Marion County Convention and Recreational Facilities Authority

Auditor's Reports and Financial Statements

December 31, 2013 and 2012

Marion County Convention and Recreational Facilities Authority
December 31, 2013 and 2012

Contents

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Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Marion County Convention and Recreational Facilities Authority (Authority), which comprise the balance sheets as of December 31, 2013 and 2012, and related statements of revenues, expenses and changes in net position and cash flows and the related notes to the basic financial statements for the years then ended, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marion County Convention and Recreational Facilities Authority as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2013, the Authority changed its method of accounting for bond issuance costs and reclassified deferred losses on refundings of debt to deferred outflows of resources. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Receipts and Disbursements 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014, 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* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
April 8, 2014

MANAGEMENT'S DISCUSSION & ANALYSIS
(Unaudited)

Introduction

The Marion County Convention and Recreational Facilities Authority (the "Authority"), which conducts its business in the City of Indianapolis (the "City"), offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2013. 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, 2013:

- The Authority experienced a decrease in total assets of approximately $38.3 million. This reduction was due to the ongoing receipt of annual lease rentals used to fund principal and interest payments on the Authority's outstanding bonds.
- Deferred outflows of resources decreased by approximately $1.4 million due to the ongoing amortization of deferred losses on refundings.
- The Authority experienced a reduction in total liabilities of approximately $39.0 million. This reduction was a result of ongoing annual payments on bond debt.
- The total net position of the Authority decreased by approximately $.6 million.

Overview of Financial Statements

This financial report of the Authority includes the following financial statements for the calendar years 2013 and 2012:

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

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

Net Position

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

Balance Sheets

A summarized comparison of the Authority's assets, liabilities and net position at December 31, 2013, 2012 and 2011 follows (in thousands):

	December 31		
	2013	2012 Restated	2011 Restated
Assets			
Restricted assets - current	$ 50,168	$ 47,176	$ 40,357
Restricted assets - noncurrent	377,031	418,290	459,736
Total assets	427,199	465,466	500,093
Deferred Outflows of Resources	8,562	9,921	9,051
Total assets and deferred outflows of resources	$ 435,761	$ 475,387	$ 509,144
Liabilities			
Current liabilities payable from restricted assets	$ 15,678	$ 12,324	$ 5,844
Noncurrent liabilities payable from restricted assets	412,179	454,570	494,200
Total liabilities	427,857	466,894	500,044
Net Position			
Restricted for debt service	7,904	8,493	9,100
Total liabilities and net position	$ 435,761	$ 475,387	$ 509,144

The decrease in *total assets* and *total liabilities* (from 2012 to 2013 and from 2011 to 2012) is primarily attributable to the Authority's annual receipt of lease rentals and its application of such receipts to its bonded indebtedness. Additionally, the changes from 2011 to 2012 were further impacted by debt refundings in 2011 and 2012.

The reductions in *deferred outflows of resources* from 2011 to 2013 reflect the continued pay down of debt, whereby deferred losses on refundings are being amortized to interest expense.

Net position 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.

Statements of Revenues, Expenses and Changes in Net Position

The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended December 31, 2013, 2012 and 2011 follows (in thousands):

	December 31		
	2013	2012 Restated	2011 Restated
Operating Revenues			
Interest on leases	$ 14,409	$ 13,509	$ 20,049
Gain from lease restructuring	-	1,376	7,829
Total revenues	14,409	14,885	27,878
Operating Expenses			
Interest expense	14,868	15,661	22,681
Administrative expenses	130	151	179
Total operating expenses	14,998	15,812	22,860
Increase (Decrease) in Net Position	$ (589)	$ (927)	$ 5,018

Operating revenues decreased approximately $.5 million and *operating expenses* decreased approximately $.8 million from 2012 to 2013 due to scheduled rent and debt service payments. The decrease in *operating revenues* from 2011 to 2012 of approximately $13.0 million is attributable to bond refundings that occurred in those years (three in 2011 and one in 2012). These refundings also impacted *operating expenses*, most particularly *interest expense*, resulting in a decrease of approximately $7.0 million from 2011 to 2012.

Capital Assets and Debt Administration

Capital Assets

The Authority presently leases a portion of the Indiana Convention Center, Victory Field and Bankers Life Fieldhouse (the “CIB Facilities”) located in downtown Indianapolis to 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.

Long-Term Debt

The Authority's long-term debt is comprised entirely of revenue bond debt. Such debt was issued under several separate trust indentures, whereby revenue bonds are payable solely from their respective trust estates and rely upon receipt of lease rentals for the respective Facilities.

