2007, all of the Authority's investments were in money market mutual funds. As such, the Authority was not exposed to custodial credit risk as the existence of the money market mutual funds are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk - The Authority places no limit on the amount that may be invested in any one issuer. At December 31, 2008 and 2007, the Authority's investments consisted solely of money market mutual funds which are excluded from concentration of credit risk disclosure requirements.

Foreign Currency Risk - This risk relates to adverse affects 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:

	2008	2007
Cash equivalents		
Current - restricted	\$ 6,543,213	\$ 6,628,075

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Notes to Financial Statements
December 31, 2008 and 2007

Investment Income

Investment income for the years ended December 31, 2008 and 2007, consisted of:

	2008	2007
Interest income	\$ 85,394	\$ 165,575

Investments are restricted as follows:

	2008	2007
Excise Taxes Bonds		
Sinking Fund	\$ 5,492,416	\$ 5,101,866
Expense Fund	286,840	349,145
Project Fund - Construction Account	-	542,355
Economic Development Bonds		
Sinking Fund	4,252	1,952
Operation and Reserve Fund	759,705	632,757
	\$ 6,543,213	\$ 6,628,075

Note 3: Bonds Payable

2003 Excise Taxes Lease Rental Revenue Refunding Senior Bonds

In May 2003, the Authority issued \$69,620,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2003A (the "2003A Bonds"), with an average interest rate of 4.81% to redeem its then outstanding Excise Taxes Lease Rental Revenue Refunding Bonds, Series 1993A. The refunding resulted in an accounting loss of \$2,581,680, which was deferred and is being amortized over the life of the 2003A Bonds.

2001 Excise Taxes Lease Rental Revenue Refunding Senior Bonds

In August 2001, the Authority issued \$53,140,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2001A (the "2001A Bonds"), with an average interest rate of 5.20% to redeem \$51,260,000 of its then outstanding Excise Taxes Lease Rental Revenue Bonds, Series 1991A (the "1991A Bonds"). The refunding resulted in an accounting loss of \$1,902,715, which was deferred and is being amortized over the life of the 2001A Bonds.

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1997 Excise Taxes Lease Rental Revenue Subordinate Bonds

In January 1998, the Authority issued \$230,705,000 of Excise Taxes Lease Rental Revenue Subordinate Bonds, Series 1997A and 1997B (Taxable) (the "1997A and 1997B Subordinate Bonds"), to fund the construction of the Conseco Fieldhouse, a professional sports arena, and an attached garage facility.

1997 Excise Taxes Lease Rental Revenue Senior Bonds

In November 1997, the Authority issued \$20,920,000 of Excise Taxes Lease Rental Revenue Senior Bonds, Series 1997A (the "1997A Senior Bonds"), for the purpose of providing funds to construct and equip an expansion to the Indiana Convention Center.

1995 Excise Taxes Lease Rental Revenue Senior Bonds

In June 1995, the Authority issued \$10,000,000 of Excise Taxes Lease Rental Revenue Bonds, Series 1995A (Taxable) (the "1995A Bonds") to fund a portion of the costs to construct Victory Field, a professional baseball facility located adjacent to the Indiana Convention Center & Lucas Oil Stadium.

1991 Economic Development Lease Rental Revenue Bonds

In December 1991, the Authority issued \$139,460,043 of Economic Development Lease Rental Revenue Bonds (the "1991 Economic Development Bonds"). The 1991 Economic Development Bonds were issued to acquire an undivided leasehold interest as a tenant-in-common in a large aircraft maintenance and overhaul center at Indianapolis International Airport (the "Indianapolis Maintenance Center"). The Authority entered into a tenancy-in-common agreement and related lease agreements relative to the site which created its leasehold interest in the site and facilities and which provided the framework for financing the construction of the facilities. The Indianapolis Maintenance Center was operated by United Air Lines, Inc. ("United") until May 2003, when United vacated the facilities and through bankruptcy rejected its lease with the Indianapolis Airport Authority. Several companies have entered into leases with the Indianapolis Airport Authority to use a portion of the Indianapolis Maintenance Center facilities for both aviation and non-aviation related businesses.

