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, 2009 and 2008

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

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Contents

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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, 2009 and 2008, 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, 2009 and 2008, 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 April 8, 2010, 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

April 8, 2010

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, 2009. 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 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, 2009:

- The Authority experienced a decrease in total assets of approximately $41.1 million. Receipt of annual lease rentals and the application of such receipts to bonded indebtedness resulted in a decrease of approximately $41.8 million. Approximately $1 million of the increase in Current restricted assets from 2008 to 2009 was the additional lease payment to cash fund the debt service reserve fund securing the Authority's 1995A Bonds ("1995A Reserve Deposit"). Noncurrent unrestricted assets decreased by approximately $0.3 million due to the amortization of deferred bond issuance costs that are not recouped through lease payments.

- The Authority experienced a reduction in total liabilities of approximately $42.3 million. $41.7 million of this reduction was a result of annual payments on its bonded indebtedness and approximately $0.6 million was a reduction of a liability due to local government.

- Total net assets and the change in net assets increased by approximately $1.2 million, principally due to the additional lease payment of approximately $1 million.

- The net nonoperating expenses of approximately $23.3 million in 2008 consisted entirely of the loss resulting from a termination (the "2008 Swap Termination") by the Authority of its swaption entered into in 2005 as a synthetic refunding of certain of its outstanding bonds (the"2005 Swaption").

Overview of Financial Statements

This financial report of the Authority includes the following financial statements for the calendar years 2009 and 2008:

- 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, 2009, 2008 and 2007 follows (in thousands):

	December 31		
	2009	**2008**	**2007**
Assets			
Unrestricted assets - current	$ -	$ -	$ 4,319
Restricted assets - current	49,879	48,479	48,176
Unrestricted assets - noncurrent	4,216	4,555	6,929
Restricted assets - noncurrent	548,184	590,348	632,283
Total assets	$ 602,279	$ 643,382	$ 691,707
Liabilities			
Current liabilities payable from restricted assets	$ 13,124	$ 12,875	$ 12,001
Noncurrent liabilities payable from restricted assets	583,322	625,919	668,104
Total liabilities	596,446	638,794	680,105
Net Assets			
Invested in capital assets	1,300	1,300	1,300
Restricted	1,617	33	353
Unrestricted	2,916	3,255	9,949
Total net assets	5,833	4,588	11,602
Total liabilities and net assets	$ 602,279	$ 643,382	$ 691,707

The decrease in *total assets* and *total liabilities* (from 2008 to 2009 and from 2007 to 2008) 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 $42.2 million from 2008 to 2009 and $41.9 million from 2007 to 2008 and the decrease in *Noncurrent liabilities* of approximately $42.6 million from 2008 to 2009 and $42.2 million from 2007 to 2008 reflects the receipt of lease rentals which are then used to make debt payments.

Restricted assets - current increased by approximately $1.4 million from 2008 to 2009 largely due to an additional lease payment of approximately $1 million. *Unrestricted assets - current* and *Unrestricted assets - noncurrent* decreased by approximately $0.3 million from 2008 to 2009 and decreased by approximately $6.7 million from 2007 to 2008, largely due to the activity relating to the Authority's 2005 Swaption and its termination.

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 deferred bond issuance costs that are not recouped through lease payments. Unrestricted net assets decreased by approximately $0.3 million in 2009 from 2008 and approximately $6.7 million in 2008 from 2007, largely due to the activity relating to the Authority's swaption. Restricted net assets increased by approximately $1.6 million in 2009 from 2008, largely due to an additional lease payment from the CIB of approximately $1 million to be used to cash fund the Authority's debt service reserve fund for the 1995 Bonds and by the approximately $0.6 million reduction of a liability due to local government. The restricted net assets decreased by approximately $0.3 million in 2008 from 2007 due to the activity relating to the Authority's 2005 Swaption and its termination.

