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, 2010 and 2009

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

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Contents

BKD LLP
CPAs & Advisors

201 N. Illinois Street, Suite 700
P.O. Box 44998
Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

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, 2010 and 2009, 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, 2010 and 2009, 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 March 25, 2011, 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

March 25, 2011

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, 2010. This Management's Discussion and Analysis is being presented to provide additional information regarding the activities of the Authority in connection with its financial statements.

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

Financial Highlights

The following are some highlights from the Authority's financial statements for the fiscal year ended December 31, 2010:

- The Authority experienced a decrease in total assets of approximately $43.1 million. This reduction was primarily due to the receipt of annual lease rentals.
- The Authority experienced a reduction in total liabilities of approximately $42 million. This reduction was a result of annual payments on its bonded indebtedness.
- Total net assets decreased by approximately $1.1 million, due to a one-time adjustment to interest on leases to true up the leases receivable balance.

Overview of Financial Statements

This financial report of the Authority includes the following financial statements for the calendar years 2010 and 2009:

- 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, 2010, 2009 and 2008 follows (in thousands):

	December 31		
	2010	2009	2008
Assets			
Restricted assets - current	$ 50,365	$ 49,879	$ 48,479
Unrestricted assets - noncurrent	3,892	4,216	4,555
Restricted assets - noncurrent	504,900	548,184	590,348
Total assets	$ 559,157	$ 602,279	$ 643,382
Liabilities			
Current liabilities payable from restricted assets	$ 13,919	$ 13,124	$ 12,875
Noncurrent liabilities payable from restricted assets	540,530	583,322	625,919
Total liabilities	554,449	596,446	638,794
Net Assets			
Invested in capital assets	1,300	1,300	1,300
Restricted	816	1,617	33
Unrestricted	2,592	2,916	3,255
Total net assets	4,708	5,833	4,588
Total liabilities and net assets	$ 559,157	$ 602,279	$ 643,382

The decrease in *total assets* and *total liabilities* (from 2009 to 2010 and from 2008 to 2009) 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 $43.3 million from 2009 to 2010 and $42.2 million from 2008 to 2009 and the decrease in *Noncurrent liabilities* of approximately $42.8 million from 2009 to 2010 and $42.6 million from 2008 to 2009 reflects the receipt of lease rentals which are then used to make debt payments.

Restricted assets - current increased by approximately $0.5 million from 2009 to 2010 due to the timing between the pay down of the leases receivable and the pay down of the corresponding bond debt and increased by approximately $1.4 million from 2008 to 2009 largely due to an additional lease payment of approximately $1 million. *Unrestricted assets - noncurrent* decreased by approximately $0.3 million from 2009 to 2010 and from 2008 to 2009, due to the amortization of deferred bond issuance costs that are not recouped through lease payments.

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.

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, 2010, 2009 and 2008 follows (in thousands):

	December 31		
	2010	**2009**	**2008**
Operating Revenues			
Interest on leases	$ 20,355	$ 23,461	$ 39,960
Investment and other income, net of fees	-	2	85
Total revenues	20,355	23,463	40,045
Operating Expenses			
Interest expense	21,322	22,450	23,505
Administrative expenses	158	(232)	221
Total operating expenses	21,480	22,218	23,726
Nonoperating Expenses			
Loss on swap termination	-	-	23,333
Total nonoperating expenses	-	-	23,333
Total expenses	21,480	22,218	47,059
Increase (Decrease) in Net Assets	$ (1,125)	$ 1,245	$ (7,014)

The decrease in *operating revenues* of approximately $3.1 million in 2010 from 2009 is primarily attributable to the decrease in interest on leases primarily from lower lease rentals. The decrease 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.

Operating interest expenses decreased $1.1 million in 2010 from 2009 and in 2009 from 2008 as a result of declining annual interest payments on debt. Administrative expenses increased approximately $0.4 million in 2010 from 2009 and decreased approximately $0.5 million in 2009 from 2008. The increase in 2010 and decrease in 2009 was the result of the elimination of a liability for local government administrative fees made in 2009.