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Bonds payable consist of:

	<u>2008</u>	<u>2007</u>
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2003A (Indiana Convention Center Refinancing)		
Serial bonds, maturing June 1, 2005 to June 1, 2021. Interest at 2.00% to 5.00%, due semiannually on June 1 and December 1	\$ 59,135,000	\$ 62,435,000
Deferred loss on refunding	(1,336,774)	(1,537,922)
Unamortized premiums	2,045,400	2,353,177
	<u>59,843,626</u>	<u>63,250,255</u>
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2001A (RCA Dome Refinancing)		
Serial bonds, maturing June 1, 2005 to June 1, 2018. Interest at 3.75% to 5.50%, due semiannually on June 1 and December 1	31,525,000	33,885,000
Term bonds, maturing June 1, 2021. Interest at 5.00%, due semi-annually on June 1 and December 1	<u>13,150,000</u>	<u>13,150,000</u>
Deferred loss on refunding	44,675,000	47,035,000
Unamortized premiums	(850,433)	(976,859)
	<u>383,398</u>	<u>440,394</u>
	<u>44,207,965</u>	<u>46,498,535</u>
Excise Taxes Lease Rental Revenue Senior Bonds, Series 1997A (Indiana Convention Center Expansion)		
Term bonds, maturing June 1, 2027. Interest at 5.00%, due semiannually on June 1 and December 1	20,920,000	20,920,000
Unamortized discounts	(935,845)	(995,674)
	<u>19,984,155</u>	<u>19,924,326</u>
Excise Taxes Lease Rental Revenue Subordinate Bonds, 1997A (Conseco Fieldhouse)		
Serial bonds, maturing June 1, 2003 to June 1, 2017. Interest at 4.35% to 5.00%, due semiannually on June 1 and December 1	34,915,000	36,345,000
Serial capital appreciation bonds, maturing June 1, 2010 to June 1, 2017. Interest at 5.10% to 5.42%, due at maturity	14,000,000	14,000,000
Term bonds, \$52,595,000 maturing June 1, 2022 and \$103,370,000 maturing June 1, 2027. Interest at 5.00%, due semiannually at June 1 and December 1	155,965,000	155,965,000
Excise Taxes Lease Rental Revenue Subordinate Bonds, 1997B (Conseco Fieldhouse Garage Facility)		
Serial bonds, maturing June 1, 2001 to June 1, 2008. Interest at 6.30% to 6.60%, due semiannually at June 1 and December 1	-	2,480,000
Term bonds, maturing June 1, 2010. Interest at 6.60%, due semiannually at June 1 and December 1	<u>5,465,000</u>	<u>5,465,000</u>
Unamortized discounts	210,345,000	214,255,000
	(8,180,663)	(9,097,288)
	<u>202,164,337</u>	<u>205,157,712</u>
Excise Taxes Lease Rental Revenue Senior Bonds, Series 1995A (Victory Field)		
Term bonds, \$1,790,000 maturing June 1, 2010 and \$3,995,000 maturing June 1, 2015. Interest at 7.375% and 7.55%, respectively, due semiannually on June 1 and December 1	5,230,000	5,785,000
Bonds payable - CIB financings	<u>331,430,083</u>	<u>340,615,828</u>
Economic Development Lease Rental Revenue Bonds, Series 1991 (Indianapolis Maintenance Center)		
Serial bonds, maturing January 1, 1998 to January 1, 2017. Interest at 5.50%, due semiannually on January 1 and July 1	<u>90,020,000</u>	<u>98,730,000</u>
Bonds payable - Commission financings	<u>90,020,000</u>	<u>98,730,000</u>
Total bonds payable	<u>\$ 421,450,083</u>	<u>\$ 439,345,828</u>

