Marion County Convention and Recreational Facilities Authority

Auditor’s Reports and Financial Statements

December 31, 2014 and 2013

Marion County Convention and Recreational Facilities Authority
December 31, 2014 and 2013

Contents

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Independent Auditor's Report

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 are comprised of the balance sheets as of December 31, 2014 and 2013, and the 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 audit. 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. 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, 2014 and 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 February 16, 2015, 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
February 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Introduction

The Marion County Convention and Recreational Facilities Authority (the "Authority"), which conducts its business in the City of Indianapolis (the "City"), offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2014. 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, 2014:

- The Authority experienced a decrease in total assets of approximately $41.2 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 $1.3 million due to the ongoing amortization of deferred losses on refundings.
- The Authority experienced a reduction in total liabilities of approximately $41.8 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 2014 and 2013:

- 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, 2014, 2013 and 2012 follows (in thousands):

	December 31		
	2014	2013	2012
Assets			
Restricted assets - current	$ 50,682	$ 50,168	$ 47,176
Restricted assets - noncurrent	335,355	377,031	418,290
Total assets	386,037	427,199	465,466
Deferred Outflows of Resources	7,290	8,562	9,921
Total assets and deferred outflows of resources	$ 393,327	$ 435,761	$ 475,387
Liabilities			
Current liabilities payable from restricted assets	$ 16,878	$ 15,678	$ 12,324
Noncurrent liabilities payable from restricted assets	369,156	412,179	454,570
Total liabilities	386,034	427,857	466,894
Net Position			
Restricted for debt service	7,293	7,904	8,493
Total liabilities and net position	$ 393,327	$ 435,761	$ 475,387

The decrease in *total assets* and *total liabilities* (from 2012 to 2014) is primarily attributable to the Authority's annual receipt of lease rentals and its application of such receipts to its bonded indebtedness.

The reductions in *deferred outflows of resources* (from 2012 to 2014) 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, 2014, 2013 and 2012 follows (in thousands):

	December 31		
	2014	2013	2012
Operating Revenues			
Interest on leases	$ 13,261	$ 14,409	$ 13,509
Gain from lease restructuring	-	-	1,376
Total revenues	13,261	14,409	14,885
Operating Expenses			
Interest expense	13,747	14,868	15,661
Administrative expenses	126	130	151
Total operating expenses	13,873	14,998	15,812
Decrease in Net Position	$ (612)	$ (589)	$ (927)

The decrease in *operating revenues* and *operating expenses* (from 2012 to 2014) is due to scheduled rent and debt service payments. As the lease receivable and bond payable amounts continue to decrease, the interest on leases and interest expense will decrease.

Capital Assets and Debt Administration

<u>*Capital Assets*</u>

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.

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, 2014 and 2013

	2014	2013
Assets and Deferred Outflows of Resources		
Current Assets		
Restricted Assets		
Cash equivalents	$ 9,013,201	$ 8,909,631
Interest receivable	150	43
Current portion of leases receivable	41,668,609	41,258,603
Total restricted current assets	50,681,960	50,168,277
Total current assets	50,681,960	50,168,277
Noncurrent Assets		
Noncurrent portion of leases receivable, restricted	335,355,222	377,030,931
Total noncurrent assets	335,355,222	377,030,931
Total assets	386,037,182	427,199,208
Deferred Outflows of Resources		
Deferred losses on refundings of debt	7,289,572	8,562,316
Total assets and deferred outflows of resources	$ 393,326,754	$ 435,761,524
Liabilities		
Current Liabilities Payable From Restricted Assets		
Interest payable	$ 995,827	$ 1,037,516
Accounts payable	12,175	775
Current portion of bonds payable	15,870,000	14,640,000
Total current liabilities payable from restricted assets	16,878,002	15,678,291
Total current liabilities	16,878,002	15,678,291
Noncurrent Liabilities Payable From Restricted Assets		
Unearned revenue on leases receivable	80,389,838	93,651,119
Bonds payable	288,766,014	318,527,685
Total noncurrent liabilities payable from restricted assets	369,155,852	412,178,804
Total liabilities	386,033,854	427,857,095
Net Position		
Restricted for debt service	7,292,900	7,904,429
Total liabilities and net position	$ 393,326,754	$ 435,761,524

Marion County Convention and Recreational Facilities Authority

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues		
Interest on leases	$ 13,261,282	$ 14,408,471
Investment and other income, net of fees	411	376
Total revenues	13,261,693	14,408,847
Operating Expenses		
Interest expense	13,747,321	14,868,050
Administrative expenses	125,901	129,711
Total expenses	13,873,222	14,997,761
Change in Net Position	(611,529)	(588,914)
Net Position, Beginning of Year	7,904,429	8,493,343
Net Position, End of Year	$ 7,292,900	$ 7,904,429

Marion County Convention and Recreational Facilities Authority

Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Operating Activities		
Lease payments received	$ 41,265,268	$ 39,936,774
Interest received	895	756
Payments to trustees and other service providers	(114,656)	(135,671)
Net cash provided by operating activities	41,151,507	39,801,859
Noncapital and Related Financing Activities		
Principal payments on bonds	(26,740,000)	(22,705,000)
Interest payments on bonds	(14,307,937)	(15,426,269)
Net cash used in noncapital and related financing activities	(41,047,937)	(38,131,269)
Net Increase in Cash Equivalents	103,570	1,670,590
Cash Equivalents, Beginning of Year	8,909,631	7,239,041
Cash Equivalents, End of Year	$ 9,013,201	$ 8,909,631
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating loss	$ (611,529)	$ (588,914)
Interest expense considered noncapital financing activity	13,747,321	14,868,050
Changes in assets and liabilities		
Leases receivable	41,265,703	39,937,156
Accounts payable	11,400	(5,940)
Deferred revenue on leases receivable	(13,261,281)	(14,408,471)
Other	(107)	(22)
Net Cash Provided by Operating Activities	$ 41,151,507	$ 39,801,859

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.

