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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

July 7, 2009

Board of Directors  
Capital Improvement Board of Managers  
100 South Capital Avenue  
Indianapolis, Indiana 46225-1021

We have reviewed the audit reports prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2007 through December 31, 2008. In our opinion, the audit reports were prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinions, the financial statements included in the reports present fairly the financial condition of the Capital Improvement Board of Managers, as of December 31, 2007 and 2008 and the results of its operations for the periods then ended, on the basis of accounting described in the reports.

The Independent Public Accountants' reports are filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

# **Capital Improvement Board of Managers** (of Marion County, Indiana)

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



## **Comprehensive Annual Financial Report** For the Fiscal Year Ended December 31, 2007

Anne T. Dillon, Treasurer  
Dixie L. Gough, Controller

# **Comprehensive Annual Financial Report**

Fiscal Year Ended December 31, 2007  
Capital Improvement Board of Managers  
(of Marion County, Indiana) - a Component  
Unit of the Consolidated City of Indianapolis-  
Marion County  
Indianapolis, Indiana

Prepared by:

Anne T. Dillon, Treasurer  
Dixie L. Gough, Controller

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated**  
**City of Indianapolis-Marion County)**  
**December 31, 2007**

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## **Introductory Section**



April 4, 2008

Capital Improvement Board of Managers  
(of Marion County, Indiana)  
Indianapolis, Indiana

The Comprehensive Annual Financial Report of the Capital Improvement Board of Managers (of Marion County, Indiana) (CIB), for the fiscal year ended December 31, 2007, is hereby submitted. This report was prepared by the Controller.

The financial statements of the CIB are prepared in accordance with accounting principles generally accepted in the United States of America, and we believe they present the CIB's financial affairs in a manner designed to fairly set forth the financial position and results of operations of the CIB. We also believe that all disclosures necessary to enable the reader to gain an understanding of the CIB's financial affairs have been included. However, responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the CIB. The financial statements have been audited by BKD LLP and the independent accountants' report has been included in this report.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, the CIB's 2006 Certificate of Achievement for Excellence in Financial Reporting, the CIB's organization chart, and the principal officers and management of the CIB. The Financial Section includes the independent accountants' report on the financial statements and supplementary information, management's discussion and analysis (MD&A), financial statements, supplementary information and the independent accountants' report required under *Government Auditing Standards*. The Statistical Section includes selected financial and operational information, generally presented on a multi-year basis.

### **Profile of the CIB**

**Reporting Entity:** The CIB is a municipal body of Marion County created pursuant to the provisions of Indiana Code 36-10-9. The CIB has no stockholders or equity holders and all revenues and other receipts must be deposited and disbursed in accordance with provisions of such statute. The Mayor of the City of Indianapolis appoints six of the nine board members, two are appointed by the Marion County Board of Commissioners and one is appointed by the City-County Council of the Consolidated City of Indianapolis-Marion County. The CIB is authorized by the statute to finance, construct, equip, operate and maintain any capital facilities or improvements of general public benefit or welfare which would tend to promote cultural, recreational, public or civic well-being of the community. The CIB operates facilities used in cultural, recreation, and convention activities in downtown Indianapolis. Such activities are maintained, for accounting and reporting purposes, in a single enterprise fund. Based upon the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the CIB has determined that it is a component unit of the Consolidated City of Indianapolis-Marion County as further explained in the notes to the financial statements.

**Facilities:** Among the facilities managed by the CIB is a multi-purpose sports and convention facility, the Indiana Convention Center & RCA Dome, which is located in a six-block area in the heart of downtown Indianapolis, bordered by the State Capitol, Pan American Plaza, Union Station, Capitol Commons, Circle Centre Shopping and Entertainment Complex, Victory Field and several major hotels.

The Indiana Convention Center contains 308,700 square feet of clear span convention and exhibition space, 48 meeting rooms and four ballrooms. The seven exhibit halls range in size from 29,500 square feet to 51,000 square feet. The Sagamore is the largest ballroom, with 33,335 square feet, and can be divided into seven different sections. It is the largest ballroom in the state and the largest among the cities with which Indianapolis frequently competes for business. Since opening in 1972, the Indiana Convention Center has had three major expansions and a fourth is scheduled for completion in the fall of 2010. An expansion in 1999 added 100,000 square feet of exhibit space, expanded registration and lobby areas, 25 truck docks and 2 drive-in ramps. In keeping pace with the changing business environment, global single and multi-mode networks for video conferencing and Internet access have also been added.

The RCA Dome is a domed stadium, with seating for 57,890 and is the home of the National Football League's Indianapolis Colts. The Dome will be demolished in 2008 to make way for the fourth expansion of the Convention Center. The expansion will contain a combination of additional exhibit halls, meeting rooms and docks, together with additional pre-function and support spaces.

Now under construction in downtown Indianapolis is the new Lucas Oil Stadium (LOS), a multi-purpose facility that will replace the current RCA Dome. Directing the project is the Indiana Stadium and Convention Building Authority. LOS is a state-of-the art, retractable roof, multi-purpose stadium featuring spectacular views of the Indianapolis skyline. In addition, the stadium has an infill playing surface, 7 locker rooms, exhibit space, meeting rooms, operable north window, dual two-level club lounges, 137 suites, retractable sideline seating, house reduction curtains, two large video boards, ribbon boards, spacious concourses, interior and exterior plaza space, 11 indoor docks and two vehicle ramps to the event level. In 2010, LOS will be connected to the newly expanded convention center and several hotels and entertainment options by a new pedestrian connector. Tradeshows can take advantage of an indoor 30,000 square foot loading dock with 11 bays, retractable seating and operable walls to utilize up to 183,000 contiguous square feet of space. Football games can be played indoors or outdoors using the retractable roof and operable north window. The house reduction curtain system covers the entire Terrace Level seating, reducing capacity from 63,000 to approximately 41,000. Basketball and other mini-dome events have the option of playing in the round for up to 70,000 fans or in a much smaller configuration with a house reduction curtain system. Concerts may be played indoors or outdoors in full stadium or reduced house configurations. Seating configurations range in size from 15,000 to 65,000.

The existing Indiana Convention Center & RCA Dome has contributed greatly to the economic condition and continued revitalization of downtown Indianapolis. Not only does the facility draw millions of visitors annually, it also acts as a catalyst to produce additional economic impact throughout the city.

In addition to managing the Indiana Convention Center & RCA Dome, the CIB also maintains Victory Field and Conseco Fieldhouse.



Victory Field, home to the Indianapolis Indians AAA baseball team, is constructed on a 13-acre site in White River State Park and is subleased to, and operated by, the Indianapolis Indians franchise. Located on the southwest corner of West and Maryland streets, the ballpark is in close proximity to the Indiana Convention Center & RCA Dome. The all grass, open-air stadium seats approximately 13,500 people. The park's main deck of seats wraps from behind home plate to the foul poles in left and right field. Instead of outfield seating, the park has grass berms which are open for lawn seating. The majority of fans enter the ballpark and go down to their seats in a lower seating bowl. Other fans go to their seats in the upper bowl. There are 13,500 seats with back and arm rests. Up to 2,000 additional spectators are able to watch the game from the grass picnic berm around the outfield wall. The ballpark also features many modern-day amenities such as 29 luxury suites and cupholders at most seats.

Conseco Fieldhouse is recognized primarily as the home of the National Basketball Association's Indiana Pacers. With a seating capacity of approximately 18,500, including 69 suites and 2,400 club seats, the Conseco Fieldhouse occupies 750,000 square feet between Delaware Street and Pennsylvania Street at Georgia Street in downtown Indianapolis. The approximate 18,500 seats are divided between four areas, including: courtside, lower level, club level and upper deck. Conseco Fieldhouse features a retro-style appearance evoking memories of traditional Indiana basketball fieldhouses, complemented by state-of-the-art amenities, and serves as a tribute to the State of Indiana's rich basketball heritage. Entry into Conseco Fieldhouse is from street level through the main concourse. An arching glass-and-steel dome rises 140 feet above the street (equivalent to a 14-story building). Designed to provide outstanding sightlines and comforts for fans, the Conseco Fieldhouse can also be used for minor league hockey, arena football, tennis, boxing and similar sports and for concerts, family shows and other events. An exciting retro-modern design dominates the interior, including exposed steel beams supporting the massive roof. A theme restaurant and Pacers team store are located inside. The box office, with 18 ticket windows, is located in the entry pavilion. The basketball floor runs north to south with a four-sided video scoreboard suspended above center court. Conseco Fieldhouse is located within several blocks of the Circle Centre Mall, the Indiana State Capital, the City/County Building, the RCA Dome/Indiana Convention Center and the center of downtown Indianapolis.

Additional information regarding the CIB's facilities and capital asset program can be found in the management's discussion and analysis for the 2007 financial statements.

**Internal Control Structure:** In developing and evaluating the CIB's accounting system, we have given consideration to the adequacy of the internal control structure, designing it to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the CIB's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Budgetary Controls:** In addition, the CIB maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual approved budget. The CIB's procedures in establishing the budget are as follows:

The Department Directors, in conjunction with the Administrative staff, develop budgets for the individual departments.

- (1) Using these departmental budgets, the Controller prepares the budget for review and approval by the members of the board.
- (2) The budget is advertised in two local newspapers.
- (3) The board approves and submits the budget to the City-County Council for its review.
- (4) The Municipal Corporations Committee of the Council holds public hearings on the budget of the CIB and forwards it for approval to the City-County Council.
- (5) The budget of the CIB is reviewed and approved by the City-County Council.
- (6) The adopted budget is reviewed by the County Tax Adjustment Board at a public meeting. This Board can reduce a budget but not increase the operating expenses included in it and must complete its review by November 1.
- (7) The Indiana Department of Local Government Finance makes the final review of the budget. It can revise, reduce, or restore, on appeal, funds and tax rates removed by the County Tax Adjustment Board. It may not increase a budget above the level originally advertised. The Indiana Department of Local Government Finance is expected to certify the budget by January 15.

**State and Local Economy:** Indiana is a leader in life sciences and is home to such industry leaders as Eli Lilly and Company, Biomet, Cook Group, Inc. and Zimmer. Motorsports companies have also developed a clear industry cluster in the region. After all, no other place on this globe can boast the number and variety of major racing events that are held annually in Indianapolis and other parts of the state. Commonly referred to as the "Racing Capital of the World", Indianapolis hosts the two largest single-day sporting events in the world, the Indianapolis 500 and the Allstate 400 at the Brickyard. The motorsports industry attracts a highly skilled and mobile workforce and, among other benefits, is an important asset in Indiana's effort to retain and attract college graduates and other creative and skilled individuals.

There are a number of other notable players in the Indiana economy to consider. The nation's second largest FedEx hub is located at the Indianapolis International Airport. The Indianapolis International Airport is currently investing over \$1 billion in expansion and upgrades, including a new terminal (the New Indianapolis Airport) scheduled to open in the fall of 2008, Purdue Research Park is the #1 university research park in the country, Rose-Hulman is the nation's #1 Masters level engineering school and Ball State University ranks #1 for wireless campuses.

Indiana benefits from its proximity to major markets and population centers – both national and international. Through Indiana's three ports, businesses can access markets and population centers in the north, through Lake Michigan and the Great Lakes – St. Lawrence Seaway; and to the south, through the Ohio and Mississippi rivers. Indianapolis is the center of America's heartland. Indianapolis is called the "Crossroads of America" because more interstates converge in Indianapolis than in any other city in the U. S. More than 65% of the United States population lives within a day's drive of Indianapolis.

Indianapolis is the nation's 12<sup>th</sup> largest city and offers a multitude of cultural, educational, sports, shopping, and dining opportunities to its residents and visitors. It is the perfect blend of small town hospitality and big city opportunities. Forbes ranks Indianapolis as number ten in their Best Places for Business and Careers Survey. Employers and workers find that a dollar goes farther here. In other words, lower operating and living costs allow more to be done for less. Residents and business owners alike enjoy an extremely competitive cost of living and high quality of life.

The hallmarks of the Indianapolis economy have long been its diversity and steady growth and this is the foundation of Indy's strong performance during the last several years. Indianapolis can boast of diverse strengths in the manufacturing, distribution, retail and service sectors. Economic diversity keeps Indianapolis on a steady growth track. Additionally, Indiana's real estate availability affords a wide selection of available land and existing office and industrial parks. Finally, many of the city's accomplishments, such as Conseco Fieldhouse (home court for the Pacers), Circle Centre Mall (award-winning downtown mall) and the new Lucas Oil Stadium (opening in the fall of 2008) were the result of successful partnerships between the private and public sectors.

The stable economy and many attractions of Indianapolis, along with its central location within the nation, make it a prominent convention and tourist center. The Indianapolis 500 Mile Race, the Allstate 400, the NFL's Indianapolis Colts, the NBA's Indiana Pacers, the WNBA Indiana Fever, and the Indianapolis Indians baseball team are among the city's major sporting attractions, along with many amateur sports events. In 2008, the fourteenth running of the Grand Prix MotoGP Championship will take place for the first time at the Indianapolis Motor Speedway. Circle Centre Mall, White River State Park, the NCAA Headquarters and Hall of Champions, the Indianapolis Zoo, the Indianapolis Motor Speedway Museum, the Indiana State Museum, the Children's Museum, the Indianapolis Museum of Art, the Eiteljorg Museum of American Indian and Western Art, the American Cabaret Theatre, the Indiana Repertory Theatre, the Indianapolis Symphony Orchestra and the White River State Park have also become popular attractions.

"The tourism industry continues to thrive in Indianapolis because we are able to offer the complete package; convenience, accessibility, great service and outstanding amenities," says Bob Bedell, President and CEO of the Indianapolis Convention & Visitors' Association. "Convention and meeting planners love coming to Indianapolis and we continue to draw leisure travelers in greater numbers in part because of our outstanding attractions, which continue to expand and improve. The result is significant benefit for the region and our thousands of hospitality industry employees."

**Convention Industry:** D.K. Shifflet & Associates report dated December 2007 regarding the 2006 Visitor Profile shows after five consecutive years of steady growth, the number of travelers visiting the Indianapolis Metropolitan Statistical Area reached an all-time high of 21.9 million visitors and total direct spending increased 3.0% to a high of \$3.3 billion.

While the convention and trade show industry thrived in the 1990's, the state of the economy and the geo-political events that followed September 11, 2001 had a negative impact on this sector. Seven years into the new century (and six years post-9/11), the convention center of the future is taking shape in bold directions: it is wireless and programmable to accommodate user needs; it is adapting environmentally and it is marketed as part of the total destination. "Gateway Centers" like the Indiana Convention Center & RCA Dome (and Lucas Oil Stadium in the fall of 2008), with strong packages of convention facilities, location, access, marketing efforts, technology, and overall destination appeal, should be successful while other cities might struggle to find an appropriate market niche. As reported in the May 2007 Destinations magazine, "Anyone who hasn't visited Indianapolis in the last 10 years is in for a big treat. The city has had an extreme makeover! Indianapolis... is now a world-class city with hundreds of great reasons to visit." An article in Northwest Airline's World Traveler, May 2007 edition reports, "Indianapolis may well be one of the best-kept secrets as a travel destination and a place to put down roots, but word is getting out. Many people are learning what Indy natives and local businesses already know – this is a great place to live, work and play."

**Major Initiatives of the CIB:** From the NFL's Indianapolis Colts and their Super Bowl victory celebration, from the Assemblies of God 52<sup>nd</sup> General Council, to the nation's largest exhibition for African-Americans, Indiana Black Expo; from the Supercross to the Circle City Classic, the Indiana Convention Center & RCA Dome is an ideal site for a variety of events and the opening of Lucas Oil Stadium in 2008 will provide even more versatility. The Fire Department Instructors Conference, National FFA Convention and Gen Con LLC "The Best Four Days in Gaming" led the list of the top 20 conventions held in Indianapolis in 2007, based on direct visitor spending.

The CIB's primary objective, aside from the management and maintenance of its various facilities, is to build on the momentum of its convention and trade show business and continue to attract national and international sporting and other events to its facilities. A breakdown of current year events hosted and future events scheduled follows:

### **Current Year Events**

National Soccer Coaches Association, The Work Truck Show, IMEA Convention, JAMfest Cheer Super Nationals, Dealernews International Powersports Dealer Expo, Circle of Stars Invitational, National Recreation & Park Association Congress & Expo, Mizuno Hoosier Mideast Qualifier, Christian Booksellers Association Annual Expo, Fire Department Instructors Conference, National Football Scouting Combine, American Society of Mass Spectrometry, Annual Hot Rod & Restoration Tradeshow, Get Motivated Business Seminars, TAPPI Corrugated Packaging Conference and Exhibits, 500 Festival Mini-Marathon Packet Pick-up, 2007 M-PACT Show, Do it Best Corporation May and October Markets, National Association of Pastoral Musicians, Staff Development for Educators, General Council of Assemblies of God Biennial, Gen Con Game Fair, National FFA Convention, IUPUI Commencement, Indiana Black Expo 2007 Summer Celebration, Bands of America Grand Nationals, NBM Shows, FIN-X 2007, ISSMA State Band Finals, Optical Laboratories Association Annual Convention, Indianapolis Auto Show, IHSAA State Football Championships, and Indianapolis Colts Football.

### **Major Events Scheduled for 2008**

Archery Trade Association Annual Trade Show, IMEA Convention, JAMfest Cheer Super Nationals, Dealernews International Powersports Dealer Expo, Circle of Stars Invitational, 2008 SEMA Spring Expo, Fire Department Instructors Conference, National Football Scouting Combine, Annual Hot Rod & Restoration Tradeshow, National Catholic Educational Association Annual Conference, American College of Sports Medicine Annual Meeting, Simon Property Group Annual Meeting, Regional Airline Association Annual Meeting, Southern Baptist Convention Annual Session, National Association of Mortgage Brokers Annual Convention & Expo, National Sheriff's Association Annual Conference, ADSA & ASAS Joint Annual Meeting, National Funeral Directors and Morticians Association, Inc. Annual Convention, 500 Festival Mini-Marathon Packet Pick-up, Gen Con Game Fair, Girl Scouts of the USA 2008 National Council Session, Assemblies of the Lord Jesus Christ National Youth Convention, 2008 M-PACT Show, Midwest Propane Gas Expo & Trade Show, Do it Best Corporation May and October Markets, National FFA Convention, Joint Council Ext Pros Galaxy III, IUPUI Commencement, Indiana Black Expo 2008 Summer Celebration, Bands of America Grand Nationals, COATING 2008, ISSMA State Band Finals, Indianapolis Auto Show, IHSA State Football Championships, and Indianapolis Colts Football.

### **Major Events Scheduled for 2009**

Archery Trade Association Annual Trade Show, IMEA Convention, JAMfest Cheer Super Nationals, Fire Department Instructors Conference, Church of God Midwest Winterfest, National Concrete Masonry Annual Expo, Simon Property Group Annual Meeting, 2009 M-PACT Show, Midwest Propane Gas Expo & Trade Show, 500 Festival Mini-Marathon Packet Pick-up, Do it Best Corporation May and October Markets, NBM Show, Million Dollar Round Table Annual Meeting, ASM Heat Treating Conference and Expo, Christian Church Disciples of Christ General Assembly, American Gear Manufacturers Association, FIN-X 2009, Entomological Society of America Annual Meeting, National Alliance of Black School Educators Annual, IUPUI Commencement, Indiana Black Expo 2009 Summer Celebration, DCI World Championships, Bands of America Grand Nationals, ISSMA State Band Finals, Indianapolis Auto Show, IHSA State Football Championships, and Indianapolis Colts Football.

### **Financial Summary**

**Pension Plan:** The CIB participates in the Public Employees' Retirement Fund of Indiana (PERF) to provide retirement and, in certain circumstances, disability benefits to its full-time employees. The employer's contribution to the fund is based on a percentage of total wages paid to participating employees during the year. The notes to the financial statements provide detailed information regarding the pension plan.

**Debt Administration:** The CIB has entered into financing agreements with the Marion County Convention and Recreational Facilities Authority for the lease of the Indiana Convention Center & RCA Dome, Conseco Fieldhouse, and Victory Field. These agreements, which create capital lease obligations, are more fully explained in the management's discussion and analysis and the notes to the financial statements. The total capital lease debt obligation of the CIB at December 31, 2007 was \$348,554,092.

Additional debt, subordinate to the CIB's capital lease obligations, was incurred during 2007. During 2007, \$2,508,076 was loaned to the CIB from local businesses and an additional \$4,106,432 of accrued interest was converted to principal via a refinancing of these outstanding notes. The aggregate balance of loans outstanding to these local businesses at December 31, 2007 was \$33,759,000.

The CIB has previously issued \$23,800,000 of Excise Taxes Revenue Subordinate Refunding Notes, Series 1999A, and \$25,805,000 of Excise Taxes Revenue Subordinate Bonds, Series 1999A on May 1, 1999. The proceeds were used to finance certain renovations and improvements to the Indiana Convention Center & RCA Dome, while the remaining proceeds have been used to refinance an existing loan to the Colts. The balance of the notes and bonds at December 31, 2007 are \$3,178,667 and \$24,823,319, respectively.

Finally, the CIB has entered into financing agreements for the aforementioned Lucas Oil Stadium and Convention Center Expansion Projects through December 31, 2041. In accordance with the plan of finance, the Indiana Stadium and Convention Building Authority will lease the Stadium and Convention Center to the Indiana Office of Management and Budget (IOMB). The IOMB will, in turn, sublease the Projects under separate Sublease Agreements to the CIB. These agreements, which will create capital lease obligations, are more fully explained in the management's discussion and analysis and the notes to the financial statements.

Further details regarding all of the long-term debt obligations of the CIB can be found in the management's discussion and analysis and in the notes to the financial statements.

**Cash Management:** Cash in checking accounts is kept to a minimum at all times, and any temporary idle funds are invested in certificates of deposit overnight repurchase agreements or money market mutual funds. Details of cash, cash equivalents and investments are presented in the notes to the financial statements.

**Risk Management:** The CIB utilizes a limited risk management program to help reduce accidents involving employees and visitors to the Indiana Convention Center & RCA Dome. The CIB also provides safety training programs for employees. See the footnotes to the financial statements for further information regarding the various insurance risks to which the CIB is exposed and how insurance is used to mitigate such risks.

### **Other Information**

**Independent Audit:** The CIB has an annual audit of its financial statements performed by BKD LLP, Certified Public Accountants. The independent accountants' report on the CIB's financial statements is included in the financial section of this report.

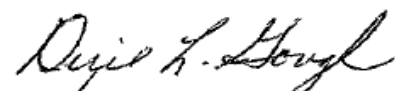
**Awards:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the CIB for its comprehensive annual financial report for the fiscal year ended December 31, 2006. This was the 22nd consecutive year that the CIB has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements:** This report could not have been prepared without the assistance of numerous staff members and BKD LLP.

Sincerely,



Anne T. Dillon, Treasurer



Dixie L. Gough, Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Capital Improvement Board  
of Managers of Marion County  
Indiana

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

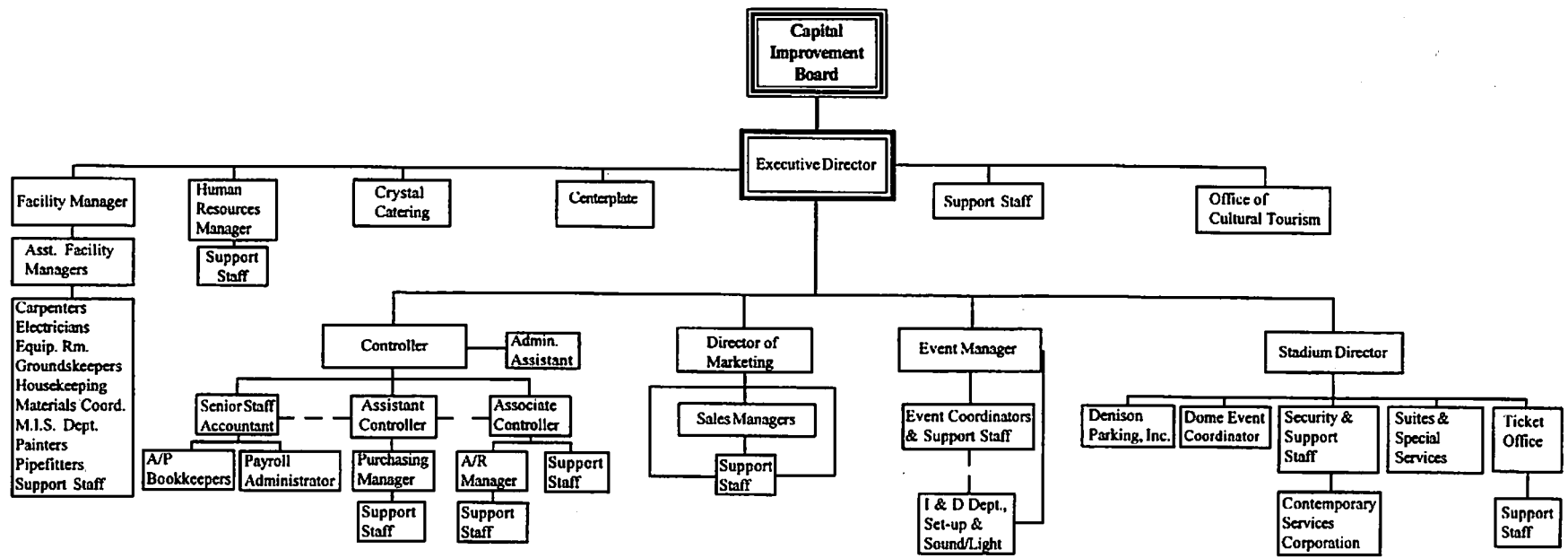
President

*Jeffrey R. Emer*

Executive Director

**CAPITAL IMPROVEMENT BOARD OF MANAGERS  
OF MARION COUNTY, INDIANA**

**ORGANIZATIONAL TABLE**



Rev. 01.31.08/crw



# Capital Improvement Board of Managers (of Marion County, Indiana) Principal Officers and Management

**Mayor, City of Indianapolis**

The Honorable Bart Peterson

**Board Members**

<b>Name</b>	<b>Title</b>	<b>Term Ending</b>	<b>Years of Service</b>	<b>Occupation</b>
G. Fredrick Glass	President	January 14, 2008	8	Attorney, Baker & Daniels
Patrick J. Early	Vice President	January 15, 2008	16	President, Somerset CPAs, PC
Alecia A. DeCoudreaux	Secretary	January 14, 2008	8	Vice President and General Counsel, Eli Lilly and Company
Anne T. Dillon	Treasurer	January 14, 2009	7	No affiliation
Monroe Gray, Jr.	Member	December 31, 2007	2	President, Indianapolis City- County Council
Jay K. Potesta	Member	January 14, 2009	7	Business Manager/Financial Secretary/Treasurer, Sheet Metal Workers Local No. 20
Douglas R. Brown	Member	December 31, 2008	7	Attorney, Stewart & Irwin, P.C.
Kyle E. Lanham	Member	January 14, 2009	1	President, Mirum Advisors
John D. Short	Member	January 14, 2009	7	Assistant Vice-Chancellor, Auxiliary Services, Indiana University-Purdue University Indianapolis

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**Principal Officers and Management**

**Administrative Personnel**

<b>Name</b>	<b>Position</b>	<b>Years of Service</b>
Barney Levensgood	Executive Director	17
Linda G. Addaman	Director of Marketing	12
Dixie L. Gough	Controller	36
Major E. Gardner	Event Manager	27
Michael A. Fox	Stadium Director	23
Thomas L. Boyle	Facility Manager	13

**Counsel to the Board**

Bingham McHale, LLP  
Indianapolis, Indiana

## **Financial Section**



## Independent Accountants' Report on Financial Statements and Supplementary Information

Capital Improvement Board of Managers  
(of Marion County, Indiana)  
Indianapolis, Indiana

We have audited the accompanying basic financial statements of Capital Improvement Board of Managers (of Marion County, Indiana) (CIB), a component of the consolidated City of Indianapolis-Marion County, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of CIB'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 Capital Improvement Board of Managers (of Marion County, Indiana) as of December 31, 2007 and 2006, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2008 on our consideration of the CIB'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 basic financial statements taken as a whole. The other 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 audits 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.

The accompanying information in the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

Indianapolis, Indiana  
April 8, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(Unaudited)**

#### ***Introduction***

The management of Capital Improvement Board of Managers of Marion County, Indiana (CIB), which is a component unit of the Consolidated City of Indianapolis-Marion County (City) and conducts its business in the City, offers readers of the CIB's financial statements this narrative overview and analysis of the financial activities of the CIB for the fiscal year ended on December 31, 2007. This Management's Discussion and Analysis is being presented to provide additional information regarding the activities of the CIB in connection with its financial statements and to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The CIB is organized and operated to acquire, construct, finance, lease, operate, promote and publicize capital improvements and thereby serve the convention and visitor industry and the commercial, industrial and cultural interests of Indiana and its citizens. This presently occurs principally through its operation of the Indiana Convention Center & RCA Dome, and its use arrangements related to Victory Field and Conseco Fieldhouse.

#### ***Financial Highlights***

The following are some highlights from the CIB's financial statements for the year ended December 31, 2007:

- The CIB experienced an increase in total assets of about \$268.4 million (or 34.0%) in 2007, mostly due to the inclusion of activity related to constructing Lucas Oil Stadium (LOS).
- Total liabilities increased by about \$259.9 million (or 37.8%) in 2007 due to the liability to State Leasing Entities associated with the stadium construction.
- Net assets increased by about \$8.5 million (or 8.3%) in 2007, primarily due to the aforementioned stadium construction.
- Operating revenue increased by about \$2.3 million (or 11.8%) in 2007 primarily due to increased rental and food service income and labor reimbursements.
- Operating expenses increased by about \$1.5 million (or 2.7%) in 2007 primarily due to increased levels of advertising and promotion, legal fees, parking expenses and set-up and installation and dismantling fees.
- Net nonoperating revenues (and expenses) of the CIB decreased by about \$1.7 million (or 3.8%) in 2007. State and local tax assistance revenue increased about \$5.3 million (or 5.6%) (the increased Professional Sports Development Area (PSDA) taxes which started in 2007 accounted for approximately \$2.4 million of this increase); however, these increasing factors were offset by reimbursements for the Colts Training Facility Maintenance of approximately \$4.2 million and other nonoperating expenses (less other nonoperating income), which increased approximately \$2.8 million (or 16.0%) in 2007 primarily due to a \$2.9 million grant which was received in 2006.

## ***Overview of Financial Statements***

This financial report of the CIB includes the following financial statements for the calendar years 2007 and 2006:

- 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 GASB.

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

- *Invested in capital assets, net of related debt* - this reflects the CIB's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The CIB uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the CIB's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- *Restricted net assets* - this represents resources that are subject to external restrictions (which principally relate to trust agreements under which capital lease obligations and bonded indebtedness were incurred) on how they may be used.
- *Unrestricted net assets* - this represents resources that may be used to meet the CIB's ongoing obligations to the public and creditors.

### **Net Assets**

The Balance Sheets reflect the assets and liabilities of the CIB using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The CIB's net assets - the difference between total assets and total liabilities - represent one way to measure the CIB'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 CIB is strengthening or softening. However, to assess the overall fiscal health of the CIB, readers of the CIB's financial statements should consider additional non-financial factors such as the ability of the CIB to retain and attract conventions, trade shows, tourism, sporting and cultural events and other activities that utilize the capital assets of the CIB; the general economic health and outlook in Indianapolis-Marion County in the hotel and motel, retail food and beverage and rental car industries which are subject to certain local taxes that are committed to and financially support the CIB; and the general economic health and outlook locally (that is, Indianapolis-Marion County and the surrounding region) as well as nationally with regard to consumer appetite for scheduling, attending and supporting the events and activities at the facilities of the CIB.

## 2007 to 2006 Comparative Balance Sheets

The comparative analysis below is a summary of the Balance Sheets for the fiscal years ended December 31, 2007 and 2006:

	December 31		
	2007	2006	\$ Variance
<b>Assets</b>			
Current assets - unrestricted	\$ 62,410	\$ 57,649	\$ 4,761
Current assets - restricted	53,612	47,658	5,954
Capital assets, net	922,533	646,059	276,474
Other assets	18,949	37,723	(18,774)
Total assets	<u>\$1,057,504</u>	<u>\$ 789,089</u>	<u>\$ 268,415</u>
<b>Liabilities</b>			
Current liabilities payable from unrestricted assets	\$ 8,863	\$ 7,728	\$ 1,135
Current liabilities payable from restricted assets	67,056	53,710	13,346
Noncurrent liabilities	870,702	625,270	245,432
Total liabilities	<u>946,621</u>	<u>686,708</u>	<u>259,913</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	23,170	2,835	20,335
Restricted	52,271	45,479	6,792
Unrestricted	35,442	54,067	(18,625)
Total net assets	<u>110,883</u>	<u>102,381</u>	<u>8,502</u>
Total liabilities and net assets	<u>\$1,057,504</u>	<u>\$ 789,089</u>	<u>\$ 268,415</u>

Note: Dollars are in thousands.

The 2007 increase in *Current assets - unrestricted* (about \$4.8 million, or 8.3%, from the prior year) is reflective of changes in the CIB's cash reserves and accounts receivable. This increase, among other factors, results from higher tax revenues added to cash reserves.

*Current assets - restricted* increased by about \$6.0 million, or 12.5% from the prior year due to an increase in cash and investments being held to fund payments on the CIB's various lease obligations and a larger year-end accrual for state and local taxes in 2007.

*Capital assets* increased by about \$276.5 million, or 42.8% from the prior year primarily due to additional construction in progress relating to LOS.

*Other assets* decreased by about \$18.8 million, or 49.8% from the prior year due primarily to accelerated amortization of deferred portions of a \$48 million lease termination fee (which was paid in 2005) and other deferred payments (which were paid in earlier periods). Each are related to the Colts and will be fully amortized by the end of 2008.

*Current liabilities payable from unrestricted assets* increased by about \$1.1 million, or 14.7% from the prior year. Accounts payable increased by about \$4.3 million, or 116.3% from the prior year due to a payable in the amount of \$5.6 million to the Colts for 2007 day-of-game expenses and a reimbursement for the Colts Training Facility maintenance costs. This was partially offset by a \$3.3 million decrease in 2007 of accrued interest payable that was rolled into the CIB's new Junior Subordinate Notes issued in 2007.



*Current liabilities payable from restricted assets* in 2007 increased by about \$13.3 million, or 24.8%. This was primarily due to unearned capital contributions from the Colts in relation to LOS of about \$35.4 million and an increase of \$5 million in the real estate rental payable which were partially offset by about a \$26.1 million reduction in the current portion of long-term debt. This decrease in the current portion of long-term debt is due to the refinancing of CIB's Junior Subordinate Notes.

*Noncurrent liabilities* increased \$245.4 million from the prior year. This change over the prior year was because liabilities to the State Leasing Entities associated with the stadium construction increased \$225.6 million, bonds and notes payable increased by \$30.2 million (primarily due to the Junior Subordinate Notes being replaced with notes that will mature in 2017), and capital leases payable decreased by \$10.4 million.

*Invested in capital assets, net of related debt* increased about \$20.3 million in 2007 primarily the result of capital asset additions in connection with the construction of Lucas Oil Stadium.

*Restricted net assets* increased about \$6.8 million in 2007 as a result of the receipt or accrual of new and additional state and local tax assistance. The \$18.6 million decrease in *Unrestricted net assets* is primarily the effect of increased deferred asset amortization (including the previously discussed deferred lease termination fee in conjunction with the construction of LOS and other Colts related payments).

### **2006 to 2005 Comparative Balance Sheets**

The *comparative* analysis below is a summary of the Balance Sheets for the fiscal years ended December 31, 2006 and 2005:

	<b>December 31</b>		
	<b>2006</b>	<b>2005</b>	<b>\$ Variance</b>
<b>Assets</b>			
Current assets - unrestricted	\$ 57,649	\$ 52,074	\$ 5,575
Current assets - restricted	47,658	44,100	3,558
Capital assets, net	646,059	455,601	190,458
Other assets	37,723	56,508	(18,785)
Total assets	<u>\$789,089</u>	<u>\$608,283</u>	<u>\$ 180,806</u>
<b>Liabilities</b>			
Current liabilities payable from unrestricted assets	\$ 7,728	\$ 7,565	\$ 163
Current liabilities payable from restricted assets	53,710	22,707	31,003
Noncurrent liabilities	625,270	485,084	140,186
Total liabilities	<u>686,708</u>	<u>515,356</u>	<u>171,352</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,835	(13,785)	16,620
Restricted	45,479	39,886	5,593
Unrestricted	54,067	66,826	(12,759)
Total net assets	<u>102,381</u>	<u>92,927</u>	<u>9,454</u>
Total liabilities and net assets	<u>\$789,089</u>	<u>\$608,283</u>	<u>\$ 180,806</u>

*Note:* Dollars are in thousands.

The 2006 increase in Current assets - *unrestricted* (about \$5.6 million, or 10.7%, from the prior year) is reflective of changes in the CIB's cash reserves and accounts receivable. This increase, among other factors, results from higher tax revenues added to cash reserves.

*Current assets - restricted* increased by about \$3.6 million, or 8.1%, from the prior year due to an increase in cash and investments due to principal requirements on the various capital leases and a larger year-end accrual for state and local taxes in 2006. This coincides with the overall increase in both new and existing state and local tax receipts in 2006.

*Capital assets* increased by about \$190.5 million, or 41.8%, from the prior year primarily was due to additional construction in progress relating to LOS.

*Other assets* decreased by about \$18.8 million from the prior year due primarily to accelerated *amortization* of deferred portions of a \$48 million lease termination fee (which was paid in 2005) and other deferred payments (which were paid in earlier periods). Each is related to the Colts and will be fully amortized by 2008.

*Current liabilities* payable from unrestricted assets were stable to the prior year, increasing by about \$163 thousand. The 2006 decrease in accounts payable (about \$0.6 million from the prior year) was mainly due to several repair projects and equipment replacement purchases accrued at the end of 2005; this was offset by higher accrued interest payable (about \$0.8 million from the prior year) related to the CIB's Junior Subordinate Notes.

*Current liabilities* payable from restricted assets in 2006 increased \$31.0 million from the prior year due to \$28 million increase in the current portion of long-term debt and \$5 million payable for the CIB's rental obligations related to LOS. This increase in the current portion of long-term debt is due to principal requirements on an anticipation borrowing related to the convention center expansion, which will be rolled into a related long-term capital lease.

*Long-term liabilities* increased \$140.2 million from the prior year. This change over the prior year was because liabilities to the State Leasing Entities associated with the construction of LOS increased \$177.7 million, bonds and notes payable decreased by \$27.9 million (primarily due to the Junior Subordinate Notes being classified under current liabilities in 2006), and capital leases payable decreased by \$9.6 million.

*Restricted net assets* increased \$5.6 million in 2006 as a result of the receipt or accrual of new and additional state and local tax assistance created and enacted in 2005. The \$12.8 million decrease in Unrestricted net assets is primarily the effect of increased deferred asset amortization (including the previously discussed deferred lease termination fee in conjunction with the stadium construction and other Colts related payments). The change in the Invested in capital assets, net of related debt is primarily the result of capital assets additions in connection with the construction of LOS.

## 2007 to 2006 Comparative 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 on December 31, 2007 and 2006:

	December 31		\$ Variance	% Variance
	2007	2006		
Operating Revenues				
Rental income	\$ 6,355	\$ 5,689	\$ 666	11.7%
Food service and concession commissions	6,676	6,146	530	8.6
Parking lot income	412	417	(5)	(1.2)
Labor reimbursements	6,034	5,118	916	17.9
Advertising income	1,300	1,165	135	11.6
Other operating income	1,047	982	65	6.6
Total operating revenues	21,824	19,517	2,307	11.8
Operating Expenses				
Salaries and wages	11,231	10,968	263	2.4
Fringe benefits	2,618	2,595	23	0.9
Utilities	4,260	4,016	244	6.1
Repairs and maintenance	808	926	(118)	(12.8)
Insurance	1,107	1,088	19	1.7
Security	1,174	1,372	(198)	(14.4)
Operating parts and supplies	1,110	1,190	(80)	(6.7)
Other	5,395	4,317	1,078	25.0
Depreciation and amortization	29,845	29,551	294	1.0
Total operating expenses	57,548	56,023	1,525	2.7
Operating Loss	(35,724)	(36,506)	782	(2.1)
Nonoperating Revenues (Expenses)				
Investment income	4,270	3,747	523	14.0
State and local taxes and fees	98,782	93,512	5,270	5.6
Interest expense	(20,198)	(20,711)	513	(2.5)
Compensation to Indianapolis Convention & Visitors Association	(7,737)	(7,053)	(684)	9.7
Colts inducements, Suite and Day-of-Games expenses	(6,351)	(5,993)	(358)	6.0
Colts Training Facility expenses	(4,189)	-	(4,189)	100.0
Other	(20,351)	(17,542)	(2,809)	16.0
Total nonoperating revenues	44,226	45,960	(1,734)	(3.8)
Increase in Net Assets	\$ 8,502	\$ 9,454	\$ (952)	(10.1)

*Note:* Dollars are in thousands.

*Total operating revenues* increased about \$2.3 million (or 11.8%) in 2007. All revenues increased except parking income which decreased slightly (about \$5,000 or 1.2%). Rental income increased (about \$.7 million or 11.7%), food service and concessions income increased (about \$.5 million or 8.6%), labor reimbursements increased (about \$.9 million or 17.9%) and advertising income and other operating income increased (about \$.2 million or 9.3%) all primarily due to the mix of multiple events held in 2007 compared to the prior year.

*Operating expenses* increased by about \$1.5 million (or 2.7%) in 2007 over the prior year. Salaries and wages increased by about \$.3 million (or 2.4%). This increase was more than offset by the higher revenue from labor reimbursements (about \$.9 million) related to event personnel. Fringe benefits increased slightly in 2007 by approximately \$23,000 (or 0.9%), slightly lower than the 2006 increase of 1.0% and substantially lower than the 10.3% increase experienced from 2004 to 2005. Utilities expenses increased by about \$.2 million (or 6.1%) in 2007 primarily due to a combination of increased usage rates and fuel costs coupled with increased consumption due to warmer and higher degree day fluctuations. Repairs and maintenance costs decreased by about \$.1 million (or 12.7%) in 2007, which was reflective of lower expenditures on major items in 2007. Insurance costs increased slightly by about \$19,000 (or 1.7%). Security costs decreased by about \$.2 million (or 14.4%) in 2007. Security costs in 2006 were higher due to the security requirements for the NCAA Men's Final Four. Operating parts and supplies decreased by about \$80,000 (or 6.7%) primarily due to the mix of events with varied event material requirements.

*Other operating expenses* increased by about \$1.1 million (or 24.9%) in 2007. Parking expenses increased from \$86,000 in 2006 to \$216,000 in 2007 because the CIB's obligations to share operating expenses for the Capitol Commons Garage didn't start until September 2006. While contractual set-up fees increased 33.8% in 2007 (from \$1,173,000 to \$1,569,000), the full-time and part-time in-house set-up costs decreased 16.0% and the set-up labor reimbursements increased 27.6% for a net increase of 14.7%, which is attributable to more events requiring multiple turnovers. Contractual fees for installation and dismantling workers increased 37.2% in 2007 (from \$466,000 to \$639,000) and part-time in-house I&D costs decreased 3.7% for a net increase of 15.5%. Labor reimbursements for these workers increased 5.1% in 2007 and labor reimbursements exceeded personnel costs by 28.9%, which included markups to cover employee benefits, insurance, and administrative costs. Contractual fees for I&D workers will vary from year to year depending on the type and size of events requesting this type of personnel. Also, there were additional increased costs for advertising and promotion, legal fees and consultants (about \$.3 million or 19.9%) associated with increased promotional items and expenses associated with structuring and implementing new agreements with the Colts and the State Leasing Entities in conjunction with the Lucas Oil Stadium and Convention Center expansion construction projects.