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, 2009, 2008 and 2007 follows (in thousands):

	December 31		
	2009	**2008**	**2007**
Operating Revenues			
Interest on leases	$ 22,469	$ 23,589	$ 24,500
Additional rental payments	992	16,371	-
Investment and other income, net of fees	2	85	166
Total operating revenues	23,463	40,045	24,666
Nonoperating Revenues			
Income from swaption	-	-	3,119
Total revenues	23,463	40,045	27,785
Operating Expenses			
Interest expense	22,450	23,505	24,446
Administrative expenses	(232)	221	220
Total operating expenses	22,218	23,726	24,666
Nonoperating Expenses			
Payments related to Pacers' games cablecast	-	-	600
Loss on swap termination	-	23,333	-
Total nonoperating expenses	-	23,333	600
Total expenses	22,218	47,059	25,266
Increase (Decrease) in Net Assets	$ 1,245	$ (7,014)	$ 2,519

The decrease in *operating revenues* of approximately $16.6 million in 2009 from 2008 is primarily attributable to the approximate $16.4 million additional rental payment for the swap termination in 2008. The CIB made an additional rental payment of approximately $1 million to cash fund the 1995A Reserve Deposit in 2009. The interest on leases decreased approximately $1.1 million in 2009 from 2008 and approximately $0.9 million in 2008 from 2007 primarily from lower lease rentals.

Operating interest expenses decreased $1.1 million in 2009 from 2008 and $0.9 million in 2008 from 2007 as a result of declining annual interest payments on debt. Administrative expenses decreased approximately $0.5 million in 2009 from 2008 and stayed the same from 2007 to 2008. The decrease in 2009 was the result of a writedown of a liability for local government administrative fees.

Nonoperating revenues and *nonoperating expenses* primarily stem from the 2007 receipt of a premium on the 2005 Swaption, and the loss of $23.3 million recognized on the 2008 Swap Termination.

The increase in net assets of approximately $1.2 million in 2009 from 2008 is primarily due to the additional rental payment of approximately $1 million to cash fund the 1995A Reserve Deposit. 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 2008 Swap Termination, offset by approximately $16.4 million additional rental payment for the 2008 Swap Termination.

Capital Assets and Debt Administration

<u>*Capital Assets*</u>

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 the CIB Facilities and the Indianapolis Maintenance Center (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 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.

<u>*Long-Term Debt*</u>

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 were originally 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 affected the credit ratings of MCCRFA's bonds. In September 2009, the Authority received an additional lease payment from the CIB of approximately $1 million to be used to cash fund the Authority's 1995A Reserve Deposit, thereby satisfying such requirement related to the 1995A Bonds. Concurrently, the Authority and the CIB entered into a Debt Service Reserve Fund Replenishment Agreement with the Indiana Finance Authority to address the debt service reserve fund requirements related to and securing the Authority's 1997A and 1997B Subordinate Bonds ("1997 Subordinate Bond Reserve Deposit"). Pursuant to this agreement, the IFA has agreed to lend the necessary amounts for deposit into the Authority's debt service reserve funds related to and securing the Authority's 1997A and 1997B Subordinate Bonds ("1997 Subordinate Bond Reserve") in the event there is an insufficiency in such reserves to meet required bond payments following unfulfilled requests being made to MBIA under the respective MBIA surety policies. The Authority found that the Authority's 1997 Subordinate Bond Reserve Deposit met the requirements of the 1997 Subordinate Bond Reserve.

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, 2009 and 2008

	2009	2008
Assets		
Current Assets		
Restricted Assets		
Cash equivalents	$ 7,715,522	$ 6,543,213
Interest receivable	-	1,940
Current portion of leases receivable	42,163,550	41,933,686
Total restricted current assets	49,879,072	48,478,839
Total current assets	49,879,072	48,478,839
Noncurrent Assets		
Noncurrent portion of leases receivable, restricted	548,184,359	590,347,909
Deferred bond issuance costs	2,915,756	3,255,332
Nondepreciable land and improvements, at cost	1,300,000	1,300,000
Total noncurrent assets	552,400,115	594,903,241
Total assets	$ 602,279,187	$ 643,382,080
Liabilities		
Current Liabilities Payable From Restricted Assets		
Due to local government	$ -	$ 596,143
Interest payable	1,329,056	1,378,862
Current portion of bonds payable	11,795,000	10,900,000
Total current liabilities payable from restricted assets	13,124,056	12,875,005
Total current liabilities	13,124,056	12,875,005
Noncurrent Liabilities Payable From Restricted Assets		
Deferred revenue on leases receivable	192,899,943	215,368,970
Bonds payable	390,422,120	410,550,083
Total noncurrent liabilities payable from restricted assets	583,322,063	625,919,053
Total liabilities	596,446,119	638,794,058
Net Assets		
Invested in capital assets	1,300,000	1,300,000
Restricted for		
Debt service	1,617,312	32,690
Unrestricted	2,915,756	3,255,332
Total net assets	5,833,068	4,588,022
Total liabilities and net assets	$ 602,279,187	$ 643,382,080