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Excise Taxes Lease Rental Revenue Bonds

The Authority's 1995A Bonds, 1997A Senior Bonds, 1997A and 1997B Subordinate Bonds, 2001A Bonds and 2003A Bonds ("Excise Taxes Bonds") include (a) bonds that mature serially ("Serial Bonds"), (b) bonds that are subject to redemption from mandatory sinking fund payments at various dates beginning in June 2008 ("Term Bonds") and (c) bonds that accrete from an original issue amount to their scheduled maturity amounts ("Capital Appreciation Bonds"). Certain of the Authority's Excise Taxes Bonds are subject to redemption, at the option of the Authority, at various dates for each series beginning in June 2005, at amounts up to 102% of the principal amount and declining to par at various dates.

Information as to the original issued amounts, amortized amounts and scheduled maturities for the Authority's Capital Appreciation Bonds follows:

Maturing in Year Ending December 31	Issued Amount	Current Amortized Amount	Maturity Amount	Yield
2010	\$ 535,610	\$ 927,240	\$ 1,000,000	5.10%
2011	502,700	879,550	1,000,000	5.20%
2012	711,315	1,251,165	1,500,000	5.25%
2013	672,345	1,186,425	1,500,000	5.28%
2014	633,135	1,123,155	1,500,000	5.33%
2015	994,375	1,771,525	2,500,000	5.37%
2016	938,000	1,676,400	2,500,000	5.40%
2017	885,975	1,586,800	2,500,000	5.42%
	<u>\$ 5,873,455</u>	<u>\$ 10,402,260</u>	<u>\$ 14,000,000</u>	

Certain of the Authority's Excise Taxes Bonds are subject to debt service reserve requirements which are currently being satisfied through the use of surety policies issued by MBIA Insurance Corporation (MBIA) and AMBAC Assurance Corporation (AMBAC). In aggregate, these policies amount to approximately \$21.9 million. In September 2008, the trustee under the respective bond indentures gave notice that the existing MBIA and AMBAC surety policies failed to meet indenture requirements for a debt service reserve fund credit facility because the ratings of MBIA and AMBAC had fallen below the AA/Aa category and, pursuant to such indentures, directed that cash or a substitute facility meeting such requirements be deposited with the trustee within one year.

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Economic Development Lease Rental Revenue Bonds

The 1991 Economic Development Bonds (the "1991 Bonds") mature serially and, while subject to redemption at par any time, such redemption requires the consent of The Indianapolis Local Public Improvement Bond Bank (the "Bond Bank"), the owner of such bonds. With the Bond Bank's 2005 refunding of its obligations used to purchase the 1991 Bonds, no restructuring or redemption of the 1991 Bonds is anticipated.

Aggregate debt service requirements for all Authority Bonds at December 31, 2008 are as follows:

	Principal	Interest	Total
2009	\$ 10,900,000	\$ 21,438,043	\$ 32,338,043
2010	21,090,000	20,344,515	41,434,515
2011	22,405,000	19,230,526	41,635,526
2012	23,520,000	18,088,533	41,608,533
2013	24,690,000	16,891,049	41,581,049
2014-2018	128,735,000	64,894,954	193,629,954
2019-2023	99,705,000	37,769,875	137,474,875
2024-2027	99,280,000	10,230,500	109,510,500
	<u>430,325,000</u>	<u>\$ 208,887,995</u>	<u>\$ 639,212,995</u>
Deduct:			
Net unamortized bond discounts/premium	(6,687,710)		
Deferred loss on refunding	(2,187,207)		
	<u>\$ 421,450,083</u>		

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2008 and 2007:

	Beginning Balance	2008		Ending Balance	Current Portion
		Additions	Deductions		
Revenue bonds payable	\$ 449,160,000	\$ -	\$ (18,835,000)	\$ 430,325,000	\$ 10,900,000
Bond discounts/premiums	(7,299,391)	-	611,681	(6,687,710)	-
Loss on refunding	(2,514,781)	-	327,574	(2,187,207)	-
Total bonds payable	<u>\$ 439,345,828</u>	<u>\$ -</u>	<u>\$ (17,895,745)</u>	<u>\$ 421,450,083</u>	<u>\$ 10,900,000</u>

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	Beginning Balance	2007		Ending Balance	Current Portion
		Additions	Deductions		
Revenue bonds payable	\$ 466,810,000	\$ -	\$ (17,650,000)	\$ 449,160,000	\$ 10,125,000
Bond discounts/premiums	(7,870,827)	-	571,436	(7,299,391)	-
Loss on refunding	(2,860,259)	-	345,478	(2,514,781)	-
Total bonds payable	\$ 456,078,914	\$ -	\$ (16,733,086)	\$ 439,345,828	\$ 10,125,000

Note 4: Swap Agreement and Termination

During 2005, the Authority entered into a swap option (swaption) that provided the Authority with an up-front payment of \$3.6 million (net of costs) together with four additional annual payments of \$1.2 million and a final annual payment of \$50,000. As a synthetic refunding of its outstanding 1997A Subordinate Term Bonds, these payments represented the estimated present value, as of April 2005, of the economic gain to be realized from a refunding on or about the first call date (June 1, 2008) for such bonds. The swaption gave KeyBank National Association the option to enter into an interest rate swap to receive fixed amounts from the Authority, and pay variable amounts to the Authority, based on the swap's notional amount. In connection with entering into the swaption, the Authority amended its Master Lease Agreement Number II, to provide for, among other things, the payment of additional rentals from the CIB to the Authority in the event a termination payment became due under the swaption.

KeyBank National Association exercised its option under the agreement in December 2007 and the resulting swap was set to become effective on June 1, 2008 with a scheduled termination date of June 1, 2027. In connection therewith, KeyBank National Association was obligated to pay certain remaining payments due under the swaption to the Authority. These remaining payments amounted to \$3,119,300 and were accrued by the Authority at December 31, 2007. The swap agreement provided for the Authority to receive interest from KeyBank National Association at 75% of the one-month London Interbank Offering Rate (LIBOR) and to pay interest to KeyBank National Association at a fixed rate of 4.75% on the notional amount outstanding.

On August 8, 2008, the Authority decided to terminate the swap. The swap agreement provided for a net termination fee of \$20,671,000 payable to KeyBank National Association. Pursuant to Master Lease Agreement II, the CIB made an additional lease payment to the Authority in the amount of \$16,371,000. This payment, along with other available funds held by the Authority, was used to pay the full termination fee to KeyBank National Association. In connection therewith, the Authority recognized a loss of \$23,333,243 on the termination of the swap.

A portion of the up-front payments to the Authority under the swaption were used by the Authority to make payments under an agreement entered into with Pacers Basketball LLC and the CIB in April 2005, which provided for the cablecast of a significant amount of Pacers' home games. During 2007, the Authority made a \$1.2 million payment to the Pacers in connection with this agreement.

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Note 5: Financing Leases

Indiana Convention Center & RCA Dome, Victory Field and Conseco Fieldhouse

Pursuant to a Master Lease Agreement dated May 1, 1991, and as amended March 15, 1993, June 1, 1995, November 1, 1997, August 1, 2001 and May 1, 2003, the Authority has leased the Indiana Convention Center (and, formerly, the RCA Dome) and Victory Field to the CIB. Also, pursuant to a Master Lease Agreement II, dated December 1, 1997, the Authority has leased the Conseco Fieldhouse and related parking facility to the CIB.