In May 2012, the Authority issued $43,970,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2012A, with an average interest rate of 2.386% to partially redeem its Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2003A.

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

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

Economic Factors and Other

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

While economic factors could impact the continuing operations of the CIB 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
Balance Sheets
December 31, 2013 and 2012

	2013	2012 Restated
Assets		
Current Assets		
Restricted Assets		
Cash equivalents	$ 8,909,631	$ 7,239,041
Interest receivable	43	21
Current portion of leases receivable	41,258,603	39,937,156
Total restricted current assets	50,168,277	47,176,218
Total current assets	50,168,277	47,176,218
Noncurrent Assets		
Noncurrent portion of leases receivable, restricted	377,030,931	418,289,534
Total noncurrent assets	377,030,931	418,289,534
Total assets	427,199,208	465,465,752
Deferred Outflows of Resources		
Deferred losses on refundings of debt	8,562,316	9,920,800
Total assets and deferred outflows of resources	$ 435,761,524	$ 475,386,552
Liabilities		
Current Liabilities Payable From Restricted Assets		
Interest payable	$ 1,037,516	$ 1,077,121
Accounts payable	775	6,715
Current portion of bonds payable	14,640,000	11,240,000
Total current liabilities payable from restricted assets	15,678,291	12,323,836
Total current liabilities	15,678,291	12,323,836
Noncurrent Liabilities Payable From Restricted Assets		
Unearned revenue on leases receivable	93,651,119	108,059,590
Bonds payable	318,527,685	346,509,783
Total noncurrent liabilities payable from restricted assets	412,178,804	454,569,373
Total liabilities	427,857,095	466,893,209
Net Position		
Restricted for debt service	7,904,429	8,493,343
Total liabilities and net position	$ 435,761,524	$ 475,386,552

Marion County Convention and Recreational Facilities Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2013 and 2012

	2013	2012 Restated
Operating Revenues		
Interest on leases	$ 14,408,471	$ 13,508,644
Gain from lease restructuring	-	1,375,684
Investment and other income, net of fees	376	344
Total revenues	14,408,847	14,884,672
Operating Expenses		
Interest expense	14,868,050	15,661,053
Administrative expenses	129,711	150,864
Total expenses	14,997,761	15,811,917
Change in Net Position	(588,914)	(927,245)
Net Position, Beginning of Year, as previously reported	8,493,343	12,205,431
Change in Accounting Principle	-	(2,784,843)
Net Position, Beginning of Year, as restated	8,493,343	9,420,588
Net Position, End of Year	$ 7,904,429	$ 8,493,343

Marion County Convention and Recreational Facilities Authority

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012 Restated
Operating Activities		
Lease payments received	$ 39,936,774	$ 33,250,600
Interest received	756	644
Payments to trustees and other service providers	(135,671)	(152,975)
Net cash provided by operating activities	39,801,859	33,098,269
Noncapital and Related Financing Activities		
Principal payments on bonds	(22,705,000)	(55,955,000)
Interest payments on bonds	(15,426,269)	(18,853,271)
Proceeds from bonds issued	-	43,970,000
Payment of bond issuance costs	-	(636,118)
Net cash used in noncapital and related financing activities	(38,131,269)	(31,474,389)
Net Increase in Cash Equivalents	1,670,590	1,623,880
Cash Equivalents, Beginning of Year	7,239,041	5,615,161
Cash Equivalents, End of Year	$ 8,909,631	$ 7,239,041
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating loss	$ (588,914)	$ (927,245)
Interest expense considered noncapital financing activity	14,868,050	15,661,053
Changes in assets and liabilities		
Leases receivable	39,937,156	36,250,965
Accounts payable	(5,940)	(2,111)
Deferred revenue on leases receivable	(14,408,471)	(17,884,389)
Other	(22)	(4)
Net Cash Provided by Operating Activities	$ 39,801,859	$ 33,098,269

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

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

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

The Authority's activities are currently comprised of leasing Bankers Life Fieldhouse, Victory Field and a portion of the Indiana Convention Center to the CIB and leasing, as a tenant-in-common, a 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.

The Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during 2013. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognizes as expenses and revenues certain items that were previously reported as assets and liabilities. Upon implementation of GASB Statement No. 65, the Authority expensed $2,784,843 of deferred bond issuance costs that were previously classified as assets against the Authority's 2012 beginning net position. The Authority also increased the December 31, 2012 balance of interest expense by $210,000 by recognizing as expense the 2012 bond issuance costs it had originally capitalized during 2012, offset by the elimination of the 2012 amortization on deferred bond issuance costs. Finally, the Authority reclassified $9,920,800 of deferred losses on refundings of debt from long-term debt to deferred outflows of resources in the 2012 balance sheet.

Cash Equivalents - Cash equivalents are reported at amortized cost. The Authority's cash equivalents at December 31, 2013 and 2012 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 Loss on Refundings - The Authority defers recognition of losses incurred on bond refundings and reports such losses as deferred outflows of resources. Deferred losses on refundings are amortized using the bonds-outstanding method over the lesser of the remaining life of the original bonds or the life of the new bonds.

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

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 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, 2013 and 2012, the Authority had the following investments:

	2013	2012
U.S. Government money market mutual funds	$ 8,909,631	$ 7,239,041

***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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012, 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 effects on the fair value of an investment from changes in exchange rates. The Authority's investment policy prohibits investments in foreign investments.

Summary of Carrying Values

Investments included in the balance sheets are classified as follows:

	2013	2012
Cash equivalents		
Current - restricted	$ 8,909,631	$ 7,239,041

Investment Income

Investment income for the years ended December 31, 2013 and 2012, consisted of:

	2013	2012
Interest income	$ 376	$ 344

Investments are restricted as follows:

	2013	2012
Excise Taxes Bonds		
Sinking Funds	$ 7,359,277	$ 5,651,843
Expense Funds	350,429	331,895
Debt Service Reserve Fund	991,800	991,800
Economic Development Bonds		
Sinking Fund	47	47
Operation and Reserve Fund	208,078	263,456
	$ 8,909,631	$ 7,239,041

Note 3: Bonds Payable

2012 Excise Taxes Lease Rental Revenue Refunding Senior Bonds

In May 2012, the Authority issued $43,970,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2012A (the "2012A Senior Bonds"), with an average interest rate of 2.386% to partially redeem its then outstanding Series 2003A Excise Taxes Lease Rental Revenue Refunding Senior Bonds (the "2003A Senior Bonds"). The 2003A Senior Bonds were originally issued to refund the Authority's then outstanding Series 1993A Excise Taxes Lease Rental Revenue Refunding Bonds. The refunding resulted in an accounting loss of $2,830,140, which has been deferred and is being amortized over the life of the 2012A Senior Bonds. As a result of the refunding, the Authority reduced its total debt service requirements by $3,000,063, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new debt) in the amount of $2,954,000.

2011 Excise Taxes Lease Rental Revenue Refunding Subordinate Bonds

In November 2011, the Authority issued $186,250,000 of Excise Taxes Lease Rental Revenue Refunding Subordinate Bonds, Series 2011A (the "2011A Subordinate Bonds"), with an average interest rate of 4.96% to redeem its then outstanding Series 1997A Excise Taxes Lease Rental Revenue Subordinate Bonds (the "1997A Subordinate Bonds"). The 1997A Subordinate Bonds were originally issued to fund the construction of Bankers Life Fieldhouse, a professional sports arena, and an attached parking garage. The refunding resulted in an accounting loss of $6,904,645, which has been deferred and is being amortized over the life of the 2011A Subordinate Bonds. As a result of the refunding, the Authority reduced its total debt service requirements by $11,641,251, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) in the amount of $11,319,350.

2011 Excise Taxes Lease Rental Revenue Refunding Senior Bonds

In April 2011, the Authority issued $35,035,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011A (the "2011A Senior Bonds"), with an average interest rate of 4.50% to redeem its then outstanding Series 2001A Excise Taxes Lease Rental Revenue Refunding Senior Bonds (the "2001A Senior Bonds"). The refunding resulted in an accounting loss of $606,357, which has been deferred and is being amortized over the life of the 2011A Senior Bonds. As a result of the refunding, the Authority reduced its total debt service requirements by $3,198,079, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new debt) in the amount of $3,077,869.

In June 2011, the Authority also issued $20,010,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011B (the "2011B Senior Bonds"), with an average interest rate of 5.00% to redeem its then outstanding Series 1997A Excise Taxes Lease Rental Revenue Senior Bonds (the "1997A Senior Bonds"). The refunding resulted in an accounting loss of $998,294, which has been deferred and is being amortized over the life of the 2011B Senior Bonds. As a result of the refunding, the Authority reduced its total debt service requirements by $1,591,892, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new debt) in the amount of $1,050,947.