Depreciation and amortization costs were relatively stable from 2006 to 2007, increasing 1.0%.

*Nonoperating revenues* consist mostly of state and local assistance (in the form of Innkeeper's, Food and Beverage, and similar excise and other taxes that are committed to and financially support the CIB's activities), which totaled about \$98.8 million in 2007, an approximate \$5.3 million increase over 2006 (or 5.6%) as a result of two elements. First, state and local taxes increased about \$2.9 million (or 3.1%) in 2007 compared to the prior year. Second, 2007 was the first partial year for the expanded PSDA revenues (the increased PSDA taxes accounted for approximately \$2.4 million of the increase).

2007 increases and decreases (compared to 2006) from taxes established prior to 2005 included Innkeeper's excise tax revenues (which increased about \$.7 million, or 2.9%), Food and Beverage excise tax revenues (which decreased about \$151,000, or 0.8%), County Admissions excise tax revenues (which increased about \$.7 million, or 13.4%), Auto Rental excise tax revenues (which increased about \$97,000, or 4.7%), and PSDA revenues (which decreased about \$.8 million, or 10.7%). PSDA revenue levels are subject to the timing and distribution at the State level and are viewed largely as stable; however, period-to-period PSDA revenue may spike, particularly relative to captured Marion County Option Income Tax receipts - for example, approximately \$1.3 million (received in 2007) was an adjusting payment related to State tax receipts in 2006 as compared to approximately \$2.1 million (received in 2006) for adjusting payments related to State tax receipts in 2004 and 2005. All of these taxes established prior to 2005 increased a net of about \$494,000, or 0.9%.

2007 increases (compared to 2006) from taxes created in 2005 included Innkeeper's excise tax revenues (which increased about \$.8 million, or 7.1%), Marion County Food and Beverage excise tax revenues (which increased about \$.5 million, or 2.5%), County Admissions excise tax revenues (which increased about \$135,000, or 13.4%), Auto Rental excise tax revenues (which increased about \$98,000, or 4.8%), Regional Food and Beverage excise tax revenues (which increased about \$351,000, or 7.5%), Specialty License Plates (which increased about \$.5 million, or 218.9%), and PSDA revenues which started in 2007 and totaled about \$2.4 million. All of the taxes created in 2005 increased about \$4.8 million, or 12.9%.

Investment income increased by about \$.5 million (or 14.0%) in 2007 due mostly to an increase in cash available for investment (2007 vs. 2006).

*Nonoperating expenses* included interest expense, which decreased about \$.5 million, or 2.5% in 2007 due to the mix of scheduled pay down of debt and capital leases. Compensation to the Indianapolis Convention & Visitors Association, which is based on a percentage of the Innkeeper's excise tax revenues, increased about \$.7 million, or 9.7% in 2007. Additional *Nonoperating expenses* included other significant line items that are unique to certain arrangements associated with the professional sports teams that are primary users of the CIB facilities. These arrangements are contractual and fixed in nature. Colts inducements and Day-of-Game expenses increased about \$.4 million, or 6.0% primarily due to additional game-day concession revenues paid to the Colts. In 2007 a payable of approximately \$4.2 million was recorded to reimburse the Colts for certain training facility maintenance expenses.

*Other nonoperating expenses* increased by about \$2.8 million, or 16.0%. Included in *Other nonoperating expenses* is an offset of contributed income. While amortization of debt expenses remained the same, the contributed income decreased by about \$3.4 million due primarily to a one-time contribution of \$2.5 million received in 2006 and prior deferred contributions recognized as income in 2006. Grants to other organizations decreased by about \$.6 million, all of which nets to the \$2.8 million increase in *Other nonoperating expenses* in 2007.

## 2006 to 2005 Comparative 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 on December 31, 2006 and 2005:

	December 31		
	2006	2005	\$ Variance
Operating Revenues			
Rental income	\$ 5,689	\$ 5,839	\$ (150)
Food service and concession commissions	6,146	5,570	576
Parking lot income	417	359	58
Labor reimbursements	5,118	6,237	(1,119)
Advertising income	1,165	1,221	(56)
Other operating income	982	1,653	(671)
Total operating revenues	19,517	20,879	(1,362)
Operating Expenses			
Salaries and wages	10,968	12,126	(1,158)
Fringe benefits	2,595	2,570	25
Utilities	4,016	3,966	50
Repairs and maintenance	926	1,110	(184)
Insurance	1,088	1,234	(146)
Security	1,372	1,100	272
Operating parts and supplies	1,190	1,338	(148)
Other	4,317	4,887	(570)
Depreciation and amortization	29,551	29,530	21
Total operating expenses	56,023	57,861	(1,838)
Operating Loss	(36,506)	(36,982)	476
Nonoperating Revenues (Expenses)			
Investment income	3,747	1,982	1,765
State and local taxes and fees	93,512	65,295	28,217
Interest expense	(20,711)	(21,138)	426
Compensation to Indianapolis Convention & Visitors Association	(7,053)	(6,726)	(326)
Colts inducements and Day-of-Games expenses	(5,993)	(5,838)	(155)
Other	(17,542)	30,443	(47,985)
Total nonoperating revenues	45,960	64,018	(18,058)
Increase in Net Assets	\$ 9,454	\$ 27,036	\$ (17,582)

*Note:* Dollars are in thousands.

*Total operating revenues* decreased about \$1.4 million (or 6.5%) in 2006. Higher food service and concession commissions (about \$0.6 million or 10.3%) were offset by lower rental income (about \$0.2 million or 2.6%) and labor reimbursements (about \$1.1 million or 17.9%) associated with the mix of events held in 2006 compared to the prior period. Parking lot income and advertising income are a small percentage of the total operations, with fluctuations offsetting each other in 2006 compared to the prior period. Other operating income decreased in 2006 by about \$0.7 million (or 40.6%) primarily as a result of one-time 2005 reimbursements from State Leasing Entities for expenditures made in prior years for preliminary costs of the new stadium.

*Operating expenses* decreased by about \$1.8 million (or 3.2%) in 2006 over the prior year. Salaries and wages decreased by about \$1.2 million (or 9.6%) in 2006. This decrease was mostly offset by lower revenue from labor reimbursements (about \$1.1 million) related to event-related personnel. Fringe benefits increases continued in 2006 albeit at a lesser pace than the long-term trend; this increase was approximately \$25,000 (or 1.0%), substantially lower than the 20.1% and 10.3% increases experienced from 2003 to 2004 and from 2004 to 2005, respectively. This 2006 fringe benefits experience results from the mix of employees; in 2006, more was provided through contract labor than in 2005. There is not sufficient data to determine if this signals a trend toward abatement of recent increases experienced with employment insurance costs and event personnel wages.

Repairs and maintenance expenses decreased in 2006 by approximately \$185,000 (or 16.6%), which was reflective of lower expenditures on major items; major repairs in 2005 were higher than normal.

Utilities expenses were stable, only a 1.3% increase in 2006. Insurance expenses decreased by about \$146,000 (or 11.8%) from the prior period, while security expenses increased in 2006 by about \$273,000 or 24.8%. Other operating expenses decreased by about \$0.6 million (or 11.7%); this was the combined effect of stepping down from higher than normal legal, consulting and engineering costs in 2006 (as compared to 2005 when such expenses associated with structuring and implementing new agreements with the Colts and the State Leasing Entities were incurred) as partially offset by higher set-up fees and equipment rental expenses (which combined for about \$0.5 million higher expenses in 2006 compared to 2005 associated with an increase in personnel required to handle multiple events).

*Nonoperating revenues* consist mostly of state and local assistance (in the form of Innkeeper's, Food and Beverage, and similar excise and other taxes that are committed to and financially support the CIB's activities), which totaled about \$93.5 million in 2006, an approximately \$28.2 million increase over 2005 (or about 43.2%) as a result of two elements. First, 2006 was the first full year for the expanded state and local taxes (created in 2005 and dedicated to lease obligations with the State Lease Entities), which increased about \$22.2 million in 2006. Second, state and local taxes existing prior to 2005, increased about \$6.0 million (or 11.8%) in 2006 compared to the prior period as detailed below.

2006 increases (compared to 2005) from taxes established prior to 2005 included Food and Beverage excise tax revenue (which increased about \$1.7 million, or 10.0%, in 2006), Innkeeper's excise tax revenue (which increased about \$2.4 million, or 11.6%, in 2006), PSDA revenues (which increased about \$2.1 million, or 39.8%, in 2006), and Auto Rental excise tax revenues (which increased about \$0.2 million, or 11.7%, in 2006). Admissions excise tax revenues decreased in 2006 by about \$0.4 million, or 7.7%.

This 2006 increase (particularly in Food and Beverage excise tax and Innkeeper's excise tax revenue) is well in excess of normal annual increases. A review of the past 5 years shows that on a cumulative basis, a 3 to 4 percent annual increase rate was experienced. Year to year changes from this revenue growth appear to regularly occur at varying rates as evidenced by changes from prior periods including the 11.8% increase (2006 vs. 2005), 1.6% decrease (2005 vs. 2004), 6.7% increase (2004 vs. 2003), 3.2% increase (2003 vs. 2002), and 2.0% increase (2002 vs. 2001). PSDA revenue levels are subject to the timing and distribution at the State level and are viewed largely as stable; however, period-to-period PSDA revenue may spike, particularly relative to captured Marion County Option Income Tax receipts - for example, approximately \$2.1 million (received in 2006) were adjusting payments related to State tax receipts in 2004 and 2005. Fluctuation in the distribution of PSDA revenues by the State of Indiana stretches as far back as the PSDA's inception in 1997 and has resulted in additional amounts paid to the CIB in subsequent years, distorting the annual comparison.

Investment income increased by \$1.8 million due mostly to an increase in cash available for investment (2006 vs. 2005), with a continuation of relatively high short-term investment rates in 2006 from 2005 levels. Also, contributions income increased in 2006 by \$2.9 million due mostly to a new grant received in 2006 with different terms and requirements than the grants received in prior periods.

Finally, when 2006 is compared to 2005, it is noted that *Nonoperating revenues* in 2005 included about a \$40.4 million gain on the disposition of property transferred to the State to be used for stadium construction (a one-time event) and represents one of two primary decreasing drivers related to the change in *Net nonoperating revenues* (after expenses) in the two period comparison. The other decreasing driver in 2006 (compared to 2005) was the higher 2006 Colts related amortization expenses. Excluding gain on sale of capital assets and amortization expense, the change in *Net nonoperating revenues* (after expenses) when comparing 2006 to 2005 would have increased by about \$35.2 million (or 120%) in 2006, again mostly due to higher state and local assistance (that is, tax collections) as discussed above.

Additional *Nonoperating expenses* included other significant line items that are unique to certain arrangements associated with the professional sports teams that are primary users of the CIB facilities. These arrangements are contractual and fixed in nature. Therefore, they have remained fairly consistent from 2005 to 2006. Interest expense, about \$20.7 million in 2006, was down about 2.0% due to the mix of scheduled pay down of debt and capital leases. Also, through the establishment of the Commission on Cultural Development, the CIB is assisting in a substantial, multi-year cultural tourism initiative being undertaken in the City (the "Cultural Tourism Initiative"). Certain third-party grants have been made available to the CIB, which help to financially support the Cultural Tourism Initiative. Grants to other organizations (included in Other) decreased to about \$3.6 million in 2006, from \$5.9 million in 2005; this is reflective of higher promotional and other expenditures planned and incurred during the initial year when the Cultural Tourism 2005 campaign (called "Indianapolis 2005") began.

## ***Capital Asset and Debt Administration***

### **Capital Assets**

As discussed, the CIB is organized and operated to acquire, construct, lease, finance, operate, promote and publicize capital improvements and thereby serve the convention and visitor industry and the commercial, industrial and cultural interests of Indiana and its citizens. Because these assets are leased from the other governments and ownership of the assets ultimately reverts to the CIB upon expiration or termination of these leases, they are accounted for as property owned under capital leases and are depreciated along with other assets owned by the CIB. Readers are referred to Notes 3 through 6 in the financial statements for more detailed information on capital asset activity. These capital improvements (capital assets) consist primarily of the following:

#### **Indiana Convention Center & RCA Dome**

Among the facilities managed by the CIB is a multi-purpose sports and convention facility, the Indiana Convention Center & RCA Dome. Over the years, the Indiana Convention Center has been expanded to meet the ever-growing demand for convention space in Indianapolis, the Capitol City of Indiana. As the lure of the City's many tourist, cultural and sports attractions grows around the country, so grows the appeal of Indianapolis for convention and trade show organizers. The Indiana Convention Center hosts numerous state and national conventions, trade shows, cultural and sporting events each year, bringing millions of visitors to Indianapolis and central Indiana.



The Indiana Convention Center & RCA Dome was constructed, expanded and improved using a mix of private and public funds, including the proceeds from several tax-exempt bond offerings by the CIB and the Marion County Convention and Recreational Facilities Authority (MCCRFA), the last occurring in a 2003 partial refinancing transaction. A lease agreement (between MCCRFA, as lessor, and the CIB, as lessee) related to the Indiana Convention Center & RCA Dome secures the related bonds, along with certain state and local taxes which are used by the CIB to pay lease rentals. Such state and local taxes also secure certain bond and note indebtedness of the CIB and other lease obligations of the CIB related to other facilities.

In 2005, the CIB entered into a lease and other agreements with the Colts extending their relationship and commitment with the City of Indianapolis and setting forth the terms of their use of the CIB's facilities. The Colts will play their home NFL games in Indianapolis through their 2034 season. The CIB will cause to be constructed a new multi-use stadium to replace the RCA Dome. This new facility is known as Lucas Oil Stadium and is located on property south of the existing site of RCA Dome. The planned use of Lucas Oil Stadium will start with the 2008 Colts season. When Lucas Oil Stadium is complete, the RCA Dome will be demolished to make room for an expansion of the Indiana Convention Center.

The CIB is obligated to operate, maintain and insure the Indiana Convention Center & RCA Dome at its expense. When completed, the CIB will be obligated to operate, maintain and insure the Lucas Oil Stadium at its expense. No significant additional capital improvements, except for normal replacement items like carpeting, roofing, etc., were made to the Indiana Convention Center & RCA Dome in the current year. Readers are referred to Notes 3 and 11 in the 2007 financial statements for information regarding the replacement of the RCA Dome and the expansion of the Indiana Convention Center.

The CIB has not adopted any planned actions that would significantly impact the planned use or life of the Indiana Convention Center.

#### Conseco Fieldhouse

Conseco Fieldhouse (including a connected parking facility) was completed in 1999 and is used for a variety of sporting events, concerts and other special events. The Pacers Basketball Corporation, a National Basketball Association franchise (the Pacers), is the exclusive operator of the facility, which operation and use occurs under its operating and financial agreements with the CIB. Other frequent users include the Indiana Fever (a Women's National Basketball Association basketball franchise).

Conseco Fieldhouse was built using a mix of private and public funds, including the proceeds from a 1997 tax-exempt and taxable bond offering of MCCRFA. A lease agreement (between MCCRFA, as lessor, and the CIB, as lessee) related to Conseco Fieldhouse secures the related bonds, along with certain state and local taxes which are committed by the CIB to pay lease rentals. The CIB is obligated to cause certain on-going capital maintenance and repair items to be undertaken, if necessary, to maintain the condition of Conseco Fieldhouse. No significant additional capital improvements were made to Conseco Fieldhouse in the current year and there are currently no commitments for additional significant construction.

The CIB has not adopted any planned actions that would significantly impact the planned use or life of Conseco Fieldhouse.

#### Victory Field

MCCRFA completed construction of Victory Field in 1995. Victory Field is home to the Indianapolis Indians, a AAA minor league baseball franchise affiliated with the Pittsburgh Pirates organization (Indians).

Victory Field was built using a mix of public and private funds, including the proceeds from a taxable bond offering of MCCRFA. A lease agreement (between MCCRFA, as lessor, and the CIB, as lessee) related to Victory Field also secures the related bonds, along with certain state and local taxes which are committed by the CIB to pay lease rentals. The CIB is obligated to cause Victory Field to be operated, maintained and insured; those obligations are undertaken by the Indians. No significant additional capital improvements were made to Victory Field in the current year and there are currently no commitments for additional significant construction.

The CIB has not adopted any planned actions that would significantly impact the planned use or life of Victory Field.

### **Long-Term Debt**

The CIB's long-term debt is comprised of capital lease obligations, bond indebtedness and note indebtedness.

The CIB has acquired most of its existing capital assets through capital leasing arrangements with a local leasing arrangement existing since 1985 (involving MCCRFA) and is acquiring new capital assets (namely Lucas Oil Stadium and an expansion of the Indiana Convention Center) through capital leasing arrangements with a state leasing arrangement created in 2005 (involving the Indiana Office of Management and Budget (IOMB), the Indiana Stadium and Convention Building Authority (ISCBA), and the Indiana Finance Authority, collectively and individually their interests being referred to in this discussion as the State Leasing Entities).

MCCRFA's revenue bonds are payable solely from the respective trust estates under which they were issued and rely upon the receipt of debt service lease rentals to provide for their payment. The CIB's lease payments to MCCRFA are funded and secured by a pledge of certain state and local tax revenues that varies depending on which debt is involved. More specific information concerning these financing and security arrangements related to CIB's facilities can be found in the footnotes to the financial statements.

The Indiana Finance Authority's revenue obligations are payable from and secured by ISCBA obligations that are supported by the ISCBA's leases with IOMB, as lessee, who in turn receives rent under subleases with the CIB, as sublessee. The CIB's lease payments to IOMB are funded and secured by a pledge of certain state and local tax revenues. More specific information concerning these financing and security arrangements related to CIB's facilities can be found in the footnotes to the financial statements.

In addition to its lease obligations, the CIB has direct outstanding revenue bonds and note indebtedness of its own. Such borrowings were undertaken for a variety of purposes, including making certain capital improvements, meeting certain contractual commitments with recurring users of its facilities, and building reserves. Like its lease obligations, these indebtedness obligations are payable from, and secured by, certain state and local tax revenues, which pledges vary depending on which debt is involved.

While the CIB has contractually agreed to certain debt-related limitations in connection with its capital lease obligations and bond indebtedness, certain provisions of Indiana law also limit the amount of bond and note indebtedness that it may incur. The CIB's revenue bonds are presently insured as to their payment pursuant to municipal bond insurance policies with MBIA Insurance Corporation and AMBAC Indemnity Corporation and it is these policies that form the basis by which they are rated by certain national credit rating agencies. There were no changes in the credit ratings of the CIB's bonds or, to the CIB's knowledge, the bonds of MCCRFA or the Indiana Finance Authority (in relation to the CIB's capital leases) during 2007. Readers are referred to Notes 5 through 8 in the financial statements for more detailed information on long-term debt activity.

### ***Economic Factors and Other Matters***

Indianapolis' tourism and convention business was stable in 2007 and remains so into 2008. As a convention and tourism business, the CIB is charged with the public purpose of promoting and publicizing Indianapolis and the central Indiana region. It continues to pursue this core purpose. The CIB's focus for the business of the Indiana Convention Center & RCA Dome and Lucas Oil Stadium in 2008 includes maximizing the use of the facilities by concentrating on hosting large trade show events, consideration of its available rentable space (and amenities) to meet demand (and effectively compete with other national offerings) and minimizing the wear and tear on facilities (by proactively and continuously undertaking maintenance and repairs).

2008 bookings remain on target with projections. There are no events scheduled for CIB facilities that have been cancelled for 2008 that would adversely affect operations. Because of its operating reserves, the CIB has the ability to cover unexpected short-term declines in operating revenue. This strategy recognizes the CIB's longer planning cycles and its historical ability to meet its public purposes.

All this being said, the CIB anticipates that its regular operations in 2008 will be similar in performance to 2007 and will continue its efforts through its marketing relationships with the Indianapolis Convention and Visitors Association and the Commission on Cultural Development, to attract new and recurring conventions, trade shows, sports, tourism, cultural events and other activities to its facilities and in the central Indiana region.

### ***Requests for Information***

This financial report is designed to provide a general overview of the CIB's finances and to demonstrate the CIB'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:

Controller  
Capital Improvement Board of Managers  
of Marion County, Indiana  
100 South Capitol Avenue  
Indianapolis, Indiana 46225-1071

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Balance Sheets**  
**December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
<b>Current Assets</b>		
<b>Unrestricted Assets</b>		
Cash and cash equivalents	\$ 42,469,355	\$ 18,640,372
Investments	13,585,000	33,130,000
Interest receivable	181,537	242,533
Accounts receivable	4,940,566	4,329,716
Inventories	292,958	319,503
Prepaid expenses	940,307	986,861
Total unrestricted assets	<u>62,409,723</u>	<u>57,648,985</u>
<b>Restricted Assets</b>		
Cash and cash equivalents	34,343,681	30,278,326
Investments	-	275,000
Interest receivable	268,224	286,671
Receivable from State of Indiana	18,999,983	16,817,848
Total restricted assets	<u>53,611,888</u>	<u>47,657,845</u>
Total current assets	<u>116,021,611</u>	<u>105,306,830</u>
<b>Noncurrent Assets</b>		
Deferred debt issuance costs	230,689	273,605
Agreement acquisition costs	176,258	364,437
Deferred amortization payments to Indianapolis Colts	3,773,015	7,546,028
Deferred lease termination fee	14,769,230	29,538,461
Non-depreciable capital assets	623,207,075	322,249,263
Depreciable capital assets, net	299,325,717	323,810,023
Total noncurrent assets	<u>941,481,984</u>	<u>683,781,817</u>
Total assets	<u><u>\$ 1,057,503,595</u></u>	<u><u>\$ 789,088,647</u></u>

	<b>2007</b>	<b>2006</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
<b>Payable From Unrestricted Assets</b>		
Accounts payable	\$ 7,962,682	\$ 3,681,163
Unearned revenue	240,226	207,233
Accrued expenses and withholdings	646,293	558,833
Accrued interest payable	13,479	3,280,624
Total current liabilities payable from unrestricted assets	<u>8,862,680</u>	<u>7,727,853</u>
<b>Payable From Restricted Assets</b>		
Funds held for others - box office	624,314	518,031
Rental deposits	717,410	775,874
Unearned revenue - private grants	-	885,163
Unearned revenue - Colts stadium contribution	35,375,537	-
Real estate rental payable	15,000,000	10,000,000
Accrued interest payable	1,547,491	1,589,364
Current portion of long-term debt	13,791,477	39,941,381
Total current liabilities payable from restricted assets	<u>67,056,229</u>	<u>53,709,813</u>
Total current liabilities	<u>75,918,909</u>	<u>61,437,666</u>
<b>Noncurrent Liabilities</b>		
Due to State of Indiana	474,121,857	248,557,010
Bonds and notes payable	58,135,986	27,889,466
Capital leases payable	338,443,948	348,823,806
Total noncurrent liabilities	<u>870,701,791</u>	<u>625,270,282</u>
Total liabilities	<u>946,620,700</u>	<u>686,707,948</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	23,170,426	2,835,109
Restricted		
For debt service	29,346,803	26,893,407
For capital projects	20,390,998	15,459,049
For other	2,532,364	3,126,321
Unrestricted	35,442,304	54,066,813
Total net assets	<u>110,882,895</u>	<u>102,380,699</u>
Total liabilities and net assets	<u><u>\$ 1,057,503,595</u></u>	<u><u>\$ 789,088,647</u></u>

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Operating Revenues</b>		
Rental income	\$ 6,354,696	\$ 5,688,825
Food service and concession commissions	6,675,775	6,145,493
Parking lot income	411,846	417,013
Labor reimbursements	6,033,689	5,118,373
Advertising income	1,300,477	1,165,194
Other operating income	1,047,026	982,432
	<u>21,823,509</u>	<u>19,517,330</u>
<b>Operating Expenses</b>		
Salaries and wages	11,230,988	10,967,801
Fringe benefits	2,618,017	2,595,311
Utilities	4,259,820	4,016,331
Repairs and maintenance	808,336	925,540
Insurance	1,107,108	1,088,082
Security	1,173,598	1,372,344
Operating parts and supplies	1,110,305	1,190,446
Other	5,394,458	4,316,574
Depreciation and amortization	29,844,812	29,551,039
	<u>57,547,442</u>	<u>56,023,468</u>
<b>Operating Loss</b>	<u>(35,723,933)</u>	<u>(36,506,138)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	4,270,088	3,747,243
State and local taxes and fees	98,782,093	93,512,062
Contributions	1,134,926	4,536,582
Interest expense	(20,197,976)	(20,711,441)
Compensation to Indianapolis Convention & Visitors Association	(7,736,800)	(7,052,924)
Inducements to Indianapolis Colts	(4,851,353)	(4,593,335)
Indianapolis Colts' Training Facility expenses	(4,188,579)	-
Indianapolis Colts' Day-of-Game expenses	(1,500,000)	(1,400,000)
Grants to other organizations	(2,986,823)	(3,601,582)
Amortization expense (Indianapolis Colts)	(18,542,245)	(18,542,245)
Gain (loss) on sale of capital assets	(28,588)	15,318
Other	71,386	50,000
	<u>44,226,129</u>	<u>45,959,678</u>
<b>Increase in Net Assets</b>	8,502,196	9,453,540
<b>Net Assets, Beginning of Year</b>	<u>102,380,699</u>	<u>92,927,159</u>
<b>Net Assets, End of Year</b>	<u>\$ 110,882,895</u>	<u>\$ 102,380,699</u>

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 21,290,303	\$ 18,557,706
Payments to suppliers and others	(9,702,908)	(13,773,395)
Payments to employees	(13,761,545)	(13,530,265)
Net cash used in operating activities	<u>(2,174,150)</u>	<u>(8,745,954)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Payments to Indianapolis Convention & Visitors Association	(7,736,800)	(7,052,924)
State and local taxes and fees received	22,590,236	25,391,366
Proceeds from issuance of junior subordinate notes	2,508,076	2,508,076
Grants paid to other organizations	(2,986,823)	(3,601,582)
Contributions received from other organizations	250,000	2,750,000
Payments to Indianapolis Colts	(10,539,934)	(5,993,335)
Net cash provided by noncapital financing activities	<u>4,084,755</u>	<u>14,001,601</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal paid on long-term liabilities	(12,796,834)	(11,864,411)
Interest paid on long-term liabilities	(19,270,382)	(19,880,813)
Acquisition of capital assets	(40,199,690)	(37,221,208)
State and local taxes and fees received	74,009,722	68,838,352
Baseball Park Capital Improvement Fund rental payments received	71,386	50,000
Net cash provided by (used in) capital and related financing activities	<u>1,814,202</u>	<u>(78,080)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investment securities	(72,845,000)	(142,085,000)
Proceeds from sales and maturities of investment securities	92,665,000	117,530,000
Interest received on investment securities and cash equivalents	4,349,531	3,617,679
Net cash provided by (used in) investing activities	<u>24,169,531</u>	<u>(20,937,321)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	27,894,338	(15,759,754)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>48,918,698</u>	<u>64,678,452</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 76,813,036</u></u>	<u><u>\$ 48,918,698</u></u>

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana))**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2007 and 2006**  
**(Continued)**

	<b>2007</b>	<b>2006</b>
<b>Noncash Capital and Related Financing Activities</b>		
Capital assets acquisitions included in accounts payable	\$ 289,391	\$ 496,223
Addition to capital assets due to Stadium and Convention Center Expansion Projects	285,636,456	216,941,456
<b>Noncash Noncapital and Related Financing Activities</b>		
Accrued interest on Jr. Subordinate Notes converted to principal	\$ 4,106,432	\$ -
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (35,723,933)	\$ (36,506,138)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	29,844,812	29,551,039
Change in assets and liabilities		
Accounts receivable	(610,850)	(696,430)
Inventories	26,545	28,424
Prepaid expenses	46,554	(12,120)
Accounts payable	4,074,450	(903,514)
Unearned revenue	32,993	8,821
Accrued expenses and withholdings	87,460	32,847
Funds held for others - box office	106,283	(248,169)
Rental deposits	(58,464)	(714)
Net cash used in operating activities	<u>\$ (2,174,150)</u>	<u>\$ (8,745,954)</u>



**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

**Note 1: Summary of Significant Accounting Policies**

The Capital Improvement Board of Managers (of Marion County, Indiana) (CIB) is a municipal body created under Indiana Code (IC) 36-10-9 and governed by a nine member board. Six of the nine board members are appointed by the Mayor of the City of Indianapolis, two are appointed by the Marion County Board of Commissioners and one is appointed by the City-County Council of the Consolidated City of Indianapolis-Marion County, a unified form of 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. The CIB has no stockholders or equity holders and all revenues and other receipts must be deposited and disbursed in accordance with provisions of this statute. The CIB is authorized to finance, construct, equip, operate and maintain any capital facilities or improvements of general public benefit or welfare which would tend to promote cultural, recreational, public or civic well-being of the community. Facilities used in sports, recreation and convention activities are leased and/or operated by the CIB in downtown Indianapolis.

***Reporting Entity***

The CIB is considered to be a component unit of the Consolidated City of Indianapolis-Marion County. The CIB has based this determination upon the fact that Unigov is financially accountable for the CIB and its operations. Financial accountability is evidenced by the following:

- a. The Mayor of Indianapolis, acting in his capacity as the executive of both the City and the County, appoints a voting majority of the CIB's governing body;
- b. Unigov, through its elected City-County Council, is able to impose its will upon the CIB since it approves the CIB's budget and may, at its discretion, choose to modify it;
- c. The CIB is fiscally dependent upon Unigov in that it may not issue revenue bond or general obligation bond debt without approval by the Mayor of Indianapolis or the Marion County Board of Commissioners, respectively.

***Measurement Focus and Basis of Accounting and Financial Reporting***

The CIB is a business-type activity that prepares its financial statements on the accrual basis and economic resources measurement focus in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The CIB applies all applicable GASB pronouncements. In addition, the CIB follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the CIB considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

***Inventories***

Inventories consist of maintenance and operating supplies and are valued at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method.

***Receivable From State of Indiana***

The receivable from the State of Indiana represents certain derived tax revenues and fees accrued in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This balance is comprised of the following at December 31:

	<b>2007</b>	<b>2006</b>
State and local taxes	\$ 18,646,593	\$ 16,703,668
Specialty license plate fees	353,390	114,180
	<u>\$ 18,999,983</u>	<u>\$ 16,817,848</u>

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

***Capital Assets***

Capitalization thresholds used by the CIB are an initial individual cost of more than \$500 for computers and office equipment and \$1,000 for all other items. Purchased capital assets are stated at cost. Donated capital assets are stated at estimated fair value at the date of donation. Depreciation is charged as an expense of operations using the straight-line method. The cost of minor repairs and replacements is expensed as incurred. Major repairs and replacements are capitalized. Estimated useful lives used to compute depreciation are as follows:

	<b><u>Years</u></b>
Buildings and improvements	10-50
Parking garage	30
Equipment, furniture and fixtures and other	3-25

The CIB capitalized interest as a component of construction in progress, based on interest costs of borrowings specifically for the project. Total interest capitalized for 2007 and 2006 was \$15,280,990 and \$5,912,392.

***Deferred Debt Issuance Costs***

Deferred debt issuance costs are being amortized over the life of the lease or debt using the bonds-outstanding method.

***Compensated Absences***

Employees earn vacation time based on the calendar year. Certain salaried employees are allowed to carry over from the previous year any accrued unused vacation days. No employee may have more than thirty unused vacation days on December 31 of any year. In compliance with GASB Statement No. 16, *Accounting for Compensated Absences*, the CIB has recorded a current liability of \$226,862 and \$197,797 for accrued vacation and related benefits at December 31, 2007 and 2006, respectively. No accrual for employees' sick pay is recorded since employees are not paid for unused sick leave upon termination of employment.

***Original Issue Discounts and Premiums***

Original issue discounts and premiums on bonds are amortized using the interest method over the life of the bonds to which they relate.

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

***Revenue and Expense and Net Assets Recognition***

Operating revenues and expenses of the CIB are derived primarily from convention, trade show, sporting and other special events held at the Indiana Convention Center & RCA Dome. Operating revenues consist mainly of rental income, food service and concession commissions and labor reimbursements. All expenses that relate to operating the Indiana Convention Center & RCA Dome facilities are considered to be operating expenses of the CIB. However, certain expenses incurred by the CIB on behalf of the Indianapolis Colts (Colts) are excluded from operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

When both restricted and unrestricted net assets are available for use, it is the CIB's policy to use restricted net assets first, then unrestricted net assets as they are needed.

***Restricted Assets***

Pursuant to Indiana statutes and the provisions of the CIB's Amended and Restated Capital Improvement Bond Fund Revenue Deposit Agreement and Amended and Restated Stadium and Convention Special Fund Revenue Deposit Agreement, certain tax revenues (state and local) and fees are allocated to the CIB and are pledged to secure and pay installments of rent under certain lease and sublease agreements and other obligations of the CIB discussed later in the notes.

***Annual Budget***

The CIB may not make operating expenditures except as provided in the approved annual budget. The CIB is required by law to adopt an operating expense budget, which cannot be increased by the CIB without the approval of the City-County Council. While the CIB also budgets for certain capital improvement costs and debt service costs, such expenditures do not require City-County Council approval and may be amended by CIB Board approval. The CIB prepares its annual budget on the modified accrual basis, while the accompanying financial statements are on the accrual basis.

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**Note 2: Cash, Cash Equivalents and Investments**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the CIB's deposits may not be returned to it. The CIB's deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

The CIB's cash deposits are insured up to \$100,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$100,000 FDIC limits are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12.1.

***Investments***

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

At December 31, 2007 and 2006, the CIB had the following investment securities, all of which mature within one year:

	<b>2007</b>	<b>2006</b>
Repurchase agreements	\$ 7,278,000	\$ 2,054,000
Money market mutual funds	28,366,116	22,228,215
	<u>\$ 35,644,116</u>	<u>\$ 24,282,215</u>

***Interest Rate Risk*** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the CIB 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. The CIB's investment policy for interest rate risk requires compliance with the provisions of 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.

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**Credit Risk** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The CIB's investment policy for credit risk requires compliance with the provisions of Indiana statutes, which stipulate that the CIB only invest in securities that are rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service. At December 31, 2007 and 2006, the CIB'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 CIB will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2007 and 2006, all of the CIB's investments in overnight repurchase agreements (which are secured by U. S. Government and U. S. Government agency obligations) were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent in the CIB's name. The CIB's investment in money market mutual funds was not subject to custodial credit risk at December 31, 2007 and 2006, as their existence is not evidenced by securities that exist in physical or book entry form. The CIB's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

**Concentration of Credit Risk** - The CIB places no limit on the amount that may be invested in any one issuer. At December 31, 2007 and 2006, the CIB's investments in overnight repurchase agreements of National City Bank constituted 20% and 8%, respectively, of its total investments.

**Foreign Currency Risk** - This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The CIB's investment policy prohibits foreign investments.

**Summary of Carrying Values**

Deposits and investment securities included in the balance sheets are classified as follows:

	<b>2007</b>	<b>2006</b>
Carrying value		
Deposits	\$ 54,753,920	\$ 58,041,483
Investments	<u>35,644,116</u>	<u>24,282,215</u>
	<u><u>\$ 90,398,036</u></u>	<u><u>\$ 82,323,698</u></u>
Cash and cash equivalents and investment securities		
Current - unrestricted	\$ 56,054,355	\$ 51,770,372
Current - restricted	<u>34,343,681</u>	<u>30,553,326</u>
	<u><u>\$ 90,398,036</u></u>	<u><u>\$ 82,323,698</u></u>

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***Investment Income***

Investment income for the years ended December 31, 2007 and 2006, consisted of:

	<b>2007</b>	<b>2006</b>
Interest and dividend income	\$ 4,270,088	\$ 3,747,243

Cash, cash equivalents and investment securities are restricted as follows:

	<b>2007</b>	<b>2006</b>
Operating reserve - rental deposits	\$ 717,410	\$ 775,874
Bond fund	10,078,596	9,788,888
Renewal and replacement	5,000,000	5,000,000
Stadium sublease account	15,000,000	10,132,559
Cultural development fund	2,532,363	4,011,484
Box office	624,314	518,031
Baseball capital improvement fund	390,998	326,490
	<u>\$ 34,343,681</u>	<u>\$ 30,553,326</u>

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**Note 3: Stadium and Convention Center Expansion Projects**

In May 2004, the CIB set as priorities expanding the Indiana Convention Center, expanding the regular hosting of National Collegiate Athletic Association (NCAA) events in Indianapolis and keeping the Colts in Indianapolis. Ultimately, the CIB determined that its best opportunity for achieving these three priorities was through expanding the Indiana Convention Center at the current site for the RCA Dome and replacing the RCA Dome with a new state-of-the-art, multi-purpose venue, which will be used for various sporting events, conventions and trade shows and other uses and events.

During 2005, the CIB moved forward with its plans to expand the Indiana Convention Center and to construct a new stadium. In connection therewith, new legislation was passed by the State of Indiana which generally increased the percentages and, in some cases, expanded the areas of application for certain existing excise taxes, increased the amount of revenues to be captured within the existing Professional Sports Development Area (PSDA) and established certain new fees. This new legislation is further explained later in these notes. Additionally, a new State entity, the Indiana Stadium and Convention Building Authority (Building Authority), was created. The purposes of the Building Authority as set forth in its enabling statute are to acquire, construct, equip, own, lease and finance facilities for lease to or for the benefit of a capital improvement board.

***Governmental Agreements***

Pursuant to the passage of this 2005 legislation, the CIB was required to relinquish its control over, and responsibility for financing, designing and constructing the Stadium and Convention Center Expansion Projects to the Building Authority. Effective September 1, 2005 and December 1, 2005, the CIB and the Building Authority entered into two separate Governmental Agreements, which provide the framework for financing, designing and constructing each Project and which outline certain commitments of the two parties. These agreements also govern the reimbursement to the CIB of certain costs and advances made to the Building Authority in conjunction with the Projects, the ownership and transfer of all Project-related design and construction documents, and the conveyance of land upon which the Projects are to be built from the CIB to the Building Authority.

***Development Agreements***

Concurrent with the execution of the September 1, 2005 Governmental Agreement, the CIB entered into a Development Agreement with the Building Authority and the Colts in relation to the Stadium Project. A separate Development Agreement between the CIB and the Building Authority was executed in January 2007, for the Convention Center Expansion Project. Generally, the Development Agreements outline the commitments and responsibilities of the respective parties pertaining to the design, development and construction of the Projects. More specifically, the Development Agreements define and establish the respective responsibilities and obligations of the CIB, the Colts and/or the Building Authority, as applicable, to resolve defects, deficiencies, damages and changes in costs associated with the Projects during and after construction.



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Included within the Stadium Development Agreement is a commitment from the Colts to contribute \$100 million (the Club Contribution) towards the hard construction costs of the Stadium. The Club Contribution is to be held in a separate escrow account and used on a 50/50 basis with funds provided by the Building Authority. During 2007, \$66 million of the Club Contribution was received for use on the Stadium Project. Under the Development Agreement, the parties have all agreed to use their best efforts to complete the Stadium Project in time for the Colts to play the entire 2008 National Football League (NFL) Season in the new stadium. In the event the Colts are not allowed to play the entire 2008 NFL Season in the new stadium, the Colts will be entitled to certain delay damages to be paid by the Building Authority.

The Convention Center Expansion Development Agreement includes certain provisions, as does the related Convention Center Sublease Agreement described later in these notes, which provide for the conveyance of the land underlying the RCA Dome from the CIB to the Building Authority so that the Convention Center Expansion Project can be completed. The CIB may also transfer other land to the Building Authority that is part of its convention center site neighboring the RCA Dome if it is part of the new expansion plans. All such land returns to the CIB upon expiration or termination of the Sublease Agreement.

**Note 4: Capital Assets**

A summary of changes to capital assets for the years ended December 31, 2007 and 2006 follows:

	2007		
	Beginning Balance, January 1, 2007	Transfers and Additions	Transfers and Disposals
			Ending Balance, December 31, 2007
Capital assets, not being depreciated:			
Land and land improvements	\$ 28,176,108	\$ 40,365	\$ -
Construction in progress	294,073,155	300,917,447	-
Total capital assets, not being depreciated	322,249,263	300,957,812	-
Capital assets, being depreciated:			
Buildings and improvements	479,292,569	780,261	-
Equipment, furniture and fixtures and other	60,848,915	4,621,557	(328,741)
Total capital assets, being depreciated	540,141,484	5,401,818	(328,741)
Less accumulated depreciation for:			
Buildings and improvements	(170,311,300)	(25,314,573)	-
Equipment, furniture and fixtures and other	(46,020,161)	(4,516,479)	273,669
Total accumulated depreciation	(216,331,461)	(29,831,052)	273,669
Total capital assets, being depreciated, net	323,810,023	(24,429,234)	(55,072)
Capital assets, net	\$ 646,059,286	\$ 276,528,578	\$ (55,072)

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	2006		
	Beginning Balance, January 1, 2006	Transfers and Additions	Transfers and Disposals
			Ending Balance, December 31, 2006
Capital assets, not being depreciated:			
Land and land improvements	\$ 27,893,042	\$ 283,066	\$ -
Construction in progress	77,131,699	216,941,456	-
Total capital assets, not being depreciated	105,024,741	217,224,522	-
Capital assets, being depreciated:			
Buildings and improvements	477,214,906	2,077,663	-
Equipment, furniture and fixtures and other	61,293,283	707,798	(1,152,166)
Total capital assets, being depreciated	538,508,189	2,785,461	(1,152,166)
Less accumulated depreciation for:			
Buildings and improvements	(144,414,767)	(25,896,533)	-
Equipment, furniture and fixtures and other	(43,517,821)	(3,654,506)	1,152,166
Total accumulated depreciation	(187,932,588)	(29,551,039)	1,152,166
Total capital assets, being depreciated, net	350,575,601	(26,765,578)	-
Capital assets, net	\$ 455,600,342	\$ 190,458,944	\$ -

Accumulated depreciation includes amortization of property and equipment acquired under capital lease obligations.

**Note 5: Due to State of Indiana**

Pursuant to a Loan Agreement, originally dated October 1, 2005 and later amended, the Building Authority received loans of proceeds from the Indiana Finance Authority (Finance Authority), in connection with the issuance by the Finance Authority of approximately \$400 million in Lease Appropriation Bonds, Series 2005A (the Series 2005A Bonds) and approximately \$211.5 million in Lease Appropriation Bonds, Series 2007A (the Series 2007A Bonds), for purposes of financing the costs of the Stadium Project. The Finance Authority has adopted a financing program for the Stadium and Convention Center Expansion Projects whereby it will issue multiple separate series of bonds. Subsequent to December 31, 2007, the Indiana Finance Authority refinanced its existing bond indebtedness relating to the Stadium Project, which had previously been comprised entirely of auction rate securities. Additional contributions toward the Stadium Project costs are to come from the Colts, as noted previously, and from the CIB, as hereafter noted.