In April 2008, the Authority entered into a seventh amendment to its Master Lease Agreement. This seventh amendment generally facilitated the transfer of the Authority's fee interest in the RCA Dome site to the CIB so that the CIB could then transfer such interest to the Indiana Stadium and Convention Building Authority. This was done to allow for the RCA Dome to be demolished and the site to be used by the Indiana Stadium and Convention Building Authority to expand the existing Indiana Convention Center facilities for the ultimate use and benefit of the CIB. This transfer of fee interest in the site does not affect the amount of annual lease payments to be made by the CIB to the Authority in connection with the Master Lease Agreement, as previously amended.

Under both lease agreements, 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. Future minimum lease payments due from the CIB at December 31, 2008, together with amounts representing interest are as follows:

2009	\$ 27,672,240
2010	27,945,240
2011	28,075,680
2012	28,075,880
2013	28,073,829
2014-2018	140,327,597
2019-2023	140,226,250
2024-2027	<u>98,101,500</u>
	518,498,216
Current portion	<u>(27,672,240)</u>
Lease receivable - noncurrent	<u>\$ 490,825,976</u>

Marion County Convention and Recreational Facilities Authority
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Indianapolis Maintenance Center

Pursuant to its standing as a tenant-in-common, the Authority leased its interest in the Indianapolis Maintenance Center facility to the Commission, which is acting on behalf of the City of Indianapolis. Concurrently, the Commission subleased its interest to the Indianapolis Airport Authority, which thereupon leased the interests of the tenants-in-common in the site and facilities to United. During 2002, UAL, the parent of United, filed for Chapter 11 bankruptcy protection, and continued operations at Indianapolis International Airport until May 2003, when it abandoned the Indianapolis Maintenance Center facilities. Since 2004, a portion of the Indianapolis Maintenance Center has since been leased to various other companies. United's rejection of its lease in bankruptcy and the subsequent re-letting of the facilities does not affect the continuing obligation of the Commission under its lease agreement with the Authority.

Fixed rentals under these lease agreements, which will ultimately be used to service the debt on the 1991 Economic Development Bonds, are payable from the City's and Marion County's collective distributive share of the Marion County Option Income Tax and the general obligation tax levy of the City's Redevelopment Tax District, or other legally available monies. Future minimum lease payments due from the Commission at December 31, 2008, together with the amount representing interest are as follows:

2009	\$ 14,261,446
2010	14,218,310
2011	14,216,930
2012	14,220,160
2013	14,215,120
2014-2016	<u>42,651,413</u>
	113,783,379
Current portion	<u>(14,261,446)</u>
Lease receivable - noncurrent	<u>\$ 99,521,933</u>

Note 6: Land and Improvements

The Authority owns land upon which a parking facility for Conseco Fieldhouse has been built. The Authority holds title to the land and constructed improvements.

Supplementary Information

Marion County Convention and Recreational Facilities Authority
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Schedule of Receipts and Disbursements
Years Ended December 31, 2008 and 2007