2003 Excise Taxes Lease Rental Revenue Refunding Senior Bonds

In May 2003, the Authority issued $69,620,000 of 2003A Senior Bonds, with an average interest rate of 4.81% to redeem its then outstanding Series 1993A Excise Taxes Lease Rental Revenue Refunding Bonds. The refunding resulted in an accounting loss of $2,581,680, which was being deferred and amortized over the life of the 2003A Bonds. As noted above, these bonds were partially redeemed during 2012, and the remaining portion matured in 2013.

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 Senior 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 at December 31, 2013 and 2012 consisted of:

	2013	2012 Restated
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2012A		
Serial bonds, maturing June 1, 2014 to June 1, 2021. Interest at 0.866% to 3.056% due semiannually on June 1 and December 1	$ 43,970,000	$ 43,970,000
	43,970,000	43,970,000
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011A		
Serial bonds, maturing June 1, 2013 to June 1, 2021. Interest at 2.00% to 5.00% due semiannually on June 1 and December 1	31,750,000	35,035,000
Unamortized premiums	1,391,026	1,765,180
	33,141,026	36,800,180
Excise Taxes Lease Rental Revenue Refunding Subordinate Bonds, Series 2011A		
Serial bonds, maturing June 1, 2013 to June 1, 2027. Interest at 3.00% to 5.00% due semiannually on June 1 and December 1	183,175,000	186,250,000
Unamortized premiums	11,685,129	13,085,976
	194,860,129	199,335,976
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011B		
Serial bonds, maturing June 1, 2022 to June 1, 2027. Interest at 5.00% due semiannually on June 1 and December 1	20,010,000	20,010,000
Unamortized premiums	1,086,530	1,188,627
	21,096,530	21,198,627

	2013	2012 Restated
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2003A		
Serial bonds, maturing June 1, 2005 to June 1, 2021. Interest at 2.00% to 5.00%, 5.00% due semiannually on June 1 and December 1	$ -	$ 4,085,000
Unamortized premiums	-	-
	-	4,085,000
Excise Taxes Lease Rental Revenue Senior Bonds, Series 1995A		
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	1,775,000	2,570,000
Bonds payable - CIB financings	294,842,685	307,959,783
Economic Development Lease Rental Revenue Bonds, Series 1991		
Serial bonds, maturing January 1, 1998 to January 1, 2017. Interest at 5.50%, due semiannually on January 1 and July 1	38,325,000	49,790,000
Bonds payable - Commission financings	38,325,000	49,790,000
Total bonds payable	$ 333,167,685	$ 357,749,783

Excise Taxes Lease Rental Revenue Bonds

The Authority's 1995A Senior Bonds, 2011A Senior Bonds, 2011B Senior Bonds, 2011A Subordinate Bonds and 2012A Senior Bonds ("Excise Taxes Bonds") include (a) bonds that mature serially ("Serial Bonds") and (b) bonds that are subject to redemption from mandatory sinking fund payments that began in June 2011 ("Term Bonds"). Certain of the Authority's Excise Taxes Bonds are subject to redemption, at the option of the Authority, at various dates for certain of the series beginning in June 2021 at 100% of the principal amount.

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, 2013 are as follows:

	Principal	Interest	Total
2014	$ 14,640,000	$ 13,254,001	$ 27,894,001
2015	27,970,000	13,468,345	41,438,345
2016	29,265,000	12,261,830	41,526,830
2017	30,500,000	10,933,171	41,433,171
2018	17,715,000	9,855,659	27,570,659
2019-2023	100,270,000	36,905,499	137,175,499
2024-2028	98,645,000	10,164,875	108,809,875
	319,005,000	$ 106,843,380	$ 425,848,380
Deduct:			
Unamortized bond premiums	14,162,685		
	$ 333,167,685		

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2013 and 2012:

2013

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 341,710,000	$ -	$ (22,705,000)	$ 319,005,000	$ 14,640,000
Bond premiums	16,039,783	-	(1,877,098)	14,162,685	-
Total bonds payable	$ 357,749,783	$ -	$ (24,582,098)	$ 333,167,685	$ 14,640,000

2012 - Restated

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 353,695,000	$ 43,970,000	$ (55,955,000)	$ 341,710,000	$ 11,240,000
Bond discounts/premiums	19,210,814	-	(3,171,031)	16,039,783	-
Total bonds payable	$ 372,905,814	$ 43,970,000	$ (59,126,031)	$ 357,749,783	$ 11,240,000