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In accordance with the plan of finance, the Building Authority will lease the Stadium and Convention Center Projects through December 31, 2041 under separate Lease Agreements (Stadium Lease and Convention Center Lease Agreements) to the Indiana Office of Management and Budget (IOMB). The IOMB will, in turn, sublease the Projects under separate Sublease Agreements (Stadium Sublease and Convention Center Sublease Agreements) to the CIB. Sublease rentals are payable solely from, and are secured exclusively by a pledge of, 2005 New Excise Tax Revenues, the 2005 PSDA Revenues and certain fees as later described in these notes, and starting in 2028 (following retirement of the previously outstanding lease and bond obligations of the CIB), certain of the CIB's existing state and local tax assistance revenues. Such amounts are pledged in accordance with an Amended and Restated Stadium and Convention Special Fund Revenue Deposit Agreement between the CIB, IOMB, the Building Authority, the Finance Authority, the Indiana State Budget Director and the Deposit Trustee. Payment by the Deposit Trustee to the Stadium Bond or Convention Center Bond Trustee for the purpose of paying sublease rental payments under the Subleases will constitute lease rentals under the Leases and payment of amounts due under the Loan Agreements. Under both Sublease Agreements, the CIB has the option to purchase the leased facilities at a price equal to the amount required to enable the IOMB to exercise its right to purchase the same facilities from the Building Authority and thereby provide for payment or redemption of all related outstanding obligations of the Finance Authority. Also, the CIB is obligated to pay the expenses of the IOMB, as well as the costs to operate, insure and maintain the leased facilities.

As financing proceeds are spent on costs of the Projects, the CIB is recording such activity as capital assets (primarily, construction in progress) with an offsetting entry to the Due to State of Indiana balance reflected in the Balance Sheets. Such amounts will accumulate, along with capitalized interest on the Projects, until such time as the New Stadium Rentals and the Convention Center Expansion Rentals begin, at which time the respective portions of the Due to State of Indiana balance will be reclassified as capital lease obligations. During construction of the Projects, the CIB is obligated under each respective Sublease to make certain initial rent payments. At December 31, 2007 and 2006, the CIB owed \$15,000,000 and \$10,000,000, respectively, in real estate rental payments under the Stadium Sublease Agreement. Additionally, any excess pledged revenue not used to fund such rentals under the Stadium Sublease will be contributed by the CIB to the Building Authority to fund the Stadium Project costs. The estimated amount of such restricted revenue to be contributed directly to the Stadium Project is \$50 million.

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**Note 6: Capital Leases Payable**

Financing for a substantial portion of the CIB's capital projects has been obtained from the Finance Authority (as described previously) and the Marion County Convention and Recreational Facilities Authority (MCCRFA). MCCRFA was created pursuant to Indiana Code 36-10-9.1 and is authorized thereunder to acquire one or more capital improvements from the CIB or other local governments, by purchase or lease and to fund or refund indebtedness incurred on account of such capital improvements to enable the respective government to make a savings on its debt service obligations.

Pursuant to its Master Lease Agreement with MCCRFA, the CIB is leasing the Indiana Convention Center & RCA Dome and a baseball facility (Victory Field) located adjacent thereto. Under a separate Master Lease Agreement II, the CIB is leasing Conseco Fieldhouse (a multi-purpose arena) and an adjacent parking garage.

Under both lease agreements with MCCRFA, 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 MCCRFA. Also, the CIB is obligated to pay the expenses of MCCRFA and all costs to operate, insure and maintain the leased facilities. The CIB's lease payment obligations are payable from and secured by a pledge of certain state and local taxes to be received by the CIB, which are described later in these notes. Certain lease obligations have specific or senior liens on some of the state and local taxes.

Assets held under these capital leases include land and substantially all of the CIB's depreciable capital assets.

Future minimum lease payments at December 31, 2007, together with the present value of the net minimum lease payments, are as follows:

2008	\$ 27,382,531
2009	27,672,240
2010	27,945,240
2011	28,075,680
2012	28,075,880
2013 - 2017	140,339,913
2018 - 2022	140,258,763
2023 - 2027	<u>126,130,500</u>
	545,880,747
Amount representing interest	<u>(198,815,938)</u>
Present value of net minimum lease payments	347,064,809
Deferred gain on refunding	1,545,616
Current portion of capital lease obligations	<u>(10,166,477)</u>
	<u><u>\$ 338,443,948</u></u>
Total long-term portion of capital lease obligations	<u><u>\$ 338,443,948</u></u>

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During 2003, the CIB recorded a deferred accounting gain of \$2,445,312 on the restructuring of its Master Lease Agreement with MCCRFA, which is being amortized into income over the period ending in 2021.

In April 2005, MCCRFA entered into a swap option ("swaption"), which provided a synthetic refunding of certain of its outstanding bonds. In connection with entering into the swaption, MCCRFA amended its Master Lease Agreement Number II, to provide for, among other things, the payment of additional rentals from the CIB to MCCRFA in the event a termination payment became due under the swaption.

During 2007, the swaption was exercised. Accordingly, an additional amendment to Master Lease Agreement Number II is contemplated, which will also provide for the payment of additional rentals by the CIB to MCCRFA. Such rentals will be used to satisfy regularly scheduled swap payments or any termination payment under the interest rate swap agreement.

**Note 7: Long-Term Debt**

Long-term debt of the CIB (excluding capital lease obligations) consists of the following:

***Junior Subordinate Notes***

Under a borrowing arrangement executed in 1998, certain civic-minded local businesses (Junior Lenders) began lending to the CIB pursuant to junior notes certain funds paid to them from Circle Center Limited Partnership (an activity and investment that had civic origins and was unrelated to the CIB) for the purpose of assisting with the financing of Conseco Fieldhouse and other CIB activities. The Junior Lenders lent certain income and other proceeds that they received from their respective interests in Circle Centre Partners Limited Partnership. These notes were issued as junior obligations with a payment right similar to MCCRFA's bondholders except they are, in all respects, subordinate.

The original borrowing agreement provided that the initial notes would mature on December 31, 2007, with interest at a per annum rate equal to 3%. On December 31, 2007, the Board entered into an arrangement to refinance the original notes, including accrued and unpaid interest, with replacement notes that will mature on December 31, 2017, with interest at a per annum rate equal to rolling monthly average of the yield on 13-week United States Treasury Bills. Interest is payable beginning January 15, 2009. The notes can be prepaid at the CIB's option at any time without penalty.

During 2007 and 2006, the Junior Lenders loaned an additional \$6,614,508 and \$2,508,076, respectively, to the CIB. The aggregate balance of these loans at December 31, 2007 and 2006 is \$33,759,000 and \$27,144,492, respectively. Accrued and unpaid interest on these notes at December 31, 2007 and 2006 amounted to \$0 and \$3,254,311, respectively.

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***Series 1999A Bonds and Refunding Notes***

Under its previous lease agreement with the Colts, the CIB agreed to assist the Colts in securing \$22 million in financing from various local banks. The lease agreement required the CIB to make semi-annual Amortization Payments of \$1,231,250 related to this loan. The Colts organization assigned its right to receive these Amortization Payments to the lender banks. Accordingly, the CIB recorded a loan payable and an offsetting deferred asset in the balance sheets. The deferred asset is being amortized to expense on a straight-line basis over the remaining term of the original Colts lease (through 2008). The balance of the deferred amortization payments was \$3,773,015 and \$7,546,028 as of December 31, 2007 and 2006, respectively.

During 1999, the CIB issued \$25,805,000 of Excise Taxes Revenue Subordinate Bonds, Series 1999A, and \$23,800,000 of Excise Taxes Revenue Subordinate Refunding Notes, Series 1999A (collectively, the 1999 Subordinate Bonds). A portion of the proceeds from these debt issues was used to finance certain renovations and improvements to the Indiana Convention Center & RCA Dome, while the remaining proceeds were used to prepay the above mentioned loan to the Colts, effectively refinancing the CIB's semi-annual amortization payments.

Information regarding the Series 1999 Subordinate Bonds at December 31, 2007 and 2006 follows:

	<b>2007</b>	<b>2006</b>
Excise Taxes Revenue Subordinate Bonds, Series 1999A		
Serial bonds, maturing June 1, 2004 to December 1, 2013. Interest at 3.35% to 5.00%, due semiannually on June 1 and December 1	\$ 7,960,000	\$ 8,285,000
Term bonds, maturing June 1, 2015 to June 1, 2021. Interest at 5.00%, due semiannually on June 1 and December 1	17,000,000	17,000,000
	24,960,000	25,285,000
Unamortized discount	(136,681)	(154,586)
	<u>24,823,319</u>	<u>25,130,414</u>
Excise Taxes Revenue Subordinate Refunding Notes, Series 1999A		
Serial notes, maturing June 1, 2004 to June 1, 2008. Interest at 5.00%, due semiannually on June 1 and December 1	3,235,000	6,315,000
Deferred loss on refunding	(56,333)	(169,000)
Unamortized premium	-	18,052
	<u>3,178,667</u>	<u>6,164,052</u>
Total Series 1999A	<u>\$ 28,001,986</u>	<u>\$ 31,294,466</u>

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The debt service requirements to maturity for long-term debt of the CIB (excluding capital lease obligations) are as follows at December 31, 2007:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 3,625,000	\$ 1,297,013	\$ 4,922,013
2009	1,380,000	2,539,202	3,919,202
2010	1,445,000	2,474,735	3,919,735
2011	1,510,000	2,405,457	3,915,457
2012	1,580,000	2,332,071	3,912,071
2013 - 2017	42,904,000	11,747,022	54,651,022
2018 - 2021	9,510,000	1,008,500	10,518,500
	<u>\$ 61,954,000</u>	<u>\$ 23,804,000</u>	<u>\$ 85,758,000</u>

**Note 8: Changes in Long-Term Obligations**

The following is a summary of long-term obligation transactions for the CIB for the years ended December 31, 2007 and 2006:

	<b>Balance January 1, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2007</b>	<b>Current Portion</b>
Long-term obligations					
Junior Subordinate Notes	\$ 27,144,492	\$ 6,614,508	\$ -	\$ 33,759,000	\$ -
Excise Taxes Revenue Subordinate Bonds, Series 1999A	25,285,000	-	(325,000)	24,960,000	390,000
Excise Taxes Revenue Subordinate Notes, Series 1999A	6,315,000	-	(3,080,000)	3,235,000	3,235,000
Due to State	248,557,010	225,564,847	-	474,121,857	-
Capital leases	356,456,643	-	(9,391,834)	347,064,809	10,166,477
(Discount)/premium	(136,534)	-	(147)	(136,681)	-
Gain (loss) on refunding	1,590,052	-	(100,769)	1,489,283	-
	<u>\$ 665,211,663</u>	<u>\$ 232,179,355</u>	<u>\$ (12,897,750)</u>	<u>\$ 884,493,268</u>	<u>\$ 13,791,477</u>

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	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Current Portion
Long-term obligations					
Junior Subordinate Notes	\$ 24,636,416	\$ 2,508,076	\$ -	\$ 27,144,492	\$ 27,144,492
Excise Taxes Revenue Subordinate Bonds, Series 1999A	25,540,000	-	(255,000)	25,285,000	325,000
Excise Taxes Revenue Subordinate Notes, Series 1999A	9,250,000	-	(2,935,000)	6,315,000	3,080,000
Due to State	70,808,932	177,748,078	-	248,557,010	-
Capital leases	365,131,054	-	(8,674,411)	356,456,643	9,391,889
(Discount)/premium	(119,433)	-	(17,101)	(136,534)	-
Gain (loss) on refunding	1,701,606	-	(111,554)	1,590,052	-
	<u>\$ 496,948,575</u>	<u>\$ 180,256,154</u>	<u>\$ (11,993,066)</u>	<u>\$ 665,211,663</u>	<u>\$ 39,941,381</u>

**Note 9: State and Local Tax and Fees**

A summary of the various sources of state and local tax assistance and fees received by the CIB follows. These include certain Excise Taxes, PSDA Revenues, Ticket Fees and Specialty License Plate Fees.

Excise Taxes consist of the Marion County Innkeeper's Tax, the Marion County Food and Beverage Tax, the Marion County Admissions Tax, the Marion County Supplemental Auto Rental Excise Tax, and the Regional County Food and Beverage Tax and the Indiana Cigarette Tax, all of which are described in greater detail below.

***Marion County Innkeeper's Tax***

Since 1997, a 6% Marion County Innkeeper's Tax (the Original Marion County Innkeeper's Tax) has been levied on every person engaged in the business of renting or furnishing, for periods of less than thirty days, any lodgings in any hotel, motel, inn, tourist camp, tourist cabin, or any other place in which lodgings are regularly furnished for a consideration. This tax is applied in addition to the Indiana Gross Retail and Use Taxes imposed under these circumstances. In accordance with IC 6-9-8 (as amended), one-sixth of the Innkeeper's Tax of 6% is to be used solely to fund lease rental payments (Senior or Subordinate) or other obligations related to convention center expansion projects.

The Marion County Innkeeper's Tax was increased in 2005 by an additional 3% (the 2005 Marion County Innkeeper's Tax).



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***Marion County Food and Beverage Tax***

Since 1981, a 1% Marion County Food and Beverage Tax (the Original Marion County Food and Beverage Tax) has been imposed on the gross retail income received by a retail merchant from any transaction within Marion County in which food or beverage is furnished, prepared or served. However, it does not apply to transactions exempt from Indiana Gross Retail Tax, as defined under Indiana statutes.

The Marion County Food and Beverage Tax was increased in 2005 by an additional 1% (the 2005 Marion County Food and Beverage Tax).

***Marion County Admissions Tax***

Since 1997, a 5% Marion County Admissions Tax (the Original Marion County Admission Tax) has been imposed on each person who pays a price of admission to certain events held in a facility financed in whole or in part by bonds or notes issued under IC 18-4-17 (before its repeal), IC 36-10-9, or IC 36-10-9.1. As stated in IC 6-9-13, the tax equals 5% of the price of admissions to such an event and is paid with the price of admission. Generally, events sponsored by educational, religious, political and charitable organizations are exempt.

The Marion County Admissions Tax was increased in 2005 by an additional 1% (the 2005 Marion County Admissions Tax).

***Marion County Supplemental Auto Rental Excise Tax***

Since 1997, a 2% Marion County Supplemental Auto Rental Excise Tax (the Original Marion County Supplemental Auto Rental Excise Tax) has been imposed under IC 6-6-9.7 on the rental of certain passenger motor vehicles and trucks at a rate equal to 2% of the gross retail income received by a retail merchant for the rental. Certain exclusions apply.

The Marion County Supplemental Auto Rental Excise Tax was increased in 2005 by an additional 2% (the 2005 Marion County Supplemental Auto Rental Excise Tax).

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***Regional County Food and Beverage Tax***

In 2005, a 1% Regional County Food and Beverage Tax was established (the 2005 Regional County Food and Beverage Tax) by six of the counties surrounding Marion County, those being Boone, Johnson, Hamilton, Hancock, Hendricks and Shelby. The food and beverage tax, equal to 1%, is imposed on the gross retail income resulting from any transaction in which food or beverage is furnished, prepared or served by a retail merchant for consideration and for consumption at a location, or on equipment, provided by the retail merchant, including transactions in which food or beverage is served by a retail merchant off its premises. This tax is in addition to the Indiana Gross Retail Tax.

As long as there are any obligations owed by the CIB to the Building Authority or any state agency under a lease or other agreement entered into between the CIB and the Building Authority or any state agency, the CIB receives one-half of the amounts received from the 1% Regional County Food and Beverage Tax up to annual maximum of \$5 million.

***Indiana Cigarette Tax***

IC 6-7 provides that the CIB shall receive \$350,000 annually from receipts of the Indiana Cigarette Tax. This tax is levied on each person who first sells, uses, consumes, handles or distributes cigarettes. The rate of tax depends upon the weight of the cigarettes and also applies to all cigarette papers, wrappers or tubes made or prepared for the purpose of making cigarettes to be sold, exchanged, bartered, given away or otherwise disposed of within Indiana.

***Original Excise Tax Revenues***

The Original Marion County Innkeeper's Tax, Original Marion County Food and Beverage Tax, Original Marion County Admissions Tax, Original Marion County Supplemental Auto Rental Excise Tax and the CIB's Indiana Cigarette Tax receipts (collectively, the Original Excise Tax Revenues) are distributed to the CIB and are used to pay its outstanding obligations (other than those relating to the Stadium and Convention Center Expansion Projects) and otherwise further its operating purposes.

***2005 New Tax Revenues***

The 2005 Marion County Innkeeper's Tax, 2005 Marion County Food and Beverage Tax, 2005 Marion County Admissions Tax, 2005 Marion County Supplemental Auto Rental Excise Tax and 2005 Regional County Food and Beverage Tax, and starting in 2028 following retirement of the previously outstanding lease and bond obligations of the CIB, certain of the CIB's original state and local assistance tax revenues (collectively the 2005 New Tax Revenues), are to be distributed to the CIB and used to pay obligations relating to the Stadium and Convention Center Expansion Projects.

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***Professional Sports Development Area Revenues***

Pursuant to Indiana Code 36-7-31, the Metropolitan Development Commission of the City of Indianapolis, Indiana, and of Marion County, Indiana (the Commission), may establish a professional sports development area which area may include any facility (a) used in the training of a team engaged in professional sports events, or (b) financed in whole or in part by notes or bonds issued by a political subdivision or issued under the CIB's or the Finance Authority's enabling act and used to hold a professional sporting event. Certain state and local taxes generated in the area are allocated to a professional sports development area fund and can be used to finance the construction and equipping of a designated capital improvement used for a professional sporting event. The taxes which may be allocated to the PSDA Fund include the Indiana Gross Retail Tax, the Indiana Use Tax, the Indiana Adjusted Gross Income Tax imposed on an individual, the County Option Income Tax and the 2% Marion County Food and Beverage Tax as previously described (the Covered Taxes).

In 1997, the Commission adopted a resolution establishing the Marion County PSDA and the State Budget Agency approved such resolution. The PSDA includes four facilities: (1) Conseco Fieldhouse, (2) the Indiana Convention Center and RCA Dome, (3) Victory Field, and (4) the Indianapolis Colts Practice Facility. All Covered Taxes generated at each of the four facilities are to be deposited into the PSDA Fund (the Original PSDA Revenues); provided, however, that the total amount of state revenue (i.e., Indiana Gross Retail Tax, Indiana Use Tax and Indiana Adjusted Gross Income Tax) captured by the PSDA may not exceed \$5,000,000 per year for 20 consecutive years (the State PSDA Cap). The Original PSDA Revenues are distributed to the CIB to be used to pay obligations relating to Conseco Fieldhouse.

In 2005, the PSDA was changed to include the Stadium site such that commencing July 1, 2007, there may be captured in the PSDA up to \$11,000,000 per year in Covered Taxes for up to 34 consecutive years (the PSDA Revenues Increase) in addition to the up to \$5,000,000 in Covered Taxes originally to be captured in the PSDA. Such action also permitted the original \$5,000,000 per year State PSDA Cap to be extended beyond the original 20 years (which would have expired in 2017) to January 1, 2041 (the Post-2017 Original PSDA Revenues), so that the maximum amount of state revenue that may be captured by the PSDA is \$16,000,000 per year. The Post-2017 Original PSDA Revenues and the PSDA Revenues Increase are collectively referred to as the 2005 PSDA Revenues. The 2005 PSDA Revenues are distributed to the CIB to be used to pay obligations relating to the Stadium and Convention Center Expansion Projects.

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The Covered Taxes to be collected within the tax area include the following:

<b>Descriptions of Tax</b>	<b>IC Section</b>	<b>Current Rate</b>
Indiana Gross Retail Tax	6-2.5-2-2	6.00% (generally)
Indiana Use Tax	6-2.5-3-3	6.00% (generally)
Indiana Adjusted Gross Income Tax for Individuals	6-3-2-1	3.40%
Marion County Option Income Tax for Individuals	6-3.5-6-8	1.65% (resident rate) 0.4125% (nonresident rate)
Marion County Food and Beverage Tax	6-9-12-5	2%

The Indiana Gross Retail Tax is imposed on all retail transactions made in Indiana. The person acquiring property in Indiana is liable for the tax, but retail merchants are responsible for collecting the tax. The Indiana Gross Retail Tax is imposed, at the time of sale, on the amount of gross retail income received by the retail merchant.

The Indiana Use Tax is imposed on the storage, use, or consumption of tangible personal property in Indiana. The Indiana Use Tax is similar to the Indiana Gross Retail Tax in that it is measured by the gross retail income received from a retail transaction and is computed using the same rates.

The Indiana Adjusted Gross Income Tax is imposed on both individuals (resident and nonresident) and corporations. The tax is applied to the adjusted gross income, as defined under Indiana statutes, of all resident individuals and to the part of the adjusted gross income derived from sources within Indiana of all nonresident individuals.

The Marion County Option Income Tax is imposed on the Indiana adjusted gross income of individual resident and nonresident county taxpayers of Marion County.

As noted previously, the Marion County Food and Beverage Tax is generally imposed on the gross retail income received by a retail merchant from any transaction within Marion County in which food or beverage is furnished, prepared or served.

The total amount of Indiana Gross Retail Tax, Indiana Use Tax and Indiana Adjusted Gross Income Tax for Individuals to be captured and deposited into the PSDA fund is limited. However, Marion County taxes are not limited.

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***Specialty License Plate Fees***

Indiana Code 9-18-49 permits the Indiana Bureau of Motor Vehicles to design and issue a National Football League franchised football team license plate as a specialty group recognition license plate (under Indiana Code 9-18-25), featuring the name and logo of the Indianapolis Colts. An annual fee of twenty dollars (\$20) is charged for the license plate in addition to standard license plate fees and is collected by the Indiana Bureau of Motor Vehicles at the time the plate is sold.

***Summary of State and Local Tax Assistance***

State and local tax assistance received or accrued by the CIB in 2007 and 2006 include the following components:

	<b>2007</b>	<b>2006</b>
Marion County food and beverage (1%)	\$ 18,499,125	\$ 18,649,983
Innkeeper's tax (5%)	19,716,399	19,164,522
Innkeeper's tax (1%)	3,943,280	3,832,904
Auto rental excise tax (2%)	2,163,710	2,066,784
Admissions tax (5%)	5,689,486	5,015,698
Cigarette tax	350,000	350,000
PSDA tax allocation	6,562,676	7,351,193
Total Original Excise Taxes and Original PSDA Revenues	<u>56,924,676</u>	<u>56,431,084</u>
Marion County food and beverage (1%)	18,499,124	18,044,932
Regional food and beverage (.5%)	5,024,380	4,673,376
Innkeeper's tax (3%)	11,829,839	11,046,858
Auto rental excise tax (2%)	2,163,710	2,065,332
Admissions tax (1%)	1,137,897	1,003,140
PSDA tax allocation (effective July 1, 2007)	2,413,605	-
Total 2005 New Tax Revenues and 2005 PSDA Revenues	<u>41,068,555</u>	<u>36,833,638</u>
Specialty License Plate Fees	<u>788,862</u>	<u>247,340</u>
Total state and local taxes and fees	<u>\$ 98,782,093</u>	<u>\$ 93,512,062</u>

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**Note 10: Agreements With the Pacers Basketball Corporation**

During 1997, the CIB approved new Operating and Financial Agreements with the Pacers Basketball Corporation (Operator) that, among other things, govern the use of Conseco Fieldhouse. The agreements cover a twenty-year initial term, commencing in 1999, with ten five-year extension options. The Operator will receive revenues from Fieldhouse operations, naming rights, signage, advertising and broadcast revenues. The CIB is responsible for major repairs on the facility, while the Operator is responsible for making daily repairs to keep the facility operational. The sale of a controlling interest in the Indiana Pacers is subject to the CIB's first right of refusal.

The Financial Agreement provides for targeted profitability for the Operator. If this target is not reached, the CIB will reimburse certain operating expenses. In addition, the Operator remains obligated, upon early termination of the Financial Agreement, to repay the CIB for advances made through 1999 for utility and maintenance costs of the CIB's previous arena facility, Market Square Arena. At the conclusion of each NBA Season during the initial twenty-year term of the Financial Agreement, five percent of the cumulative advances are to be forgiven. At December 31, 2007, the outstanding balance of cumulative advances aggregates \$18,250,971. The Financial Agreement may be terminated after ten years (but only if the CIB does not exercise its right of first refusal and if the operator has experienced a defined level of losses), and the Operator must pay a mutually agreed-upon termination fee.

**Note 11: Agreements With the Indianapolis Colts**

***Original Lease Agreement***

In 1984, the CIB entered into a long-term lease agreement with the Colts requiring its home NFL football games to be played in the RCA Dome. Since then, the agreement has been amended several times up to the 1998 amendments, including an extension of the term through March 28, 2014.

In connection with the 1998 amendments, the CIB made certain payments to the Colts as negotiated inducements and also made certain renovations to the RCA Dome. For the remaining term of the agreement, the CIB agreed to reimburse the Colts for all ordinary and reasonable Day-of-Game Expenses, as defined in the agreement up to a not-to-exceed cap that increases in subsequent seasons but will never exceed \$1,600,000. The CIB also agreed to make semi-annual inducement payments to the Colts which are conditioned upon the Colts meeting certain responsibilities under the agreement (including playing their home football games in the RCA Dome until the end of the 2013 NFL football season). The semi-annual inducement payments approximate (but are not directly tied to) revenue producing activity related to the Colts, as identified and set in 1998, and are subject to certain adjustments, which otherwise financially benefit the CIB. For December 31, 2007 and 2006, the CIB paid the Colts inducements of \$4,851,353 and \$4,593,335, respectively.

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Concurrently with the execution of the 1984 lease, the CIB constructed a training and office facility for use by the Colts. Additionally, as part of the settlement of litigation surrounding the relocation of the Colts from Baltimore to Indianapolis, the CIB agreed to convey ownership of this facility to the Colts. The cost of the facility is presented in the accompanying balance sheets as agreement acquisition costs of \$176,258 and \$364,437 as of December 31, 2007 and 2006, respectively. Such costs are being amortized on a straight-line basis over the remaining adjusted term of the original Colts lease (through 2008), as referenced in the following paragraph.

***New Lease Agreement and Original Lease Termination***

Effective September 1, 2005, the CIB entered into a Lease Termination Agreement with the Colts to terminate and replace the original lease agreement with a new lease agreement ( New Colts Lease Agreement) providing the Colts use of a new, state-of-the-art, multi-purpose venue (subsequently named Lucas Oil Stadium). The Lease Termination Agreement specified that the original lease agreement shall terminate on the Operating Commencement Date (anticipated to be in 2008) and in consideration for the Colt's agreement to terminate the original lease agreement and forego their rights under such agreement, the CIB paid the Colts \$48 million in 2005. Upon payment of the termination fee, the CIB recorded a prepaid asset which is reported in the balance sheets as deferred lease termination fee. The balance of the prepaid asset is \$14,769,230 and \$29,538,461 as of December 31, 2007 and 2006, respectively, and is being amortized over the remaining adjusted term of the old lease agreement (now 2008) using the straight-line method.

Under the New Colts Lease Agreement, the CIB is to receive \$250,000 annually from the Colts during the term of the agreement, provided that the Colts play at least ten pre-season, regular season or post-season games at the Stadium. If the Colts do not play at least ten games in the Stadium in any given NFL season, the annual rent will be reduced by \$25,000 for each game below the ten-game minimum that is not played in the Stadium. Also, the Colts must reimburse the CIB for any Day-of-Game Personnel Expenses, as defined in the New Colts Lease Agreement. The CIB, in turn, has agreed to reimburse the Colts for all ordinary and reasonable Day-of-Game Expenses, as defined in the New Colts Lease Agreement. The CIB has also agreed to pay the Colts \$3,500,000 of annual revenues from Non-Colts Events held at the Stadium. Finally, the CIB must reimburse the Colts up to a maximum aggregate amount of \$5,500,000 for any and all costs and expenses incurred by the Colts during the lease term in connection with the maintenance of, or improvements to, the Colts Training Facility. As of December 31, 2007, the Colts have incurred costs in connection with the Training Facility of \$4,188,579, which have been accrued for payment by the CIB and are included in Unrestricted Accounts Payable in the Balance Sheets.

The New Colts Lease Agreement expires on August 31, 2038. However, in the event the Colts are not among the top five NFL teams in total gross operating revenues for the 2030 fiscal year, the Colts have the right to terminate the lease without cause at their sole discretion effective as of August 31, 2035.

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***Contractual Undertaking***

In accordance with the Colts Development Agreement (described earlier in the notes), the Colts committed to contribute \$100 million to the Stadium Project. During 2007, the Colts undertook a \$34 million loan through the NFL's G-3 program and a \$66 million loan through a series of transaction involving fixed rate bonds issued by the City of Indianapolis (the City's Colts Loan) and The Indianapolis Local Public Improvement Bond Bank (Bond Bank) to finance its commitment. To secure the Bond Bank's bonds issued as part of the City's Colts Loan, the CIB entered into a contractual undertaking, secured by a subordinate pledge on certain Original Excise Tax Revenues and the Indiana Cigarette Tax Revenues of the CIB, which would require payments to the Bond Bank by the CIB if the Colts fail to timely repay the City's Colts Loan. The Colts are obligated to pay the City's Colts Loan with interest such that no payments on such contractual undertaking by the CIB are anticipated. Credit arrangements entered into in 2005 in anticipation of the City's Colts Loan, including a Bond Bank swap and a previous CIB contractual undertaking, were terminated in connection with the issuance of the City's Colts Loan.

**Note 12: Baseball Facility**

In 1994, the CIB entered into an agreement to lease (Ground Lease) certain real estate from the Indiana White River State Park Development Commission (Commission), a State agency. The CIB constructed Victory Field, a professional baseball facility, on this land. The initial lease period of the Ground Lease commenced December 1, 1994, and expires March 31, 2016. The Ground Lease allows for lease extensions provided, among other conditions, such extensions, combined with the initial lease period, do not exceed 99 years. Upon expiration or termination of the Ground Lease, any facilities constructed on the land revert to the Commission.

Under the Ground Lease and a related agreement, the CIB agreed to provide for the construction of the baseball facility and to sublease the facility to the Indianapolis Indians, Inc., a minor league baseball franchise. Victory Field was completed in 1996. To fund a portion of the cost of Victory Field, MCCRFA issued its Excise Taxes Lease Rental Revenue Bonds, Series 1995A. Such bonds are payable primarily from rental payments to be made by the CIB under a separate financing lease, dated June 1, 1995, referred to as the Second Amendment to Master Lease Agreement, between the CIB and MCCRFA. This lease is currently in effect and ends on the sooner of March 31, 2016 or the June 1 or December 1 next following payment of such bonds. Upon payment of the bonds, MCCRFA's rights in Victory Field will be transferred to the CIB.



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Future minimum sublease payments due from the Indians at December 31, 2007 are as follows:

	<b>Fixed Rentals</b>	<b>Additional Rentals</b>	<b>Total</b>
2008	\$ 500,000	\$ 50,000	\$ 550,000
2009	500,000	50,000	550,000
2010	500,000	50,000	550,000
2011	500,000	50,000	550,000
2012	500,000	50,000	550,000
2013 - 2015	<u>1,500,000</u>	<u>150,000</u>	<u>1,650,000</u>
	<u>\$ 4,000,000</u>	<u>\$ 400,000</u>	<u>\$ 4,400,000</u>

Additional rentals represent amounts to be set aside in the Baseball Park Capital Improvement Fund for future maintenance of the facility.

**Note 13: Capitol Commons**

The CIB and the City entered into agreements with developers in 1986 to construct and operate the Capitol Commons (an open, public landscaped area), a parking facility beneath the Capitol Commons and a convention hotel. The construction of the Capitol Commons was funded by \$6,300,000 of private grants. The developers funded construction of the underground parking facility and the hotel. In 1988, the CIB obtained a leasehold interest in the garage and thereupon became the lessor in a long-term lease arrangement for the operation of the garage facility.

During 2004, the CIB, in conjunction with the City, determined that it was in the best interests of the City and Marion County, to allow for the construction of a new, high-rise, corporate headquarters facility on a portion of the existing Capitol Commons site. The CIB entered into a Joint Development Agreement with the Department of Metropolitan Development of the Consolidated City of Indianapolis-Marion County (DMD) and an internationally known retail mall developer that generally provides the framework for various ancillary agreements governing the ownership, use and operation of the Capitol Commons site and its associated underground parking garage. In short, the various other agreements govern the transfer from the CIB to DMD of certain rights and interests related to the Capitol Commons surface improvements and all air rights above the surface of such property, together with approximately one-half of the underground Capitol Commons parking garage.

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The CIB generally retains responsibility for one-third of all operating costs associated with the maintenance of the entire garage and for any necessary capital improvements to the Capitol Commons site and the one-half of the parking garage transferred to DMD. These responsibilities are more fully described in a separate Operating Agreement between the CIB and DMD and in the Second Amendment and Restatement of Lease between the CIB and the garage tenant and operator. Both of these agreements have a term of 99 years, ending in 2103. In return for accepting these responsibilities, the CIB continues to receive a portion of all rental payments and/or Monthly Parking Allowance Payments, as defined in the agreements.

**Note 14: Risk Management**

The CIB is exposed to various risks of loss related to theft of, damage to and destruction of assets, as well as torts and natural disasters. The CIB purchases commercial insurance policies for such risks of loss. Certain of these policies allow for deductibles, which range from \$250 to \$500,000 per occurrence. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Note 15: Pension Plan**

***Plan Description***

The CIB contributes to the Public Employees' Retirement Fund of Indiana (PERF), established in accordance with Indiana statutes (I.C.5-10.3-2-1). PERF is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. The authority to establish or amend benefit provisions of PERF rests with the Indiana General Assembly. However, obligations to contribute to the plan are determined by the board of PERF in accordance with actuarial methods. PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing to: Indiana Public Employees' Retirement Fund, Harrison Bldg., Suite 800, 143 West Market Street, Indianapolis, Indiana 46204, or by calling 317-233-4162. Substantially all of the CIB's full-time employees are covered by the plan. The following disclosures represent the most current and available information on the plan through the July 1, 2007 actuarial valuation.

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Retirement benefits vest after 10 years of service. Normal retirement is defined as the earliest of: (1) age 65 with 10 years of creditable service; (2) age 60 with 15 years of creditable service; or (3) the sum of age and creditable service equal to 85, but not earlier than age 55. A reduced benefit will be received if an employee takes early retirement between ages 50 and 65 and has had 15 or more years of creditable service. Employees may either elect to receive a lump-sum distribution of their annuity savings account balance upon retirement or receive an annuity amount as a monthly supplement to the retirement benefits described above. PERF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and county ordinance.

***Funding Policy***

The CIB contributes an actuarially determined percentage (6.00% for calendar year 2007) of employee payroll to the plan. Required contributions are communicated to the CIB annually by the PERF board and are effective January 1 of each year. This component represents the employer contribution required under the plan. Employees are required to contribute 3.00% of their annual salary to an annuity savings account, as prescribed by Indiana statutes. The CIB contributes the 3.00% for its participating salaried employees. Accumulated employee contributions and allocated interest income are maintained by PERF in a separate system-wide fund for all members. An employee who leaves employment before qualifying for benefits receives a refund of his or her savings account.

***Annual Pension Cost and Net Pension Obligation***

For calendar year 2007, the CIB's annual pension cost of \$514,636 for the plan was equal to the CIB's required and actual contributions. Required contributions are determined as part of annual July 1 actuarial valuations using the entry age normal actuarial cost method. The actuarial assumptions used for the July 1, 2007 actuarial valuation included: (a) 7.25% investment rate of return (net of administrative expenses), (b) 4.0% (all inflation) projected salary increases and (c) 1.5% per year cost-of-living adjustments. The actuarial value of the plan's assets is determined by taking the previous year's actuarial value, adding contributions, subtracting pension payments and plan expenses and adding expected earnings at the valuation rate of interest, based on a midyear weighted-average fund. The result is multiplied by 75.00% and added to 25.00% of the cost value of the plan assets as of the valuation date. Effective July 1, 1997, the plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 30 years.

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The following is a schedule of the net pension obligation (NPO) for the CIB at December 31, 2007.  
Due to immateriality, this amount is not recorded on the books of the CIB.

***Net Pension Obligation (NPO)***

Annual Required Contribution (ARC)	\$ 435,917
Interest on NPO	6,157
Adjustment to the ARC	(7,016)
Annual Pension Cost	435,058
Contributions made	376,731
Increase in NPO	58,327
NPO beginning of year	84,924
NPO end of year	<u>\$ 143,251</u>

***Schedule of Funding Progress***

The schedule of funding progress is as follows (dollar amounts in thousands):

Actuarial Valuation Date, July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Unfunded) AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2007	\$ 7,301	\$ 7,437	\$ (136)	98%	\$ 6,939	2%
2006	6,495	7,033	(538)	92	6,514	8
2005	5,703	6,544	(841)	87	6,319	13

***Three-Year Trend Information***

Following is three-year trend information for the plan (dollar amounts in thousands) for the calendar years 2005 to 2007:

	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
2007	\$ 435	87%	\$ 143
2006	398	86	85
2005	333	92	30

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**Note 16: Naming Rights**

In 1995, the CIB contracted to have the “RCA” trademark associated with its covered dome facility and to rename the facility the “RCA Dome.” Additionally, the CIB agreed to allow for further use and display of the “RCA” trademark within its existing covered dome and convention center facilities and to provide certain other rights to the counterparties under the agreement. The term of the agreement extended for ten years, effective January 1, 1995, with options to renew for two additional five-year periods, and provided that the CIB be paid \$10 million over the initial term. During 2004, the counterparty elected to exercise the option to renew the naming rights for the first additional five-year period through January 15, 2009. In connection with the Colts Lease Agreement, the Colts retain the exclusive rights to negotiate, sell and contract for the naming rights to the new stadium and all revenues received from such naming rights will be paid directly to the Colts. During 2006, the Colts negotiated naming rights for the new stadium with Lucas Oil Products and, as referenced previously in the notes, the new venue will be called Lucas Oil Stadium.

**Note 17: Commitments and Contingencies**

***Indianapolis Convention & Visitors Association***

In return for its assistance in attracting users to the Indiana Convention Center & RCA Dome, the CIB has agreed to compensate Indianapolis Convention & Visitors Association (ICVA) annually in the form of a base amount, plus a quarterly incentive fee. The total payments to be made to the ICVA in any year cannot exceed 40% of the 5% Marion County Innkeeper’s Tax received by the CIB in the preceding tax year. The CIB’s current agreement with the ICVA extends through December 31, 2011, with the option for two additional extensions by mutual agreement until December 31, 2015 and December 31, 2019.

***Litigation***

The CIB is involved in certain litigation which is considered by management to be incidental to the conduct of CIB operations. In the opinion of management, the ultimate outcome of these matters, in the aggregate, is not currently expected to have a materially adverse effect upon the financial position, changes in financial position and cash flows of the CIB.

## **Other Supplementary Information**

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### Balance Sheet Information December 31, 2007

	Capital Improvement Fund	Capital Improvement Bond Fund	Total
<b>Assets</b>			
<b>Current Assets</b>			
<b>Unrestricted</b>			
Cash and cash equivalents	\$ 37,866,749	\$ 4,602,606	\$ 42,469,355
Investments	13,585,000	-	13,585,000
Interest receivable	181,537	-	181,537
Accounts receivable	4,940,566	-	4,940,566
Inventories	292,958	-	292,958
Prepaid expenses	940,307	-	940,307
Total unrestricted assets	<u>57,807,117</u>	<u>4,602,606</u>	<u>62,409,723</u>
<b>Restricted Assets</b>			
Cash and cash equivalents	9,265,085	25,078,596	34,343,681
Investments	-	-	-
Interest receivable	134,766	133,458	268,224
Receivable from State of Indiana	-	18,999,983	18,999,983
Total restricted assets	<u>9,399,851</u>	<u>44,212,037</u>	<u>53,611,888</u>
Total current assets	<u>67,206,968</u>	<u>48,814,643</u>	<u>116,021,611</u>
<b>Noncurrent Assets</b>			
Deferred debt issuance costs	-	230,689	230,689
Agreement acquisition costs	176,258	-	176,258
Deferred amortization payments to Indianapolis Colts	3,773,015	-	3,773,015
Deferred lease termination fee	14,769,230	-	14,769,230
Non-depreciable capital assets	623,207,075	-	623,207,075
Depreciable capital assets, net	299,325,717	-	299,325,717
Total noncurrent assets	<u>941,251,295</u>	<u>230,689</u>	<u>941,481,984</u>
Total assets	<u>\$ 1,008,458,263</u>	<u>\$ 49,045,332</u>	<u>\$ 1,057,503,595</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
<b>Payable From Unrestricted Assets</b>			
Accounts payable	\$ 7,962,682	\$ -	\$ 7,962,682
Unearned revenue	240,226	-	240,226
Accrued expenses and withholdings	646,293	-	646,293
Accrued interest payable	-	13,479	13,479
Total current liabilities payable from unrestricted assets	<u>8,849,201</u>	<u>13,479</u>	<u>8,862,680</u>
<b>Payable From Restricted Assets</b>			
Funds held for others - box office	624,314	-	624,314
Rental deposits	717,410	-	717,410
Unearned revenue - private grants	-	-	-
Unearned revenue - Colts stadium contribution	35,375,537	-	35,375,537
Real estate rental payable	-	15,000,000	15,000,000
Accrued interest payable	-	1,547,491	1,547,491
Current portion of long-term debt	-	13,791,477	13,791,477
Total current liabilities payable from restricted assets	<u>36,717,261</u>	<u>30,338,968</u>	<u>67,056,229</u>
Total current liabilities	<u>45,566,462</u>	<u>30,352,447</u>	<u>75,918,909</u>
<b>Noncurrent Liabilities</b>			
Due to State of Indiana	-	474,121,857	474,121,857
Bonds and notes payable	-	58,135,986	58,135,986
Capital lease payable	-	338,443,948	338,443,948
Total noncurrent liabilities	<u>-</u>	<u>870,701,791</u>	<u>870,701,791</u>
Total liabilities	<u>45,566,462</u>	<u>901,054,238</u>	<u>946,620,700</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	887,157,255	(863,986,829)	23,170,426
Restricted	8,058,128	44,212,037	52,270,165
Unrestricted	67,676,418	(32,234,114)	35,442,304
Total net assets	<u>962,891,801</u>	<u>(852,008,906)</u>	<u>110,882,895</u>
Total liabilities and net assets	<u>\$ 1,008,458,263</u>	<u>\$ 49,045,332</u>	<u>\$ 1,057,503,595</u>

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Analysis of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2007**

	Capital Improvement Fund	Capital Improvement Bond Fund	Total
<b>Operating Revenues</b>			
Rental income	\$ 6,354,696	\$ -	\$ 6,354,696
Food service and concession commissions	6,675,775	-	6,675,775
Parking lot income	411,846	-	411,846
Labor reimbursements	6,033,689	-	6,033,689
Advertising income	1,300,477	-	1,300,477
Other operating income	1,047,026	-	1,047,026
	<u>21,823,509</u>	<u>-</u>	<u>21,823,509</u>
<b>Operating Expenses</b>			
Salaries and wages - schedule	11,230,988	-	11,230,988
Fringe benefits - schedule	2,618,017	-	2,618,017
Utilities - schedule	4,259,820	-	4,259,820
Repairs and maintenance - schedule	808,336	-	808,336
Insurance - schedule	1,107,108	-	1,107,108
Security	1,173,598	-	1,173,598
Operating parts and supplies - schedule	1,110,305	-	1,110,305
Other - schedule	5,394,458	-	5,394,458
Depreciation and amortization	29,844,812	-	29,844,812
	<u>57,547,442</u>	<u>-</u>	<u>57,547,442</u>
<b>Operating Loss</b>	<u>(35,723,933)</u>	<u>-</u>	<u>(35,723,933)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	2,814,437	1,455,651	4,270,088
State and local taxes and fees	-	98,782,093	98,782,093
Contributions	1,134,926	-	1,134,926
Interest expense	(188,180)	(20,009,796)	(20,197,976)
Compensation to Indianapolis Convention & Visitors Association	(7,736,800)	-	(7,736,800)
Inducements to Indianapolis Colts	(4,851,353)	-	(4,851,353)
Indianapolis Colts' Training Facility expenses	(4,188,579)	-	(4,188,579)
Indianapolis Colts' Day-of-Game expenses	(1,500,000)	-	(1,500,000)
Grants to other organizations	(2,986,823)	-	(2,986,823)
Amortization expense (Indianapolis Colts)	(18,542,245)	-	(18,542,245)
Gain (loss) on sale of capital assets	(28,588)	-	(28,588)
Other	71,386	-	71,386
	<u>(36,001,819)</u>	<u>80,227,948</u>	<u>44,226,129</u>
<b>Increase (Decrease) in Net Assets</b>	(71,725,752)	80,227,948	8,502,196
<b>Net Assets, Beginning of Year</b>	741,795,225	(639,414,526)	102,380,699
Transfers from bond fund	292,822,328	(292,822,328)	-
<b>Net Assets, End of Year</b>	<u>\$ 962,891,801</u>	<u>\$ (852,008,906)</u>	<u>\$ 110,882,895</u>



**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Analysis of Certain Operating Expenses**  
**Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Salaries and Wages</b>		
Administration	\$ 580,168	\$ 557,854
Office	1,655,113	1,590,278
Supervision	859,655	811,821
Mechanical	2,185,864	2,152,038
Service	1,632,740	1,630,342
Temporary	4,317,448	4,225,468
	<u>\$ 11,230,988</u>	<u>\$ 10,967,801</u>
<b>Fringe Benefits</b>		
Social security taxes	\$ 741,906	\$ 741,211
Public employees' retirement fund	514,636	445,812
Employees' insurance	1,035,285	942,266
State unemployment taxes	66,271	180,131
Workers' compensation	97,679	149,936
Other	162,240	135,955
	<u>\$ 2,618,017</u>	<u>\$ 2,595,311</u>
<b>Utilities</b>		
Electricity	\$ 1,550,443	\$ 1,613,048
Steam	1,429,244	1,235,171
Chilled water	997,827	881,081
Water and sewer	272,696	277,908
Gas	9,610	9,123
	<u>\$ 4,259,820</u>	<u>\$ 4,016,331</u>
<b>Repairs and Maintenance</b>		
Control systems maintenance contract	\$ 71,600	\$ 81,750
Elevator and escalator maintenance contract	72,762	70,644
Computer maintenance contracts	54,687	30,178
Major repairs	301,464	405,340
Property damages	4,117	73,757
Grounds maintenance	132,633	109,916
Fire extinguisher system	61,047	56,795
Sprinkler system	2,845	2,821
Trash removal	83,099	67,502
Communication repairs	24,082	26,837
	<u>\$ 808,336</u>	<u>\$ 925,540</u>

# Capital Improvement Board of Managers (of Marion County, Indiana)

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

## Analysis of Certain Operating Expenses (Continued)

Years Ended December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b>Insurance</b>		
Fire and extended coverage	\$ 742,040	\$ 726,798
Public liability	283,399	285,768
Fidelity bond	81,669	75,516
	<u>\$ 1,107,108</u>	<u>\$ 1,088,082</u>
<b>Security</b>		
Security staff	<u>\$ 1,173,598</u>	<u>\$ 1,372,344</u>
<b>Operating Parts and Supplies</b>		
Operating parts and supplies	\$ 788,096	\$ 812,454
Maintenance parts and supplies	289,643	343,872
Other supplies	32,566	34,120
	<u>\$ 1,110,305</u>	<u>\$ 1,190,446</u>
<b>Other</b>		
Advertising and promotion	\$ 571,506	\$ 449,080
Telephone	174,503	151,379
Legal fees	981,770	857,153
Accounting and audit fees	125,026	139,226
Consulting fees	206,945	162,194
Architects and engineers	16,839	43,910
Equipment rental	566,887	513,198
Postage	12,099	15,476
Travel	13,384	17,743
Dues and subscriptions	11,288	12,192
Bad debts	3,168	23,132
Suite cable service	4,290	4,782
Medical services - Indianapolis Colts games	35,652	44,246
Parking	216,462	86,337
Set-up/installation and dismantling fees	2,256,869	1,639,405
Miscellaneous	197,770	157,121
	<u>\$ 5,394,458</u>	<u>\$ 4,316,574</u>



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

Capital Improvement Board of Managers  
(of Marion County, Indiana)  
Indianapolis, Indiana

We have audited the financial statements of Capital Improvement Board of Managers (of Marion County, Indiana) (CIB) as of and for the year ended December 31, 2007, and have issued our report thereon dated April 4, 2008. 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 CIB'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 CIB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CIB's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the CIB's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CIB's financial statements that is more than inconsequential will not be prevented or detected by the CIB's internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CIB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the CIB's management in a separate letter dated April 4, 2008.