The changes in net assets reported for 2010 and 2009 primarily relate to the receipt of an additional rental payment in 2009 to cash fund the 1995A Reserve Deposit and a fluctuation in administrative expenses due to writing off a liability to another government in that same year. The decrease in net assets of approximately $7.0 million in 2008 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

Capital Assets

The Authority presently leases a portion of 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”) and 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 (the “Commission”).

The CIB and the Commission have 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 and the Commission, and which are used to pay lease rent) secure these bonds. The CIB is obligated to operate, maintain and insure the CIB Facilities at its expense. The Indianapolis Airport Authority is obligated to maintain and insure the Indianapolis Maintenance Center at its expense. United Air Lines, Inc. (“United”) no longer occupies the Indianapolis Maintenance Facility and new tenants now lease a substantial 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 the respective 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 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 MBIA is unable to meet its surety obligations for these bonds. 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's lease receivables are structured to match up with its bond obligations, as well as fund its annual administrative expenses. These fixed lease rental payments are anticipated to be sufficient to meet next year's budgeted expenditures.

While economic factors could impact the continuing operations of the CIB and the Commission, lease rental obligations are fixed and, in certain ways, are 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 Chief Financial Officer
Capital Improvement Board of Managers (of Marion County, Indiana)
100 South Capitol Avenue
Indianapolis, Indiana 46225-1071

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Balance Sheets
December 31, 2010 and 2009

	2010	2009
Assets		
Current Assets		
Restricted Assets		
Cash equivalents	$ 8,072,174	$ 7,715,522
Interest receivable	76	-
Current portion of leases receivable	42,292,610	42,163,550
Total restricted current assets	50,364,860	49,879,072
Total current assets	50,364,860	49,879,072
Noncurrent Assets		
Noncurrent portion of leases receivable, restricted	504,899,949	548,184,359
Deferred bond issuance costs	2,592,318	2,915,756
Nondepreciable land and improvements, at cost	1,300,000	1,300,000
Total noncurrent assets	508,792,267	552,400,115
Total assets	$ 559,157,127	$ 602,279,187
Liabilities		
Current Liabilities Payable From Restricted Assets		
Interest payable	$ 1,279,131	$ 1,329,056
Current portion of bonds payable	12,640,000	11,795,000
Total current liabilities payable from restricted assets	13,919,131	13,124,056
Total current liabilities	13,919,131	13,124,056
Noncurrent Liabilities Payable From Restricted Assets		
Deferred revenue on leases receivable	171,553,111	192,899,943
Bonds payable	368,977,101	390,422,120
Total noncurrent liabilities payable from restricted assets	540,530,212	583,322,063
Total liabilities	554,449,343	596,446,119
Net Assets		
Invested in capital assets	1,300,000	1,300,000
Restricted for		
Debt service	815,466	1,617,312
Unrestricted	2,592,318	2,915,756
Total net assets	4,707,784	5,833,068
Total liabilities and net assets	$ 559,157,127	$ 602,279,187

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, 2010 and 2009

	2010	2009
Operating Revenues		
Interest on leases	$ 20,355,031	$ 23,460,827
Investment and other income, net of fees	458	2,139
Total revenues	20,355,489	23,462,966
Operating Expenses		
Interest expense	21,322,412	22,450,309
Administrative expenses	158,361	(232,389)
Total expenses	21,480,773	22,217,920
Change in Net Assets	(1,125,284)	1,245,046
Net Assets, Beginning of Year	5,833,068	4,588,022
Net Assets, End of Year	$ 4,707,784	$ 5,833,068