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, 2009 and 2008

	2009	2008
Operating Revenues		
Interest on leases	$ 22,469,027	$ 23,588,560
Additional rental payment for swap termination	991,800	16,371,000
Investment and other income, net of fees	2,139	85,394
Total revenues	23,462,966	40,044,954
Operating Expenses		
Interest expense	22,450,309	23,504,284
Administrative expenses	(232,389)	221,095
Total expenses	22,217,920	23,725,379
Operating Income	1,245,046	16,319,575
Nonoperating Expenses		
Loss on swap termination	-	(23,333,243)
Change in Net Assets	1,245,046	(7,013,668)
Net Assets, Beginning of Year	4,588,022	11,601,690
Net Assets, End of Year	$ 5,833,068	$ 4,588,022

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, 2009 and 2008

	2009	2008
Operating Activities		
Lease payments received	$ 41,925,865	$ 41,525,676
Additional rental payment for swap termination	-	16,371,000
Additional rental payment to fund debt service reserve account	991,800	-
Interest received	11,950	180,158
Payments to trustees and other vendors	(363,788)	(81,096)
Net cash provided by operating activities	42,565,827	57,995,738
Noncapital and Related Financing Activities		
Principal payments on bonds	(20,195,000)	(18,835,000)
Interest payments on bonds	(21,198,518)	(22,220,914)
Income from swaption	-	4,551,045
Payments relating to swap termination	-	(21,575,731)
Net cash used in noncapital and related financing activities	(41,393,518)	(58,080,600)
Net Increase (Decrease) in Cash Equivalents	1,172,309	(84,862)
Cash Equivalents, Beginning of Year	6,543,213	6,628,075
Cash Equivalents, End of Year	$ 7,715,522	$ 6,543,213
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income	$ 1,245,046	$ 16,319,575
Interest expense considered noncapital financing activity	22,450,310	23,504,284
Changes in assets and liabilities		
Leases receivable	41,933,686	41,536,999
Deferred revenue on leases receivable	(22,469,027)	(23,514,384)
Other	(594,188)	149,264
Net Cash Provided by Operating Activities	$ 42,565,827	$ 57,995,738

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 was not financed by the Authority and it is not involved with such facility.

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.

Cash Equivalents - Cash equivalents are reported at amortized cost. The Authority's cash equivalents at December 31, 2009 and 2008 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.

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, 2009 and 2008, the Authority had the following investments:

	2009	2008
U.S. Government money market mutual funds	$ 7,715,522	$ 6,543,213

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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, 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:

	2009	2008
Cash equivalents		
Current - restricted	$ 7,715,522	$ 6,543,213

Investment Income

Investment income for the years ended December 31, 2009 and 2008, consisted of:

	2009	2008
Interest income	$ 2,139	$ 85,394

Investments are restricted as follows:

	2009	2008
Excise Taxes Bonds		
Sinking Fund	$ 5,933,236	$ 5,492,416
Expense Fund	302,887	286,840
Debt Service Reserve Fund	991,880	-
Economic Development Bonds		
Sinking Fund	119	4,252
Operation and Reserve Fund	487,400	759,705
	$ 7,715,522	$ 6,543,213

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.

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.

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.

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.

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.