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

BKD, LLP

Indianapolis, Indiana

April 4, 2008

## Statistical Section (Unaudited)

*This section of the CIB's comprehensive annual financial report presents detailed, contextual information and data to assist the reader in understanding what the information contained in the financial statements, note disclosures and supplementary information says about the CIB's overall financial health.*

<b><u>Contents</u></b>	<b>Pages</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the CIB's financial performance and well-being have changed over time.	70-73
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the CIB's most significant own-source revenues.	74-80
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the CIB's current levels of outstanding debt and the CIB's ability to issue additional debt in the future.	81-85
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the socioeconomic environment within which the CIB's financial activities take place and to facilitate comparisons of financial statement information over time and among governments.	86-87
<b>Operating Information</b> These schedules contain operational and infrastructure data to help the reader understand how the information in the CIB's financial report relates to the services the CIB provides and the activities it performs.	88-90

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The CIB implemented GASB Statement No. 34 in 2001; therefore, certain schedules only contain information beginning in that year.*

**Table I****Capital Improvement Board of Managers  
Net Assets by Component  
Last Ten Fiscal Years**

	1998 <sup>1</sup>	1999 <sup>1</sup>	2000 <sup>1</sup>	2001
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 48,376,867
Restricted	-	-	-	22,587,210
Unrestricted	-	-	-	26,078,971
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,043,048</u>

<sup>1</sup> - Net asset components are not available for the periods prior to the implementation of GASB Statement No. 34.

<sup>2</sup> - Change in invested in capital assets, net of related debt is due to an increase in debt relating to the construction of Lucas Oil Stadium.

<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005 <sup>2</sup></b>	<b>2006 <sup>2</sup></b>	<b>2007 <sup>2</sup></b>
\$ 39,158,704	\$ 28,575,553	\$ 11,840,085	\$ (13,784,985)	\$ 2,835,109	\$ 23,170,426
25,680,206	23,359,001	25,438,962	39,885,681	45,478,777	52,270,165
<u>21,926,131</u>	<u>27,184,109</u>	<u>28,612,119</u>	<u>66,826,463</u>	<u>54,066,813</u>	<u>35,442,304</u>
<u><u>\$ 86,765,041</u></u>	<u><u>\$ 79,118,663</u></u>	<u><u>\$ 65,891,166</u></u>	<u><u>\$ 92,927,159</u></u>	<u><u>\$ 102,380,699</u></u>	<u><u>\$ 110,882,895</u></u>

Table II

**Capital Improvement Board of Managers**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**

	1998 <sup>1</sup>	1999 <sup>1</sup>	2000 <sup>1</sup>	2001
Operating revenues				
Rental income	\$ -	\$ -	\$ -	\$ 6,983,694
Food service and concession commissions	-	-	-	5,165,418
Parking lot income	-	-	-	125,679
Labor reimbursements	-	-	-	4,879,325
Suite license fees	-	-	-	1,090,000
Advertising income	-	-	-	1,300,000
Other	-	-	-	907,604
Total operating revenues	-	-	-	20,451,720
Nonoperating revenues				
Investment income	-	-	-	2,113,735
State and local tax assistance	-	-	-	45,659,399
Gain (loss) on sale of capital assets	-	-	-	-
Cable franchise fees	-	-	-	857,493
Other	-	-	-	56,000
Total nonoperating revenues	-	-	-	48,686,627
<b>Total Revenues</b>	-	-	-	69,138,347
Operating expenses				
Salaries, wages and fringe benefits	-	-	-	11,835,999
Utilities	-	-	-	3,384,877
Repairs, maintenance and supplies	-	-	-	2,312,185
Insurance	-	-	-	384,474
Security	-	-	-	803,753
Other	-	-	-	2,240,308
Suite fees	-	-	-	1,090,000
Depreciation	-	-	-	17,048,679
Total operating expenses	-	-	-	39,100,275
Nonoperating expenses				
Interest expense	-	-	-	22,365,782
Compensation to ICVA	-	-	-	6,199,276
Payments to Indiana Pacers (cable franchise fees)	-	-	-	1,141,247
Payments to Indianapolis Colts	-	-	-	5,418,545
Payments in lieu of taxes	-	-	-	4,900,000
Grants to other organizations	-	-	-	1,220,000
Contribution of Capital Commons	-	-	-	-
Market Square Arena utilities and maintenance	-	-	-	48,868
Market Square Arena demolition cost	-	-	-	2,966,655
Other	-	-	-	1,442,623
Total nonoperating expenses	-	-	-	45,702,996
<b>Total Expenses</b>	-	-	-	84,803,271
<b>Capital Contributions</b>	-	-	-	105,450
<b>Increase (Decrease) in Net Assets</b>	\$ -	\$ -	\$ -	\$ (15,559,474)

<sup>1</sup> - Amounts are not available for the periods prior to the implementation of GASB Statement No. 34.



2002	2003	2004	2005	2006	2007
\$ 6,376,195	\$ 6,259,493	\$ 6,262,680	\$ 5,839,044	\$ 5,688,825	\$ 6,354,696
5,084,829	4,797,408	5,421,935	5,570,544	6,145,493	6,675,775
483,140	805,680	750,267	359,422	417,013	411,846
4,064,095	4,389,283	6,003,993	6,236,543	5,118,373	6,033,689
960,000	-	-	-	-	-
1,245,833	1,150,000	1,200,000	1,220,620	1,165,194	1,300,477
712,957	861,817	867,313	1,653,322	982,432	1,047,026
<u>18,927,049</u>	<u>18,263,681</u>	<u>20,506,188</u>	<u>20,879,495</u>	<u>19,517,330</u>	<u>21,823,509</u>
888,675	643,808	852,243	1,982,455	3,747,243	4,270,088
46,564,788	48,074,416	51,301,827	65,295,285	93,512,062	98,782,093
-	-	-	40,419,560	15,318	(28,588)
-	-	-	-	-	-
374,657	1,535,464	1,360,740	1,623,547	4,586,582	1,206,312
<u>47,828,120</u>	<u>50,253,688</u>	<u>53,514,810</u>	<u>109,320,847</u>	<u>101,861,205</u>	<u>104,229,905</u>
<u>66,755,169</u>	<u>68,517,369</u>	<u>74,020,998</u>	<u>130,200,342</u>	<u>121,378,535</u>	<u>126,053,414</u>
11,897,701	12,520,287	13,880,615	14,696,686	13,563,112	13,849,005
3,409,341	3,680,176	3,996,614	3,966,307	4,016,331	4,259,820
2,205,322	2,077,979	4,554,102	2,448,289	2,115,986	1,918,641
963,329	1,602,079	1,616,923	1,233,739	1,088,082	1,107,108
1,051,619	1,027,228	1,017,292	1,099,567	1,372,344	1,173,598
2,487,798	2,866,421	1,299,425	4,887,005	4,316,574	5,394,458
960,000	-	-	-	-	-
16,832,475	16,355,382	16,067,976	29,529,972	29,551,039	29,844,812
<u>39,807,585</u>	<u>40,129,552</u>	<u>42,432,947</u>	<u>57,861,565</u>	<u>56,023,468</u>	<u>57,547,442</u>
21,772,383	20,368,132	21,344,759	21,137,501	20,711,441	20,197,976
6,153,570	6,137,891	6,354,407	6,726,445	7,052,924	7,736,800
-	-	-	-	-	-
5,255,913	4,951,712	5,222,915	5,838,335	5,993,335	10,539,932
-	-	-	-	-	-
2,320,000	3,143,197	3,284,584	5,882,975	3,601,582	2,986,823
-	-	7,178,227	-	-	-
-	-	-	-	-	-
281,102	-	-	-	-	-
1,442,623	1,443,715	1,442,623	5,717,528	18,542,245	18,542,245
<u>37,225,591</u>	<u>36,044,647</u>	<u>44,827,515</u>	<u>45,302,784</u>	<u>55,901,527</u>	<u>60,003,776</u>
<u>77,033,176</u>	<u>76,174,199</u>	<u>87,260,462</u>	<u>103,164,349</u>	<u>111,924,995</u>	<u>117,551,218</u>
-	10,452	11,967	-	-	-
<u>\$ (10,278,007)</u>	<u>\$ (7,646,378)</u>	<u>\$ (13,227,497)</u>	<u>\$ 27,035,993</u>	<u>\$ 9,453,540</u>	<u>\$ 8,502,196</u>

**Table III**

**Capital Improvement Board of Managers**  
**Event Statistics**  
**Last Ten Fiscal Years**

	1998	1999	2000	2001
<b>Number of Events</b>				
Entertainment	17	17	14	12
Trade Shows	25	25	32	27
Local, Business and Social	196	252	217	195
State Convention Business	75	68	57	58
National Convention Business	49	35	33	45
Sporting Events	30	34	27	24
Total Number of Events	392	431	380	361
<b>Event Days</b>				
Entertainment	22	19	14	12
Trade Shows	62	61	72	61
Local, Business and Social	253	329	289	257
State Convention Business	150	143	118	131
National Convention Business	152	130	134	185
Sporting Events	44	43	30	29
Total Event Days	683	725	657	675
<b>Attendance</b>				
Entertainment	144,955	183,124	101,857	142,383
Trade Shows	172,413	225,661	229,857	157,636
Local, Business and Social	105,618	109,854	145,341	139,533
State Convention Business	131,490	98,663	94,207	143,639
National Convention Business	324,671	489,755	385,682	359,550
Sporting Events	873,891	924,652	961,693	782,653
Total Attendance	1,753,038	2,031,709	1,918,637	1,725,394

Source: Sales Office - Capital Improvement Board of Managers.

2002	2003	2004	2005	2006	2007
17	11	13	9	10	8
29	13	20	17	20	21
211	209	213	179	185	238
58	46	59	71	71	64
34	33	37	28	38	34
31	33	30	34	40	45
<u>380</u>	<u>345</u>	<u>372</u>	<u>338</u>	<u>364</u>	<u>410</u>
17	11	13	9	12	8
70	35	51	48	50	48
298	306	290	251	237	348
129	99	122	132	139	118
173	131	131	95	131	113
56	49	48	52	54	66
<u>743</u>	<u>631</u>	<u>655</u>	<u>587</u>	<u>623</u>	<u>701</u>
89,273	59,412	66,186	59,404	47,548	49,380
154,521	119,187	121,170	110,343	141,118	117,177
144,922	156,992	151,175	137,768	122,689	204,449
76,404	54,972	87,932	83,912	87,482	92,685
337,352	340,078	372,568	353,930	298,994	293,984
908,029	820,026	792,442	918,434	905,908	936,939
<u>1,710,501</u>	<u>1,550,667</u>	<u>1,591,473</u>	<u>1,663,791</u>	<u>1,603,739</u>	<u>1,694,614</u>

Table IV

**Capital Improvement Board of Managers  
Largest Customers  
Current Year**

December 31, 2007								
	Rental Income		Labor Reimbursements		Food Service Commissions <sup>1</sup>		Total	
	\$ Amount	% of Total	\$ Amount	% of Total	\$ Amount	% of Total	\$ Amount	% of Total
Customer 1	\$ 250,000	3.93%	\$ 95,775	1.59%	\$ 2,298,212	34.43%	\$ 2,643,987	13.87%
Customer 2	457,344	7.20%	583,254	9.67%	46,926	0.70%	1,087,524	5.70%
Customer 3	158,065	2.49%	322,601	5.35%	87,102	1.30%	567,768	2.98%
Customer 4	87,749	1.38%	279,984	4.64%	117,656	1.76%	485,389	2.55%
Customer 5	178,075	2.80%	243,542	4.04%	56,455	0.85%	478,072	2.51%
Customer 6	-	0.00%	354,087	5.87%	80,829	1.21%	434,916	2.28%
Customer 7	65,793	1.04%	164,701	2.73%	152,591	2.29%	383,085	2.01%
Customer 8	97,636	1.54%	120,678	2.00%	106,241	1.59%	324,555	1.70%
Customer 9	133,556	2.10%	114,936	1.90%	67,853	1.02%	316,345	1.66%
Customer 10	65,173	1.03%	117,256	1.94%	59,579	0.89%	242,008	1.27%
Subtotal	1,493,391	23.50%	2,396,814	39.72%	3,073,444	46.04%	6,963,649	36.53%
Balance from other customers	4,861,305	76.50%	3,636,875	60.28%	3,602,331	53.96%	12,100,511	63.47%
	<u>\$ 6,354,696</u>	<u>100.00%</u>	<u>\$ 6,033,689</u>	<u>100.00%</u>	<u>\$ 6,675,775</u>	<u>100.00%</u>	<u>\$ 19,064,160</u>	<u>100.00%</u>

<sup>1</sup> - Revenue amounts exclude "CIB Profit" as defined in the agreement between the CIB and Service America (d/b/a Centerplate).

Note: Information for 1998 is not readily available.

Sources: Rental income and labor reimbursement amounts obtained from the Sales Office - Capital Improvement Board of Managers.  
Food Service Commissions obtained from Service America.

**Table V**

**Capital Improvement Board of Managers  
Rate Schedule - Exhibits  
Last Ten Fiscal Years**

<b>Type of Rate</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Base Rent (Per Net Square Foot <sup>1</sup> ):										
One to Four Open Days	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.70	\$ 0.70	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75
Five to Seven Open Days	0.70	0.70	0.70	0.75	0.75	0.80	0.80	0.80	0.80	0.80
After Seven Days	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.85

<sup>1</sup> - Net square feet consists of actual display area used, less normal aisles and corridors.

Note: Customers are allowed up to three (3) move-in/out days at no charge; rates for additional days are based upon gross square footage of each venue.

Source: Sales Office - Capital Improvement Board of Managers.

Table VI

**Capital Improvement Board of Managers  
Rate Schedule - Meetings  
Last Ten Fiscal Years**

Type of Rate	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b><u>Convention Meetings</u></b>										
Base Rent (Per Gross Square Footage):										
Halls	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.05	\$ 0.05	\$ 0.05
Stadium	0.10	0.10	0.10	0.11	0.11	0.11	0.11	0.13	0.13	0.13
Sagamore Ballrooms	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.15	0.15	0.15
Wabash Ballrooms <sup>1</sup>	-	-	-	0.10	0.10	0.10	0.10	0.15	0.15	0.15
500 Ballroom	0.09	0.09	0.07	0.07	0.07	0.07	0.07	0.11	0.11	0.11
White River Ballroom	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.10	0.10	0.10
Meeting Rooms <sup>2</sup>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.13	0.13	0.13
<b><u>Non-Convention Meetings</u></b>										
Base Rent (Per Gross Square Footage):										
Halls	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.07	\$ 0.07
Stadium	0.12	0.12	0.12	0.14	0.14	0.14	0.14	0.16	0.16	0.16
Sagamore Ballrooms	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.17	0.17	0.17
Wabash Ballrooms <sup>1</sup>	-	-	-	0.14	0.14	0.14	0.14	0.17	0.17	0.17
500 Ballroom	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.12	0.12	0.12
White River Ballroom	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.11	0.11	0.11
Meeting Rooms <sup>2</sup>	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.16	0.16	0.16

<sup>1</sup> - The Wabash Ballrooms were added during the 2000-2001 expansion of the Indiana Convention Center.

<sup>2</sup> - Rates vary by meeting room; rates presented are blended.

Source: Sales Office - Capital Improvement Board of Managers.

Table VII

**Capital Improvement Board of Managers**  
**Rate Schedule - Hourly Labor Reimbursement Rates**  
**Last Ten Fiscal Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Position:</b>										
Carpenters <sup>2</sup>	\$24.00	\$24.70	\$25.41	\$26.11	\$26.88	\$27.65	\$29.41	\$30.41	\$31.16	\$31.76
Painters <sup>2</sup>	22.44	23.10	23.77	24.44	25.16	25.89	27.53	28.47	29.16	29.72
Electricians <sup>2</sup>	26.12	26.89	27.66	28.43	29.26	30.09	32.03	33.11	33.92	34.59
Stagehands (House) <sup>2</sup>	24.80	25.50	26.30	27.08	27.88	28.85	29.80	30.72	31.48	32.10
Stagehands (Call In) <sup>2</sup>	24.80	25.50	26.30	27.08	27.88	28.85	29.80	30.72	31.48	32.10
Welders and Pipefitters <sup>1</sup>	27.51	27.61	28.27	29.26	29.87	30.36	30.69	31.42	32.14	33.35
Housekeeping <sup>1</sup>	15.14	15.91	16.55	17.13	17.66	18.18	18.82	19.43	20.00	20.50
Set-up <sup>1</sup>	15.14	15.91	16.55	17.13	17.66	18.18	18.82	19.43	20.00	20.50
Change-Over Labor <sup>2</sup>	20.00	20.00	20.00	20.00	25.00	25.00	25.00	25.00	26.00	26.00
Riggers <sup>2</sup>	34.52	35.38	36.54	37.60	38.68	40.00	41.14	42.53	43.54	44.35
Rent-A-Buddy <sup>2</sup>	-	-	-	-	-	-	20.00	20.00	20.00	20.00
Ticket Sellers <sup>2</sup>	13.50	13.50	14.85	15.37	15.97	16.60	17.51	18.03	18.03	18.03
Assistant Treasurer/Treasurer <sup>2</sup>	16.30	16.30	16.87	17.46	18.16	18.90	19.94	20.53	21.15	21.78
Fire Marshalls <sup>1</sup>	15.63	15.63	15.63	16.25	16.88	16.88	17.50	17.50	17.50	17.50
Part-Time Teamsters <sup>1</sup> :										
Expo Workers	17.44	17.44	18.44	18.88	19.31	19.69	20.38	21.09	-	-
Housekeeping	11.00	11.25	11.44	11.59	11.71	11.84	12.50	12.71	12.96	13.15
Set-Up	11.00	11.25	11.44	11.59	11.71	11.84	12.50	12.71	12.96	13.15
Installation and Dismantling	18.50	19.25	19.25	20.00	20.50	21.00	21.75	24.50	-	-
Installation and Dismantling (Advance Rate)	-	-	-	-	-	-	-	-	24.50	25.35
Installation and Dismantling (Show Rate)	-	-	-	-	-	-	-	-	29.50	30.50

<sup>1</sup> - Hourly rates currently change June 1 of each year.

<sup>2</sup> - Hourly rates currently change December 1 of each year.

Source: Schedule of Show Rates, per Capital Improvement Board of Managers.

**Table VIII**

**Capital Improvement Board of Managers  
Food Service and Concession Revenues  
Last Ten Fiscal Years**

	<b>Revenues</b>	<b>Expenses</b>	<b>CIB Commission <sup>1</sup></b>	<b>CIB Profit <sup>2</sup></b>	<b>Total</b>
1998	\$ 11,469,548	\$ 10,529,436	\$ 3,440,864	\$ 812,808	\$ 4,253,672
1999	13,404,084	12,341,659	4,021,225	1,016,829	5,038,054
2000	14,322,452	13,834,239	4,296,736	594,874	4,891,610
2001	14,219,911	13,335,838	4,265,973	899,445	5,165,418
2002	14,083,991	13,136,138	4,225,197	859,632	5,084,829
2003	13,425,511	12,672,980	4,027,653	769,755	4,797,408
2004	15,319,720	14,629,156	4,595,916	826,019	5,421,935
2005	16,140,782	15,545,727	4,842,235	728,309	5,570,544
2006	17,172,381	16,237,885	5,151,714	993,779	6,145,493
2007	18,672,495	17,729,488	5,601,749	1,074,026	6,675,775

<sup>1</sup> - Under its contract with Service America (d/b/a Centerplate), the CIB receives a 30% commission on revenues, as defined in the agreement.

<sup>2</sup> - Revenues minus expenses, net of Service America's management fee and share of profits and exclusive of Colts' novelty sales.

Source: Service America (d/b/a Centerplate) Monthly Commission Reports.



Table IX

**Capital Improvement Board of Managers  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

Fiscal Year	Junior Subordinate Notes <sup>1</sup>	Subordinate Revenue Bonds <sup>1</sup>	Due to State <sup>2</sup>	Capital Lease Obligations	Other	Total	Per Event Attendee	Indianapolis-Carmel MSA <sup>3</sup>	
								Per Capita	% of Personal Income
1998	\$ 2,312,686	\$ -	\$ -	\$ 395,740,478	\$ 3,110,000	\$ 401,163,164	\$ 229	\$ 279	0.94%
1999	5,693,769	49,605,000	-	391,982,642	3,110,000	450,391,411	222	309	1.00%
2000	7,119,297	46,305,000	-	387,831,528	-	441,255,825	230	289	0.90%
2001	9,172,891	45,280,000	-	385,019,648	-	439,472,539	255	283	0.87%
2002	11,152,605	43,065,000	-	382,912,275	-	437,129,880	256	277	0.84%
2003	19,544,969	40,515,000	-	375,885,045	-	435,945,014	281	272	0.81%
2004	21,571,509	37,765,000	-	371,953,227	-	431,289,736	271	267	0.76%
2005	24,636,416	34,790,000	70,808,932	365,131,054	-	495,366,402	298	302	0.83%
2006	27,144,492	31,600,000	248,557,010	356,456,643	-	663,758,145	414	398	n/a
2007	33,759,000	28,195,000	474,121,857	347,064,809	-	883,140,666	521	n/a	n/a

<sup>1</sup> - These obligations are payable from and secured by a pledge of certain state and local assistance, but the lien on such revenues is subordinate to that of certain lease payment obligations of the CIB.

<sup>2</sup> - This obligations represents the accumulation of amounts spent and accrued on the Lucas Oil Stadium project. Once construction of the stadium is complete and the related lease payments for the facility begin, this obligation will be reclassified as a capital lease obligation.

<sup>3</sup> - The Indianapolis-Carmel Metropolitan Statistical Area (MSA) includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Putnam and Shelby counties in Central Indiana, as defined by the U.S. Office of Management and Budget.

n/a = Information is not available.

**Table X**

**Capital Improvement Board of Managers  
State and Local Tax Assistance  
Last Ten Fiscal Years**

	<b>1998</b>	<b>1999</b>	<b>2000 <sup>1</sup></b>	<b>2001</b>
Innkeeper's Tax (5%)	\$ 13,023,808	\$ 13,742,767	\$ 16,577,831	\$ 14,890,607
Innkeeper's Tax (1%)	2,604,762	2,748,553	3,315,566	2,977,122
Food and Beverage Tax (1%)	12,697,091	14,066,942	14,780,431	14,932,215
Admissions Tax (5%)	1,115,350	1,536,366	5,124,206	4,438,762
Auto Rental Excise Tax (2%)	1,595,371	1,442,436	1,934,129	1,903,793
Cigarette Tax	350,000	350,000	350,000	350,000
PSDA Allocation	4,721,705	5,244,200	8,303,943	6,166,900
<b>Total Original Excise Taxes and Original PSDA Revenues</b>	<b>36,108,087</b>	<b>39,131,264</b>	<b>50,386,106</b>	<b>45,659,399</b>
Innkeeper's Tax (3%)	-	-	-	-
Food and Beverage Tax (1%)	-	-	-	-
Admissions Tax (1%)	-	-	-	-
Auto Rental Excise Tax (2%)	-	-	-	-
PSDA Allocation <sup>3</sup>	-	-	-	-
Regional Food and Beverage Tax (.5%)	-	-	-	-
<b>Total 2005 New Tax Revenues and 2005 PSDA Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Specialty License Plate Fees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total State and Local Tax Assistance</b>	<b>\$ 36,108,087</b>	<b>\$ 39,131,264</b>	<b>\$ 50,386,106</b>	<b>\$ 45,659,399</b>

<sup>1</sup> - Beginning in 2000, amounts reflect adoption of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

<sup>2</sup> - In 2005, certain expanded and new tax and PSDA revenues were established in connection with the financing of a multi-purpose venue to replace the RCA Dome and the expansion of the Indiana Convention Center.

<sup>3</sup> - The new PSDA revenues are effective July 1, 2007.

<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005 <sup>2</sup></b>	<b>2006</b>	<b>2007</b>
\$ 15,434,339	\$ 16,051,948	\$ 17,483,328	\$ 17,176,553	\$ 19,164,522	\$ 19,716,399
3,086,867	3,210,390	3,496,666	3,435,311	3,832,904	3,943,280
16,033,607	15,617,516	17,567,107	16,959,958	18,649,983	18,499,125
4,581,470	4,541,774	4,968,613	5,434,476	5,015,698	5,689,486
1,917,522	1,849,856	1,739,924	1,850,410	2,066,784	2,163,710
350,000	350,000	350,000	350,000	350,000	350,000
5,160,983	6,452,932	5,696,189	5,257,272	7,351,193	6,562,676
<u>46,564,788</u>	<u>48,074,416</u>	<u>51,301,827</u>	<u>50,463,980</u>	<u>56,431,084</u>	<u>56,924,676</u>
-	-	-	4,577,005	11,046,858	11,829,839
-	-	-	7,389,454	18,044,932	18,499,124
-	-	-	457,580	1,003,140	1,137,897
-	-	-	846,239	2,065,332	2,163,710
-	-	-	-	-	2,413,605
-	-	-	1,561,027	4,673,376	5,024,380
<u>-</u>	<u>-</u>	<u>-</u>	<u>14,831,305</u>	<u>36,833,638</u>	<u>41,068,555</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,340</u>	<u>788,862</u>
<u>\$ 46,564,788</u>	<u>\$ 48,074,416</u>	<u>\$ 51,301,827</u>	<u>\$ 65,295,285</u>	<u>\$ 93,512,062</u>	<u>\$ 98,782,093</u>

Table XI

**Capital Improvement Board of Managers  
Pledged Revenue Coverage  
Last Ten Fiscal Years**

	1998	1999	2000	2001
<b>Tax Revenues - Pledged on a Senior Basis to Secure Lease Rental Obligations <sup>1</sup></b>				
Innkeeper's Tax (5%)	\$ 13,023,808	\$ 13,742,767	\$ 16,577,831	\$ 14,890,607
Innkeeper's Tax (1%)	2,604,762	2,748,553	3,315,566	2,977,122
Food and Beverage Tax (1%)	12,697,091	14,066,942	14,780,431	14,932,215
Admissions Tax (5%)	1,115,350	1,536,366	5,124,206	4,438,762
Auto Rental Excise Tax (2%)	1,595,371	1,442,436	1,934,129	1,903,793
Cigarette Tax	350,000	350,000	350,000	350,000
Total Tax Receipts	<u>31,386,382</u>	<u>33,887,064</u>	<u>42,082,163</u>	<u>39,492,499</u>
<b>Disbursements - Senior Lease Rental Obligations <sup>2</sup></b>				
1991 and 1993 Leases	(11,120,000)	(11,120,000)	(11,120,000)	(8,283,666)
1995 Lease	(1,006,000)	(1,006,000)	(1,006,000)	(1,006,000)
1997 Lease	(1,046,000)	(1,046,000)	(1,046,000)	(1,046,000)
2001 Lease	-	-	-	(1,087,600)
2003 Lease	-	-	-	-
Total Disbursements - Senior Lease Rental Obligations	<u>(13,172,000)</u>	<u>(13,172,000)</u>	<u>(13,172,000)</u>	<u>(11,423,266)</u>
<b>Tax Revenues in Excess of Senior Lease Rental Obligations</b>	<u>18,214,382</u>	<u>20,715,064</u>	<u>28,910,163</u>	<u>28,069,233</u>
<b>Tax Revenues - Pledged Only to Secure Subordinate Lease Rental Obligations and Other Debt <sup>1</sup></b>				
PSDA Allocation	<u>4,721,705</u>	<u>5,244,200</u>	<u>8,303,943</u>	<u>6,166,900</u>
<b>Disbursements - Subordinate Lease Rental Obligations and Other Debt <sup>2</sup></b>				
1997 Lease	(11,205,528)	(11,205,528)	(11,985,264)	(12,765,000)
1999 Subordinate Bonds/Notes	-	(1,371,847)	(5,596,463)	(3,248,250)
Junior Subordinate Notes	-	-	-	-
Total Disbursements - Subordinate Lease Rental Obligations and Other Debt	<u>(11,205,528)</u>	<u>(12,577,375)</u>	<u>(17,581,727)</u>	<u>(16,013,250)</u>
<b>Excess Available for CIB Operations</b>	<u>\$ 11,730,559</u>	<u>\$ 13,381,889</u>	<u>\$ 19,632,379</u>	<u>\$ 18,222,883</u>
<b>Coverage Ratio - Senior Obligations</b>	<u>2.38</u>	<u>2.57</u>	<u>3.19</u>	<u>3.46</u>
<b>Coverage Ratios - Senior and Subordinate Obligations</b>	<u>1.48</u>	<u>1.52</u>	<u>1.64</u>	<u>1.66</u>

<sup>1</sup> - Tax revenues reflect the accrual basis of accounting. Beginning in 2000, amounts reflect the application of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

<sup>2</sup> - Debt service payments are gross and do not take into account amounts paid from capitalized interest or any other sources.

Note: The 2005 New Tax Revenues, 2005 PSDA Revenues and the Specialty License Plate Fees are not included in this schedule since they are pledged only to secure the new stadium and convention center expansion projects.

2002	2003	2004	2005	2006	2007
\$ 15,434,339	\$ 16,051,948	\$ 17,483,328	\$ 17,176,553	\$ 19,164,522	\$ 19,716,399
3,086,867	3,210,390	3,496,666	3,435,311	3,832,904	3,943,280
16,033,607	15,617,516	17,567,107	16,959,958	18,649,983	18,499,125
4,581,470	4,541,774	4,968,613	5,434,476	5,015,698	5,689,486
1,917,522	1,849,856	1,739,924	1,850,410	2,066,784	2,163,710
350,000	350,000	350,000	350,000	350,000	350,000
<u>41,403,805</u>	<u>41,621,484</u>	<u>45,605,638</u>	<u>45,206,708</u>	<u>49,079,891</u>	<u>50,362,000</u>
(6,281,661)	(3,139,794)	-	-	-	-
(1,006,000)	(1,006,000)	(1,006,000)	(1,006,000)	(1,006,000)	(1,006,000)
(1,046,000)	(1,046,000)	(1,046,000)	(1,046,000)	(1,046,000)	(1,046,000)
(2,457,265)	(2,723,470)	(3,589,560)	(4,624,000)	(4,846,705)	(4,845,706)
<u>-</u>	<u>(1,651,701)</u>	<u>(3,794,113)</u>	<u>(5,293,750)</u>	<u>(6,271,000)</u>	<u>(6,272,000)</u>
<u>(10,790,926)</u>	<u>(9,566,965)</u>	<u>(9,435,673)</u>	<u>(11,969,750)</u>	<u>(13,169,705)</u>	<u>(13,169,706)</u>
<u>30,612,879</u>	<u>32,054,519</u>	<u>36,169,965</u>	<u>33,236,958</u>	<u>35,910,186</u>	<u>37,192,294</u>
<u>5,160,983</u>	<u>6,452,932</u>	<u>5,696,189</u>	<u>5,257,272</u>	<u>7,351,193</u>	<u>6,562,676</u>
(12,806,000)	(12,957,000)	(13,176,000)	(13,416,500)	(13,675,000)	(13,934,000)
(4,370,475)	(4,604,638)	(4,684,888)	(4,766,763)	(4,827,638)	(4,877,763)
<u>-</u>	<u>(40,790)</u>	<u>(58,352)</u>	<u>(63,988)</u>	<u>(72,881)</u>	<u>(85,812)</u>
<u>(17,176,475)</u>	<u>(17,602,428)</u>	<u>(17,919,240)</u>	<u>(18,247,251)</u>	<u>(18,575,519)</u>	<u>(18,897,575)</u>
<u>\$ 18,597,387</u>	<u>\$ 20,905,023</u>	<u>\$ 23,946,914</u>	<u>\$ 20,246,979</u>	<u>\$ 24,685,860</u>	<u>\$ 24,857,395</u>
<u>3.84</u>	<u>4.35</u>	<u>4.83</u>	<u>3.78</u>	<u>3.73</u>	<u>3.82</u>
<u>1.66</u>	<u>1.77</u>	<u>1.88</u>	<u>1.67</u>	<u>1.78</u>	<u>1.78</u>

**Table XII**

**Capital Improvement Board of Managers**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Year	Indianapolis-Carmel MSA <sup>1</sup>				Annual Average Unemployment Rate
	Population	Personal Income (in millions)	Per Capita Personal Income		
1998	1,438,091	\$ 42,802	\$ 28,876		2.3%
1999	1,456,455	44,888	29,803		2.2%
2000	1,525,104	48,862	31,916		2.4%
2001	1,554,000	50,516	32,507		3.3%
2002	1,575,820	52,023	33,013		4.6%
2003	1,599,929	53,807	33,631		4.8%
2004	1,617,414	57,040	35,266		4.7%
2005	1,640,591	59,683	36,391		4.9%
2006	1,666,032	n/a	n/a		4.4%
2007	n/a	n/a	n/a		n/a

<sup>1</sup> - The Indianapolis-Carmel Metropolitan Statistical Area (MSA) includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Putnam and Shelby counties in Central Indiana, as defined by the U.S. Office of Management and Budget.

n/a = Information is not available.

Source: Indiana Department of Workforce Development ([www.hoosierdata.in.gov](http://www.hoosierdata.in.gov)).

**Table XIII**

**Capital Improvement Board of Managers**  
**Principal Employers <sup>1</sup>**  
**Current Year**

<b>Employer Name</b>	<b>2007</b>	
	<b>Employees</b>	<b>% of Total</b>
Eli Lilly and Company	17,000	1.97%
Community Health Network	8,800	1.02%
St. Vincent Hospitals & Health Services	7,750	0.90%
Clarian Health Partners, Inc.	7,503	0.87%
FedEx	6,311	0.73%
WellPoint, Inc.	4,200	0.49%
Allison Transmission/Division of GMC	4,000	0.46%
Rolls-Royce	4,000	0.46%
AT&T	3,500	0.41%
Wishard Health Services	3,421	0.40%
	<u>66,485</u>	<u>7.72%</u>

<sup>1</sup> - Principal employers for the Indianapolis-Carmel MSA (Local, state and federal employers are excluded).

Note: Information for 1998 is not readily available.

Sources: Principal employers - The Indy Partnership ([www.indypartnership.com](http://www.indypartnership.com)).

Total employed in the Indianapolis-Carmel MSA - December, 2007 Labor

Market REVIEW ([www.hoosierdata.in.gov](http://www.hoosierdata.in.gov)).

**Table XIV**

**Capital Improvement Board of Managers  
Number of Employees (FTEs) by Identifiable Activity  
Last Ten Fiscal Years**

	<b>1998<sup>1</sup></b>	<b>1999<sup>1</sup></b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Position:</b>										
Carpenters	-	-	3	5	3	3	5	3	3	3
Electricians	-	-	16	20	23	23	23	24	21	17
Grounds	-	-	3	3	3	3	3	3	3	3
Housekeeping	-	-	49	81	63	60	61	82	67	62
Pipefitters	-	-	9	13	13	15	14	13	12	12
Painters	-	-	2	3	3	3	3	3	3	3
Sound and lighting	-	-	6	9	8	8	8	8	8	8
Set-Up	-	-	19	30	29	37	49	46	31	25
Installation and dismantling	-	-	19	22	15	13	15	11	7	7
Box office	-	-	2	3	4	4	4	4	3	3
Administrative	-	-	65	65	64	65	64	69	64	69
Miscellaneous clerical	-	-	3	3	4	5	5	5	4	5
	<u>-</u>	<u>-</u>	<u>196</u>	<u>257</u>	<u>232</u>	<u>239</u>	<u>254</u>	<u>271</u>	<u>226</u>	<u>217</u>
Total Full-Time Equivalent Employees	<u>-</u>	<u>-</u>	<u>196</u>	<u>257</u>	<u>232</u>	<u>239</u>	<u>254</u>	<u>271</u>	<u>226</u>	<u>217</u>

<sup>1</sup> - Comparable employee breakdowns are not available prior to 2000 when the Capital Improvement Board switched payroll providers.

<sup>2</sup> - The Capital Improvement Board outsources its security force and its food services personnel to outside contractors. Personnel figures for these activities are not included in this table.

Note: Fluctuations can result from year to year due to the type of labor that is required and the amount of labor the CIB is able to secure on a contractual basis.

Source: Capital Improvement Board of Managers - Payroll/HR records.



Table XV

**Capital Improvement Board of Managers**  
**Occupancy Statistics <sup>1</sup>**  
**Last Ten Fiscal Years**

Venue	1998		1999	
	Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy
<b>Exhibit Halls</b>				
Hall A				
Hall B	40.30%	76.70%	36.70%	69.90%
Hall C	40.00%	76.40%	36.40%	70.70%
Hall D	41.90%	73.70%	34.20%	69.00%
Hall E	37.80%	67.40%	32.60%	61.10%
Hall F	35.90%	61.90%	33.70%	62.50%
Hall G	d/n/e	d/n/e	d/n/e	d/n/e
	d/n/e	d/n/e	d/n/e	d/n/e
<b>Stadium</b>	26.00%	51.80%	23.30%	51.20%
<b>Ballrooms</b>				
500 Ballroom				
White River Ballroom	41.60%	59.20%	40.30%	57.00%
Sagamore Ballrooms <sup>2</sup>	39.50%	56.20%	40.80%	55.10%
Wabash Ballrooms <sup>2</sup>	46.20%	61.40%	44.70%	60.10%
	d/n/e	d/n/e	d/n/e	d/n/e
Venue	2003		2004	
	Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy
<b>Exhibit Halls</b>				
Hall A	29.90%	63.60%	33.30%	66.40%
Hall B	33.70%	71.00%	35.80%	72.40%
Hall C	34.00%	73.70%	37.70%	78.10%
Hall D	31.80%	69.00%	35.00%	73.50%
Hall E	33.20%	69.60%	36.60%	76.00%
Hall F	29.30%	57.50%	30.60%	60.40%
Hall G	26.60%	51.80%	30.30%	59.30%
<b>Stadium</b>	15.30%	41.40%	18.60%	40.20%
<b>Ballrooms</b>				
500 Ballroom	38.90%	50.70%	37.20%	51.90%
White River Ballroom	28.50%	42.50%	34.70%	48.90%
Sagamore Ballrooms <sup>2</sup>	39.20%	56.10%	39.30%	57.80%
Wabash Ballrooms <sup>2</sup>	40.50%	56.50%	40.30%	57.30%

<sup>1</sup> - Occupancy formulas:

Per Venue Event Occupancy = number of event days divided by number of days in the month.

Per Venue Total Occupancy = total days divided by number of days in the month

(total days = number of event days plus number of move-in/out days)

<sup>2</sup> - Average for all associated ballrooms.

<sup>3</sup> - Phase IV expansion of the Indiana Convention Center was completed in July 2000.

Halls B, C, D and E became Halls D, E, F and G

d/n/e = Did not exist.

Source: Sales Office - Capital Improvement Board of Managers.