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, 2010 and 2009

	2010	2009
Operating Activities		
Lease payments received	$ 42,162,924	$ 41,925,865
Additional rental payment to fund debt service reserve account	-	991,800
Interest received	1,007	11,950
Payments to trustees and other vendors	(158,361)	(363,788)
Net cash provided by operating activities	42,005,570	42,565,827
Noncapital and Related Financing Activities		
Principal payments on bonds	(21,560,000)	(20,195,000)
Interest payments on bonds	(20,088,918)	(21,198,518)
Net cash used in noncapital and related financing activities	(41,648,918)	(41,393,518)
Net Increase in Cash Equivalents	356,652	1,172,309
Cash Equivalents, Beginning of Year	7,715,522	6,543,213
Cash Equivalents, End of Year	$ 8,072,174	$ 7,715,522
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	$ (1,125,284)	$ 1,245,046
Interest expense considered noncapital financing activity	21,322,412	22,450,310
Changes in assets and liabilities		
Leases receivable	43,155,350	41,933,686
Deferred revenue on leases receivable	(21,346,832)	(22,469,027)
Other	(76)	(594,188)
Net Cash Provided by Operating Activities	$ 42,005,570	$ 42,565,827

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 Conseco Fieldhouse, Victory Field and a portion of the Indiana Convention Center 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.

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, 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, 2010 and 2009 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 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Investments

Indiana statutes generally authorize the Authority to invest in United States obligations and issues of federal agencies, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government agency securities, Indiana municipal securities, certificates of deposit, money market deposit accounts and mutual funds.

At December 31, 2010 and 2009, the Authority had the following investments:

	2010	2009
U.S. Government money market mutual funds	$ 8,072,174	$ 7,715,522

***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, 2010 and 2009, 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, 2010 and 2009, 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, 2010 and 2009, 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:

	2010	2009
Cash equivalents		
Current - restricted	$ 8,072,174	$ 7,715,522

Investment Income

Investment income for the years ended December 31, 2010 and 2009, consisted of:

	2010	2009
Interest income	$ 458	$ 2,139

Investments are restricted as follows:

	2010	2009
Excise Taxes Bonds		
Sinking Funds	$ 6,363,005	$ 5,933,236
Expense Funds	313,888	302,887
Debt Service Reserve Fund	991,800	991,880
Economic Development Bonds		
Sinking Fund	57	119
Operation and Reserve Fund	403,424	487,400
	$ 8,072,174	$ 7,715,522

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 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. Since this time, a number of 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:

	2010	2009
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	$ 52,170,000	$ 55,740,000
Deferred loss on refunding	(969,718)	(1,147,174)
Unamortized premiums	1,483,767	1,755,293
	52,684,049	56,348,119
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2001A		
(Refinancing related to former domed stadium)		
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	26,445,000	29,050,000
Term bonds, maturing June 1, 2021. Interest at 5.00%, due semiannually on June 1 and December 1	13,150,000	13,150,000
	39,595,000	42,200,000
Deferred loss on refunding	(618,960)	(731,011)
Unamortized premiums	279,044	329,559
	39,255,084	41,798,548
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	(816,188)	(876,016)
	20,103,812	20,043,984
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	31,965,000	33,125,000
Serial capital appreciation bonds, maturing June 1, 2010 to June 1, 2017. Interest at 5.10% to 5.42%, due at maturity	13,000,000	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, matured June 1, 2010. Interest at 6.60%, due semiannually at June 1 and December 1	-	2,820,000
	200,930,000	205,910,000
Unamortized discounts	(6,310,844)	(7,243,531)
	194,619,156	198,666,469
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	3,995,000	4,635,000
Bonds payable - CIB financings	310,657,101	321,492,120
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	70,960,000	80,725,000
Bonds payable - Commission financings	70,960,000	80,725,000
Total bonds payable	$ 381,617,101	$ 402,217,120

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
2011	$ 502,700	$ 974,650	$ 1,000,000	5.20%
2012	711,315	1,387,815	1,500,000	5.25%
2013	672,345	1,316,760	1,500,000	5.28%
2014	633,135	1,247,760	1,500,000	5.33%
2015	994,375	1,969,575	2,500,000	5.37%
2016	938,000	1,864,925	2,500,000	5.40%
2017	885,975	1,765,925	2,500,000	5.42%
	$ 5,337,845	$ 10,527,410	$ 13,000,000	

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 $21.94 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 the 1997A and 1997B 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 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, 2010 are as follows:

	Principal	Interest	Total
2011	$ 12,640,000	$ 19,230,526	$ 31,870,526
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	27,200,000	14,335,330	41,535,330
2016-2020	112,600,000	52,991,563	165,591,563
2021-2025	109,940,000	27,293,750	137,233,750
2026-2027	52,060,000	2,634,750	54,694,750
	388,570,000	$ 167,105,437	$ 555,675,437
Deduct:			
Net unamortized bond discounts/premium	(5,364,221)		
Deferred loss on refunding	(1,588,678)		
	$ 381,617,101		

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2010 and 2009:

2010

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable	$ 410,130,000	$ -	$ (21,560,000)	$ 388,570,000	$ 12,640,000
Bond discounts/premiums	(6,034,695)	-	670,474	(5,364,221)	-
Loss on refunding	(1,878,185)	-	289,507	(1,588,678)	-
Total bonds payable	$ 402,217,120	$ -	$ (20,600,019)	$ 381,617,101	$ 12,640,000

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

Note 4: Financing Leases

Indiana Convention Center, Victory Field and Conseco Fieldhouse

Pursuant to a Master Lease Agreement dated May 1, 1991, as amended, the Authority has leased a portion of the Indiana Convention Center and Victory Field to the CIB. Also, pursuant to a Master Lease Agreement II, dated December 1, 1997, the Authority has leased Conseco Fieldhouse and a related parking facility to the CIB.

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, 2010, together with amounts representing interest are as follows:

2011	$ 28,075,680
2012	28,075,880
2013	28,073,829
2014	28,073,801
2015	27,077,045
2016-2020	140,307,951
2021-2025	140,161,250
2026-2027	42,043,500
	461,888,936
Current portion	(28,075,680)
Lease receivable - noncurrent	$ 433,813,256

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, 2010, together with the amount representing interest are as follows:

2011	$	14,216,930
2012		14,220,160
2013		14,215,120
2014		14,219,913
2015		14,219,750
2016		14,211,750
		85,303,623
Current portion		(14,216,930)
Lease receivable - noncurrent	$	71,086,693

Note 5: 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.

Note 6: Subsequent Events

The Authority anticipates refunding its 2001A and 1997A Senior Bonds in 2011. The refunding is not expected to extend or change scheduled debt maturities or scheduled lease payments to be received by the Authority under its Master Lease Agreement with the CIB.

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, 2010 and 2009

	Excise Taxes Lease Rental Revenue Bonds			
	Sinking Funds	Expense Funds	Debt Service Reserve Funds	Total Excise Taxes Lease Rental Revenue Bonds
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
Receipts				
Lease payments from Capital Improvement Board of Managers	27,944,615	-	-	27,944,615
Lease payments from Metropolitan Development Commission	-	-	-	-
Interest on cash equivalents and investments, net of fees	425	36	128	589
Total receipts	27,945,040	36	128	27,945,204
Transfer Between Accounts - net	(71,243)	81,951	(208)	10,500
Disbursements				
Interest paid on bonds	(15,649,028)	-	-	(15,649,028)
Bond principal payments	(11,795,000)	-	-	(11,795,000)
Payment of expenses, including issuance costs	-	(70,986)	-	(70,986)
Total disbursements	(27,444,028)	(70,986)	-	(27,515,014)
Balances, December 31, 2010	$ 6,363,005	$ 313,888	$ 991,800	$ 7,668,693

Economic Development Lease Rental Revenue Bonds			
Sinking Fund	Operation and Reserve Fund	Total Economic Development Lease Rental Revenue Bonds	Totals
$ 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)	-
(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
-	-	-	27,944,615
14,218,309	-	14,218,309	14,218,309
357	61	418	1,007
14,218,666	61	14,218,727	42,163,931
(13,838)	3,338	(10,500)	-
(4,439,890)	-	(4,439,890)	(20,088,918)
(9,765,000)	-	(9,765,000)	(21,560,000)
-	(87,375)	(87,375)	(158,361)
(14,204,890)	(87,375)	(14,292,265)	(41,807,279)
$ 57	$ 403,424	$ 403,481	$ 8,072,174

BKD LLP
CPAs & Advisors

201 N. Illinois Street, Suite 700
P.O. Box 44998
Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

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, 2010, and have issued our report thereon dated March 25, 2011. 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

March 25, 2011