Bonds payable consist of:

	2009	2008
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	$ 55,740,000	$ 59,135,000
Deferred loss on refunding	(1,147,174)	(1,336,774)
Unamortized premiums	1,755,293	2,045,400
	56,348,119	59,843,626
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	29,050,000	31,525,000
Term bonds, maturing June 1, 2021. Interest at 5.00%, due semi-annually on June 1 and December 1	13,150,000	13,150,000
	42,200,000	44,675,000
Deferred loss on refunding	(731,011)	(850,433)
Unamortized premiums	329,559	383,398
	41,798,548	44,207,965
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	(876,016)	(935,845)
	20,043,984	19,984,155
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	33,125,000	34,915,000
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)		
Term bonds, maturing June 1, 2010. Interest at 6.60%, due semiannually at June 1 and December 1	2,820,000	5,465,000
	205,910,000	210,345,000
Unamortized discounts	(7,243,531)	(8,180,663)
	198,666,469	202,164,337
Excise Taxes Lease Rental Revenue Senior Bonds, Series 1995A (Victory Field)		
Serial bonds, maturing June 1, 1997 to June 1, 2007. Interest at 6.00% to 7.10%, due semiannually on June 1 and December 1		
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	4,635,000	5,230,000
Bonds payable - CIB financings	321,492,120	331,430,083
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	80,725,000	90,020,000
Bonds payable - Commission financings	80,725,000	90,020,000
Total bonds payable	$ 402,217,120	$ 421,450,083

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	$ 975,130	$ 1,000,000	5.10%
2011	502,700	925,880	1,000,000	5.20%
2012	711,315	1,317,720	1,500,000	5.25%
2013	672,345	1,249,890	1,500,000	5.28%
2014	633,135	1,183,830	1,500,000	5.33%
2015	994,375	1,867,925	2,500,000	5.37%
2016	938,000	1,768,150	2,500,000	5.40%
2017	885,975	1,673,975	2,500,000	5.42%
	$ 5,873,455	$ 10,962,500	$ 14,000,000	

The Authority's 1997A and 1997B Subordinate Bonds are subject to debt service reserve requirements. Initially they were satisfied through the use of surety policies issued by MBIA Insurance Corporation (MBIA). In aggregate, these surety policies provide an amount not to exceed approximately $21.95 million in respect of such reserve requirements. In September 2008, the trustee under the bond indenture related to the 1997A and 1997B Subordinate Bonds gave notice that the existing MBIA surety policies failed to meet indenture requirements for a debt service reserve fund credit facility because the ratings of MBIA had fallen below the AA/Aa category and, pursuant to such indenture, directed that cash or a substitute facility meeting such requirements be deposited with the trustee within one year.

In September 2009, the Authority and the CIB entered into a Debt Service Reserve Fund Replenishment Agreement (“IFA Reserve Facility”) with the Indiana Finance Authority ("IFA") to address the debt service reserve fund requirements under the indenture securing the1997A and1997B Subordinate Bonds. Pursuant to the IFA Reserve Facility, the IFA has agreed to lend the necessary amounts for deposit into the Authority's debt service reserve fund securing the 1997A and 1997B Subordinate Bonds in the event, among other requirements, that there is an insufficiency in such reserves to meet required bond payments following unfulfilled requests being made to MBIA under the respective MBIA surety policies. The Authority found that the IFA Reserve Facility met the indenture requirements applicable to the 1997A and 1997B Subordinate Bonds. The IFA Reserve Facility is subject to various terms and conditions, which could result in it being terminated prior to the final maturity of the 1997A and 1997B Subordinate Bonds secured by it.

As a result of a similar circumstance, in September 2009, the Authority also received an additional lease payment from the CIB of approximately $1 million to cash fund the Authority's debt service reserve fund requirement for the 1995A Bonds, thereby satisfying such requirement. AMBAC Assurance Corporation's rating downgrade resulted in the failure of its surety policy securing the 1995A Bonds to meet indenture requirements applicable to the 1995A Bonds.

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.

Aggregate debt service requirements for all Authority Bonds at December 31, 2009 are as follows:

	Principal	Interest	Total
2010	$ 11,795,000	$ 20,344,515	$ 32,139,515
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	25,920,000	15,639,936	41,559,936
2015-2019	120,855,000	58,753,268	179,608,268
2020-2024	104,700,000	32,659,750	137,359,750
2025-2027	76,245,000	5,842,375	82,087,375
	410,130,000	$ 187,449,952	$ 597,579,952
Deduct:			
Net unamortized bond discounts/premium	(6,034,695)		
Deferred loss on refunding	(1,878,185)		
	$ 402,217,120		

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2009 and 2008:

	2009				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable	$ 430,325,000	$ -	$ (20,195,000)	$ 410,130,000	$ 11,795,000
Bond discounts/premiums	(6,687,710)	-	653,015	(6,034,695)	-
Loss on refunding	(2,187,207)	-	309,022	(1,878,185)	-
Total bonds payable	$ 421,450,083	$ -	$ (19,232,963)	$ 402,217,120	$ 11,795,000

	2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
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	$ 439,345,828	$ -	$ (17,895,745)	$ 421,450,083	$ 10,900,000

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. 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.