2000 <sup>3</sup>		2001		2002	
Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy
31.50%	63.10%	31.50%	64.90%	32.90%	60.00%
27.40%	60.00%	37.00%	73.20%	36.20%	67.90%
28.60%	58.30%	38.60%	75.60%	33.40%	69.00%
35.00%	71.30%	37.30%	74.50%	36.20%	71.50%
39.10%	76.20%	39.20%	76.40%	35.30%	70.70%
33.90%	64.80%	31.50%	61.90%	33.70%	64.90%
31.10%	61.70%	29.90%	59.50%	30.70%	57.00%
19.90%	43.40%	20.50%	46.80%	20.80%	43.00%
46.20%	62.60%	46.30%	59.70%	43.60%	58.40%
36.60%	50.80%	36.20%	49.00%	30.40%	39.20%
51.00%	67.00%	49.00%	64.30%	44.00%	59.30%
d/n/e	d/n/e	30.10%	39.10%	36.90%	50.10%
2005		2006		2007	
Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy
33.40%	67.90%	33.40%	61.90%	30.1%	60.5%
33.40%	69.30%	35.30%	65.50%	31.5%	63.8%
35.60%	70.70%	30.70%	59.50%	31.8%	63.8%
34.20%	70.40%	29.90%	58.40%	29.9%	61.4%
32.90%	66.80%	28.50%	55.10%	29.9%	61.1%
31.50%	64.90%	29.30%	54.80%	31.5%	58.1%
31.80%	65.20%	27.90%	51.00%	25.5%	52.3%
18.40%	53.20%	18.90%	43.80%	20.5%	42.2%
35.90%	50.40%	34.20%	48.50%	36.4%	50.4%
28.80%	43.60%	27.90%	41.60%	29.9%	41.1%
39.30%	60.00%	41.20%	56.60%	38.0%	55.3%
36.70%	56.30%	37.00%	51.60%	34.2%	49.7%

**Capital Improvement Board of Managers**  
(of Marion County, Indiana)

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



**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended December 31, 2008

Ann Lathrop, Treasurer  
Dixie L. Gough, Controller

# **Comprehensive Annual Financial Report**

Fiscal Year Ended December 31, 2008  
Capital Improvement Board of Managers  
(of Marion County, Indiana) - a Component  
Unit of the Consolidated City of Indianapolis-  
Marion County  
Indianapolis, Indiana

Prepared by:

Ann Lathrop, Treasurer  
Dixie L. Gough, Controller

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated**  
**City of Indianapolis-Marion County)**  
**December 31, 2008**

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## **Introductory Section**

June 30, 2009

Capital Improvement Board of Managers  
(of Marion County, Indiana)  
Indianapolis, Indiana

The Comprehensive Annual Financial Report of the Capital Improvement Board of Managers (of Marion County, Indiana) ("CIB"), for the fiscal year ended December 31, 2008, is hereby submitted. The Financial Report was prepared by the CIB's Controller, with the narrative commentary of this Introductory Section supplemented by the Executive Director and Treasurer of the CIB.

The financial statements of the CIB are prepared in accordance with accounting principles generally accepted in the United States of America, and we believe they present the CIB's financial affairs in a manner designed to fairly set forth the financial position and results of operations of the CIB. We also believe that all disclosures necessary to enable the reader to gain an understanding of the CIB's financial affairs have been included. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the CIB. The financial statements have been audited by BKD LLP and the independent accountants' report has been included in this report.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, the CIB's 2007 Certificate of Achievement for Excellence in Financial Reporting, the CIB's organization chart and the principal officers and management of the CIB. The Financial Section includes the independent accountants' report on the financial statements and supplementary information, management's discussion and analysis (MD&A), financial statements, supplementary information and the independent accountants' report required under *Government Auditing Standards*. The Statistical Section includes selected financial and operational information, generally presented on a multi-year basis.

### **Profile of the CIB**

**Reporting Entity:** The CIB is a municipal body of Marion County created pursuant to the provisions of Indiana Code 36-10-9 (the "Act"). The CIB has no stockholders or equity holders and all revenues and other receipts must be deposited and disbursed in accordance with provisions of such statute. The Mayor of the City of Indianapolis (the "City" or "Indianapolis") appoints six of the nine board members, two are appointed by the Marion County Board of Commissioners and one is appointed by the City-County Council of the Consolidated City of Indianapolis-Marion County ("City-County Council"). The CIB is authorized by the statute to finance, construct, equip, operate and maintain any capital facilities or improvements of general public benefit or welfare which would tend to promote convention, cultural, entertainment and recreational activities and thereby positively impact the wider public and civic well-being of the community. While the CIB receives certain excise tax revenue, the CIB has no taxing power. The exercise of any taxing power requires the action of the Indiana General Assembly and, in certain instances when so directed by the Indiana General Assembly, the enactment by ordinance of the City-County Council. Additionally, certain of these taxes are statutorily restricted to limited purposes. The CIB operates facilities used in convention, cultural, entertainment and recreational activities in downtown Indianapolis. Such activities are maintained, for accounting and reporting purposes, in a single enterprise fund. Based upon the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the CIB has determined that it is a component unit of the Consolidated City of Indianapolis-Marion County as further explained in the notes to the financial statements.



## **CIB Operating Model**

As an operating model, the CIB's public purposes are achieved by operating capital facilities which are an important driver to underlying the economic vitality of historically strong and growing convention, cultural, entertainment and recreational businesses (public and private) serving the public and civic interests and well-being of the State of Indiana and particularly the central Indiana region. The public and civic interests and well-being are directly and indirectly served by the investment and activity of the CIB and its growth fostering effect on the larger economy including most directly the MSA Indianapolis public and private sector hospitality industry and its workforce estimated at over 66,000 strong. Additionally, the broader private and public sector is benefited by leisure, amenity and employment opportunities. The hospitality industry is an important element and has played a central role in stabilizing the core of the City of Indianapolis, thereby generally transmitting a rippling benefit throughout the region and the State. This model, ever expanding since its inception in the 1960's, has become an important element to the success story that is the central Indiana region.

At the core of this operating model is an understanding that the CIB's activities work in tandem with the private sector to foster diverse economic growth. Four key ingredients make this model work. First, Hoosier hospitality (coupled with a safe and vibrant downtown area) makes Indianapolis a high value destination as well as a high quality place to live. The second is that the CIB's direct operating activity directly supports the first ingredient. However, the CIB's financial bottom line will not produce operating profit when looking solely at the CIB's operating revenue and expenses, even when excluding debt service and depreciation. Convention center and small market entertainment venues like the Indianapolis region operate in a very competitive national environment. The CIB's long-term historical experience supports this understanding. However, the larger understanding is that CIB assets, activities and ancillary amenities allow a large private hospitality industry to thrive. Thus, the third ingredient of a successful CIB model is a thriving private sector hospitality industry that, in turn, generates significant convention, cultural, entertainment and recreational activity and amenities. This wider look translates into an industry that serves its growing customer base. Additionally, the region is materially benefited from customers coming from outside the central Indiana region. This wider net allows the region to enjoy amenities and activities well beyond the means of the region to be supported by just its citizens. It also becomes an element fostering non-hospitality economic growth and quality of life. The final ingredient of the operating model is managing a balanced tax policy, permitting the generation of non-operating revenue (coming from both the industry's customers as well as the regional users and beneficiaries of these activities and amenities) that can be made available to help support and subsidize the CIB's capital and operating costs. Tax policy is managed by the Indiana General Assembly and the City-County Council. No portion of the CIB's activities are supported by local property taxes. Working in harmony, this strategy allows the region to benefit from a thriving downtown Indianapolis area and allows the State to enjoy the fruits of a growing tax base which extends past the borders of Indiana. Ultimately, the CIB operations serve to protect and support a region that has thrived and competes well in comparison to other similar cities in the nation.

**Fiscal Imbalance:** In 2005, a new statutory structure codified at Indiana Code 5-1-17 (the “State Authority’s Act”) was enacted by the Indiana General Assembly to permit the CIB to acquire new capital assets (namely Lucas Oil Stadium and an expansion of the Indiana Convention Center) through capital leasing arrangements. This expansion was envisioned as a means to move the State and region to a higher level, again using the hospitality industry as a spring board for wider amenities and holding the potential for significant, additional economic benefit. The 2005 structure separated certain revenue and expense elements out of the CIB’s historical structure through the involvement of State controlled entities, namely, the Indiana Office of Management and Budget (“IOMB”), the Indiana Stadium and Convention Building Authority (“ISCBA”) and the Indiana Finance Authority (collectively and individually their interests being referred to in this discussion as the “State Leasing Entities”). Within the confines of this 2005 structure, construction and financing control was isolated in the State Leasing Entities, including control of certain new taxes (“2005 Additional Revenues”), with the 2005 Additional Revenues exclusively dedicated to paying debt obligations related to the State Leasing Entities (“State Entities’ Leases-Debt”). The CIB has no access to excess 2005 Additional Revenues in excess of debt service requirements to fund and subsidize operations. As a companion element in this 2005 structure, the CIB’s rental payment obligations related to the State Entities’ Leases-Debt was structured as a limited recourse obligation of the CIB, payable solely from the 2005 Additional Revenues. However, such new financing leases involving the State Leasing Entities require the CIB to operate and maintain Lucas Oil Stadium and the Indiana Convention Center expansion at its expense without any additional funding sources.

The 2005 structure did not directly expand the tax/revenue base that supports the CIB’s operating model. While some anticipate indirect support may come later, following additional growth in the hospitality industry located in Marion County (included with planned Convention Center expansion), resulting in increases in the Original Excise Tax Revenues, the CIB has continued to communicate that it was, and is, on a path of being critically underfunded. Plainly, the 2005 growth plans materially increase the size of the CIB’s facilities (and certain related undertakings assumed by the CIB). Thus, the 2005 trajectory was toward a material increase in the margin by which operating expenses exceed operating revenue. The historical model operated with a more direct expectation of subsidization from the tax base grown by capital investment to permit the CIB’s mission to exist and thrive.

The pre-2005 structure continues. It results in certain excise taxes as authorized and enacted before 2005 being first used to provide for required payments related to the CIB’s lease and debt obligations other than the State Entities’ Leases-Debt (“CIB Leases-Debt”). Then, any excess Original Excise Tax Revenues not used to pay CIB Leases-Debt, together with revenues generated from operation of its facilities, earnings on invested balances in its operating accounts, and accumulations thereof, are available and used to pay CIB operating expenses. The CIB’s operating expenses have historically significantly exceeded the revenues generated from the operation of its facilities, with excess Original Excise Tax Revenues and other funds then used to bridge the gap and pay operating expenses. This subsidization need of the CIB is expected to continue and, in fact, grow with the additional operating costs from Lucas Oil Stadium and an expansion of the Indiana Convention Center beyond the means of the pre-2005 structure to provide needed support.

Following the 2005 enactment of the State Authority's Act, the CIB was required to enter into a new (second) trust agreement to capture all 2005 Additional Revenues ("State Revenue Deposit Agreement") separately from its original trust agreement which captures the Original Excise Tax Revenues, as well as certain professional sports development area revenue. Under the State Revenue Deposit Agreement, all 2005 Additional Revenues are contractually restricted from being used to pay (and cannot be used to pay) any operating and maintenance expenses, including expenses related to Lucas Oil Stadium and the planned Convention Center expansion. The CIB must operate and maintain all CIB facilities, including the new facilities, from its existing revenue sources. Under the Local Revenue Deposit Agreement, any of the Original Excise Tax Revenues not required to provide for the payment of CIB Leases-Debt (or provide required reserves) becomes available monthly and may be used to pay any operating and maintenance expenses, including expenses related to Lucas Oil Stadium and the planned Convention Center expansion.

The CIB determined in 2005 to move forward with these new agreements after due deliberation anticipating that there would be a material increase in its operating and maintenance expenses after completion of Lucas Oil Stadium and the planned Convention Center expansion. Given the significant investment in Lucas Oil Stadium and the Convention Center expansion, and the importance of such facilities to the local, regional and state convention and hospitality industry, the CIB expected that additional revenue sources would be identified and made available to provide sufficient funds for operating and maintenance expenditures.

Additionally, although not a long term solution, in 2005, the CIB understood construction for Lucas Oil Stadium was not expected to be complete until August 2008 and the planned Convention Center expansion was not expected to be complete until late 2010 or early 2011. Accordingly, the CIB could look to unrestricted funds available to pay operation and maintenance expenses for a limited period of time, depending on the extent of such expenses.

Since 2005, the CIB has communicated the need to permit application of excess 2005 Additional Revenues, and/or to identify other revenue sources, to pay the increased operation and maintenance expenses relating to the new Lucas Oil Stadium and the planned Convention Center expansion. Further, prior to 2028, significant taxes and revenues (which comprise a material part of the taxes referred to as Original Excise Tax Revenues) in excess of lease and debt obligations accrue to the CIB's operating accounts and are available to pay operating and maintenance expenses. Prior to the enactment of the State Authority's Act, certain of those excise taxes were to have expired by January 1, 2028. The State Authority's Act extended certain of those taxes, but after 2027, all 2005 Additional Revenues (which include a material part of the taxes referred to as Original Excise Tax Revenues) are restricted solely to making rental payments to the State Leasing Entities (or to pay certain extraordinary capital improvement costs for Lucas Oil Stadium and the planned Convention Center expansion and any prepayment thereof). This will further restrict funding of CIB operations after 2027. State officials have previously expressed a desire to use excess 2005 Additional Revenues to build reserves and prepay obligations of the State Leasing Entities in advance of their scheduled maturity.

During the period 2005 through 2007, the CIB communicated publicly and privately that while the amount of the anticipated increased annual operating and maintenance expenses related to Lucas Oil Stadium and the planned Convention Center expansion was not capable of precise determination, the CIB anticipated it to be significant and, for planning purposes, had informed State officials of a \$10 million annual need. Later information and analysis, as discussed below, has determined the need to be materially higher.

In 2008, a new City administration assumed control. A first order of business related to the CIB was to appoint new leadership and the City administration began the task of understanding the costs, benefits and priorities of the City, including the CIB operations. Regarding the CIB, 2008 activity was focused on understanding and controlling expenses, and gaining perspective on how best to reap the benefits of over one billion dollars of new capital being invested in the CIB operating model. Significant effort was placed into better tracking CIB revenue and expenses from Lucas Oil Stadium separately from the CIB's other operating facilities. Additionally, 2008 activities allowed CIB management a first look at actual operating expenses related to Lucas Oil Stadium (completed in August 2008) instead of attempting to analyze estimated costs by looking at isolated increments of cost anticipated to be above the operating cost of the replaced RCA Dome stadium. As these 2008 activities unfolded, the fiscal imbalance became clearer, as did additional one-time costs traceable to the national effects from the 2008 Credit Crisis that surfaced from pre-2008 activity. The CIB leadership renewed its effort to formulate a comprehensive plan to address these fiscal challenges.

After building the case in 2008 to explain and seek support for the identification and establishment of new revenue sources (particularly non-operating revenue, including possible expansion of existing excise taxes) to pay the increased operation and maintenance expenses resulting from the new Lucas Oil Stadium and the planned Convention Center expansion as well as other funding needs, the CIB has taken steps in 2009 to undertake an open and frank discussion (within State and City government as well as in the private sector and general public) of the CIB's unmet funding needs and the necessity of rebalancing factors to assure the CIB's operating model was placed back on a course to meet its important public mission.

The CIB has projected that an additional \$43 million of new annual funding is prudent to meet the CIB's unfunded needs, which may be more depending on the solutions identified to address all of the above mentioned one-time costs. While certain of such unfunded needs are not related to operating and maintenance expenses of Lucas Oil Stadium and the planned Convention Center expansion, that component of the funding need is now projected to be materially more than the \$10 million annual need communicated prior to 2008. Additionally, the CIB has identified that certain one-time funding needs must also be met.

The 2009 Regular Session of the Indiana General Assembly ended on April 29, 2009 without the passage of any measure designed to identify and establish new non-operating revenue sources, although various proposals were included in pending legislative bills. The Mayor of the City of Indianapolis offered support for various proposals, some of which were included in such pending legislative bills. However, certain members of the City-County Council made public statements expressing opposition to previously proposed legislation that would have allowed the City-County Council to increase certain tax rates underlying certain of the taxes comprising the Original Excise Tax Revenues which relate to transactions in Marion County. The Governor of the State of Indiana has made public statements to the effect that a 2009 Special Session of the Indiana General Assembly will be called to permit consideration and passage of a new State budget (which is not related to the CIB or its funding) before the commencement of the State fiscal year beginning July 1, 2009. Additionally, the Governor has made public statements to the effect that he would offer a plan of some kind related to the CIB, after looking for input as to the sort of approach the City and legislators most prefer. The CIB continues to take steps (including supporting the introduction of a range of proposals into any bill considered as part of the 2009 Special Session) to identify and establish new operating and non-operating revenue sources to meet the funding needs of the CIB. No assurance can be given that any such future legislative measure will be enacted by the Indiana General Assembly, and, if so enacted, would also be enacted by the City-County Council. Historically, legislation related to the funding of the CIB has required implementing enactment by the City-County Council. Further, no assurance can be given any such legislative measure if enacted and implemented would produce funding to timely meet the needs and obligations of the CIB.

The unrestricted and restricted cash balances of the CIB have materially declined subsequent to 2008. The CIB has taken incremental steps during 2008 and 2009 to reduce expenditures (both operating expenses and capital acquisitions, but not capital acquisitions related to the planned Convention Center expansion, because such is controlled by the State Leasing Entities). Many of such 2009 reductions are not of a nature that are sustainable, even if new operating or non-operating revenue sources are established, nor are they sufficient to address the foregoing fiscal imbalance. Cash flow projections (when using current reduced expenditure levels; and when done under a variety of alternate assumptions) for the period April 1, 2009 through December 31, 2009 show that unrestricted cash of the CIB may be depleted below minimum operational needs by the end of 2009 unless (a) additional material reductions in operating expenses occur, which if undertaken, would be expected to have the potential to render the CIB incapable of meeting its existing operating commitments or (b) new operating or non-operating revenue sources are identified and established, which in the case of the latter, would in all likelihood require legislative action by the Indiana General Assembly and the City-County Council.

If additional revenues are not made available to the CIB as described above, then the CIB's existing revenues would not appear to be adequate to operate and maintain CIB facilities. Further an inability to operate and maintain CIB facilities could adversely affect the State and local convention and hospitality industry, which in turn could adversely impact certain of the CIB existing non-operating tax revenues available to pay its obligations related to the CIB Leases-Debt and/or State Entities' Leases-Debt.

Readers of the remainder of this statement and the following Financial Statements must temper the historical financial perspective gained from them by overlaying an understanding of the material financial impact on the CIB that results from the foregoing Fiscal Imbalance. This introduction and the financial statements contain certain forward-looking statements including statements with regard to the future cash flows of the CIB. Words such as "believes," "expects," "projects," "will" and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements inherently involve certain risks and uncertainties. The CIB undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**CIB Facilities:** Among the facilities managed by the CIB are the multi-purpose Indiana Convention Center, and the state-of-the-art Lucas Oil Stadium ("LOS"). When the current expansion of the Convention Center is completed in late 2010 or early 2011, the newly expanded structure will cover a 6-block city block area in downtown Indianapolis. LOS covers a 6 and ½ block city block area just south of the expanded Convention Center, which upon completion of the expansion, will be connected by internal and covered structures, allowing combined use opportunities.

The Indiana Convention Center currently contains 308,700 square feet of clear span convention and exhibition space, 36 meeting rooms and three ballrooms. The seven exhibit halls range in size from 29,500 square feet to 52,000 square feet. The Sagamore Ballroom, with 33,335 square feet, can be divided into seven different sections. The 500 Ballroom has 13,536 square feet and an adjoining reception room. The 10,202 square foot Wabash Ballroom features a 24' ceiling and may be divided into three separate sections. Since opening in 1972, the Indiana Convention Center has had three major expansions and a fourth is scheduled for completion in late 2010. The RCA Dome was demolished in December of 2008, which followed the opening of LOS in August and provides the necessary space for the expansion of the Convention Center. The expansion will increase capacity to 566,600 square feet of contiguous exhibit space, 11 exhibit halls ranging from 36,300 square feet to 88,900 square feet, 48 loading docks and 71 meeting rooms totaling 113,090 square feet.

LOS, a multi-purpose facility that replaced the RCA Dome, opened its doors in August of 2008. Public tours of the brand new facility were conducted over several days, with rave reviews of the new, state-of-the-art structure. Directing the project was the ISCBA. LOS features a retractable roof, and offering spectacular views of the Indianapolis skyline. In addition, LOS has an infill playing surface, 7 locker rooms, exhibit space, meeting rooms, operable north window, dual two-level club lounges, 137 suites, retractable sideline seating, house reduction curtains, two large video boards, ribbon boards, spacious concourses, interior and exterior plaza space, 11 indoor docks and 2 vehicle ramps to the event level. In 2010, LOS will be connected to the newly expanded Convention Center and several hotels and entertainment options by a new pedestrian connector. Tradeshow can take advantage of an indoor 30,000 square foot loading dock with 11 bays, retractable seating and operable walls to utilize up to 183,000 contiguous square feet of space. Football games can be played indoors or outdoors using the retractable roof and operable north window. The house reduction curtain system covers the entire Terrace Level seating, reducing capacity from 63,000 to approximately 41,000. Basketball and other mini-dome events have the option of playing in the round for up to 70,000 fans or in a much smaller configuration with a house reduction curtain system. Concerts may be played indoors or outdoors in full stadium or reduced house configurations. Seating configurations range in size from 15,000 to 65,000.

In addition to managing the Indiana Convention Center & Lucas Oil Stadium, the CIB also maintains Victory Field and Conseco Fieldhouse.

Victory Field, home to the Indianapolis Indians AAA baseball team, has often been referred to as, *“the most beautiful AAA ball park in the country,”* by those who have enjoyed seeing a baseball game from this magnificent spot. It is constructed on a 13-acre site in White River State Park, which is subleased to, and operated by, the Indianapolis Indians franchise. Located on the southwest corner of West and Maryland streets, the ballpark is in close proximity to the Indiana Convention Center & Lucas Oil Stadium. Victory Field seats approximately 14,500 people, which includes an open-air stadium seating area and the very popular grassy berms in the outfield areas, which offer inviting, lawn seating. This grassy area, around the outfield wall, can accommodate up to 2,000 people. The park's main deck of seats wraps from behind home plate to the foul poles in left and right field. When fans enter the ballpark, they can walk down the steps to their seats in a lower seating bowl, or up to their seats in the upper bowl. There are 12,500 seats with back and arm rests. The ballpark also features many modern-day amenities, such as 29 luxury suites and cup holders at most seats.

Conseco Fieldhouse, widely acknowledged as the finest sports and civic arena in the country, is home to the National Basketball Association's Indiana Pacers and the Women's National Basketball Association's Indiana Fever. With a basketball-seating capacity of 18,165 that includes 69 suites and 2,400 club seats, Conseco Fieldhouse occupies approximately 750,000 square feet between Delaware and Pennsylvania Streets at Georgia Street in the warehouse district of downtown Indianapolis. The first retro-styled facility in the NBA, Conseco Fieldhouse has three seating levels: Lower Level, Krieg DeVault Club Level and Balcony Level; and the concourses on each level evoke memories of a traditional Indiana basketball Fieldhouse, complemented by state-of-the art amenities. Highlighting the inner bowl of the Fieldhouse are the windows that support the 14-story (140 foot), exposed steel roof. Throughout the day, and during select events, the curtains to these windows are lowered; giving fans not only a view to the outside, but a beautiful view of downtown Indianapolis. The window theme is continued on both the Pennsylvania and Delaware Street sides of the Clarian Health Entry Pavilion, home to the 18 ticket windows and retro-styled ticker board announcing the upcoming events. A true tribute to the game of basketball in Indiana, the sightlines were designed for the best viewing of a basketball game; but also give patrons a great view for the many other events held at the Fieldhouse. From concerts, hockey, high school and college sports to the circus and even the World Swimming Championship, the Fieldhouse is also highly acclaimed for both the number and variety of non-basketball events it holds each year. Its many meeting rooms, restaurants and multi-use spaces also make the Fieldhouse ideal for the smaller corporate gatherings and ceremonies held daily. Located in the heart of downtown Indianapolis, the Fieldhouse is located within walking distance of Circle Centre Mall, the Indiana Convention Center, Lucas Oil Stadium, Victory Field, the State Capitol Building and the City/County Building.

Additional information regarding the CIB's facilities and capital asset program can be found in the management's discussion and analysis for the 2008 financial statements.

**Internal Control Structure:** In developing and evaluating the CIB's accounting system, we have given consideration to the adequacy of the internal control structure, designing it to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the CIB's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Budgetary Controls:** In addition, the CIB maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual approved budget. The CIB's procedures in establishing the budget are as follows:

The Department Directors, in conjunction with the Administrative staff, develop budgets for the individual departments.

- (1) Using these departmental budgets, the Controller prepares the budget for review and approval by the members of the governing board of the CIB.
- (2) The budget is advertised in two local newspapers.
- (3) The CIB's board approves and submits the budget to the City-County Council for its review.
- (4) The Municipal Corporations Committee of the Council holds public hearings on the budget of the CIB and forwards it for approval to the City-County Council.
- (5) The budget of the CIB is reviewed and approved by the City-County Council.

- (6) The overall adopted budget of the City (of which the CIB's budget is a part) is reviewed by the County Tax Adjustment Board ("CTAB") at a public meeting. The CTAB can reduce the City budget but not increase the operating expenses included in it and must complete its review by November 1.
- (7) The Indiana Department of Local Government Finance ("DLGF") makes the final review of the City's budget. It can revise, reduce or restore, on appeal, funds and tax rates removed by the CTAB. It may not increase a budget above the level originally advertised. The DLGF is expected to certify the City's budget by January 15. The CIB's budget is reviewed in the context of the larger City budget and, accordingly, the City's budget review includes the review by the CTAB and DLGF; however, because the CIB's budget is not funded with property tax revenue, the CIB's Act only requires review and approval by the City-County Council, not the review or approval of the CTAB and DLGF.

**State and Local Economy:** Intellectual capital, public support, academic partnerships, workforce excellence and business and industry collaborations are the driving force behind Indiana's life sciences industry. For more than a century, Indiana has been a center of innovations in the life sciences, pharmaceutical and medical device industries. Today, Indiana boasts the second highest concentration of biopharmaceutical jobs in the nation and the fifth largest pharmaceutical industry in the country, in terms of sales, shipments, receipts and revenues. About 18 percent, or \$69 billion, of Indiana's economic output is tied to the life sciences industry. More than 578,000 Indiana jobs—one in nine of all jobs in the state—are directly or indirectly tied to the life sciences and health care industry. Central Indiana alone is home to a \$13.6 billion global life sciences sector, with pharmaceutical and medical device industry leaders, among which are Eli Lilly and Company, Zimmer, Biomet, DePuy Orthopedics, and Roche Diagnostics.

Motorsports companies have also developed a clear industry cluster in the region. After all, no other place on the globe can boast the number and variety of major racing events that are held in Indianapolis and other parts of the state, annually. Commonly referred to as the "Racing Capital of the World", this year the Indianapolis Motor Speedway will celebrate 100 Years of Legends. Beginning in 2009, the Indianapolis Motor Speedway celebrates its Centennial Era, commemorating the 100<sup>th</sup> anniversary of the facility, and in 2011, will celebrate the 100<sup>th</sup> anniversary of the 500 mile race, which was first run in 1911. Indianapolis hosts the two largest single-day sporting events in the world, the Indianapolis 500, to be run on Sunday, May 24<sup>th</sup>, and the Allstate 400 at the Brickyard, which will take place on Sunday, July 26<sup>th</sup>. And, on Sunday, August 30<sup>th</sup>, the IMS will host the Red Bull Indianapolis GP '09. The motorsports industry attracts a highly skilled and mobile workforce and, among other benefits, is an important asset in Indiana's effort to retain and attract college graduates and other creative and skilled individuals.

There are a number of other notable players in the Indiana economy, among which is the Indianapolis Airport Authority, through the Indianapolis International Airport (IND) serves approximately 8.1 million passengers and transports 1.15 million tons of cargo yearly. On average, there are 155 daily departures to 37 nonstop locations, which fly from Indianapolis to 39 destination airports, and which are served by 11 commercial carriers. The passenger terminal is approximately 1.2 million square feet, with two concourses, each having 20 gates. Two gates are for international arrivals and lead to a dedicated federal inspection area and baggage claim. This beautiful state-of-the-art facility is an important contributor to central Indiana's growing economy.



Indiana benefits from its proximity to major markets and population centers - both nationally and internationally. Through Indiana's three ports, businesses can access markets and population centers in the north, through Lake Michigan and the Great Lakes - St. Lawrence Seaway; and to the south, through the Ohio and Mississippi rivers. Sometimes referred to as, "the Crossroads of America," Indianapolis is at the center of America's heartland, with more interstates converging in Indianapolis than in any other city in the United States. More than 65% of the population in the U.S. lives within a one day's drive of Indianapolis.

Indianapolis is the nation's 13th largest city. With a population of 876,804 in Marion County and 1,666,032 in the metro area, Indianapolis offers a multitude of cultural, educational, sporting, shopping and dining opportunities to its residents and visitors. Indianapolis is the home of "Hoosier Hospitality" ~ the perfect blend of Midwest, small town welcome and big city attractions and opportunities. Employers and employees discover that a dollar goes farther here. In other words, lower operating and living costs allow more to be done with less. Residents and business owners alike enjoy an extremely competitive cost of living, along with a high quality of life.

The hallmarks of the Indianapolis economy have long been its diversity and steady growth, which is part of the foundation of Indy's strong performance during the past several years. Indianapolis can boast of diverse strengths in the manufacturing, distribution, retail and service sectors. Economic diversity keeps Indianapolis on a steady growth track. Additionally, Indiana's real estate availability affords a wide selection of available land, existing office space and industrial parks. Finally, many of the city's accomplishments, such as Conseco Fieldhouse, Circle Centre Mall and the new Lucas Oil Stadium were all the result of successful partnerships between private and public sectors.

The stable economy and many attractions of Indianapolis, along with its central location within the nation, make it a prominent convention and tourist center. The Indianapolis 500 Mile Race, the Allstate 400 at the Brickyard, the Red Bull Indianapolis GP '09, the NFL's Indianapolis Colts, the NBA's Indiana Pacers, the WNBA Indiana Fever and the AAA Indianapolis Indians baseball team are among the city's prominent sporting attractions, not to mention countless amateur sporting events. And, in 2012, Indianapolis will host the XLVI Super Bowl. Circle Centre Mall, White River State Park, the NCAA Headquarters and Hall of Champions, the Indianapolis Zoo, the Indianapolis Motor Speedway Museum, the Indiana State Museum, the Children's Museum, the Indianapolis Museum of Art, the Eiteljorg Museum of American Indian and Western Art, the American Cabaret Theatre, the Indiana Repertory Theatre, the Indianapolis Symphony Orchestra and the White River State Park have also become popular attractions, as well as many outstanding downtown restaurants and sports bars.

The Indianapolis Convention & Visitors Association ("ICVA") is currently in the process of introducing a new brand strategy for the tourism and hospitality industry of Indianapolis. The new brand tag line is "Indianapolis" raising the game." In the development of this new brand strategy, the ICVA has been speaking in terms of certain primary factors come into play. The first has to do with the restless dissatisfaction that describes the Hoosier spirit of never resting on its laurels and past successes. This is evident with the Col. H. Weir Cook Terminal at the new Indianapolis International Airport, Lucas Oil Stadium, Indiana Convention Center expansion and the new JW Marriott Place project. The dynamic convention and meetings market and a vibrant tourism and hospitality industry are at the core of all of this exciting growth. Our industry is powered by over 66,000 dedicated service employees who help deliver over \$4 billion annually in economic impact to Marion County. Significant growth will take place in the future for the convention and meetings market along with steady growth in leisure business to our city and region. In ICVA parlance, here's to a bright future and additional guests visiting our great city in the years ahead.

The forgoing branding and forward-looking statement assumes that the challenges described in the foregoing *Fiscal Imbalance* section of this letter are timely and adequately addressed in 2009 by the Indiana General Assembly and the City-County Council.

**Major Initiatives of the CIB:** The Indiana Convention Center & Lucas Oil Stadium are excellent venues that host very diverse groups - NCAA Men's Final Four Basketball, U. S. Finals - Cheerleading, North American Christian Annual Convention, Drum Corp International World Championship and VFW Annual National Convention. Groups leading the Top 20 Conventions, based on direct visitor spending for 2008, include Fire Department Instructors Conference, National FFA Organization, Gen Con LLC "The Best Four Days in Gaming," and Dealer Expo.

The CIB's primary objective, aside from the management and maintenance of its various facilities, is to build on the momentum of its convention and trade show business and continue to attract national and international sporting and other events to its facilities. A breakdown of current year events hosted and future events scheduled follows:

### **Current Year Events**

Indiana National Guard Ceremony, Archery Trade Association Annual Trade Show, JAMfest Cheer Super Nationals, Dealernews International Powersports Dealer Expo, Circle of Stars Invitational, 2008 SEMA Spring Expo, Fire Department Instructors Conference, National Football Scouting Combine, Annual Hot Rod & Restoration Tradeshow, National Catholic Educational Association Annual Conference, American College of Sports Medicine Annual Meeting, Regional Airline Association Annual Meeting, Southern Baptist Convention Annual Session, National Association of Mortgage Brokers Annual Convention & Expo, National Sheriff's Association Annual Conference, ADSA & ASAS Joint Annual Meeting, National Funeral Directors and Morticians Association, Inc. Annual Convention, 500 Festival Mini-Marathon Expo, Gen Con Game Fair, American Association for Laboratory Animal Science National Meeting, Girl Scouts of the USA 2008 National Council Session, Assemblies of the Lord Jesus Christ National Youth Convention, 2008 M-PACT Show, Midwest Propane Gas Expo & Trade Show, Do it Best Corporation May and October Markets, National FFA Convention, Joint Council Ext Pros Galaxy III, IUPUI Commencement, Indiana Black Expo 2008 Summer Celebration, Grand Opening Events for Lucas Oil Stadium, Music For All Regional and Grand Nationals Championships, Circle City Classic, COATING 2008, ISSMA State Band Finals, Kenny Chesney's Poets and Pirates Tour 2008, Indianapolis Auto Show, IHSAA State Football Championships, and Indianapolis Colts Football.

### **Major Events Scheduled for 2009**

Archery Trade Association Annual Trade Show, JAMfest Cheer Super Nationals, 2009 Dealernews International Powersports Dealer Expo, Fire Department Instructors Conference, National Concrete Masonry Association's ICON Expo 2009, NFL Scouting Combine, Mizuno Hoosier Mideast Qualifier Volleyball, Indiana High School Athletic Association Girls State Basketball Championships, 2009 NCAA® Division I Men's Basketball Regionals, 2009 M-PACT Show, Archdiocese of Indianapolis 175th Anniversary, IAHE Convention 2009, 500 Festival Mini-Marathon Expo, Do it Best Corporation May and October Markets, NBM Show, Million Dollar Round Table Annual Meeting, ASM Heat Treating Conference and Expo, Hanley-Wood Exhibitions CONSTRUCT2009, Christian Church Disciples of Christ General Assembly, American Gear Manufacturers Association, Gen Con LLC "The Best Four Days in Gaming," National Alliance of Black School Educators 37<sup>th</sup> Annual Conference, IUPUI Commencement, Indiana Black Expo 2009 Summer Celebration, National FFA Convention 2009, DCI Drum & Bugle Corps Solo & Ensemble Competition, Percussive Arts Society International Convention, DCI World Championships, International Motorsports Industry Show, Music For All Regional and Grand National Championships, Circle City Classic, ISSMA State Band Finals, Minor League Baseball Winter Meeting, Indianapolis 2009 Auto Show, IHSAA State Football Championships, and Indianapolis Colts Football.

## Major Events Scheduled for 2010

JAMfest Cheer Super Nationals, 2010 IMEA Annual State Convention, 2010 Dealernews International Powersports Dealer Expo, Fire Department Instructors Conference, NFL Scouting Combine, Mizuno Hoosier Mideast Qualifier Volleyball, 2010 72<sup>nd</sup> Annual NCAA<sup>®</sup> Division I Men's Basketball Championship, National Association of Basketball Convention, NCAA Hoop City Interactive Events, Mizuno Hoosier Mideast Qualifier Volleyball, 2010 M-PACT Show, IUPUI Commencement, Indiana Black Expo 2010 Summer Celebration, National FFA Convention 2010, 500 Festival Mini-Marathon Expo, Do it Best Corporation May and October Markets, Gen Con Game Fair, American Organization of Nurse Executives Annual Meeting, Daughters of the Nile Annual Convention, North American Christian Annual Convention, Percussive Arts Society International Convention, DCI World Championships, Music For All Regional and Grand National Championships, ISSMA State Band Finals, Circle City Classic, and Indianapolis Colts Football.

The foregoing discussion of major 2009 and 2010 events and forward-looking statements assumes that the challenges described in the foregoing *Fiscal Imbalance* section of this Introductory Statement are timely and adequately addressed in 2009 by the Indiana General Assembly and the City-County Council.

## Financial Summary

**Pension Plan:** The CIB participates in the Public Employees' Retirement Fund of Indiana (PERF) to provide retirement and, in certain circumstances, disability benefits to its full-time employees. The employer's contribution to the fund is based on a percentage of total wages paid to participating employees during the year. The notes to the financial statements provide detailed information regarding the pension plan.

**Debt Administration:** The CIB has entered into financing agreements with the Marion County Convention and Recreational Facilities Authority (MCCRFA) for the lease of the Indiana Convention Center & Lucas Oil Stadium, Conseco Fieldhouse and Victory Field. These agreements, which create capital lease obligations, are more fully explained in the management's discussion and analysis and the notes to the financial statements. The total capital lease debt obligation of the CIB at December 31, 2008 was \$932,798,730.

Additional debt, subordinate to the CIB's capital lease obligations, was incurred during 2008. The CIB issued a note due June 30, 2009 in the principal amount of \$16,371,000 to provide funding for a lease rental payment to MCCRFA related to its termination of an interest rate swap option agreement. This note was repaid by the CIB on April 20, 2009.

The CIB has previously issued \$23,800,000 of Excise Taxes Revenue Subordinate Refunding Notes, Series 1999A, and \$25,805,000 of Excise Taxes Revenue Subordinate Bonds, Series 1999A on May 1, 1999. The proceeds were used to finance certain renovations and improvements to the Indiana Convention Center & RCA Dome, while the remaining proceeds have been used to refinance an existing loan to the Colts. The Subordinate Refunding Notes were paid off during 2008 and the outstanding balance of the Subordinate Bonds at December 31, 2008 was \$24,450,944.

Finally, the CIB has entered into financing agreements for the aforementioned Lucas Oil Stadium and Convention Center Expansion Projects through December 31, 2041. In accordance with the plan of finance, the ISCBA leases LOS and the expansion of the Convention Center to IOMB. The IOMB, in turn, subleases LOS and the expansion of the Convention Center under separate sublease agreements to the CIB. These agreements create capital lease obligations, are more fully explained in the management's discussion and analysis and the notes to the financial statements.

Further details regarding all of the long-term debt obligations of the CIB can be found in the management's discussion and analysis and in the notes to the financial statements.

**Cash Management:** Cash in checking accounts is kept to a minimum at all times, and any temporary idle funds are invested in certificates of deposit, overnight repurchase agreements, or money market mutual funds. Details of cash, cash equivalents and investments are presented in the notes to the financial statements.

**Risk Management:** The CIB utilizes a limited risk management program to help reduce accidents involving employees and visitors to the Indiana Convention Center & Lucas Oil Stadium. The CIB also provides safety training programs for employees. See the footnotes to the financial statements for further information regarding the various insurance risks to which the CIB is exposed and how insurance is used to mitigate such risks.

#### **Other Information**

**Independent Audit:** The CIB has an annual audit of its financial statements performed by BKD LLP, Certified Public Accountants. The independent accountants' report on the CIB's financial statements is included in the financial section of this report.

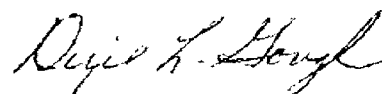
**Awards:** The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the CIB for its comprehensive annual financial report for the fiscal year ended December 31, 2007. This was the 23<sup>rd</sup> consecutive year that the CIB has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements:** This report could not have been prepared without the assistance of numerous staff members and BKD LLP.

Sincerely,



Ann Lathrop, Treasurer



Dixie L. Gough, Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Capital Improvement Board  
of Managers of Marion County  
Indiana

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2007

A Certificate of Achievement for Excellence in Financial  
Reporting is presented by the Government Finance Officers  
Association of the United States and Canada to  
government units and public employee retirement  
systems whose comprehensive annual financial  
reports (CAFRs) achieve the highest  
standards in government accounting  
and financial reporting.



A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

## ORGANIZATIONAL TABLE



# Capital Improvement Board of Managers (of Marion County, Indiana) Principal Officers and Management

**Mayor, City of Indianapolis**

The Honorable Gregory A. Ballard

**Board Members**

<b>Name</b>	<b>Title</b>	<b>Term Ending</b>	<b>Years of Service</b>	<b>Occupation</b>
Robert T. Grand	President	January 14, 2011	1	Managing Partner, Barnes & Thornburg LLP
Patrick J. Early	Vice President	January 15, 2010	17	President, Somerset CPAs, PC
Douglas R. Brown	Secretary	December 31, 2009	8	Attorney, Stewart & Irwin, P.C.
Ann Lathrop	Treasurer	January 14, 2010	1	CPA, Crowe Horwath, LLP
Robert E. Cockrum	Member	January 15, 2010	1	President, Indianapolis City-County Council
Anne T. Dillon	Member	January 14, 2009	8	No affiliation
Dorothy A. Henry	Member	January 14, 2011	1	Vice President & Chief Operating Officer, Indiana Health Care Assn.
Jay K. Potesta	Member	January 14, 2011	8	Business Manager/Financial Secretary/Treasurer, Sheet Metal Workers Local No. 20
John D. Short	Member	January 14, 2011	8	Assistant Vice-Chancellor, Indiana University-Purdue University Indianapolis

**Capital Improvement Board of Managers  
(of Marion County, Indiana)  
Principal Officers and Management**

**Administrative Personnel**

<b>Name</b>	<b>Position</b>	<b>Years of Service</b>
Barney Levensgood	Executive Director	18
Linda G. Addaman	Director of Marketing	13
Dixie L. Gough	Controller	37
Major E. Gardner	Event Manager	28
Michael A. Fox	Stadium Director	24
Thomas L. Boyle	Director of Operations	14

**Counsel to the Board**

Bingham McHale, LLP  
Indianapolis, Indiana



## **Financial Section**

## Independent Accountants' Report on Financial Statements and Supplementary Information

Capital Improvement Board of Managers  
(of Marion County, Indiana)  
Indianapolis, Indiana

We have audited the accompanying basic financial statements of Capital Improvement Board of Managers (of Marion County, Indiana) (CIB), a component unit of the consolidated City of Indianapolis-Marion County, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the CIB'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 Capital Improvement Board of Managers (of Marion County, Indiana) as of December 31, 2008 and 2007, and the changes in its 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 May 21, 2009, on our consideration of the CIB'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 are 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 basic financial statements taken as a whole. The other 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 audits 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.