Cash Equivalents - Cash equivalents are reported at amortized cost. The Authority's cash equivalents at December 31, 2014 and 2013 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, 2014 and 2013, the Authority had the following investments:

	2014	2013
U.S. Government money market mutual funds	$ 9,013,201	$ 8,909,631

***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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, 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:

	2014	2013
Cash equivalents		
Current - restricted	$ 9,013,201	$ 8,909,631

Investment Income

Investment income for the years ended December 31, 2014 and 2013, consisted of:

	2014	2013
Interest income	$ 411	$ 376

Investments are restricted as follows:

	2014	2013
Excise Taxes Bonds		
Sinking Funds	$ 8,478,347	$ 7,359,277
Expense Funds	364,432	350,429
Debt Service Reserve Fund	-	991,800
Economic Development Bonds		
Sinking Fund	-	47
Operation and Reserve Fund	170,422	208,078
	$ 9,013,201	$ 8,909,631

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 remaining portion of the 2003A Senior Bonds matured in 2013. The 2003A Senior Bonds were originally issued to refund the Authority's then outstanding Series 1993A Excise Taxes Lease Rental Revenue Refunding Bonds. The 2012 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.

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, 2014 and 2013 consisted of:

	2014	2013
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	$ 39,500,000	$ 43,970,000
	39,500,000	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	28,320,000	31,750,000
Unamortized premiums	1,057,293	1,391,026
	29,377,293	33,141,026
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	177,290,000	183,175,000
Unamortized premiums	10,329,288	11,685,129
	187,619,288	194,860,129
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	984,433	1,086,530
	20,994,433	21,096,530
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	920,000	1,775,000
Bonds payable - CIB financings	278,411,014	294,842,685
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	26,225,000	38,325,000
Bonds payable - Commission financings	26,225,000	38,325,000
Total bonds payable	$ 304,636,014	$ 333,167,685

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, 2014 are as follows:

	Principal	Interest	Total
2015	$ 15,870,000	$ 12,414,408	$ 28,284,408
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	18,450,000	9,119,903	27,569,903
2020-2024	104,710,000	32,145,596	136,855,596
2025-2027	75,755,000	5,804,875	81,559,875
	292,265,000	$ 92,535,442	$ 384,800,442
Deduct:			
Unamortized bond premiums	12,371,014		
	$ 304,636,014		

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2014 and 2013:

2014	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 319,005,000	$ -	$ (26,740,000)	$ 292,265,000	$ 15,870,000
Bond premiums	14,162,685	-	(1,791,671)	12,371,014	-
Total bonds payable	$ 333,167,685	$ -	$ (28,531,671)	$ 304,636,014	$ 15,870,000

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

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, 2014, together with amounts representing interest are as follows:

2015	$ 27,448,859
2016	28,005,367
2017	28,006,646
2018	28,008,909
2019	28,010,604
2020-2024	139,489,446
2025-2027	69,622,500
	348,592,331
Current portion	(27,448,859)
Lease receivable - noncurrent	$ 321,143,472

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, 2014, together with the amount representing interest are as follows:

2015	$	14,219,750
2016		14,211,750
		28,431,500
Current portion		(14,219,750)
Lease receivable - noncurrent	$	14,211,750

Supplementary Information

Marion County Convention and Recreational Facilities Authority

Schedule of Receipts and Disbursements
Years Ended December 31, 2014 and 2013

	Excise Taxes Lease Rental Revenue Bonds			
	Sinking Funds	Expense Funds	Debt Service Reserve Funds	Total Excise Taxes Lease Rental Revenue Bonds
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
Receipts				
Lease payments from Capital Improvement Board of Managers	27,045,355	-	-	27,045,355
Lease payments from Metropolitan Development Commission	-	-	-	-
Interest on cash equivalents and investments, net of fees	452	34	50	536
Total receipts	27,045,807	34	50	27,045,891
Transfer Between Accounts - net	913,325	89,025	(991,850)	10,500
Disbursements				
Interest paid on bonds	(12,200,062)	-	-	(12,200,062)
Bond principal payments	(14,640,000)	-	-	(14,640,000)
Payment of expenses, including issuance costs	-	(75,056)	-	(75,056)
Total disbursements	(26,840,062)	(75,056)	-	(26,915,118)
Balances, December 31, 2014	$ 8,478,347	$ 364,432	$ -	$ 8,842,779

Economic Development Lease Rental Revenue Bonds			
Sinking Fund	Operation and Reserve Fund	Total Economic Development Lease Rental Revenue Bonds	Totals
$ 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
-	-	-	27,045,355
14,219,913	-	14,219,913	14,219,913
342	17	359	895
14,220,255	17	14,220,272	41,266,163
(12,427)	1,927	(10,500)	-
(2,107,875)	-	(2,107,875)	(14,307,937)
(12,100,000)	-	(12,100,000)	(26,740,000)
-	(39,600)	(39,600)	(114,656)
(14,207,875)	(39,600)	(14,247,475)	(41,162,593)
$ -	$ 170,422	$ 170,422	$ 9,013,201

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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, 2014, 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 February 16, 2015.

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 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*.

Purpose of this Report

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

BKD, LLP

Indianapolis, Indiana
February 16, 2015