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, 2009, together with amounts representing interest are as follows:

2010	$ 27,945,240
2011	28,075,680
2012	28,075,880
2013	28,073,829
2014	28,073,801
2015-2019	140,315,296
2020-2024	140,193,750
2025-2027	70,072,500
	490,825,976
Current portion	(27,945,240)
Lease receivable - noncurrent	$ 462,880,736

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, 2009, together with the amount representing interest are as follows:

2010	$ 14,218,310
2011	14,216,930
2012	14,220,160
2013	14,215,120
2014	14,219,911
2015-2016	28,431,502
	99,521,933
Current portion	(14,218,310)
Lease receivable - noncurrent	$ 85,303,623

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

(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Schedule of Receipts and Disbursements
Years Ended December 31, 2009 and 2008

	Excise Taxes Lease Rental Revenue Bonds				
	Sinking Funds	Expense Funds	Debt Service Reserve Funds	Project Fund - Construction Accounts	Total Excise Taxes Lease Rental Revenue Bonds
Balances, December 31, 2007	$ 5,101,866	$ 349,145	$ -	$ 542,355	$ 5,993,366
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	27,381,654	20,950,323	-	9,354	48,341,331
Transfer Between Accounts - net	(75,340)	637,549	-	(551,709)	10,500
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	(26,915,764)	(21,650,177)	-	-	(48,565,941)
Balances, December 31, 2008	5,492,416	286,840	-	-	5,779,256
Receipts					
Lease payments from Capital Improvement Board of Managers	27,664,419	-	-	-	27,664,419
Additional rental payment for debt service reserve funding	-	-	991,800	-	991,800
Lease payments from Metropolitan Development Commission	-	-	-	-	-
Interest on cash equivalents and investments, net of fees	7,046	400	80	-	7,526
Total receipts	27,671,465	400	991,880	-	28,663,745
Transfer Between Accounts - net	(83,192)	93,692	-	-	10,500
Disbursements					
Interest paid on bonds	(16,247,418)	-	-	-	(16,247,418)
Bond principal payments	(10,900,000)	-	-	-	(10,900,000)
Payment of expenses, including issuance costs	(35)	(78,045)	-	-	(78,080)
Total disbursements	(27,147,453)	(78,045)	-	-	(27,225,498)
Balances, December 31, 2009	$ 5,933,236	$ 302,887	$ 991,880	$ -	$ 7,228,003

Economic Development Lease Rental Revenue Bonds			
Sinking Fund	Operation and Reserve Fund	Total Economic Development Lease Rental Revenue Bonds	Totals
$ 1,952	$ 632,757	$ 634,709	$ 6,628,075
-	-	-	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
14,271,037	15,511	14,286,548	62,627,879
(128,587)	118,087	(10,500)	-
(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)
(14,140,150)	(6,650)	(14,146,800)	(62,712,741)
4,252	759,705	763,957	6,543,213
-	-	-	27,664,419
-	-	-	991,800
14,261,446	-	14,261,446	14,261,446
2,712	1,712	4,424	11,950
14,264,158	1,712	14,265,870	42,929,615
(22,191)	11,691	(10,500)	(0)
(4,951,100)	-	(4,951,100)	(21,198,518)
(9,295,000)	-	(9,295,000)	(20,195,000)
-	(285,708)	(285,708)	(363,788)
(14,246,100)	(285,708)	(14,531,808)	(41,757,306)
$ 119	$ 487,400	$ 487,519	$ 7,715,522

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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, 2009, and have issued our report thereon dated April 8, 2010. 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 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.

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 deficiencies, 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*.

This report is intended solely for the information and use of the governing body, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
April 8, 2010