The accompanying information in the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying financial statements have been prepared assuming the CIB will continue as a going concern. As discussed in Note 18, the CIB has experienced precipitous and steady declines in its operating reserves that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

BKD, LLP

May 21, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(Unaudited)**

#### ***Introduction***

The management of Capital Improvement Board of Managers of Marion County, Indiana (CIB), which is a component unit of the Consolidated City of Indianapolis-Marion County (City) and conducts its business in the City, offers readers of the CIB's financial statements this narrative overview and analysis of the financial activities of the CIB for the fiscal year ended on December 31, 2008. This Management's Discussion and Analysis is being presented to provide additional information regarding the activities of the CIB in connection with its financial statements and to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The CIB is organized and operated to acquire, construct, finance, lease, operate, promote and publicize capital improvements and thereby serve the convention and visitor industry and the commercial, industrial and cultural interests of Indiana and its citizens. This presently occurs principally through its operation of the Indiana Convention Center & Lucas Oil Stadium, and its use arrangements related to Victory Field and Conseco Fieldhouse.

#### ***Financial Highlights***

The following are some highlights from the CIB's financial statements for the year ended December 31, 2008:

- The CIB experienced an increase in *Total assets* of about \$229.5 million, or 21.7%, in 2008. *Capital assets* increased by about \$253.2 million because of the Lucas Oil Stadium (LOS) project and *Current assets - restricted* increased by about \$5.2 million due to a larger year-end accrual for state and local taxes. *Current assets - unrestricted* decreased about \$10.1 million due to a decrease in cash reserves, and *Other assets* decreased by about \$18.7 million due to accelerated amortization of deferred termination fees and payments to the Colts, all of which net to the \$229.5 million increase in total assets.
- *Total liabilities* increased by about \$143.1 million, or 15.1%, in 2008. *Current liabilities* decreased about \$27.0 million in 2008 primarily due to the recognition of capital contributions from the Colts, while *Noncurrent liabilities* increased about \$170.1 million primarily due to an additional capital lease obligation associated with LOS.
- *Net assets* increased by about \$86.4 million, or 78.0%, in 2008 primarily due to capital asset and related debt activity for the Lucas Oil Stadium and Convention Center Expansion projects.
- *Operating revenues* decreased by about \$2.0 million, or 9.1%, in 2008. *Food service and concession income* decreased about \$3.0 million, *Advertising income* decreased about \$1.3 million and *Labor reimbursements* increased about \$2.5 million, all due to the provisions in the Colts contract that became effective with the opening of LOS.

- *Nonoperating revenues* increased by about \$5.1 million, or 4.8%. While *Investment income* decreased by about \$2.2 million due to lower rates and less cash reserves, *State and local taxes* increased by about \$8.1 million primarily due to increased PSDA distributions from the expanded PSDA Tax.
- *Operating expenses* increased by about \$14.9 million, or 26.0%. Due to the opening of LOS, all classifications of expense, with the exception of *Repairs and maintenance*, increased due to the size of the stadium, the staffing requirements of a separate venue and the provisions in the Colts lease effective with the opening of LOS that require the CIB to commence paying all security costs and, in turn, bill the Colts.
- *Nonoperating expenses* increased by about \$13.5 million, or 22.5%, primarily due to the additional rental payment to fund a portion of a swap termination fee for the Marion County Convention and Recreational Facilities Authority (MCCRFA).

### ***Overview of Financial Statements***

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

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

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

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

- *Invested in capital assets, net of related debt* - this reflects the CIB's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The CIB uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the CIB's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- *Restricted net assets* - this represents resources that are subject to external restrictions (which principally relate to trust agreements under which capital lease obligations and bonded indebtedness were incurred) on how they may be used.
- *Unrestricted net assets* - this represents resources that may be used to meet the CIB's ongoing obligations to the public and creditors.

### **Net Assets**

The Balance Sheets reflect the assets and liabilities of the CIB using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The CIB's net assets - the difference between total assets and total liabilities - represent one way to measure the CIB'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 CIB is strengthening or softening. However, to assess the overall fiscal health of the CIB, readers of the CIB's financial statements should consider additional non-financial factors such as the ability of the CIB to retain and attract conventions, trade shows, tourism, sporting and cultural events and other activities that utilize the capital assets of the CIB; the general economic health and outlook in Indianapolis-Marion County in the hotel and motel, retail food and beverage and rental car industries, which are subject to certain local taxes that are committed to and financially support the CIB; and the general economic health and outlook locally (that is, Indianapolis-Marion County and the surrounding region) as well as nationally with regard to consumer appetite for scheduling, attending and supporting the events and activities at the facilities of the CIB.

### **2008 to 2007 Comparative Balance Sheets**

The comparative analysis below is a summary of the Balance Sheets for the fiscal years ended December 31, 2008 and 2007:

	<b>December 31</b>		
	<b>2008</b>	<b>2007</b>	<b>\$ Variance</b>
<b>Assets</b>			
Current assets - unrestricted	\$ 52,353	\$ 62,410	\$ (10,057)
Current assets - restricted	58,783	53,612	5,171
Capital assets, net	1,175,715	922,533	253,182
Other assets	201	18,949	(18,748)
	<u>1,287,052</u>	<u>1,057,504</u>	<u>229,548</u>
Total assets	\$ 1,287,052	\$ 1,057,504	\$ 229,548
<b>Liabilities</b>			
Current liabilities payable from unrestricted assets	\$ 23,816	\$ 8,863	\$ 14,953
Current liabilities payable from restricted assets	25,109	67,056	(41,947)
Noncurrent liabilities	1,040,799	870,702	170,097
Total liabilities	<u>1,089,724</u>	<u>946,621</u>	<u>143,103</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	147,020	24,602	122,418
Restricted	56,831	52,270	4,561
Unrestricted	(6,523)	34,011	(40,534)
Total net assets	<u>197,328</u>	<u>110,883</u>	<u>86,445</u>
Total liabilities and net assets	\$ 1,287,052	\$ 1,057,504	\$ 229,548

*Note:* Dollars are in thousands.

- The 2008 decrease in *Current assets - unrestricted*, about \$10.1 million, or 16.1%, from the prior year, is reflective of changes in the CIB's cash reserves. This decrease, among other factors, results from lower food service and concession commissions and higher operating expenses due to the opening of LOS. Effective June 2, 2008, the CIB ceased receiving commission on food revenues and receives net profits from Convention Center events and Non-Colts events only at LOS.
- *Current assets - restricted* increased by about \$5.2 million, or 9.6%, from the prior year, due primarily to a larger year-end accrual for state and local taxes in 2008.
- *Capital assets* increased by about \$253.2 million, or 27.4%, from the prior year. In 2008, Lucas Oil Stadium was completed and the portion of the Due to State of Indiana balance relating to the Stadium Project was reclassified and appears in the Balance Sheet in *Capital assets*. Also, capital contributions of about \$103.3 million were included in 2008 *Capital assets*.
- *Other assets* decreased by about \$18.7 million, or 98.9%, from the prior year, due primarily to accelerated amortization of deferred portions of a \$48 million lease termination fee (which was paid in 2005) and other deferred payments (which were paid in earlier periods). Each are related to the Colts and were fully amortized at the end of 2008.
- *Current liabilities payable from unrestricted assets* increased about \$15.0 million, or 168.7%, from the prior year. Accounts payable decreased by about \$2.5 million, or 31.3% from the prior year. This was entirely offset by an increase in short-term debt of approximately \$16.4 million.
- *Current liabilities payable from restricted assets* decreased about \$41.9 million, or 62.6%, from the prior year. Unearned capital contributions from the Colts in relation to LOS of about \$35.4 million were recognized as earned contributions. The real estate rentals payable decreased \$10.5 million. The current portion of long-term debt increased about \$3.2 million.
- *Noncurrent liabilities* increased about \$170.1 million, or 19.5%, over the prior year. This change was due to an approximate \$177.2 million increase in the Due to State of Indiana relating to LOS, which was then reclassified to capital leases payable upon placing LOS in service.
- Invested in *capital assets, net of related debt* increased about \$122.4 million, or 497.6%, in 2008, primarily the result of capital asset activity in connection with the Lucas Oil Stadium Project. *Restricted net assets* increased about \$4.6 million in 2008 as a result of the receipt or accrual of additional state and local tax assistance. The \$40.5 million decrease in *Unrestricted net assets* is primarily the effect of the decrease in cash reserves and the increased deferred asset amortization (including the deferred lease termination fee in conjunction with the construction of LOS and other Colts related payments) and the \$16.4 million due on the 2008 Note.

## 2007 to 2006 Comparative Balance Sheets

The comparative analysis below is a summary of the Balance Sheets for the fiscal years ended December 31, 2007 and 2006:

	December 31		
	2007	2006	\$ Variance
<b>Assets</b>			
Current assets - unrestricted	\$ 62,410	\$ 57,649	\$ 4,761
Current assets - restricted	53,612	47,658	5,954
Capital assets, net	922,533	646,059	276,474
Other assets	18,949	37,723	(18,774)
Total assets	<u>\$ 1,057,504</u>	<u>\$ 789,089</u>	<u>\$ 268,415</u>
<b>Liabilities</b>			
Current liabilities payable from unrestricted assets	\$ 8,863	\$ 7,728	\$ 1,135
Current liabilities payable from restricted assets	67,056	53,710	13,346
Noncurrent liabilities	870,702	625,270	245,432
Total liabilities	<u>946,621</u>	<u>686,708</u>	<u>259,913</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	24,602	2,835	21,767
Restricted	52,270	45,479	6,791
Unrestricted	34,011	54,067	(20,056)
Total net assets	<u>110,883</u>	<u>102,381</u>	<u>8,502</u>
Total liabilities and net assets	<u>\$ 1,057,504</u>	<u>\$ 789,089</u>	<u>\$ 268,415</u>

*Note:* Dollars are in thousands.

The 2007 increase in *Current assets - unrestricted*, about \$4.8 million, or 8.3%, from the prior year, is reflective of changes in the CIB's cash reserves and accounts receivable. This increase, among other factors, results from higher tax revenues added to cash reserves.

*Current assets - restricted* increased by about \$6.0 million, or 12.5%, from the prior year due to an increase in cash and investments being held to fund payments on the CIB's various lease obligations and a larger year-end accrual for state and local taxes in 2007.

*Capital assets* increased by about \$276.5 million, or 42.8%, from the prior year primarily due to additional construction in progress relating to LOS.

*Other assets* decreased by about \$18.8 million, or 49.8%, from the prior year due primarily to accelerated amortization of deferred portions of a \$48 million lease termination fee (which was paid in 2005) and other deferred payments (which were paid in earlier periods). Each are related to the Colts and are to be fully amortized by the end of 2008.

*Current liabilities payable from unrestricted assets* increased by about \$1.1 million, or 14.7%, from the prior year. Accounts payable increased by about \$4.3 million, or 116.3% from the prior year due to a payable in the amount of \$5.6 million to the Colts for 2007 day-of-game expenses and a reimbursement for the Colts Training Facility maintenance costs. This was partially offset by a \$3.3 million decrease in 2007 of accrued interest payable that was rolled into the CIB's new Junior Subordinate Notes issued in 2007.



*Current liabilities payable from restricted assets* in 2007 increased by about \$13.3 million, or 24.8%. This was primarily due to unearned capital contributions from the Colts in relation to LOS of about \$35.4 million and an increase of \$5 million in the real estate rental payable, which were partially offset by about a \$26.1 million reduction in the current portion of long-term debt. This decrease in the current portion of long-term debt is due to the refinancing of CIB's Junior Subordinate Notes.

*Noncurrent liabilities* increased \$245.4 million from the prior year. This change over the prior year was because liabilities associated with the stadium construction increased \$225.6 million, bonds and notes payable increased by \$30.2 million (primarily due to the Junior Subordinate Notes being replaced with notes that will mature in 2017), and capital leases payable decreased by \$10.4 million.

*Invested in capital assets, net of related debt* increased about \$21.8 million in 2007 primarily the result of capital asset additions in connection with the construction of Lucas Oil Stadium.

*Restricted net assets* increased about \$6.8 million in 2007 as a result of the receipt or accrual of new and additional state and local tax assistance. The \$20.1 million decrease in *Unrestricted net assets* is primarily the effect of increased deferred asset amortization (including the previously discussed deferred lease termination fee in conjunction with the construction of LOS and other Colts related payments).

## 2008 to 2007 Comparative Statements of Revenues, Expenses and Changes in Net Assets

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

	December 31			
	2008	2007	\$ Variance	% Variance
Operating Revenues				
Rental income	\$ 6,326	\$ 6,355	\$ (29)	-0.5%
Food service and concession commissions	3,678	6,676	(2,998)	(44.9)
Parking lot income	665	412	253	61.4
Labor reimbursements	8,558	6,034	2,524	41.8
Advertising income	-	1,300	(1,300)	(100.0)
Other operating income	603	1,047	(444)	(42.4)
Total operating revenues	19,830	21,824	(1,994)	(9.1)
Nonoperating Revenues				
Investment income	2,107	4,270	(2,163)	(50.7)
State and local taxes and fees	106,868	98,782	8,086	8.2
Other	336	1,206	(870)	(72.1)
Total nonoperating revenues	109,311	104,258	5,053	4.8
Total revenues	129,141	126,082	3,059	2.4
Operating Expenses				
Salaries and wages	13,297	11,231	2,066	18.4
Fringe benefits	3,247	2,618	629	24.0
Utilities	5,278	4,260	1,018	23.9
Repairs and maintenance	698	808	(110)	(13.7)
Insurance	1,282	1,107	175	15.8
Security	3,217	1,174	2,043	174.0
Operating parts and supplies	1,251	1,110	141	12.7
Other	6,202	5,395	807	15.0
Depreciation and amortization	38,024	29,845	8,179	27.4
Total operating expenses	72,496	57,548	14,948	26.0
Nonoperating Expenses				
Interest expense	19,354	20,198	(844)	(4.2)
Additional rental payment for swap termination	16,371	-	16,371	100.0
Compensation to Indianapolis Convention & Visitors Association	7,970	7,737	233	3.0
Colts inducements, Suite and Day-of-Games expenses	6,484	6,351	133	2.1
Colts Training Facility expenses	1,311	4,189	(2,878)	(68.7)
Other	22,022	21,557	465	2.2
Net nonoperating expenses	73,512	60,032	13,480	22.5
Total expenses	146,008	117,580	28,428	24.2
Income (Loss) Before Capital Contributions	(16,867)	8,502	(25,369)	(298.4)
Capital Contributions	103,312	-	103,312	100.0
Increase in Net Assets	86,445	8,502	77,943	916.8
Net Assets, Beginning of Year	110,883	102,381	8,502	8.3
Net Assets, End of Year	\$ 197,328	\$ 110,883	\$ 86,445	78.0

Note: Dollars are in thousands.

*Total operating revenues* decreased about \$2.0 million, or 9.1%. Rental income decreased slightly, about \$29 thousand, or 0.5%, due to the period when the CIB's former stadium facility, the RCA Dome, was closed and LOS was not completed for occupancy. Food service and concession income decreased, about \$3.0 million, or 44.9%, due to the provisions in the Colts lease whereby the Colts receive all food service income from Colts events in LOS. Parking lot income increased, about \$.3 million, or 61.4%, primarily due to the reopening of lots that were closed or had little usage during construction of LOS. Labor reimbursements increased, about \$2.5 million, or 41.8%, due to the Colts lease that requires the CIB to pay all game day security costs and, in turn, be reimbursed by the Colts. Advertising income of \$1.3 million ceased in 2008 when the RCA Dome was demolished and the naming rights for LOS went to the Colts. Other operating income decreased, about \$.4 million, or 42.4%, due to the Colts lease, whereby the Colts elected to sell their own novelties and keep this income.

*Total nonoperating revenues* increased about \$5.0 million, or 4.8%. Investment income decreased, about \$2.2 million, or 50.7%, due to lower interest rates and less cash reserves to invest. State and local taxes and fees increased, about \$8.1 million, or 8.2%, primarily due to increased PSDA distributions from the expanded PSDA Tax. Other revenues decreased, about \$.9 million, or 72.1%, due to a grant contribution received in prior years and not received in 2008.

*Total operating expenses* increased about \$14.9 million, or 26.0%, due to the opening of LOS. Salaries and wages increased about \$2.1 million, or 18.4%, and fringe benefits increased about \$.6 million, or 24.0%, due to the staffing requirements of a separate venue and the provisions in the Colts lease that require the CIB to pay all game day security costs of LOS. Utilities increased about \$1.0 million, or 23.9%, due to the size of the stadium. Repairs and maintenance costs decreased, about \$.1 million, or 13.7%, due primarily to the new facility with warranties not requiring maintenance costs. Insurance costs increased, about \$.2 million, or 15.8% for insuring the new facility and increased insurance requirements in the Colts lease. Security costs increased about \$2.0 million, or 174.0%, due to the Colts lease, effective with the opening of LOS that requires the CIB to pay all security costs including game day security costs that were previously paid by the Colts. Operating parts and supplies increased about \$.1 million, or 12.8%, due to the size of the stadium and the need for more cleaning and maintenance supplies. Other expenses increased about \$.8 million, or 15.0%, due primarily to the increased costs of opening LOS, such as advertising and promotion, telephone, legal and consultant fees, and set-up and installation and dismantling labor fees. Depreciation and amortization increased about \$8.2 million, or 27.4%, due to the 2008 depreciation on LOS.

*Total nonoperating expenses* increased about \$13.5 million, or 22.5%. Interest expense increased about \$15.5 million, or 76.9%, due to the additional rental payment to fund a portion of the swap termination fee for MCCRFA. Compensation to the Indianapolis Convention & Visitors Association, which is based on a percentage of the Innkeeper's excise tax revenues, increased about \$.2 million, or 3.0%, in 2008. Colts inducements and Day-of-Game expenses increased about \$.1 million, or 2.1%, due to additional game-day concession revenues paid to the Colts. In 2007, a payable of approximately \$4.2 million was recorded to reimburse the Colts for certain training facility maintenance expenses. In 2008, the balance of the \$5,500,000 payable, about \$1.3 million, was recorded which accounts for the \$2.9 million, or 68.7% decrease. Other nonoperating expenses increased about \$.5 million, or 2.2%, due to additional grants to other organizations in 2008.

*Capital contributions* of about \$103.3 million were received in 2008. About \$101.8 million of this figure was from the Indianapolis Colts (\$100 million plus \$1.8 million interest) for their contribution to the construction of LOS and \$1.5 million was a federal grant for security equipment for LOS.

## 2007 to 2006 Comparative 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, 2007 and 2006:

	December 31			
	2007	2006	\$ Variance	% Variance
Operating Revenues				
Rental income	\$ 6,355	\$ 5,689	\$ 666	11.7%
Food service and concession commissions	6,676	6,146	530	8.6
Parking lot income	412	417	(5)	(1.2)
Labor reimbursements	6,034	5,118	916	17.9
Advertising income	1,300	1,165	135	11.6
Other operating income	1,047	982	65	6.6
Total operating revenues	21,824	19,517	2,307	11.8
Nonoperating Revenues				
Investment income	4,270	3,747	523	14.0
State and local taxes and fees	98,782	93,512	5,270	5.6
Other	1,206	4,602	(3,396)	(73.8)
Total nonoperating revenues	104,258	101,861	2,397	2.4
Total revenues	126,082	121,378	4,704	3.9
Operating Expenses				
Salaries and wages	11,231	10,968	263	2.4
Fringe benefits	2,618	2,595	23	0.9
Utilities	4,260	4,016	244	6.1
Repairs and maintenance	808	926	(118)	(12.7)
Insurance	1,107	1,088	19	1.7
Security	1,174	1,372	(198)	(14.4)
Operating parts and supplies	1,110	1,190	(80)	(6.7)
Other	5,395	4,317	1,078	25.0
Depreciation and amortization	29,845	29,551	294	1.0
Total operating expenses	57,548	56,023	1,525	2.7
Nonoperating Expenses				
Interest expense	20,198	20,711	(513)	(2.5)
Compensation to Indianapolis Convention & Visitors Association	7,737	7,053	684	9.7
Colts inducements and Day-of-Games expenses	6,351	5,993	358	6.0
Colts Training Facility expenses	4,189	-	4,189	100.0
Other	21,558	22,144	(586)	(2.6)
Net nonoperating expenses	60,033	55,901	4,132	7.4
Total expenses	117,581	111,924	5,657	5.1
Increase in Net Assets	8,501	9,454	(953)	(10.1)
Net Assets, Beginning of Year	102,381	92,927	9,454	10.2
Net Assets, End of Year	\$ 110,882	\$ 102,381	\$ 8,501	8.3

*Note:* Dollars are in thousands.

*Total operating revenues* increased about \$2.3 million, or 11.8%, in 2007. All revenues increased except parking income which decreased slightly about \$5,000, or 1.2%. Rental income increased about \$.7 million, or 11.7%, food service and concessions income increased about \$.5 million, or 8.6%, labor reimbursements increased about \$.9 million, or 17.9%, and advertising income and other operating income increased about \$.2 million, or 9.3%, all primarily due to the mix of multiple events held in 2007 compared to the prior year.

*Operating expenses* increased by about \$1.5 million, or 2.7%, in 2007 over the prior year. Salaries and wages increased by about \$.3 million, or 2.4%. This increase was more than offset by the higher revenue from labor reimbursements about \$.9 million related to event personnel. Fringe benefits increased slightly in 2007 by approximately \$23,000, or 0.9%, slightly lower than the 2006 increase of 1.0% and substantially lower than the 10.3% increase experienced from 2004 to 2005. Utilities expenses increased by about \$.2 million, or 6.1%, in 2007 primarily due to a combination of increased usage rates and fuel costs coupled with increased consumption due to warmer and higher degree day fluctuations. Repairs and maintenance costs decreased by about \$.1 million, or 12.7%, in 2007, which was reflective of lower expenditures on major items in 2007. Insurance costs increased slightly by about \$19,000, or 1.7%. Security costs decreased by about \$.2 million, or 14.4%, in 2007. Security costs in 2006 were higher due to the security requirements for the NCAA Men's Final Four. Operating parts and supplies decreased by about \$80,000, or 6.7%, primarily due to the mix of events with varied event material requirements.

Other operating expenses increased by about \$1.1 million, or 24.9% in 2007. Parking expenses increased from \$86,000 in 2006 to \$216,000 in 2007 because the CIB's obligations to share operating expenses for the Capitol Commons Garage didn't start until September 2006. While contractual set-up fees increased 33.8% in 2007 (from \$1,173,000 to \$1,569,000), the full-time and part-time in-house set-up costs decreased 16.0% and the set-up labor reimbursements increased 27.6% for a net increase of 14.7%, which is attributable to more events requiring multiple turnovers. Contractual fees for installation and dismantling workers increased 37.2% in 2007 (from \$466,000 to \$639,000) and part-time in-house I&D costs decreased 3.7% for a net increase of 15.5%. Labor reimbursements for these workers increased 5.1% in 2007 and labor reimbursements exceeded personnel costs by 28.9%, which included markups to cover employee benefits, insurance, and administrative costs. Contractual fees for I&D workers will vary from year to year depending on the type and size of events requesting this type of personnel. Also, there were additional increased costs for advertising and promotion, legal fees and consultants about \$.3 million, or 19.9%, associated with increased promotional items and expenses associated with structuring and implementing certain new agreements.

Depreciation and amortization costs were relatively stable from 2006 to 2007, increasing 1.0%.

*Nonoperating revenues* consist mostly of state and local assistance (in the form of Innkeeper's, Food and Beverage, and similar excise and other taxes that are committed to and financially support the CIB's activities), which totaled about \$98.8 million in 2007, an approximate \$5.3 million increase over 2006, or 5.6% as a result of two elements. First, state and local taxes increased about \$2.9 million, or 3.1%, in 2007 compared to the prior year. Second, 2007 was the first partial year for the expanded PSDA revenues (the increased PSDA taxes accounted for approximately \$2.4 million of the increase).

2007 increases and decreases (compared to 2006) from taxes established prior to 2005 included Innkeeper's excise tax revenues, which increased about \$.7 million, or 2.9%, Food and Beverage excise tax revenues, which decreased about \$151,000, or 0.8%, County Admissions excise tax revenues, which increased about \$.7 million, or 13.4%, Auto Rental excise tax revenues, which increased about \$97,000, or 4.7%, and PSDA revenues, which decreased about \$.8 million, or 10.7%. PSDA revenue levels are subject to the timing and distribution at the State level and are viewed largely as stable; however, period-to-period PSDA revenue may spike, particularly relative to captured Marion County Option Income Tax receipts - for example, approximately \$1.3 million (received in 2007) was an adjusting payment related to State tax receipts in 2006 as compared to approximately \$2.1 million (received in 2006) for adjusting payments related to State tax receipts in 2004 and 2005. All of these taxes established prior to 2005 increased a net of about \$494,000, or 0.9%.

2007 increases (compared to 2006) from taxes created in 2005 included Innkeeper's excise tax revenues, which increased about \$.8 million, or 7.1%, Marion County Food and Beverage excise tax revenues, which increased about \$.5 million, or 2.5%, County Admissions excise tax revenues, which increased about \$135,000, or 13.4%, Auto Rental excise tax revenues, which increased about \$98,000, or 4.8%, Regional Food and Beverage excise tax revenues, which increased about \$351,000, or 7.5%, Specialty License Plates, which increased about \$.5 million, or 218.9%, and PSDA revenues, which started in 2007 and totaled about \$2.4 million. All of the taxes created in 2005 increased about \$4.8 million, or 12.9%.

*Investment income* increased by about \$.5 million, or 14.0%, in 2007 due mostly to an increase in cash available for investment (2007 vs. 2006).

*Nonoperating expenses* included interest expense, which decreased about \$.5 million, or 2.5%, in 2007 due to the mix of scheduled pay down of debt and capital leases. Compensation to the Indianapolis Convention & Visitors Association, which is based on a percentage of the Innkeeper's excise tax revenues, increased about \$.7 million, or 9.7%, in 2007. Additional *Nonoperating expenses* included other significant line items that are unique to certain arrangements associated with the professional sports teams that are primary users of the CIB facilities. These arrangements are contractual and fixed in nature. Colts inducements and Day-of-Game expenses increased about \$.4 million, or 6.0%, primarily due to additional game-day concession revenues paid to the Colts. In 2007, a payable of approximately \$4.2 million was recorded to reimburse the Colts for certain training facility maintenance expenses.

*Other nonoperating expenses* increased by about \$2.8 million, or 16.0%. Included in Other nonoperating expenses is an offset of contributed income. While amortization of debt expenses remained the same, the contributed income decreased by about \$3.4 million due primarily to a one-time contribution of \$2.5 million received in 2006 and prior deferred contributions recognized as income in 2006. Grants to other organizations decreased by about \$.6 million, all of which nets to the \$2.8 million increase in *Other nonoperating expenses* in 2007.

## ***Capital Asset and Debt Administration***

### **Capital Assets**

As discussed, the CIB is organized and operated to acquire, construct, lease, finance, operate, promote and publicize capital improvements and thereby serve the convention and visitor industry and the commercial, industrial and cultural interests of Indiana and its citizens. Because these assets are leased from the other governments and ownership of the assets ultimately reverts to the CIB upon expiration or termination of these leases, they are accounted for as property owned under capital leases and are depreciated along with other assets owned by the CIB. Readers are referred to in the notes to the financial statements for more detailed information on capital asset activity. These capital improvements (capital assets) consist primarily of the following:

#### **Indiana Convention Center & Lucas Oil Stadium**

Among the facilities managed by the CIB is a multi-purpose sports and convention facility, the Indiana Convention Center & Lucas Oil Stadium. Over the years, the Indiana Convention Center has been expanded to meet the ever-growing demand for convention space in Indianapolis, the Capitol City of Indiana. As the lure of the City's many tourist, cultural and sports attractions grows around the country, so grows the appeal of Indianapolis for convention and trade show organizers. The Indiana Convention Center hosts numerous state and national conventions, trade shows, cultural and sporting events each year, bringing millions of visitors to Indianapolis and central Indiana.

The Indiana Convention Center & Lucas Oil Stadium was constructed, expanded and improved using a mix of private and public funds, including the proceeds from a number of tax-exempt bond offerings by MCCRFA and the Indiana Finance Authority. Lease agreements relating to the Indiana Convention Center & Lucas Oil Stadium secure the related bonds, along with certain state and local taxes which are used by the CIB to pay lease rentals. Such state and local taxes also secure certain bond and note indebtedness of the CIB and other lease obligations of the CIB related to other facilities.

In 2005, the CIB entered into a lease and other agreements with the Colts extending their relationship and commitment with the City of Indianapolis and setting forth the terms of their use of the CIB's facilities. The Colts will play their home NFL games in Indianapolis through their 2034 season. The CIB constructed a new multi-use stadium to replace the RCA Dome. This new facility is known as Lucas Oil Stadium and is located on property south of the RCA Dome. The planned use of Lucas Oil Stadium started with the 2008 Colts season. The RCA Dome was demolished in 2008 to make room for an expansion of the Indiana Convention Center.

The CIB is obligated to operate, maintain and insure the Indiana Convention Center & Lucas Oil Stadium at its expense.

The CIB has not adopted any planned actions that would significantly impact the planned use or life of the Indiana Convention Center & Lucas Oil Stadium.

#### **Conseco Fieldhouse**

Conseco Fieldhouse (including a connected parking facility) was completed in 1999 and is used for a variety of sporting events, concerts and other special events. The Pacers Basketball LLC's, a National Basketball Association franchise (the Pacers), is the exclusive operator of the facility, which operation and use occurs under its operating and financial agreements with the CIB. Other frequent users include the Indiana Fever (a Women's National Basketball Association basketball franchise).

Conseco Fieldhouse was built using a mix of private and public funds, including the proceeds from a 1997 tax-exempt and taxable bond offering of MCCRFA. A lease agreement (between MCCRFA, as lessor, and the CIB, as lessee) related to Conseco Fieldhouse secures the related bonds, along with certain state and local taxes which are committed by the CIB to pay lease rentals. In 2008, a planned partial refunding of the foregoing 1997 bonds was abandoned and a related interest rate swap option agreement entered into in 2005 was terminated, with a portion of such termination cost provided from a CIB lease rental payment. The CIB is obligated to cause certain on-going capital maintenance and repair items to be undertaken, if necessary, to maintain the condition of Conseco Fieldhouse. No significant additional capital improvements were made to Conseco Fieldhouse in the current year and there are currently no commitments for additional significant construction.

The CIB has not adopted any planned actions that would significantly impact the planned use or life of Conseco Fieldhouse.

#### *Victory Field*

MCCRFA completed construction of Victory Field in 1995. Victory Field is home to the Indianapolis Indians, a AAA minor league baseball franchise affiliated with the Pittsburgh Pirates organization (Indians).

Victory Field was built using a mix of public and private funds, including the proceeds from a taxable bond offering of MCCRFA. A lease agreement (between MCCRFA, as lessor, and the CIB, as lessee) related to Victory Field also secures the related bonds, along with certain state and local taxes which are committed by the CIB to pay lease rentals. The CIB is obligated to cause Victory Field to be operated, maintained and insured; those obligations are undertaken by the Indians. No significant additional capital improvements were made to Victory Field in the current year and there are currently no commitments for additional significant construction.

The CIB has not adopted any planned actions that would significantly impact the planned use or life of Victory Field.

#### *Long-Term Debt*

The CIB's long-term debt is comprised of capital lease obligations, bond indebtedness and note indebtedness.

The CIB has acquired most of its existing capital assets through capital leasing arrangements with a local leasing arrangement existing since 1985 (involving MCCRFA) and, in 2005, began acquiring new capital assets (namely Lucas Oil Stadium and an expansion of the Indiana Convention Center) through capital leasing arrangements involving the Indiana Office of Management and Budget (IOMB), the Indiana Stadium and Convention Building Authority (ISCBA), and the Indiana Finance Authority (collectively and individually their interests being referred to in this discussion as the State Leasing Entities).



MCCRFA's revenue bonds are payable solely from the respective trust estates under which they were issued and rely upon the receipt of debt service lease rentals to provide for their payment. The CIB's lease payments to MCCRFA are funded and secured by a pledge of certain state and local tax revenues that varies depending on which debt is involved. More specific information concerning these financing and security arrangements related to CIB's facilities can be found in the footnotes to the financial statements.

The Indiana Finance Authority's revenue obligations are payable from and secured by ISCBA obligations that are supported by the ISCBA's leases with IOMB, as lessee, who in turn receives rent under subleases with the CIB, as sublessee. The CIB's lease payments to IOMB are funded and secured by a pledge of certain state and local tax revenues. More specific information concerning these financing and security arrangements related to CIB's facilities can be found in the footnotes to the financial statements.

In addition to its lease obligations, the CIB has direct outstanding revenue bonds and note indebtedness of its own. Such borrowings were undertaken for a variety of purposes, including making certain capital improvements, meeting certain contractual commitments with recurring users of its facilities and building reserves. Like its lease obligations, these indebtedness obligations are payable from, and secured by, certain state and local tax revenues, which pledges vary depending on which debt is involved.

While the CIB has contractually agreed to certain debt-related limitations in connection with its capital lease obligations and bond indebtedness, certain provisions of Indiana law also limit the amount of bond and note indebtedness that it may incur. The CIB's revenue bonds are presently insured as to their payment pursuant to municipal bond insurance policies with MBIA Insurance Corporation and AMBAC Assurance Corporation and it is these policies that form the basis by which they are rated by certain national credit rating agencies.

2008 evidenced the commencement of events that have significantly changed finance and related credit matters. This included the publication of multiple downgrades by the national rating agencies of the credit rating of certain bond insurers, including MBIA and AMBAC. Such actions have affected the credit ratings of the CIB's and MCCRFA's bonds. Further ongoing operating and restructuring activities of such insurers may continue to affect their ratings. In 2008, faced with similar credit issues, including its bond insurer, the Indiana Finance Authority (in relation to the CIB's capital leases), remarketed its outstanding debt and issued new debt, under a revised structure reflecting its credit and certain standby bond purchase agreements. Such actions by the Indiana Finance Authority affected (and was reflected in) the credit ratings of its debt.

Readers are referred to in the notes to the financial statements for more detailed information on long-term debt activity.

## ***Fiscal Imbalance***

During 2008 and 2009, the CIB has taken steps to undertake an open and frank discussion (within State and City government as well as in the private sector and general public) of the CIB's significant unmet funding needs and the necessity of rebalancing factors to assure the CIB's operating model was placed back on a course to meet its important public mission. Cash flow projections (when using current reduced expenditure levels; and when done under a variety of alternate assumptions) for the period April 1, 2009 through December 31, 2009 show that unrestricted cash of the CIB may be depleted below minimum operational needs by the end of 2009 unless (a) additional material reductions in operating expenses occur, which if undertaken, would be expected to have the potential to render the CIB incapable of meeting its existing operating commitments or (b) new operating or non-operating revenue sources are identified and established, which would in all likelihood require legislative action by the Indiana General Assembly and the City-County Council. The unaudited unrestricted and restricted cash balances of the CIB have materially declined subsequent to 2008. The CIB has projected that an additional \$43 million of new annual funding is prudent to meet the CIB's unfunded needs. Additionally, the CIB has identified that certain one-time funding needs must also be met. See the additional discussion in Note 18 to the Financial Statements. The 2009 Regular Session of the Indiana General Assembly ended on April 29, 2009 without the passage of any measure designed to identify and establish new non-operating revenue sources although various proposals were included in pending legislative bills. The CIB continues to take steps (including supporting the introduction of a range of proposals into any bill considered as part of the anticipated 2009 Special Session) to identify and establish new operating or non-operating revenue sources to meet the funding needs of the CIB. No assurance can be given that any such future legislative measure will be enacted by the Indiana General Assembly, and, if so enacted, would also be enacted by the City-County Council. Historically, legislation related to the funding of the CIB has required implementing enactment by the City-County Council. Further, no assurance can be given any such legislative measure if enacted and implemented would produce funding to timely meet the needs and obligations of the CIB.

## ***Economic Factors and Other Matters***

Indianapolis' tourism and convention business was stable in 2008 and currently remains so into 2009. As a convention and tourism business, the CIB is charged with the public purpose of promoting and publicizing Indianapolis and the central Indiana region. It continues to pursue this core purpose. The CIB's focus for the business of the Indiana Convention Center & Lucas Oil Stadium in 2009 includes maximizing the use of the facilities by concentrating on hosting large trade show events, consideration of its available rentable space (and amenities) to meet demand (and effectively compete with other national offerings) and minimizing the wear and tear on facilities (by proactively and continuously undertaking maintenance and repairs).

While 2009 bookings remain on target with projections, the foregoing Fiscal Imbalance could materially and adversely affect bookings. There are no events scheduled for CIB facilities that have been cancelled for 2009 that would adversely affect operations. If the Fiscal Imbalance is timely and adequately addressed, the CIB anticipates that its regular operations in 2009 could be similar in performance to 2008 (albeit the CIB will significantly lower operating balances) and the CIB would pursue continuing efforts involving the CIB's marketing relationships with the Indianapolis Convention & Visitors Association and the Commission on Cultural Development, to attract new and recurring conventions, trade shows, sports, tourism, cultural events and other activities to its facilities and in the Central Indiana region.

### ***Requests for Information***

This financial report is designed to provide a general overview of the CIB's finances and to demonstrate the CIB'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:

Controller  
Capital Improvement Board of Managers  
of Marion County, Indiana  
100 South Capitol Avenue  
Indianapolis, Indiana 46225-1071

	2008	2007
<b>Assets</b>		
<b>Current Assets</b>		
<b>Unrestricted Assets</b>		
Cash and cash equivalents	\$ 45,169,263	\$ 42,469,355
Investments	-	13,585,000
Interest receivable	72,373	181,537
Accounts receivable	5,893,348	4,940,566
Inventories	366,407	292,958
Prepaid expenses	851,415	940,307
Total unrestricted assets	<u>52,352,806</u>	<u>62,409,723</u>
<b>Restricted Assets</b>		
Cash and cash equivalents	35,195,122	34,343,681
Interest receivable	115,940	268,224
Receivable from State of Indiana	23,471,491	18,999,983
Total restricted assets	<u>58,782,553</u>	<u>53,611,888</u>
Total current assets	<u>111,135,359</u>	<u>116,021,611</u>
<b>Noncurrent Assets</b>		
Deferred debt issuance costs	200,941	230,689
Agreement acquisition costs	-	176,258
Deferred amortization payments to Indianapolis Colts	-	3,773,015
Deferred lease termination fee	-	14,769,230
Non-depreciable capital assets	185,211,977	623,207,075
Depreciable capital assets, net	990,503,681	299,325,717
Total noncurrent assets	<u>1,175,916,599</u>	<u>941,481,984</u>
Total assets	<u>\$ 1,287,051,958</u>	<u>\$ 1,057,503,595</u>

	<b>2008</b>	<b>2007</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
<b>Payable From Unrestricted Assets</b>		
Accounts payable	\$ 5,470,860	\$ 7,962,682
Unearned revenue	217,215	240,226
Accrued expenses and withholdings	939,624	646,293
Accrued interest payable	817,340	13,479
Short-term debt	16,371,000	-
Total current liabilities payable from unrestricted assets	<u>23,816,039</u>	<u>8,862,680</u>
<b>Payable From Restricted Assets</b>		
Funds held for others - box office	1,097,711	624,314
Rental deposits	847,949	717,410
Unearned revenue - private grants	5,444	-
Unearned revenue - Colts stadium contribution	-	35,375,537
Real estate rental payable	4,500,000	15,000,000
Accrued interest payable	1,502,068	1,547,491
Current portion of long-term debt	17,155,798	13,791,477
Total current liabilities payable from restricted assets	<u>25,108,970</u>	<u>67,056,229</u>
Total current liabilities	<u>48,925,009</u>	<u>75,918,909</u>
<b>Noncurrent Liabilities</b>		
Due to State of Indiana	66,946,403	474,121,857
Bonds and notes payable	56,829,944	58,135,986
Capital leases payable	917,022,932	338,443,948
Total noncurrent liabilities	<u>1,040,799,279</u>	<u>870,701,791</u>
Total liabilities	<u>1,089,724,288</u>	<u>946,620,700</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	147,019,581	24,601,654
Restricted		
For debt service	30,496,001	29,346,803
For capital projects	25,517,568	20,390,998
For other	817,880	2,532,364
Unrestricted	<u>(6,523,360)</u>	<u>34,011,076</u>
Total net assets	<u>197,327,670</u>	<u>110,882,895</u>
Total liabilities and net assets	<u><u>\$ 1,287,051,958</u></u>	<u><u>\$ 1,057,503,595</u></u>

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Operating Revenues</b>		
Rental income	\$ 6,326,285	\$ 6,354,696
Food service and concession commissions	3,677,833	6,675,775
Parking lot income	664,680	411,846
Labor reimbursements	8,557,650	6,033,689
Advertising income	-	1,300,477
Other operating income	603,098	1,047,026
	<u>19,829,546</u>	<u>21,823,509</u>
<b>Operating Expenses</b>		
Salaries and wages	13,297,083	11,230,988
Fringe benefits	3,247,412	2,618,017
Utilities	5,278,056	4,259,820
Repairs and maintenance	697,904	808,336
Insurance	1,281,698	1,107,108
Security	3,216,882	1,173,598
Operating parts and supplies	1,251,031	1,110,305
Other	6,202,122	5,394,458
Depreciation and amortization	38,023,853	29,844,812
	<u>72,496,041</u>	<u>57,547,442</u>
<b>Operating Loss</b>	<u>(52,666,495)</u>	<u>(35,723,933)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	2,106,780	4,270,088
State and local taxes and fees	106,867,838	98,782,093
Contributions	244,793	1,134,926
Interest expense	(19,353,144)	(20,197,976)
Additional rental payment for swap termination	(16,371,000)	-
Compensation to Indianapolis Convention & Visitors Association	(7,970,491)	(7,736,800)
Inducements to Indianapolis Colts	(4,984,001)	(4,851,353)
Indianapolis Colts' Training Facility expenses	(1,311,421)	(4,188,579)
Indianapolis Colts' Day-of-Game expenses	(1,500,000)	(1,500,000)
Grants to other organizations	(3,479,845)	(2,986,823)
Amortization expense (Indianapolis Colts)	(18,542,245)	(18,542,245)
Gain (loss) on sale of capital assets	17,598	(28,588)
Other	74,377	71,386
	<u>35,799,239</u>	<u>44,226,129</u>
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	(16,867,256)	8,502,196
<b>Capital Contributions</b>	<u>103,312,031</u>	<u>-</u>
<b>Increase in Net Assets</b>	86,444,775	8,502,196
<b>Net Assets, Beginning of Year</b>	<u>110,882,895</u>	<u>102,380,699</u>
<b>Net Assets, End of Year</b>	<u>\$ 197,327,670</u>	<u>\$ 110,882,895</u>

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 19,402,944	\$ 21,290,303
Payments to suppliers and others	(20,883,721)	(9,702,908)
Payments to employees	(16,251,164)	(13,761,545)
Net cash used in operating activities	<u>(17,731,941)</u>	<u>(2,174,150)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Payments to Indianapolis Convention & Visitors Association	(7,970,491)	(7,736,800)
State and local taxes and fees received	20,557,031	22,590,236
Proceeds from issuance of 2008 junior subordinate note	16,371,000	-
Additional rental payment for swap termination	(16,371,000)	-
Proceeds from issuance of junior subordinate notes	-	2,508,076
Grants paid to other organizations	(3,479,607)	(2,986,823)
Contributions received from other organizations	250,000	250,000
Payments to Indianapolis Colts	(7,795,422)	(10,539,934)
Net cash provided by noncapital financing activities	<u>1,561,511</u>	<u>4,084,755</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal paid on long-term liabilities	(13,847,758)	(12,796,834)
Interest paid on long-term liabilities	(18,460,563)	(19,270,382)
Acquisition of capital assets	(45,836,807)	(40,199,690)
State and local taxes and fees received	81,839,299	74,009,722
Baseball Park Capital Improvement Fund rental payments received	74,380	71,386
Net cash provided by capital and related financing activities	<u>3,768,551</u>	<u>1,814,202</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investment securities	(53,640,000)	(72,845,000)
Proceeds from sales and maturities of investment securities	67,225,000	92,665,000
Interest received on investment securities and cash equivalents	2,368,228	4,349,531
Net cash provided by investing activities	<u>15,953,228</u>	<u>24,169,531</u>
<b>Net Increase in Cash and Cash Equivalents</b>	3,551,349	27,894,338
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>76,813,036</u>	<u>48,918,698</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 80,364,385</u></u>	<u><u>\$ 76,813,036</u></u>

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Noncash Capital and Related Financing Activities</b>		
Capital assets acquisitions included in accounts payable	\$ -	\$ 289,391
Additions to capital assets due to Stadium and Convention Center Expansion Projects	271,948,778	285,636,456
<b>Noncash Noncapital and Related Financing Activities</b>		
Accrued interest on Jr. Subordinate Notes converted to principal	\$ -	\$ 4,106,432
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (52,666,495)	\$ (35,723,933)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	38,023,853	29,844,812
Change in assets and liabilities		
Accounts receivable	(952,782)	(610,850)
Inventories	(73,449)	26,545
Prepaid expenses	(156,108)	46,554
Accounts payable	(2,781,216)	4,074,450
Unearned revenue	(23,011)	32,993
Accrued expenses and withholdings	293,331	87,460
Funds held for others - box office	473,397	106,283
Rental deposits	130,539	(58,464)
	<u>130,539</u>	<u>(58,464)</u>
Net cash used in operating activities	<u>\$ (17,731,941)</u>	<u>\$ (2,174,150)</u>



**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**December 31, 2008 and 2007**

**Note 1: Summary of Significant Accounting Policies**

The Capital Improvement Board of Managers (of Marion County, Indiana) (CIB) is a municipal body created under Indiana Code (IC) 36-10-9 and governed by a nine member board. Six of the nine board members are appointed by the Mayor of the City of Indianapolis, two are appointed by the Marion County Board of Commissioners and one is appointed by the City-County Council of the Consolidated City of Indianapolis-Marion County, a unified form of 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. The CIB has no stockholders or equity holders and all revenues and other receipts must be deposited and disbursed in accordance with provisions of this statute. The CIB is authorized to finance, construct, equip, operate and maintain any capital facilities or improvements of general public benefit or welfare which would tend to promote cultural, recreational, public or civic well-being of the community. Facilities used in sports, recreation and convention activities are leased and/or operated by the CIB in downtown Indianapolis.