	Excise Taxes Lease Rental Revenue Bonds			Total Excise
	Sinking Funds	Expense Funds	Project Fund— Construction Accounts	Taxes Lease Rental Revenue Bonds
Balances, December 31, 2006	\$ 4,731,559	\$ 311,468	\$ 516,863	\$ 5,559,890
Receipts				
Lease payments from Capital Improvement Board of Managers	26,982,516	-	-	26,982,516
Lease payments from Metropolitan Development Commission	-	-	-	-
Interest on cash equivalents and investments, net of fees	120,930	16,198	25,492	162,620
Premium on swaption	-	1,200,000	-	1,200,000
Total receipts	<u>27,103,446</u>	<u>1,216,198</u>	<u>25,492</u>	<u>28,345,136</u>
Transfer Between Accounts - net	<u>(74,333)</u>	<u>84,833</u>	<u>-</u>	<u>10,500</u>
Disbursements				
Interest paid on bonds	(17,273,806)	-	-	(17,273,806)
Bond principal payments	(9,385,000)	-	-	(9,385,000)
Payment of expenses, including issuance costs	-	(63,354)	-	(63,354)
Payment to Pacers Basketball Corporation	-	(1,200,000)	-	(1,200,000)
Total disbursements	<u>(26,658,806)</u>	<u>(1,263,354)</u>	<u>-</u>	<u>(27,922,160)</u>
Balances, December 31, 2007	<u>5,101,866</u>	<u>349,145</u>	<u>542,355</u>	<u>5,993,366</u>
Receipts				
Lease payments from Capital Improvement Board of Managers	27,297,032	-	-	27,297,032
Additional rental payment for swap termination	-	16,371,000	-	16,371,000
Lease payments from Metropolitan Development Commission	-	-	-	-
Interest on cash equivalents and investments, net of fees	84,622	28,278	9,354	122,254
Premium on swaption	-	4,551,045	-	4,551,045
Total receipts	<u>27,381,654</u>	<u>20,950,323</u>	<u>9,354</u>	<u>48,341,331</u>
Transfer Between Accounts - net	<u>(75,340)</u>	<u>637,549</u>	<u>(551,709)</u>	<u>10,500</u>
Disbursements				
Interest paid on bonds	(16,790,764)	-	-	(16,790,764)
Bond principal payments	(10,125,000)	-	-	(10,125,000)
Payments relating to swap transaction, including termination fee	-	(21,575,731)	-	(21,575,731)
Payment of expenses, including issuance costs	-	(74,446)	-	(74,446)
Total disbursements	<u>(26,915,764)</u>	<u>(21,650,177)</u>	<u>-</u>	<u>(48,565,941)</u>
Balances, December 31, 2008	<u>\$ 5,492,416</u>	<u>\$ 286,840</u>	<u>\$ -</u>	<u>\$ 5,779,256</u>

Economic Development Lease Rental Revenue Bonds

Sinking Fund	Operation and Reserve Fund	Total Economic Development Lease Rental Revenue Bonds	Totals
\$ -	\$ 488,035	\$ 488,035	\$ 6,047,925
-	-	-	26,982,516
14,172,958	-	14,172,958	14,172,958
37,214	104,055	141,269	303,889
-	-	-	1,200,000
<u>14,210,172</u>	<u>104,055</u>	<u>14,314,227</u>	<u>42,659,363</u>
<u>(58,495)</u>	<u>47,995</u>	<u>(10,500)</u>	-
(5,884,725)	-	(5,884,725)	(23,158,531)
(8,265,000)	-	(8,265,000)	(17,650,000)
-	(7,328)	(7,328)	(70,682)
-	-	-	(1,200,000)
<u>(14,149,725)</u>	<u>(7,328)</u>	<u>(14,157,053)</u>	<u>(42,079,213)</u>
<u>1,952</u>	<u>632,757</u>	<u>634,709</u>	<u>6,628,075</u>
-	-	-	27,297,032
-	-	-	16,371,000
14,228,644	-	14,228,644	14,228,644
42,393	15,511	57,904	180,158
-	-	-	4,551,045
<u>14,271,037</u>	<u>15,511</u>	<u>14,286,548</u>	<u>62,627,879</u>
<u>(128,587)</u>	<u>118,087</u>	<u>(10,500)</u>	-
(5,430,150)	-	(5,430,150)	(22,220,914)
(8,710,000)	-	(8,710,000)	(18,835,000)
-	-	-	(21,575,731)
-	(6,650)	(6,650)	(81,096)
<u>(14,140,150)</u>	<u>(6,650)</u>	<u>(14,146,800)</u>	<u>(62,712,741)</u>
<u>\$ 4,252</u>	<u>\$ 759,705</u>	<u>\$ 763,957</u>	<u>\$ 6,543,213</u>

**Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards**

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

We have audited the financial statements of Marion County Convention and Recreational Facilities Authority (Authority) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 4, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to the Authority's management in a separate letter dated June 4, 2009.

This report is intended solely for the information and use of the Board of Directors and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

BKD_{LLP}

Indianapolis, Indiana
June 4, 2009