Note 4: Financing Leases

Indiana Convention Center, Victory Field and Bankers Life 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 Bankers Life Fieldhouse 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, 2013, together with amounts representing interest are as follows:

2014	$ 27,038,690
2015	27,455,959
2016	28,005,367
2017	28,006,646
2018	28,008,909
2019-2023	139,649,175
2024-2027	97,473,375
	375,638,121
Current portion	(27,038,690)
Lease receivable - noncurrent	$ 348,599,431

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. In 2003, UAL, the parent of United, pursuant to a Chapter 11 bankruptcy, 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 a 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, 2013, together with the amount representing interest are as follows:

2014	$	14,219,913
2015		14,219,750
2016		14,211,750
		42,651,413
Current portion		(14,219,913)
Lease receivable - noncurrent	$	28,431,500

Supplementary Information

Marion County Convention and Recreational Facilities Authority

Schedule of Receipts and Disbursements
Years Ended December 31, 2013 and 2012

	Excise Taxes Lease Rental Revenue Bonds			
	Sinking Funds	Expense Funds	Debt Service Reserve Funds	Total Excise Taxes Lease Rental Revenue Bonds
Balances, December 31, 2011	$ 3,976,195	$ 320,920	$ 991,800	$ 5,288,915
Receipts				
Lease payments from Capital Improvement Board of Managers	19,030,440	-	-	19,030,440
Lease payments from Metropolitan Development Commission	-	-	-	-
Interest on cash equivalents and investments, net of fees	205	32	100	337
Total receipts	19,030,645	32	100	19,030,777
Transfer Between Accounts - net	(86,908)	97,508	(100)	10,500
Disbursements				
Interest paid on bonds	(12,618,089)	-	-	(12,618,089)
Bond principal payments	(4,650,000)	-	-	(4,650,000)
Payment of expenses, including issuance costs	-	(86,565)	-	(86,565)
Total disbursements	(17,268,089)	(86,565)	-	(17,354,654)
Balances, December 31, 2012	5,651,843	331,895	991,800	6,975,538
Receipts				
Lease payments from Capital Improvement Board of Managers	25,721,654	-	-	25,721,654
Lease payments from Metropolitan Development Commission	-	-	-	-
Interest on cash equivalents and investments, net of fees	306	33	100	439
Total receipts	25,721,960	33	100	25,722,093
Transfer Between Accounts - net	(86,687)	97,287	(100)	10,500
Disbursements				
Interest paid on bonds	(12,687,819)	-	-	(12,687,819)
Bond principal payments	(11,240,000)	-	-	(11,240,000)
Payment of expenses, including issuance costs	(20)	(78,786)	-	(78,806)
Total disbursements	(23,927,839)	(78,786)	-	(24,006,625)
Balances, December 31, 2013	$ 7,359,277	$ 350,429	$ 991,800	$ 8,701,506

Economic Development Lease Rental Revenue Bonds			
Sinking Fund	Operation and Reserve Fund	Total Economic Development Lease Rental Revenue Bonds	Totals
$ 42	$ 326,204	$ 326,246	$ 5,615,161
-	-	-	19,030,440
14,220,160	-	14,220,160	14,220,160
279	28	307	644
14,220,439	28	14,220,467	33,251,244
(14,134)	3,634	(10,500)	-
(3,336,300)	-	(3,336,300)	(15,954,389)
(10,870,000)	-	(10,870,000)	(15,520,000)
-	(66,410)	(66,410)	(152,975)
(14,206,300)	(66,410)	(14,272,710)	(31,627,364)
47	263,456	263,503	7,239,041
-	-	-	25,721,654
14,215,120	-	14,215,120	14,215,120
296	21	317	756
14,215,416	21	14,215,437	39,937,530
(11,966)	1,466	(10,500)	-
(2,738,450)	-	(2,738,450)	(15,426,269)
(11,465,000)	-	(11,465,000)	(22,705,000)
-	(56,865)	(56,865)	(135,671)
(14,203,450)	(56,865)	(14,260,315)	(38,266,940)
$ 47	$ 208,078	$ 208,125	$ 8,909,631

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Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Marion County Convention and Recreational Facilities Authority (Authority), which comprise the balance sheet as of December 31, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated April 8, 2014, which included an emphasis of matter paragraph regarding a change in accounting principle.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance

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*.

Other Matter

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
April 8, 2014