***Reporting Entity***

The CIB is considered to be a component unit of the Consolidated City of Indianapolis-Marion County. The CIB has based this determination upon the fact that Unigov is financially accountable for the CIB and its operations. Financial accountability is evidenced by the following:

- a. The Mayor of Indianapolis, acting in his capacity as the executive of both the City and the County, appoints a voting majority of the CIB's governing body;
- b. Unigov, through its elected City-County Council, is able to impose its will upon the CIB since it approves the CIB's budget and may, at its discretion, choose to modify it;
- c. The CIB is fiscally dependent upon Unigov in that it may not issue revenue bond or general obligation bond debt without approval by the Mayor of Indianapolis or the Marion County Board of Commissioners, respectively.

***Measurement Focus and Basis of Accounting and Financial Reporting***

The CIB is a business-type activity that prepares its financial statements on the accrual basis and economic resources measurement focus in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The CIB applies all applicable GASB pronouncements. In addition, the CIB follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**December 31, 2008 and 2007**

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the CIB considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

***Inventories***

Inventories consist of maintenance and operating supplies and are valued at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method.

***Receivable From State of Indiana***

The receivable from the State of Indiana represents certain derived tax revenues and fees accrued in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This balance is comprised of the following at December 31:

	<b>2008</b>	<b>2007</b>
State and local taxes	\$ 23,059,631	\$ 18,646,593
Speciality license plate fees	411,860	353,390
	<u>\$ 23,471,491</u>	<u>\$ 18,999,983</u>

**Capital Improvement Board of Managers**  
**(of Marion County, Indiana)**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**December 31, 2008 and 2007**

***Capital Assets***

Capitalization thresholds used by the CIB are an initial individual cost of more than \$500 for computers and office equipment and \$1,000 for all other items. Purchased capital assets are stated at cost. Donated capital assets are stated at estimated fair value at the date of donation. Depreciation is charged as an expense of operations using the straight-line method. The cost of minor repairs and replacements is expensed as incurred. Major repairs and replacements are capitalized. Estimated useful lives used to compute depreciation are as follows:

	<b><u>Years</u></b>
Buildings and improvements	10-50
Parking garage	30
Equipment, furniture and fixtures and other	3-25

The CIB capitalized interest as a component of construction in progress, based on interest costs of borrowings specifically for the project. Total interest capitalized for 2008 and 2007 was \$16,497,193 and \$15,280,990.

***Deferred Debt Issuance Costs***

Deferred debt issuance costs are being amortized over the life of the lease or debt using the bonds-outstanding method.

***Compensated Absences***

Employees earn vacation time based on the calendar year. Certain salaried employees are allowed to carry over from the previous year any accrued unused vacation days. No employee may have more than thirty unused vacation days on December 31 of any year. In compliance with GASB Statement No. 16, *Accounting for Compensated Absences*, the CIB has recorded a current liability of \$258,845 and \$226,862 for accrued vacation and related benefits at December 31, 2008 and 2007, respectively. No accrual for employees' sick pay is recorded since employees are not paid for unused sick leave upon termination of employment.

***Original Issue Discounts and Premiums***

Original issue discounts and premiums on bonds are amortized using the interest method over the life of the bonds to which they relate.

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***Revenue and Expense and Net Assets Recognition***

Operating revenues and expenses of the CIB are derived primarily from convention, trade show, sporting and other special events held at the Indiana Convention Center & Lucas Oil Stadium. Operating revenues consist mainly of rental income, food service and concession commissions and labor reimbursements. All expenses that relate to operating the Indiana Convention Center & Lucas Oil Stadium facilities are considered to be operating expenses of the CIB. However, certain expenses incurred by the CIB on behalf of the Indianapolis Colts (Colts) are excluded from operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

When both restricted and unrestricted net assets are available for use, it is the CIB's policy to use restricted net assets first, then unrestricted net assets as they are needed.

***Restricted Assets***

Pursuant to Indiana statutes and the provisions of the CIB's Amended and Restated Capital Improvement Bond Fund Revenue Deposit Agreement and Amended and Restated Stadium and Convention Special Fund Revenue Deposit Agreement, certain tax revenues (state and local) and fees are allocated to the CIB and are pledged to secure and pay installments of rent under certain lease and sublease agreements and other obligations of the CIB discussed later in the notes.

***Annual Budget***

The CIB may not make operating expenditures except as provided in the approved annual budget. The CIB is required by law to adopt an operating expense budget, which cannot be increased by the CIB without the approval of the City-County Council. While the CIB also budgets for certain capital improvement costs and debt service costs, such expenditures do not require City-County Council approval and may be amended by CIB Board approval. The CIB prepares its annual budget on the modified accrual basis, while the accompanying financial statements are on the accrual basis.

***Reclassifications***

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

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**Note 2: Cash, Cash Equivalents and Investments**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the CIB's deposits may not be returned to it. The CIB's deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

The financial institutions holding the CIB's cash accounts is participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000 for all interest-bearing accounts. The increase in federally insured limits is currently set to expire December 31, 2009.

Any cash deposits in excess of the \$250,000 FDIC limits are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12.1.

***Investments***

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

At December 31, 2008 and 2007, the CIB had the following investment securities, all of which mature within one year:

	<b>2008</b>	<b>2007</b>
Repurchase agreements	\$ 5,922,982	\$ 7,278,000
Money market mutual funds	<u>31,807,021</u>	<u>28,366,116</u>
	<u><u>\$ 37,730,003</u></u>	<u><u>\$ 35,644,116</u></u>

***Interest Rate Risk*** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the CIB 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. The CIB's investment policy for interest rate risk requires compliance with the provisions of 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.

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**Credit Risk** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The CIB's investment policy for credit risk requires compliance with the provisions of Indiana statutes, which stipulate that the CIB only invest in securities that are rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service. At December 31, 2008 and 2007, the CIB'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 CIB will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2008 and 2007, all of the CIB's investments in overnight repurchase agreements (which are secured by U.S. Government and U.S. Government agency obligations) were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent in the CIB's name. The CIB's investment in money market mutual funds was not subject to custodial credit risk at December 31, 2008 and 2007, as their existence is not evidenced by securities that exist in physical or book entry form. The CIB's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

**Concentration of Credit Risk** - The CIB places no limit on the amount that may be invested in any one issuer. At December 31, 2008 and 2007, the CIB's investments in overnight repurchase agreements of PNC Bank constituted 16% and 20%, respectively, of the total investments held at PNC Bank.

**Foreign Currency Risk** - This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The CIB's investment policy prohibits foreign investments.

**Summary of Carrying Values**

Deposits and investment securities included in the balance sheets are classified as follows:

	<b>2008</b>	<b>2007</b>
Carrying value		
Deposits	\$ 42,634,382	\$ 54,753,920
Investments	<u>37,730,003</u>	<u>35,644,116</u>
	<u>\$ 80,364,385</u>	<u>\$ 90,398,036</u>
Cash and cash equivalents		
Current - unrestricted	\$ 45,169,263	\$ 56,054,355
Current - restricted	<u>35,195,122</u>	<u>34,343,681</u>
	<u>\$ 80,364,385</u>	<u>\$ 90,398,036</u>

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***Investment Income***

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

	<b>2008</b>	<b>2007</b>
Interest and dividend income	\$ 2,106,780	\$ 4,270,088

Cash, cash equivalents and investment securities are restricted as follows:

	<b>2008</b>	<b>2007</b>
Operating reserve - rental deposits	\$ 847,949	\$ 717,410
Bond fund	6,908,570	10,078,596
Renewal and replacement	5,000,000	5,000,000
Stadium sublease account	20,190,879	15,000,000
Cultural development fund	823,324	2,532,363
Box office	1,097,711	624,314
Baseball capital improvement fund	326,689	390,998
	<u>\$ 35,195,122</u>	<u>\$ 34,343,681</u>

**Note 3: Stadium and Convention Center Expansion Projects**

In May 2004, the CIB set as priorities, expanding the Indiana Convention Center, expanding the regular hosting of National Collegiate Athletic Association (NCAA) events in Indianapolis and keeping the Colts in Indianapolis. Ultimately, the CIB determined that its best opportunity for achieving these three priorities was through expanding the Indiana Convention Center at the current site for the RCA Dome and replacing the RCA Dome with a new state-of-the-art, multi-purpose venue, which will be used for various sporting events, conventions and trade shows and other uses and events.

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During 2005, the CIB moved forward with its plans to expand the Indiana Convention Center and to construct a new stadium (the Stadium and Convention Center Expansion Projects). In connection therewith, new legislation was passed by the State of Indiana which generally increased the percentages and, in some cases, expanded the areas of application for certain existing excise taxes, increased the amount of revenues to be captured within the existing Professional Sports Development Area (PSDA) and established certain new fees. This new legislation is further explained later in these notes. Additionally, a new State entity, the Indiana Stadium and Convention Building Authority (Building Authority), was created. The purposes of the Building Authority as set forth in its enabling statute are to acquire, construct, equip, own, lease and finance facilities for lease to or for the benefit of a capital improvement board.

***Governmental Agreements***

Pursuant to the passage of this 2005 legislation, the CIB was required to relinquish its control over, and responsibility for financing, designing and constructing the Stadium and Convention Center Expansion Projects to the Building Authority. Effective September 1, 2005 and December 1, 2005, the CIB and the Building Authority entered into two separate Governmental Agreements, which provide the framework for financing, designing and constructing each Project and which outline certain commitments of the two parties. These agreements also govern the reimbursement to the CIB of certain costs and advances made to the Building Authority in conjunction with the Projects, the ownership and transfer of all Project-related design and construction documents, and the conveyance of land upon which the Projects are to be built from the CIB to the Building Authority.

***Development Agreements***

Concurrent with the execution of the September 1, 2005 Governmental Agreement, the CIB entered into a Development Agreement with the Building Authority and the Colts in relation to the Stadium Project. A separate Development Agreement between the CIB and the Building Authority was executed in January 2007, for the Convention Center Expansion Project. Generally, the Development Agreements outline the commitments and responsibilities of the respective parties pertaining to the design, development and construction of the Projects. More specifically, the Development Agreements define and establish the respective responsibilities and obligations of the CIB, the Colts and/or the Building Authority, as applicable, to resolve defects, deficiencies, damages and changes in costs associated with the Projects during and after construction.



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Included within the Stadium Development Agreement is a commitment from the Colts to contribute \$100 million (the Club Contribution) towards the hard construction costs of the Stadium. The Club Contribution was to be held in a separate escrow account and used on a 50/50 basis with funds provided by the Building Authority. Upon the opening of Lucas Oil Stadium in August 2008, the CIB recognized as contribution revenue approximately \$101.8 million in Club Contributions towards the Stadium Project.

The Convention Center Expansion Development Agreement includes certain provisions, as does the related Convention Center Sublease Agreement described later in these notes, which provide for the conveyance of certain land from the CIB to the Building Authority so that the Convention Center Expansion Project can be completed. Accordingly, during 2008, certain land was conveyed by the CIB to the Building Authority. All such land returns to the CIB upon expiration or termination of the Sublease Agreement.

**Note 4: Capital Assets**

A summary of changes to capital assets for the years ended December 31, 2008 and 2007 follows:

	2008			
	Beginning Balance, January 1, 2008	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2008
Capital assets, not being depreciated:				
Land and land improvements	\$ 28,216,473	\$ 85,549,101	\$ -	\$ 113,765,574
Construction in progress	594,990,602	288,445,971	(811,990,170)	71,446,403
Total capital assets, not being depreciated	623,207,075	373,995,072	(811,990,170)	185,211,977
Capital assets, being depreciated:				
Buildings and improvements	480,072,830	652,325,553	(115,295,652)	1,017,102,731
Equipment, furniture and fixtures and other	65,141,731	76,922,733	(10,397,957)	131,666,507
Total capital assets, being depreciated	545,214,561	729,248,286	(125,693,609)	1,148,769,238
Less accumulated depreciation for:				
Buildings and improvements	(195,625,873)	(30,590,820)	115,304,764	(110,911,929)
Equipment, furniture and fixtures and other	(50,262,971)	(7,433,033)	10,342,376	(47,353,628)
Total accumulated depreciation	(245,888,844)	(38,023,853)	125,647,140	(158,265,557)
Total capital assets, being depreciated, net	299,325,717	691,224,433	(46,469)	990,503,681
Capital assets, net	\$ 922,532,792	\$ 1,065,219,505	\$ (812,036,639)	\$ 1,175,715,658

In August 2008, Lucas Oil Stadium was placed in service and, accordingly, asset balances were transferred from construction in progress to their appropriate capital asset categories and depreciation of the facilities commenced.

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	2007			
	Beginning Balance, January 1, 2007	Additions	Transfers and Disposals	Ending Balance, December 31, 2007
Capital assets, not being depreciated:				
Land and land improvements	\$ 28,176,108	\$ 40,365	\$ -	\$ 28,216,473
Construction in progress	294,073,155	300,917,447	-	594,990,602
Total capital assets, not being depreciated	<u>322,249,263</u>	<u>300,957,812</u>	<u>-</u>	<u>623,207,075</u>
Capital assets, being depreciated:				
Buildings and improvements	479,292,569	780,261	-	480,072,830
Equipment, furniture and fixtures and other	<u>60,848,915</u>	<u>4,621,557</u>	<u>(328,741)</u>	<u>65,141,731</u>
Total capital assets, being depreciated	<u>540,141,484</u>	<u>5,401,818</u>	<u>(328,741)</u>	<u>545,214,561</u>
Less accumulated depreciation for:				
Buildings and improvements	(170,311,300)	(25,314,573)	-	(195,625,873)
Equipment, furniture and fixtures and other	<u>(46,020,161)</u>	<u>(4,516,479)</u>	<u>273,669</u>	<u>(50,262,971)</u>
Total accumulated depreciation	<u>(216,331,461)</u>	<u>(29,831,052)</u>	<u>273,669</u>	<u>(245,888,844)</u>
Total capital assets, being depreciated, net	<u>323,810,023</u>	<u>(24,429,234)</u>	<u>(55,072)</u>	<u>299,325,717</u>
Capital assets, net	<u>\$ 646,059,286</u>	<u>\$ 276,528,578</u>	<u>\$ (55,072)</u>	<u>\$ 922,532,792</u>

Accumulated depreciation includes amortization of property and equipment acquired under capital lease obligations.

**Note 5: Due to State of Indiana**

Pursuant to a Loan Agreement, originally dated October 1, 2005 and later amended, the Building Authority has received loans of proceeds from the Indiana Finance Authority (Finance Authority), in connection with the issuance by the Finance Authority of approximately \$666.5 million in Lease Appropriation Bonds (Series 2005A, 2007A and 2008A) for purposes of financing the costs of the Stadium Project. Additionally, during 2008, there has been a loan of proceeds of approximately \$120 million in relation to the Convention Center Expansion Project. The Finance Authority has adopted a financing program for the Stadium and Convention Center Expansion Projects whereby it will issue multiple separate series of bonds. During 2008, the Indiana Finance Authority also refinanced certain of its existing bond indebtedness relating to the Stadium Project, which had previously been comprised entirely of auction rate securities. Additional contributions toward the Stadium Project costs have come from the Colts, as noted previously, and from the CIB, as hereafter noted.

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In accordance with the plan of finance, the Building Authority will lease the Stadium and Convention Center Expansion Projects through December 31, 2041 under separate Lease Agreements (Stadium Lease and Convention Center Lease Agreements) to the Indiana Office of Management and Budget (IOMB). The IOMB will, in turn, sublease the Projects under separate Sublease Agreements (Stadium Sublease and Convention Center Sublease Agreements) to the CIB. Sublease rentals are payable solely from, and are secured exclusively by a pledge of, the 2005 New Excise Tax Revenues, the 2005 PSDA Revenues and certain fees as later described in these notes, and starting in 2028 (following retirement of the previously outstanding lease and bond obligations of the CIB), certain of the CIB's existing state and local tax assistance revenues. Such amounts are pledged in accordance with an Amended and Restated Stadium and Convention Special Fund Revenue Deposit Agreement between the CIB, IOMB, the Building Authority, the Finance Authority, the Indiana State Budget Director and the Deposit Trustee. Payment by the Deposit Trustee to the Stadium Bond or Convention Center Bond Trustee for the purpose of paying sublease rental payments under the Subleases will constitute lease rentals under the Leases and payment of amounts due under the Loan Agreements. Under both Sublease Agreements, the CIB has the option to purchase the leased facilities at a price equal to the amount required to enable the IOMB to exercise its right to purchase the same facilities from the Building Authority and thereby provide for payment or redemption of all related outstanding obligations of the Finance Authority. Also, the CIB is obligated to pay the expenses of the IOMB, as well as the costs to operate, insure and maintain the leased facilities.

As financing proceeds are spent on costs of the Projects, the CIB is recording such activity as capital assets (primarily, construction in progress) with an offsetting entry to the Due to State of Indiana balance reflected in the Balance Sheets. Such amounts will accumulate, along with capitalized interest on the Projects, until such time as the New Stadium Rentals and the Convention Center Expansion Rentals begin, at which time the respective portions of the Due to State of Indiana balance will be reclassified as capital lease obligations. During 2008, the portion of the Due to State of Indiana balance relating to the Stadium Project was appropriately reclassified to Capital Leases Payable in the Balance Sheet.

During construction of the Projects, the CIB is obligated under each respective Sublease to make certain initial real estate rental payments. At December 31, 2008 and 2007, the CIB owed \$4,500,000 and \$15,000,000, respectively, in real estate rental payments under the Sublease Agreements. Additionally, any excess pledged revenue not used to fund such rentals under the Stadium Sublease must be contributed by the CIB to the Building Authority to fund the Stadium Project costs. As of December 31, 2008, the approximate amount of such restricted revenue that has been contributed directly to the Stadium Project is \$62.8 million.

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**Note 6: Capital Leases Payable**

Financing for a substantial portion of the CIB's capital projects has been obtained from the Finance Authority and the Marion County Convention and Recreational Facilities Authority (MCCRFA). MCCRFA was created pursuant to Indiana Code 36-10-9.1 and is authorized thereunder to acquire one or more capital improvements from the CIB or other local governments, by purchase or lease and to fund or refund indebtedness incurred on account of such capital improvements to enable the respective government to make a savings on its debt service obligations.

Pursuant to its Master Lease Agreement with MCCRFA, the CIB is leasing the Indiana Convention Center and a baseball facility (Victory Field) located adjacent thereto. Under a separate Master Lease Agreement II, the CIB is leasing Conseco Fieldhouse (a multi-purpose arena) and an adjacent parking garage. As described previously in these notes, the CIB also is a party to two Sublease Agreements (Stadium Sublease and Convention Center Sublease) relating to the Lucas Oil Stadium and Convention Center Expansion Projects.

Under each of the Master Lease and Sublease 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 debt obligations. Also, the CIB is obligated to pay certain expenses and all costs to operate, insure and maintain the leased facilities. The CIB's lease and sublease payment obligations are payable from and secured by a pledge of certain state and local taxes to be received by the CIB, which are described later in these notes. Certain lease obligations have specific or senior liens on some of the state and local taxes.

Assets held under these capital leases include land and substantially all of the CIB's depreciable capital assets.

Future minimum lease payments at December 31, 2008, together with the present value of the net minimum lease payments, are as follows:

2009	\$ 47,672,240
2010	68,945,240
2011	69,049,463
2012	68,023,446
2013	68,021,395
2014 - 2018	340,065,425
2019 - 2023	339,964,078
2024 - 2027	297,839,328
2028 - 2033	199,737,828
2034 - 2037	139,816,478
	<hr/> 1,639,134,921
Amount representing interest	(707,679,653)
Present value of net minimum lease payments	<hr/> 931,455,268
Deferred gain on refunding	1,343,462
Current portion of capital lease obligations	<hr/> (15,775,798)
	<hr/> <hr/>
Total long-term portion of capital lease obligations	\$ 917,022,932

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During 2003, the CIB recorded a deferred accounting gain of \$2,445,312 on the restructuring of its Master Lease Agreement with MCCRFA, which is being amortized into income over the period ending in 2021.

In April 2005, MCCRFA entered into a swap option ("swaption"), which provided a synthetic refunding of certain of its outstanding bonds. In connection with entering into the swaption, MCCRFA amended its Master Lease Agreement Number II, to provide for, among other things, the payment of additional rentals from the CIB to MCCRFA in the event a termination payment became due under the swaption. During 2007, the swaption was exercised. However, because of market disruption and related issues in 2008, MCCRFA abandoned its planned refunding of certain associated revenue bond debt and terminated the swap in 2008. In connection therewith, the CIB made an additional rental payment to MCCRFA of \$16,371,000 during 2008 to fund a portion of the approximately \$21 million termination payment.

**Note 7: Short-Term Debt**

Short-term debt of the CIB consists of a one-year note issued to evidence amounts loaned by the Indiana Board for Depositories. This note, in the amount of \$16,371,000, provides financing to cover the additional rentals paid to MCCRFA to satisfy a portion of the termination payment under the swap agreement. The note was issued in August 2008 and is due on June 30, 2009. No principal or interest payments were made as of December 31, 2008. Interest was payable at 3.92%. The note was paid in full in April 2009.

**Note 8: Long-Term Debt**

Long-term debt of the CIB (excluding capital lease obligations) consists of the following:

***Junior Subordinate Notes***

Under a borrowing arrangement executed in 1998, certain civic-minded local businesses (Junior Lenders) began lending to the CIB pursuant to junior notes certain funds paid to them from Circle Center Limited Partnership (an activity and investment that had civic origins and was unrelated to the CIB) for the purpose of assisting with the financing of Conseco Fieldhouse and other CIB activities. The Junior Lenders lent certain income and other proceeds that they received from their respective interests in Circle Centre Partners Limited Partnership. These notes were issued as junior obligations with a payment right similar to MCCRFA's bondholders except they are, in all respects, subordinate.

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The original borrowing agreement provided that the initial notes would mature on December 31, 2007, with interest at a per annum rate equal to 3%. On December 31, 2007, the Board entered into an arrangement to refinance the original notes, including accrued and unpaid interest, with replacement notes that will mature on December 31, 2017, with interest at a per annum rate equal to rolling monthly average of the yield on 13-week United States Treasury Bills. Interest is payable annually beginning January 15, 2009. The notes can be prepaid at the CIB's option at any time without penalty.

During 2007, the Junior Lenders loaned an additional \$6,614,508 to the CIB. During 2008 and later, no additional borrowing is structured to occur under such loans. The aggregate balance of these loans at December 31, 2008 and 2007 is \$33,759,000. Accrued and unpaid interest on these notes at December 31, 2008 and 2007 amounted to \$562,425 and \$0, respectively.

***Series 1999A Bonds and Refunding Notes***

Under its original lease agreement (as amended) with the Colts, the CIB agreed to assist the Colts in securing \$22 million in financing from various local banks. The lease agreement required the CIB to make semi-annual Amortization Payments of \$1,231,250 related to this loan. The Colts organization assigned its right to receive these Amortization Payments to the lender banks. Accordingly, the CIB recorded a loan payable and an offsetting deferred asset in the balance sheets. The deferred asset has been amortized to expense on a straight-line basis over the remaining adjusted term of the original Colts lease (through 2008). The balance of the deferred amortization payments is \$0 and \$3,773,015 at December 31, 2008, and 2007, respectively.

During 1999, the CIB issued \$25,805,000 of Excise Taxes Revenue Subordinate Bonds, Series 1999A, and \$23,800,000 of Excise Taxes Revenue Subordinate Refunding Notes, Series 1999A (collectively, the 1999 Subordinate Bonds). A portion of the proceeds from these debt issues was used to finance certain renovations and improvements to the Indiana Convention Center & RCA Dome, while the remaining proceeds were used to prepay the above mentioned loan to the Colts, effectively refinancing the CIB's semi-annual amortization payments.

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Information regarding the Series 1999 Subordinate Bonds at December 31, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Excise Taxes Revenue Subordinate Bonds, Series 1999A		
Serial bonds, maturing June 1, 2004 to December 1, 2013. Interest at 3.35% to 5.00%, due semiannually on June 1 and December 1	\$ 7,570,000	\$ 7,960,000
Term bonds, maturing June 1, 2015 to June 1, 2021. Interest at 5.00%, due semiannually on June 1 and December 1	<u>17,000,000</u>	<u>17,000,000</u>
	24,570,000	24,960,000
Unamortized discount	<u>(119,056)</u>	<u>(136,681)</u>
	<u>24,450,944</u>	<u>24,823,319</u>
Excise Taxes Revenue Subordinate Refunding Notes, Series 1999A		
Serial notes, maturing June 1, 2004 to June 1, 2008. Interest at 5.00%, due semiannually on June 1 and December 1	-	3,235,000
Deferred loss on refunding	<u>-</u>	<u>(56,333)</u>
	<u>-</u>	<u>3,178,667</u>
Total Series 1999A	<u>\$ 24,450,944</u>	<u>\$ 28,001,986</u>

The debt service requirements to maturity for long-term debt of the CIB (excluding capital lease obligations) are as follows at December 31, 2008:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,380,000	\$ 1,737,763	\$ 3,117,763
2010	1,445,000	1,647,640	3,092,640
2011	1,510,000	1,578,362	3,088,362
2012	1,580,000	1,504,975	3,084,975
2013	1,655,000	1,427,109	3,082,109
2014 - 2018	43,364,000	5,779,966	49,143,966
2019 - 2021	<u>7,395,000</u>	<u>585,875</u>	<u>7,980,875</u>
	<u>\$ 58,329,000</u>	<u>\$ 14,261,690</u>	<u>\$ 72,590,690</u>

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**Note 9: Changes in Long-Term Obligations**

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

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Current Portion
Long-term obligations					
Junior Subordinate Notes	\$ 33,759,000	\$ -	\$ -	\$ 33,759,000	\$ -
Excise Taxes Revenue Subordinate Bonds, Series 1999A	24,960,000	-	(390,000)	24,570,000	1,380,000
Excise Taxes Revenue Subordinate Notes, Series 1999A	3,235,000	-	(3,235,000)	-	-
Due to State	474,121,857	187,381,430	(594,556,884)	66,946,403	-
Capital leases	347,064,809	594,556,884	(10,166,425)	931,455,268	15,775,798
(Discount)/premium	(136,681)	-	17,625	(119,056)	-
Gain (loss) on refunding	1,489,283	-	(145,821)	1,343,462	-
	<u>\$ 884,493,268</u>	<u>\$ 781,938,314</u>	<u>\$ (608,476,505)</u>	<u>\$ 1,057,955,077</u>	<u>\$ 17,155,798</u>

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Current Portion
Long-term obligations					
Junior Subordinate Notes	\$ 27,144,492	\$ 6,614,508	\$ -	\$ 33,759,000	\$ -
Excise Taxes Revenue Subordinate Bonds, Series 1999A	25,285,000	-	(325,000)	24,960,000	390,000
Excise Taxes Revenue Subordinate Notes, Series 1999A	6,315,000	-	(3,080,000)	3,235,000	3,235,000
Due to State	248,557,010	225,564,847	-	474,121,857	-
Capital leases	356,456,643	-	(9,391,834)	347,064,809	10,166,477
(Discount)/premium	(136,534)	-	(147)	(136,681)	-
Gain (loss) on refunding	1,590,052	-	(100,769)	1,489,283	-
	<u>\$ 665,211,663</u>	<u>\$ 232,179,355</u>	<u>\$ (12,897,750)</u>	<u>\$ 884,493,268</u>	<u>\$ 13,791,477</u>



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**Note 10: State and Local Tax and Fees**

A summary of the various sources of state and local tax assistance and fees received by the CIB follows. These include certain Excise Taxes, PSDA Revenues, Ticket Fees and Specialty License Plate Fees.

Excise Taxes consist of the Marion County Innkeeper's Tax, the Marion County Food and Beverage Tax, the Marion County Admissions Tax, the Marion County Supplemental Auto Rental Excise Tax, the Regional County Food and Beverage Tax and the Indiana Cigarette Tax, all of which are described in greater detail below.

***Marion County Innkeeper's Tax***

Since 1997, a 6% Marion County Innkeeper's Tax (the Original Marion County Innkeeper's Tax) has been levied on every person engaged in the business of renting or furnishing, for periods of less than 30 days, any lodgings in any hotel, motel, inn, tourist camp, tourist cabin, or any other place in which lodgings are regularly furnished for a consideration. This tax is applied in addition to the Indiana Gross Retail and Use Taxes imposed under these circumstances. In accordance with IC 6-9-8 (as amended), one-sixth of the Innkeeper's Tax of 6% is to be used solely to fund lease rental payments (Senior or Subordinate) or other obligations related to convention center expansion projects.

The Marion County Innkeeper's Tax was increased in 2005 by an additional 3% (the 2005 Marion County Innkeeper's Tax).

***Marion County Food and Beverage Tax***

Since 1981, a 1% Marion County Food and Beverage Tax (the Original Marion County Food and Beverage Tax) has been imposed on the gross retail income received by a retail merchant from any transaction within Marion County in which food or beverage is furnished, prepared or served. However, it does not apply to transactions exempt from Indiana Gross Retail Tax, as defined under Indiana statutes.

The Marion County Food and Beverage Tax was increased in 2005 by an additional 1% (the 2005 Marion County Food and Beverage Tax).

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***Marion County Admissions Tax***

Since 1997, a 5% Marion County Admissions Tax (the Original Marion County Admission Tax) has been imposed on each person who pays a price of admission to certain events held in a facility financed in whole or in part by bonds or notes issued under IC 18-4-17 (before its repeal), IC 36-10-9 or IC 36-10-9.1. As stated in IC 6-9-13, the tax equals 5% of the price of admissions to such an event and is paid with the price of admission. Generally, events sponsored by educational, religious, political and charitable organizations are exempt.

The Marion County Admissions Tax was increased in 2005 by an additional 1% (the 2005 Marion County Admissions Tax).

***Marion County Supplemental Auto Rental Excise Tax***

Since 1997, a 2% Marion County Supplemental Auto Rental Excise Tax (the Original Marion County Supplemental Auto Rental Excise Tax) has been imposed under IC 6-6-9.7 on the rental of certain passenger motor vehicles and trucks at a rate equal to 2% of the gross retail income received by a retail merchant for the rental. Certain exclusions apply.

The Marion County Supplemental Auto Rental Excise Tax was increased in 2005 by an additional 2% (the 2005 Marion County Supplemental Auto Rental Excise Tax).

***Regional County Food and Beverage Tax***

In 2005, a 1% Regional County Food and Beverage Tax was established (the 2005 Regional County Food and Beverage Tax) by six of the counties surrounding Marion County, those being Boone, Johnson, Hamilton, Hancock, Hendricks and Shelby. The food and beverage tax, equal to 1%, is imposed on the gross retail income resulting from any transaction in which food or beverage is furnished, prepared or served by a retail merchant for consideration and for consumption at a location, or on equipment, provided by the retail merchant, including transactions in which food or beverage is served by a retail merchant off its premises. This tax is in addition to the Indiana Gross Retail Tax.

As long as there are any obligations owed by the CIB to the Building Authority or any state agency under a lease or other agreement entered into between the CIB and the Building Authority or any state agency, the CIB receives one-half of the amounts received from the 1% Regional County Food and Beverage Tax up to annual maximum of \$5 million.

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***Indiana Cigarette Tax***

IC 6-7 provides that the CIB shall receive \$350,000 annually from receipts of the Indiana Cigarette Tax. This tax is levied on each person who first sells, uses, consumes, handles or distributes cigarettes. The rate of tax depends upon the weight of the cigarettes and also applies to all cigarette papers, wrappers or tubes made or prepared for the purpose of making cigarettes to be sold, exchanged, bartered, given away or otherwise disposed of within Indiana.

***Original Excise Tax Revenues***

The Original Marion County Innkeeper's Tax, Original Marion County Food and Beverage Tax, Original Marion County Admissions Tax, Original Marion County Supplemental Auto Rental Excise Tax and the CIB's Indiana Cigarette Tax receipts (collectively, the Original Excise Tax Revenues) are distributed to the CIB and are used to pay its outstanding obligations (other than those relating to the Stadium and Convention Center Expansion Projects) and otherwise further its operating purposes.

***2005 New Tax Revenues***

The 2005 Marion County Innkeeper's Tax, 2005 Marion County Food and Beverage Tax, 2005 Marion County Admissions Tax, 2005 Marion County Supplemental Auto Rental Excise Tax and 2005 Regional County Food and Beverage Tax, and starting in 2028 following retirement of the previously outstanding lease and bond obligations of the CIB, certain of the CIB's original state and local assistance tax revenues (collectively the 2005 New Tax Revenues), are to be distributed to the CIB and used to pay obligations relating to the Stadium and Convention Center Expansion Projects.

***Professional Sports Development Area Revenues***

Pursuant to Indiana Code 36-7-31, the Metropolitan Development Commission of the City of Indianapolis, Indiana, and of Marion County, Indiana (the Commission), may establish a professional sports development area which area may include any facility (a) used in the training of a team engaged in professional sports events, or (b) financed in whole or in part by notes or bonds issued by a political subdivision or issued under the CIB's or the Finance Authority's enabling act and used to hold a professional sporting event. Certain state and local taxes generated in the area are allocated to a professional sports development area fund and can be used to finance the construction and equipping of a designated capital improvement used for a professional sporting event. The taxes which may be allocated to the PSDA Fund include the Indiana Gross Retail Tax, the Indiana Use Tax, the Indiana Adjusted Gross Income Tax imposed on an individual, the County Option Income Tax and the 2% Marion County Food and Beverage Tax as previously described (the Covered Taxes).

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In 1997, the Commission adopted a resolution establishing the Marion County PSDA and the State Budget Agency approved such resolution. The PSDA includes four facilities: (1) Conseco Fieldhouse, (2) the Indiana Convention Center & Lucas Oil Stadium, (3) Victory Field and (4) the Indianapolis Colts Practice Facility. All Covered Taxes generated at each of the four facilities are to be deposited into the PSDA Fund (the Original PSDA Revenues); provided, however, that the total amount of state revenue (i.e., Indiana Gross Retail Tax, Indiana Use Tax and Indiana Adjusted Gross Income Tax) captured by the PSDA may not exceed \$5,000,000 per year for 20 consecutive years (the State PSDA Cap). The Original PSDA Revenues are distributed to the CIB to be used to pay obligations relating to Conseco Fieldhouse.

In 2005, the PSDA was changed to include the Stadium site such that commencing July 1, 2007, there may be captured in the PSDA up to \$11,000,000 per year in Covered Taxes comprising state revenues for up to 34 consecutive years (the PSDA Revenues Increase) in addition to the up to \$5,000,000 in Covered Taxes comprising state revenues originally to be captured in the PSDA. Such action also permitted the original \$5,000,000 per year State PSDA Cap to be extended beyond the original 20 years (which would have expired in 2017) to January 1, 2041 (the Post-2017 Original PSDA Revenues), so that the maximum amount of state revenue that may be captured by the PSDA is \$16,000,000 per year. The Post-2017 Original PSDA Revenues and the PSDA Revenues Increase are collectively referred to as the 2005 PSDA Revenues. The 2005 PSDA Revenues are distributed to the CIB to be used to pay obligations relating to the Stadium and Convention Center Expansion Projects.

The Covered Taxes to be collected within the tax area include the following:

<b>Descriptions of Tax</b>	<b>IC Section</b>	<b>Current Rate</b>
Indiana Gross Retail Tax	6-2.5-2-2	7.00%
Indiana Use Tax	6-2.5-3-3	(generally) 7.00%
Indiana Adjusted Gross Income Tax for Individuals	6-3-2-1	(generally) 3.40%
Marion County Option Income Tax for Individuals	6-3.5-6-8	1.65% (resident rate) 0.4125% (nonresident rate)
Marion County Food and Beverage Tax	6-9-12-5	2%

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The Indiana Gross Retail Tax is imposed on all retail transactions made in Indiana. The person acquiring property in Indiana is liable for the tax, but retail merchants are responsible for collecting the tax. The Indiana Gross Retail Tax is imposed, at the time of sale, on the amount of gross retail income received by the retail merchant.

The Indiana Use Tax is imposed on the storage, use, or consumption of tangible personal property in Indiana. The Indiana Use Tax is similar to the Indiana Gross Retail Tax in that it is measured by the gross retail income received from a retail transaction and is computed using the same rates.

The Indiana Adjusted Gross Income Tax is imposed on both individuals (resident and nonresident) and corporations. The tax is applied to the adjusted gross income, as defined under Indiana statutes, of all resident individuals and to the part of the adjusted gross income derived from sources within Indiana of all nonresident individuals.

The Marion County Option Income Tax is imposed on the Indiana adjusted gross income of individual resident and nonresident county taxpayers of Marion County.

As noted previously, the Marion County Food and Beverage Tax is generally imposed on the gross retail income received by a retail merchant from any transaction within Marion County in which food or beverage is furnished, prepared or served.

The total amount of Indiana Gross Retail Tax, Indiana Use Tax and Indiana Adjusted Gross Income Tax for Individuals to be captured and deposited into the PSDA fund is limited. However, Marion County taxes are not limited.

***Specialty License Plate Fees***

Indiana Code 9-18-49 permits the Indiana Bureau of Motor Vehicles to design and issue a National Football League franchised football team license plate as a specialty group recognition license plate (under Indiana Code 9-18-25), featuring the name and logo of the Indianapolis Colts. An annual fee of twenty dollars (\$20) is charged for the license plate in addition to standard license plate fees and is collected by the Indiana Bureau of Motor Vehicles at the time the plate is sold.

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***Summary of State and Local Tax Assistance***

State and local tax assistance received or accrued by the CIB in 2008 and 2007 include the following components:

	<b>2008</b>	<b>2007</b>
Marion County food and beverage (1%)	\$ 18,302,507	\$ 18,499,125
Innkeeper's tax (5%)	19,345,115	19,716,399
Innkeeper's tax (1%)	3,869,023	3,943,280
Auto rental excise tax (2%)	2,137,402	2,163,710
Admissions tax (5%)	5,572,962	5,689,486
Cigarette tax	350,000	350,000
PSDA tax allocation	7,273,513	6,562,676
Total Original Excise Taxes and Original PSDA Revenues	<u>56,850,522</u>	<u>56,924,676</u>
Marion County food and beverage (1%)	18,302,508	18,499,124
Regional food and beverage (.5%)	5,108,824	5,024,380
Innkeeper's tax (3%)	11,607,069	11,829,839
Auto rental excise tax (2%)	2,137,402	2,163,710
Admissions tax (1%)	1,114,592	1,137,897
PSDA tax allocation (effective July 1, 2007)	10,839,606	2,413,605
Total 2005 New Tax Revenues and 2005 PSDA Revenues	<u>49,110,001</u>	<u>41,068,555</u>
Specialty License Plate Fees	<u>907,315</u>	<u>788,862</u>
Total state and local taxes and fees	<u><u>\$ 106,867,838</u></u>	<u><u>\$ 98,782,093</u></u>

Total lease rental and other debt obligations paid with state and local taxes and fees for the years ended December 31, 2008 and 2007 amounted to \$32,866,969 and \$32,067,281, respectively.

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**Note 11: Agreements With the Pacers Basketball, LLC**

During 1997, the CIB approved new Operating and Financial Agreements with the Pacers Basketball, LLC (Operator) that, among other things, govern the use of Conseco Fieldhouse. The agreements cover a twenty-year initial term, commencing in 1999, with ten five-year extension options. The Operator will receive revenues from Fieldhouse operations, naming rights, signage, advertising and broadcast revenues. The CIB is responsible for major repairs on the facility, while the Operator is responsible for making daily repairs to keep the facility operational. The sale of a controlling interest in the Indiana Pacers is subject to the CIB's first right of refusal.

The Financial Agreement provides for targeted profitability for the Operator. If this target is not reached, the CIB will reimburse certain operating expenses. In addition, the Operator remains obligated, upon early termination of the Financial Agreement, to repay the CIB for advances made through 1999 for utility and maintenance costs of the CIB's previous arena facility, Market Square Arena. At the conclusion of each NBA Season during the initial twenty-year term of the Financial Agreement, five percent of the cumulative advances are to be forgiven. At December 31, 2008, the outstanding balance of cumulative advances aggregates \$16,730,057. The Financial Agreement may be terminated after ten years (but only if the CIB does not exercise its right of first refusal and if the Operator has experienced a defined level of losses), and the Operator must pay a mutually agreed-upon termination fee.

**Note 12: Agreements With the Indianapolis Colts**

***Original Lease Agreement***

In 1984, the CIB entered into a long-term lease agreement with the Colts requiring its home NFL football games to be played in the RCA Dome. Since then, the agreement has been amended several times.

In connection with pre-2005 amendments, the CIB made certain payments to the Colts as negotiated inducements and also made certain renovations to the RCA Dome. For the remaining term of the agreement, the CIB agreed to reimburse the Colts for all ordinary and reasonable Day-of-Game Expenses, as defined in the agreement, up to a not-to-exceed cap that increased in subsequent seasons but was never to exceed \$1,600,000. The CIB also agreed to make semi-annual inducement payments to the Colts which were conditioned upon the Colts meeting certain responsibilities under the agreement (including playing their home football games in the RCA Dome until the end of the 2013 NFL football season). The semi-annual inducement payments approximated (but were not directly tied to) revenue producing activity related to the Colts and were subject to certain adjustments, which otherwise financially benefited the CIB. For December 31, 2008 and 2007, the CIB paid the Colts inducements of \$4,984,001 and \$4,851,353, respectively.

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Concurrently with the execution of the 1984 lease, the CIB constructed a training and office facility for use by the Colts. Additionally, as part of the settlement of litigation surrounding the relocation of the Colts from Baltimore to Indianapolis, the CIB agreed to convey ownership of this facility to the Colts. The cost of the facility is presented in the accompanying balance sheets as agreement acquisition costs of \$0 and \$176,258 as of December 31, 2008 and 2007, respectively. Such costs have been amortized on a straight-line basis over the remaining adjusted term of the original Colts lease (through 2008), as referenced in the following paragraph.

***New Lease Agreement and Original Lease Termination***

Effective September 1, 2005, the CIB entered into a Lease Termination Agreement with the Colts to terminate and replace the original lease agreement with a new lease agreement ( New Colts Lease Agreement) providing the Colts use of a new, state-of-the-art, multi-purpose venue, Lucas Oil Stadium. The Lease Termination Agreement specified that the original lease agreement shall terminate on the Operating Commencement Date (August 15, 2008) and in consideration for the Colt's agreement to terminate the original lease agreement and forego their rights under such agreement, the CIB paid the Colts \$48 million in 2005. Upon payment of the termination fee, the CIB recorded a prepaid asset which is reported in the balance sheets as deferred lease termination fee. The balance of the prepaid asset is \$0 and \$14,769,230 as of December 31, 2008 and 2007, respectively, and has been amortized over the remaining adjusted term of the old lease agreement (now 2008) using the straight-line method.

Under the New Colts Lease Agreement, the CIB is to receive \$250,000 annually from the Colts during the term of the agreement, provided that the Colts play at least ten pre-season, regular season or post-season games at the Stadium. If the Colts do not play at least ten games in the Stadium in any given NFL season, the annual rent will be reduced by \$25,000 for each game below the ten-game minimum that is not played in the Stadium. Also, the Colts must reimburse the CIB for any Day-of-Game Personnel Expenses, as defined in the New Colts Lease Agreement. The CIB, in turn, has agreed to reimburse the Colts for all ordinary and reasonable Day-of-Game Expenses, as defined in the New Colts Lease Agreement. The CIB has also agreed to pay the Colts \$3,500,000 of annual revenues from Non-Colts Events held at the Stadium. Finally, the CIB must reimburse the Colts up to a maximum aggregate amount of \$5,500,000 for any and all costs and expenses incurred by the Colts during the lease term in connection with the maintenance of, or improvements to, the Colts Training Facility. As of December 31, 2008, the CIB has reimbursed the Colts for costs aggregating \$5,500,000 in connection with the Training Facility.

The New Colts Lease Agreement expires on August 31, 2038. However, in the event the Colts are not among the top five NFL teams in total gross operating revenues for the 2030 fiscal year, the Colts have the right to terminate the lease without cause at their sole discretion effective as of August 31, 2035.



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***Contractual Undertaking***

In accordance with the Colts Development Agreement (described earlier in the notes), the Colts committed to contribute \$100 million to the Stadium Project. During 2007, the Colts undertook a \$34 million loan through the NFL's G-3 program and a \$66 million loan through a series of transactions involving fixed rate bonds issued by the City of Indianapolis (the City's Colts Loan) and The Indianapolis Local Public Improvement Bond Bank (Bond Bank) to finance its commitment. To secure the Bond Bank's bonds issued as part of the City's Colts Loan, the CIB entered into a contractual undertaking, secured by a subordinate pledge on certain Original Excise Tax Revenues and the Indiana Cigarette Tax Revenues of the CIB, which would require payments to the Bond Bank by the CIB if the Colts fail to timely repay the City's Colts Loan. The Colts are obligated to pay the City's Colts Loan with interest such that no payments are anticipated on such contractual undertaking by the CIB. Credit arrangements entered into in 2005 in anticipation of the City's Colts Loan, including a Bond Bank swap and a previous CIB contractual undertaking, were terminated (in 2007) in connection with the issuance of the City's Colts Loan.

**Note 13: Baseball Facility**

In 1994, the CIB entered into an agreement to lease (Ground Lease) certain real estate from the Indiana White River State Park Development Commission (Commission), a State agency. The CIB constructed Victory Field, a professional baseball facility, on this land. The initial lease period of the Ground Lease commenced December 1, 1994, and expires March 31, 2016. The Ground Lease allows for lease extensions provided, among other conditions, such extensions, combined with the initial lease period, do not exceed 99 years. Upon expiration or termination of the Ground Lease, any facilities constructed on the land revert to the Commission.

Under the Ground Lease and a related agreement, the CIB agreed to provide for the construction of the baseball facility and to sublease the facility to the Indianapolis Indians, Inc., a minor league baseball franchise. Victory Field was completed in 1996. To fund a portion of the cost of Victory Field, MCCRFA issued its Excise Taxes Lease Rental Revenue Bonds, Series 1995A. Such bonds are payable primarily from rental payments to be made by the CIB under a separate financing lease, dated June 1, 1995, referred to as the Second Amendment to Master Lease Agreement, between the CIB and MCCRFA. This lease is currently in effect and ends on the sooner of March 31, 2016 or the June 1 or December 1 next following payment of such bonds. Upon payment of the bonds, MCCRFA's rights in Victory Field will be transferred to the CIB.

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Future minimum sublease payments due from the Indians at December 31, 2008 are as follows:

	<b>Fixed Rentals</b>	<b>Additional Rentals</b>	<b>Total</b>
2009	\$ 500,000	\$ 50,000	\$ 550,000
2010	500,000	50,000	550,000
2011	500,000	50,000	550,000
2012	500,000	50,000	550,000
2013	500,000	50,000	550,000
2014 - 2015	<u>1,000,000</u>	<u>100,000</u>	<u>1,100,000</u>
	<u><u>\$ 3,500,000</u></u>	<u><u>\$ 350,000</u></u>	<u><u>\$ 3,850,000</u></u>

Additional rentals represent amounts to be set aside in the Baseball Park Capital Improvement Fund for future maintenance of the facility.

**Note 14: Capitol Commons**

The CIB and the City entered into agreements with developers in 1986 to construct and operate the Capitol Commons (an open, public landscaped area), a parking facility beneath the Capitol Commons and a convention hotel. The construction of the Capitol Commons was funded by \$6,300,000 of private grants. The developers funded construction of the underground parking facility and the hotel. In 1988, the CIB obtained a leasehold interest in the garage and thereupon became the lessor in a long-term lease arrangement for the operation of the garage facility.

During 2004, the CIB, in conjunction with the City, determined that it was in the best interests of the City and Marion County, to allow for the construction of a new, high-rise, corporate headquarters facility on a portion of the existing Capitol Commons site. The CIB entered into a Joint Development Agreement with the Department of Metropolitan Development of the Consolidated City of Indianapolis-Marion County (DMD) and an internationally known retail mall developer that generally provides the framework for various ancillary agreements governing the ownership, use and operation of the Capitol Commons site and its associated underground parking garage. In short, the various other agreements govern the transfer from the CIB to DMD of certain rights and interests related to the Capitol Commons surface improvements and all air rights above the surface of such property, together with approximately one-half of the underground Capitol Commons parking garage.

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The CIB generally retains responsibility for one-third of all operating costs associated with the maintenance of the entire garage and for any necessary capital improvements to the Capitol Commons site and the one-half of the parking garage transferred to DMD. These responsibilities are more fully described in a separate Operating Agreement between the CIB and DMD and in the Second Amendment and Restatement of Lease between the CIB and the garage tenant and operator. Both of these agreements have a term of 99 years, ending in 2103. In return for accepting these responsibilities, the CIB continues to receive a portion of all rental payments and/or Monthly Parking Allowance Payments, as defined in the agreements.

**Note 15: Risk Management**

The CIB is exposed to various risks of loss related to theft of, damage to and destruction of assets, as well as torts and natural disasters. The CIB purchases commercial insurance policies for such risks of loss. Certain of these policies allow for deductibles, which range from \$250 to \$500,000 per occurrence. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Note 16: Pension Plan**

***Plan Description***

The CIB contributes to the Public Employees' Retirement Fund of Indiana (PERF), established in accordance with Indiana statutes (I.C.5-10.3-2-1). PERF is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. The authority to establish or amend benefit provisions of PERF rests with the Indiana General Assembly. However, obligations to contribute to the plan are determined by the board of PERF in accordance with actuarial methods. PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing to: Indiana Public Employees' Retirement Fund, Harrison Bldg., Suite 800, 143 West Market Street, Indianapolis, Indiana 46204, or by calling 317-233-4162. Substantially all of the CIB's full-time employees are covered by the plan. The following disclosures represent the most current and available information on the plan through the July 1, 2008 actuarial valuation.

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Retirement benefits vest after 10 years of service. Normal retirement is defined as the earliest of: (1) age 65 with 10 years of creditable service; (2) age 60 with 15 years of creditable service; or (3) the sum of age and creditable service equal to 85, but not earlier than age 55. A reduced benefit will be received if an employee takes early retirement between ages 50 and 65 and has had 15 or more years of creditable service. Employees may either elect to receive a lump-sum distribution of their annuity savings account balance upon retirement or receive an annuity amount as a monthly supplement to the retirement benefits described above. PERF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and county ordinance.

***Funding Policy***

The CIB contributes an actuarially determined percentage (6.50% for calendar year 2008) of employee payroll to the plan. Required contributions are communicated to the CIB annually by the PERF board and are effective January 1 of each year. This component represents the employer contribution required under the plan. Employees are required to contribute 3.00% of their annual salary to an annuity savings account, as prescribed by Indiana statutes. The CIB contributes the 3.00% for its participating salaried employees. Accumulated employee contributions and allocated interest income are maintained by PERF in a separate system-wide fund for all members. An employee who leaves employment before qualifying for benefits receives a refund of his or her savings account.

***Annual Pension Cost and Net Pension Obligation***

For calendar year 2008, the CIB's annual pension cost of \$806,472 for the plan was equal to the CIB's required and actual contributions. Required contributions are determined as part of annual July 1 actuarial valuations using the entry age normal actuarial cost method. The actuarial assumptions used for the July 1, 2008 actuarial valuation included: (a) 7.25% investment rate of return (net of administrative expenses), (b) projected salary increases based upon PERF experience between 2000 and 2005 and (c) 1.5% per year cost-of-living adjustments. The actuarial value of the plan's assets is determined by taking the previous year's actuarial value, adding contributions, subtracting pension payments and plan expenses and adding expected earnings at the valuation rate of interest, based on a midyear weighted-average fund. The result is multiplied by 75.00% and added to 25.00% of the cost value of the plan assets as of the valuation date. Effective July 1, 1997, the plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 30 years.

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The following is a schedule of the net pension obligation (NPO) for the CIB at December 31, 2008, which is included in accrued expenses and withholdings in the Balance Sheet:

***Net Pension Obligation (NPO)***

Annual Required Contribution (ARC)	\$ 437,239
Interest on NPO	10,386
Adjustment to the ARC	(11,835)
Annual Pension Cost	<u>435,790</u>
Contributions made	<u>434,436</u>
Increase in NPO	1,354
NPO, beginning of year	<u>143,251</u>
NPO, end of year	<u><u>\$ 144,605</u></u>

***Schedule of Funding Progress***

The schedule of funding progress is as follows (dollar amounts in thousands):

Actuarial Valuation Date, July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Unfunded) AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	\$ 8,033	\$ 8,783	\$ (750)	91%	\$ 7,209	10%
2007	7,301	7,437	(136)	98	6,939	2
2006	6,457	7,033	(576)	92	6,514	9

The schedule of funding progress presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

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***Three-Year Trend Information***

Following is three-year trend information for the plan (dollar amounts in thousands):

	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
2008	\$ 436	100%	\$ 145
2007	435	87	143
2006	398	86	85

**Note 17: Commitments and Contingencies**

***Indianapolis Convention & Visitors Association***

In return for its assistance in attracting users to the Indiana Convention Center & Lucas Oil Stadium, the CIB has agreed to compensate Indianapolis Convention & Visitors Association (ICVA) annually in the form of a base amount, plus a quarterly incentive fee. The total payments to be made to the ICVA in any year cannot exceed 40% of the 5% Marion County Innkeeper's Tax received by the CIB in the preceding tax year. The CIB's current agreement with the ICVA extends through December 31, 2011, with the option for two additional extensions by mutual agreement until December 31, 2015 and December 31, 2019.

***Litigation***

The CIB is involved in certain litigation which is considered by management to be incidental to the conduct of CIB operations. In the opinion of management, the ultimate outcome of these matters, in the aggregate, is not currently expected to have a materially adverse effect upon the financial position, changes in financial position and cash flows of the CIB.

***Current Economic Conditions***

The current economic environment presents governmental entities with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in tax revenues, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the CIB.

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Current economic conditions have made it difficult to predict future tax revenues. A significant decline in tax revenues could have an adverse impact on the CIB's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values, allowances for receivables and debt service requirements that could negatively impact the CIB's ability to meet debt covenants or maintain sufficient liquidity.

**Note 18: Management's Consideration of Operational Challenges**

The CIB is facing unprecedented financial challenges resulting from a variety of circumstances. Individually, these circumstances have led to significant reductions in operating reserves and/or the likelihood that further reductions in reserves will occur in the near future. If the CIB's reserves continue to decrease, as they are projected to do, the CIB may have difficulty maintaining liquidity, meeting its current obligations and maintaining its historical levels of service and facility maintenance. Additionally, and as noted previously, if tax revenues (which are largely not directly related to the operation of the CIB's facilities) were to decline in the future, the CIB may also have difficulty meeting its debt service obligations.

The circumstances which have created financial distress for the CIB include the following:

- Whereas the pre-2005 capital financing structure has provided a mechanism for excess Original Excise Tax Revenues to subsidize the operating expenses of the CIB, the post-2004 financing structure relative to the Lucas Oil Stadium and Convention Center Expansion projects (and the related 2005 New Tax Revenues, the 2005 PSDA Revenues and certain fees and revenues as described in Note 10 to the Financial Statements) does not provide for similar subsidies. Historically, operating expenses materially exceed operating revenues relative to the CIB's facilities. Therefore, the CIB is faced with finding alternative sources of revenue to subsidize the incremental increase in operating expenses that is necessitated by the new facilities (and certain related undertakings assumed by the CIB). Currently, there are no significant alternative sources of revenue available to the CIB. The CIB has no taxing power. While not certain at December 31, 2008, for planning purposes, the CIB has estimated an additional operational funding need in the range of about \$25 million annually, based upon spending detailed in its 2009 budget. Such amount does not include funding for the needs identified below.

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- Certain of the CIB's and MCCRFA's revenue bond debt is subject to debt service reserve requirements, which are currently being satisfied through the use of surety policies issued by MBIA and AMBAC. In aggregate, these policies amount to approximately \$26,300,000. In September 2008, the trustee under the CIB and MCCRFA bond indentures gave notice that the existing MBIA Insurance Corporation and AMBAC Assurance Corporation surety policies failed to meet indenture requirements for a debt service reserve fund credit facility because the ratings of MBIA and AMBAC had fallen below the AA/Aa category and, pursuant to such indentures, directed that cash or a substitute facility meeting such requirements be deposited with the trustee within one year. Because MCCRFA has no separate funding sources, such funding needs will need to be met by the CIB. Failure to meet such requirements within one year, among other possible consequences, will result in monthly state and local tax revenues dedicated to the CIB (specifically the Original Excise Tax Revenues described in Note 10) that are in excess of bond payment deposit requirements (and which would otherwise be available to fund CIB operating expenses) to be captured under the CIB's Amended and Restated Capital Improvement Bond Fund Revenue Deposit Agreement until such reserve requirement has been met. The capture of such excess tax revenues would materially impact the CIB's reserves and operating resources.
- During 2008, the CIB was required to make an additional lease payment in the amount of \$16,371,000 to meet the CIB's obligation to MCCRFA in funding an interest rate swap termination fee. The CIB financed this additional lease payment with a short-term borrowing from the Indiana Board for Depositories. As described in Note 7, this short-term borrowing was to come due in June 2009 and would have resulted in the capture of certain tax revenue unless pre-paid or refinanced in April 2009. In April 2009, the CIB paid such short-term borrowing from restricted balances reducing its Renewal and Replacement Account balance below \$5 million and thereby requiring the capture and deposit from the Original Excise Tax Revenues of \$40,000 per month into that restricted account until the balance reaches \$5 million.
- Under its agreements with the Pacers Basketball, LLC, the CIB anticipates the need for renewed negotiations surrounding the funding of the operating expenses for Conseco Fieldhouse. Pacers Basketball, LLC is generally required to pay the operating and maintenance costs for this facility. While not certain, it is believed that it will be necessary for the CIB to accept greater financial responsibility for such costs in the future and that such costs may amount to approximately \$15,000,000 annually. See Note 11 for a discussion of the termination rights of Pacers Basketball, LLC relating to the use of Conseco Fieldhouse. A termination of the CIB's agreements with the Pacers Basketball, LLC would be expected to decrease Professional Sports Development Area Revenue, (particularly the 2005 PSDA Revenue) as well as the Original Marion County Admission Tax and the 2005 Marion County Admissions (see Note 10), and result in the CIB's assumption of control of Conseco Fieldhouse and related material operating cost burdens.



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- The ICVA assists the CIB in attracting users to the Indiana Convention Center & Lucas Oil Stadium. As the CIB brings its expanded facilities on line, the ICVA believes that it will require additional staff, marketing resources and incentive dollars to lure convention, sports and other events to these new facilities and that such increased expenditure will increase the 2005 New Tax Revenues and the Original Excise Tax Revenues, as well as other State tax receipts not currently directed to the CIB. The CIB has been asked to provide additional funding and desires to increase such funding, if possible, by \$3 to \$5 million annually.

The CIB is taking steps to address the foregoing fiscal imbalance, including the following:

- During 2008 and 2009, the CIB has taken steps to undertake an open and frank discussion (within State and City government as well as in the private sector and general public) of the CIB's significant unmet funding needs and the necessity of rebalancing factors to assure the CIB's operating model was placed back on a course to meet its important public mission. Cash flow projections (when using current reduced expenditure levels; and when done under a variety of alternate assumptions) for the period April 1, 2009 through December 31, 2009 show that unrestricted cash of the CIB may be depleted below minimum operational needs by the end of 2009 unless (a) additional material reductions in operating expenses occur, which if undertaken, would be expected to have the potential to render the CIB incapable of meeting its existing operating commitments or (b) new operating or non-operating revenue sources are identified and established, which would in all likelihood require legislative action by the Indiana General Assembly and the City-County Council. The unaudited unrestricted and restricted cash balances of the CIB have materially declined subsequent to 2008. The CIB has projected that an additional \$43 million of new annual funding is prudent to meet the CIB's unfunded needs, however, such amount may be more depending on the solution identified to address certain of the one-time costs discussed below.
- The 2009 Regular Session of the Indiana General Assembly ended on April 29, 2009 without the passage of any measure designed to identify and establish new non-operating revenue sources, although various proposals were included in pending legislative bills. The CIB continues to take steps (including supporting the introduction of a range of proposals into any bill considered as part of the anticipated 2009 Special Session) to identify and establish new operating or non-operating revenue sources to meet the funding needs of the CIB. No assurance can be given that any such future legislative measure will be enacted by the Indiana General Assembly, and, if so enacted, would also be enacted by the City-County Council. Historically, legislation related to the funding of the CIB has required implementing enactment by the City-County Council. Further, no assurance can be given any such legislative measure if enacted and implemented would produce funding to timely meet the needs and obligations of the CIB.

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- In February 2009, the CIB instituted, and is continuing, a series of incremental cost cutting actions (including, among others, limiting and reducing budgeted expenditure categories, deferring maintenance expenditures, deferring capital acquisitions (other than those capital acquisitions related to the planned Convention Center expansion because such is controlled by the State Leasing Entities), selection of insurance providers and coverages, and modifying workforce arrangements, which have decreased projected 2009 capital and operating expenditures in the range of about \$8.7 million below the 2009 budgeted expenditure levels. Such 2009 reductions are not of a nature that would be expected to be sustainable (whether or not new operating or non-operating revenue sources are established), nor are they sufficient to address the foregoing fiscal imbalance. Additionally, the CIB is exploring a variety of other cost reduction and operational options, including attempting to renegotiate all possible contracts.
- The CIB anticipates it will be required to use cash balances in the amount of \$975,738 to make a reserve deposit related to an AMBAC surety policy. However, regarding the remaining approximately \$25.3 million related to the MBIA surety policy, alternate plans are being discussed. These plans (which may or may not require legislative action to effect) include, among others, the possible use of substitute (non-cash) reserve fund credit instruments, comparable to a surety policy, or other similar credit agreement. No assurance can be given that any such alternate plan(s) can be effected by September 2009. Absent effecting such alternative plans by September 2009, monthly state and local tax revenues dedicated to the CIB (specifically the Original Excise Tax Revenues described in Note 10) that are in excess of bond payment deposit requirements (and which would otherwise be available to fund CIB operating expenses) will be subject to capture under the CIB's Amended and Restated Capital Improvement Bond Fund Revenue Deposit Agreement until such reserve requirement has been met. Again, the capture of such excess tax revenues would further materially impact the CIB's reserves and operating resources.
- Because the CIB prepaid its short-term borrowing from the Indiana Board for Depositories, any emergency capital replacement needs related to Conseco Fieldhouse, the existing Convention Center or Victory Field will have significantly lower reserve balances in the CIB's Renewal and Replacement Account from which to meet any such need.
- Absent identifying and establishing sufficient new operating or non-operating revenue, the CIB would not be able to address the anticipated need relating to any renewed negotiations surrounding the funding of the operating expenses for Conseco Fieldhouse that the Pacers Basketball, LLC is currently required to currently pay. Any termination of the CIB's agreements with the Pacers Basketball, LLC pursuant to the existing agreement would be expected to decrease Professional Sports Development Area Revenue (particularly the 2005 PSDA Revenue) as well as the Original Marion County Admission Tax and the 2005 Marion County Admissions (see Note 10), and would result in the CIB's assumption of control of Conseco Fieldhouse and related material operating cost burdens.

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- Absent identifying and establishing sufficient new operating or non-operating revenue, the CIB would not be able to address the ICVA's request for enhanced funding over the next few years and, if not met, this could impact growing an expanded users base and/or sustaining current customer interest in using the enhanced Indiana Convention Center & Lucas Oil Stadium.
- Absent identifying and establishing sufficient new operating or non-operating revenue, in the longer term, the CIB has identified two needs for additional available resources. The first is to fund the repayment of the principal of its Junior Subordinate Notes, totaling \$33,759,000, which mature December 31, 2017. The second is related to the new statutory structure codified in 2005 at Indiana Code 5-1-17 (the "State Authority's Act") as enacted by the Indiana General Assembly to permit the CIB to acquire new capital assets (namely Lucas Oil Stadium and an expansion of the Indiana Convention Center) through capital leasing arrangements. Prior to the enactment of the State Authority's Act, certain excise taxes historically available to the CIB were to have expired by January 1, 2028. The State Authority's Act extended certain of those excise taxes, but after 2027, all 2005 New Tax Revenues (which include a material part of the taxes referred to as Original Excise Tax Revenues) are restricted solely to making sublease rental payments to the State Leasing Entities (or to pay certain extraordinary capital improvement costs to Lucas Oil Stadium and the planned Convention Center expansion and any prepayment thereof). This will cause a material decrease in funding sources available for meeting CIB operational needs after 2027

## **Other Supplementary Information**

**Capital Improvement Board of Managers**  
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**Balance Sheet Information**  
**December 31, 2008**

	Capital Improvement Fund	Capital Improvement Bond Fund	Total
<b>Assets</b>			
<b>Current Assets</b>			
<b>Unrestricted</b>			
Cash and cash equivalents	\$ 40,461,691	\$ 4,707,572	\$ 45,169,263
Interest receivable	72,373	-	72,373
Accounts receivable	5,893,348	-	5,893,348
Inventories	366,407	-	366,407
Prepaid expenses	851,415	-	851,415
Total unrestricted assets	<u>47,645,234</u>	<u>4,707,572</u>	<u>52,352,806</u>
<b>Restricted Assets</b>			
Cash and cash equivalents	8,095,673	27,099,449	35,195,122
Interest receivable	78,896	37,044	115,940
Receivable from State of Indiana	-	23,471,491	23,471,491
Total restricted assets	<u>8,174,569</u>	<u>50,607,984</u>	<u>58,782,553</u>
Total current assets	<u>55,819,803</u>	<u>55,315,556</u>	<u>111,135,359</u>
<b>Noncurrent Assets</b>			
Deferred debt issuance costs	-	200,941	200,941
Non-depreciable capital assets	185,211,977	-	185,211,977
Depreciable capital assets, net	990,503,681	-	990,503,681
Total noncurrent assets	<u>1,175,715,658</u>	<u>200,941</u>	<u>1,175,916,599</u>
Total assets	<u>\$ 1,231,535,461</u>	<u>\$ 55,516,497</u>	<u>\$ 1,287,051,958</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
<b>Payable From Unrestricted Assets</b>			
Accounts payable	\$ 5,470,860	\$ -	\$ 5,470,860
Unearned revenue	217,215	-	217,215
Accrued expenses and withholdings	939,624	-	939,624
Accrued interest payable	-	817,340	817,340
Short-term debt	-	16,371,000	16,371,000
Total current liabilities payable from unrestricted assets	<u>6,627,699</u>	<u>17,188,340</u>	<u>23,816,039</u>
<b>Payable From Restricted Assets</b>			
Funds held for others - box office	1,097,711	-	1,097,711
Rental deposits	847,949	-	847,949
Unearned revenue - private grants	5,444	-	5,444
Real estate rental payable	-	4,500,000	4,500,000
Accrued interest payable	-	1,502,068	1,502,068
Current portion of long-term debt	-	17,155,798	17,155,798
Total current liabilities payable from restricted assets	<u>1,951,104</u>	<u>23,157,866</u>	<u>25,108,970</u>
Total current liabilities	<u>8,578,803</u>	<u>40,346,206</u>	<u>48,925,009</u>
<b>Noncurrent Liabilities</b>			
Due to State of Indiana	-	66,946,403	66,946,403
Bonds and notes payable	-	56,829,944	56,829,944
Capital lease payable	-	917,022,932	917,022,932
Total noncurrent liabilities	<u>-</u>	<u>1,040,799,279</u>	<u>1,040,799,279</u>
Total liabilities	<u>8,578,803</u>	<u>1,081,145,485</u>	<u>1,089,724,288</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,175,715,658	(1,028,696,077)	147,019,581
Restricted	6,223,465	50,607,984	56,831,449
Unrestricted	41,017,535	(47,540,895)	(6,523,360)
Total net assets	<u>1,222,956,658</u>	<u>(1,025,628,988)</u>	<u>197,327,670</u>
Total liabilities and net assets	<u>\$ 1,231,535,461</u>	<u>\$ 55,516,497</u>	<u>\$ 1,287,051,958</u>

**Capital Improvement Board of Managers**  
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**Analysis of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2008**

	<b>Capital Improvement Fund</b>	<b>Capital Improvement Bond Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Rental income	\$ 6,326,285	\$ -	\$ 6,326,285
Food service and concession commissions	3,677,833	-	3,677,833
Parking lot income	664,680	-	664,680
Labor reimbursements	8,557,650	-	8,557,650
Other operating income	603,098	-	603,098
	<u>19,829,546</u>	<u>-</u>	<u>19,829,546</u>
<b>Operating Expenses</b>			
Salaries and wages - schedule	13,297,083	-	13,297,083
Fringe benefits - schedule	3,247,412	-	3,247,412
Utilities - schedule	5,278,056	-	5,278,056
Repairs and maintenance - schedule	697,904	-	697,904
Insurance - schedule	1,281,698	-	1,281,698
Security	3,216,882	-	3,216,882
Operating parts and supplies - schedule	1,251,031	-	1,251,031
Other - schedule	6,202,122	-	6,202,122
Depreciation and amortization	38,023,853	-	38,023,853
	<u>72,496,041</u>	<u>-</u>	<u>72,496,041</u>
<b>Operating Loss</b>	<u>(52,666,495)</u>	<u>-</u>	<u>(52,666,495)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	1,508,797	597,983	2,106,780
State and local taxes and fees	-	106,867,838	106,867,838
Contributions	244,793	-	244,793
Interest expense	(176,258)	(19,176,886)	(19,353,144)
Additional rental payment for swap termination	-	(16,371,000)	(16,371,000)
Compensation to Indianapolis Convention & Visitors Association	(7,970,491)	-	(7,970,491)
Inducements to Indianapolis Colts	(4,984,001)	-	(4,984,001)
Indianapolis Colts' Training Facility expenses	(1,311,421)	-	(1,311,421)
Indianapolis Colts' Day-of-Game expenses	(1,500,000)	-	(1,500,000)
Grants to other organizations	(3,479,845)	-	(3,479,845)
Amortization expense (Indianapolis Colts)	(18,542,245)	-	(18,542,245)
Gain on sale of capital assets	17,598	-	17,598
Other	74,377	-	74,377
	<u>(36,118,696)</u>	<u>71,917,935</u>	<u>35,799,239</u>
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	(88,785,191)	71,917,935	(16,867,256)
<b>Capital Contributions</b>	<u>103,312,031</u>	<u>-</u>	<u>103,312,031</u>
<b>Increase in Net Assets</b>	14,526,840	71,917,935	86,444,775
<b>Net Assets, Beginning of Year</b>	962,891,801	(852,008,906)	110,882,895
Transfers from bond fund	<u>245,538,017</u>	<u>(245,538,017)</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,222,956,658</u>	<u>\$ (1,025,628,988)</u>	<u>\$ 197,327,670</u>

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**Analysis of Certain Operating Expenses**  
**Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Salaries and Wages</b>		
Administration	\$ 620,219	\$ 580,168
Office	1,963,461	1,655,113
Supervision	1,061,758	859,655
Mechanical	2,893,404	2,185,864
Service	1,938,911	1,632,740
Temporary	4,819,330	4,317,448
	<u>\$ 13,297,083</u>	<u>\$ 11,230,988</u>
<b>Fringe Benefits</b>		
Social security taxes	\$ 861,672	\$ 741,906
Public employees' retirement fund	806,472	514,636
Employees' insurance	1,282,806	1,035,285
State unemployment taxes	42,762	66,271
Workers' compensation	103,087	97,679
Other	150,613	162,240
	<u>\$ 3,247,412</u>	<u>\$ 2,618,017</u>
<b>Utilities</b>		
Electricity	\$ 1,882,920	\$ 1,550,443
Steam	1,738,182	1,429,244
Chilled water	1,359,259	997,827
Water and sewer	270,007	272,696
Gas	27,688	9,610
	<u>\$ 5,278,056</u>	<u>\$ 4,259,820</u>
<b>Repairs and Maintenance</b>		
Control systems maintenance contract	\$ 75,180	\$ 71,600
Elevator and escalator maintenance contract	66,396	72,762
Computer maintenance contracts	37,508	54,687
Major repairs	240,658	301,464
Property damages	7,306	4,117
Grounds maintenance	127,760	132,633
Fire extinguisher system	32,632	61,047
Sprinkler system	3,235	2,845
Trash removal	93,490	83,099
Communication repairs	13,739	24,082
	<u>\$ 697,904</u>	<u>\$ 808,336</u>

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**Analysis of Certain Operating Expenses (Continued)**  
**Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Insurance</b>		
Fire and extended coverage	\$ 887,289	\$ 742,040
Public liability	311,034	283,399
Fidelity bond	83,375	81,669
	<u>\$ 1,281,698</u>	<u>\$ 1,107,108</u>
<b>Security</b>		
Security staff	<u>\$ 3,216,882</u>	<u>\$ 1,173,598</u>
<b>Operating Parts and Supplies</b>		
Operating parts and supplies	\$ 891,664	\$ 788,096
Maintenance parts and supplies	310,820	289,643
Other supplies	48,547	32,566
	<u>\$ 1,251,031</u>	<u>\$ 1,110,305</u>
<b>Other</b>		
Advertising and promotion	\$ 849,786	\$ 571,506
Telephone	230,630	174,503
Legal fees	1,010,558	981,770
Accounting and audit fees	116,415	125,026
Consulting fees	395,740	206,945
Architects and engineers	8,944	16,839
Equipment rental	594,614	566,887
Postage	17,951	12,099
Travel	13,703	13,384
Dues and subscriptions	12,390	11,288
Bad debts	54,742	3,168
Suite cable service	3,004	4,290
Medical services - Indianapolis Colts games	48,399	35,652
Parking	177,415	216,462
Set-up/installation and dismantling fees	2,497,410	2,256,869
Miscellaneous	170,421	197,770
	<u>\$ 6,202,122</u>	<u>\$ 5,394,458</u>



## Statistical Section (Unaudited)

*This section of the CIB's comprehensive annual financial report presents detailed, contextual information and data to assist the reader in understanding what the information contained in the financial statements, note disclosures and supplementary information says about the CIB's overall financial health.*

<b><u>Contents</u></b>	<b>Pages</b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the CIB's financial performance and well-being have changed over time.	81-86
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the CIB's most significant own-source revenues.	87-91
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the CIB's current levels of outstanding debt and the CIB's ability to issue additional debt in the future.	92-96
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the socioeconomic environment within which the CIB's financial activities take place and to facilitate comparisons of financial statement information over time and among governments.	97
<b>Operating Information</b>	
These schedules contain operational and infrastructure data to help the reader understand how the information in the CIB's financial report relates to the services the CIB provides and the activities it performs.	98-101

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The CIB implemented GASB Statement No. 34 in 2001; therefore, certain schedules only contain information beginning in that year.*

**Table I****Capital Improvement Board of Managers  
Net Assets by Component  
Last Ten Fiscal Years**

	<b>1999 <sup>1</sup></b>	<b>2000 <sup>1</sup></b>	<b>2001</b>	<b>2002</b>
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 48,376,867	\$ 39,158,704
Restricted	-	-	22,587,210	25,680,206
Unrestricted	-	-	26,078,971	21,926,131
	<u>-</u>	<u>-</u>	<u>26,078,971</u>	<u>21,926,131</u>
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,043,048</u>	<u>\$ 86,765,041</u>

<sup>1</sup> - Net asset components are not available for the periods prior to the implementation of GASB Statement No. 34.

<sup>2</sup> - Change in invested in capital assets, net of related debt is due to an increase in debt relating to the construction of Lucas Oil Stadium.

<b>2003</b>	<b>2004</b>	<b>2005 <sup>2</sup></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$ 28,575,553	\$ 11,840,085	\$ (13,784,985)	\$ 2,835,109	\$ 23,170,426	\$ 147,019,581
23,359,001	25,438,962	39,885,681	45,478,777	52,270,165	56,831,449
<u>27,184,109</u>	<u>28,612,119</u>	<u>66,826,463</u>	<u>54,066,813</u>	<u>35,442,304</u>	<u>(6,523,360)</u>
<u>\$ 79,118,663</u>	<u>\$ 65,891,166</u>	<u>\$ 92,927,159</u>	<u>\$ 102,380,699</u>	<u>\$ 110,882,895</u>	<u>\$ 197,327,670</u>

Table II

**Capital Improvement Board of Managers**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**

	1999 <sup>1</sup>	2000 <sup>1</sup>	2001	2002
Operating revenues				
Rental income	\$ -	\$ -	\$ 6,983,694	\$ 6,376,195
Food service and concession commissions	-	-	5,165,418	5,084,829
Parking lot income	-	-	125,679	483,140
Labor reimbursements	-	-	4,879,325	4,064,095
Suite license fees	-	-	1,090,000	960,000
Advertising income	-	-	1,300,000	1,245,833
Other	-	-	907,604	712,957
Total operating revenues	-	-	20,451,720	18,927,049
Nonoperating revenues				
Investment income	-	-	2,113,735	888,675
State and local tax assistance	-	-	45,659,399	46,564,788
Gain (loss) on sale of capital assets	-	-	-	-
Cable franchise fees	-	-	857,493	-
Other	-	-	56,000	374,657
Total nonoperating revenues	-	-	48,686,627	47,828,120
<b>Total Revenues</b>	-	-	69,138,347	66,755,169
Operating expenses				
Salaries, wages and fringe benefits	-	-	11,835,999	11,897,701
Utilities	-	-	3,384,877	3,409,341
Repairs, maintenance and supplies	-	-	2,312,185	2,205,322
Insurance	-	-	384,474	963,329
Security	-	-	803,753	1,051,619
Other	-	-	2,240,308	2,487,798
Suite fees	-	-	1,090,000	960,000
Depreciation	-	-	17,048,679	16,832,475
Total operating expenses	-	-	39,100,275	39,807,585
Nonoperating expenses				
Interest expense	-	-	22,365,782	21,772,383
Additional rental payment for swap termination	-	-	-	-
Compensation to ICVA	-	-	6,199,276	6,153,570
Payments to Indiana Pacers (cable franchise fees)	-	-	1,141,247	-
Payments to Indianapolis Colts	-	-	5,418,545	5,255,913
Payments in lieu of taxes	-	-	4,900,000	-
Grants to other organizations	-	-	1,220,000	2,320,000
Contribution of Capital Commons	-	-	-	-
Market Square Arena utilities and maintenance	-	-	48,868	-
Market Square Arena demolition cost	-	-	2,966,655	281,102
Other	-	-	1,442,623	1,442,623
Total nonoperating expenses	-	-	45,702,996	37,225,591
<b>Total Expenses</b>	-	-	84,803,271	77,033,176
<b>Capital Contributions</b>	-	-	105,450	-
<b>Increase (Decrease) in Net Assets</b>	\$ -	\$ -	\$ (15,559,474)	\$ (10,278,007)

<sup>1</sup> - Amounts are not available for the periods prior to the implementation of GASB Statement No. 34.

2003	2004	2005	2006	2007	2008
\$ 6,259,493	\$ 6,262,680	\$ 5,839,044	\$ 5,688,825	\$ 6,354,696	\$ 6,326,285
4,797,408	5,421,935	5,570,544	6,145,493	6,675,775	3,677,833
805,680	750,267	359,422	417,013	411,846	664,680
4,389,283	6,003,993	6,236,543	5,118,373	6,033,689	8,557,650
-	-	-	-	-	-
1,150,000	1,200,000	1,220,620	1,165,194	1,300,477	-
861,817	867,313	1,653,322	982,432	1,047,026	603,098
<u>18,263,681</u>	<u>20,506,188</u>	<u>20,879,495</u>	<u>19,517,330</u>	<u>21,823,509</u>	<u>19,829,546</u>
643,808	852,243	1,982,455	3,747,243	4,270,088	2,106,780
48,074,416	51,301,827	65,295,285	93,512,062	98,782,093	106,867,838
-	-	40,419,560	15,318	(28,588)	17,598
-	-	-	-	-	-
1,535,464	1,360,740	1,623,547	4,586,582	1,206,312	319,170
<u>50,253,688</u>	<u>53,514,810</u>	<u>109,320,847</u>	<u>101,861,205</u>	<u>104,229,905</u>	<u>109,311,386</u>
<u>68,517,369</u>	<u>74,020,998</u>	<u>130,200,342</u>	<u>121,378,535</u>	<u>126,053,414</u>	<u>129,140,932</u>
12,520,287	13,880,615	14,696,686	13,563,112	13,849,005	16,544,495
3,680,176	3,996,614	3,966,307	4,016,331	4,259,820	5,278,056
2,077,979	4,554,102	2,448,289	2,115,986	1,918,641	1,948,935
1,602,079	1,616,923	1,233,739	1,088,082	1,107,108	1,281,698
1,027,228	1,017,292	1,099,567	1,372,344	1,173,598	3,216,882
2,866,421	1,299,425	4,887,005	4,316,574	5,394,458	6,202,122
-	-	-	-	-	-
<u>16,355,382</u>	<u>16,067,976</u>	<u>29,529,972</u>	<u>29,551,039</u>	<u>29,844,812</u>	<u>38,023,853</u>
<u>40,129,552</u>	<u>42,432,947</u>	<u>57,861,565</u>	<u>56,023,468</u>	<u>57,547,442</u>	<u>72,496,041</u>
20,368,132	21,344,759	21,137,501	20,711,441	20,197,976	19,353,144
-	-	-	-	-	16,371,000
6,137,891	6,354,407	6,726,445	7,052,924	7,736,800	7,970,491
-	-	-	-	-	-
4,951,712	5,222,915	5,838,335	5,993,335	10,539,932	7,795,422
-	-	-	-	-	-
3,143,197	3,284,584	5,882,975	3,601,582	2,986,823	3,479,845
-	7,178,227	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,443,715</u>	<u>1,442,623</u>	<u>5,717,528</u>	<u>18,542,245</u>	<u>18,542,245</u>	<u>18,542,245</u>
<u>36,044,647</u>	<u>44,827,515</u>	<u>45,302,784</u>	<u>55,901,527</u>	<u>60,003,776</u>	<u>73,512,147</u>
<u>76,174,199</u>	<u>87,260,462</u>	<u>103,164,349</u>	<u>111,924,995</u>	<u>117,551,218</u>	<u>146,008,188</u>
10,452	11,967	-	-	-	103,312,031
<u>\$ (7,646,378)</u>	<u>\$ (13,227,497)</u>	<u>\$ 27,035,993</u>	<u>\$ 9,453,540</u>	<u>\$ 8,502,196</u>	<u>\$ 86,444,775</u>

**Table III**

**Capital Improvement Board of Managers**  
**Event Statistics**  
**Last Ten Fiscal Years**

	1999	2000	2001	2002
<b>Number of Events</b>				
Entertainment	17	14	12	17
Trade Shows	25	32	27	29
Local, Business and Social	252	217	195	211
State Convention Business	68	57	58	58
National Convention Business	35	33	45	34
Sporting Events	34	27	24	31
Total Number of Events	431	380	361	380
<b>Event Days</b>				
Entertainment	19	14	12	17
Trade Shows	61	72	61	70
Local, Business and Social	329	289	257	298
State Convention Business	143	118	131	129
National Convention Business	130	134	185	173
Sporting Events	43	30	29	56
Total Event Days	725	657	675	743
<b>Attendance</b>				
Entertainment	183,124	101,857	142,383	89,273
Trade Shows	225,661	229,857	157,636	154,521
Local, Business and Social	109,854	145,341	139,533	144,922
State Convention Business	98,663	94,207	143,639	76,404
National Convention Business	489,755	385,682	359,550	337,352
Sporting Events	924,652	961,693	782,653	908,029
Total Attendance	2,031,709	1,918,637	1,725,394	1,710,501

Source: Sales Office - Capital Improvement Board of Managers.

2003	2004	2005	2006	2007	2008
11	13	9	10	8	12
13	20	17	20	21	22
209	213	179	185	238	308
46	59	71	71	64	83
33	37	28	38	34	42
33	30	34	40	45	47
<u>345</u>	<u>372</u>	<u>338</u>	<u>364</u>	<u>410</u>	<u>514</u>
11	13	9	12	8	15
35	51	48	50	48	54
306	290	251	237	348	401
99	122	132	139	118	139
131	131	95	131	113	130
49	48	52	54	66	78
<u>631</u>	<u>655</u>	<u>587</u>	<u>623</u>	<u>701</u>	<u>817</u>
59,412	66,186	59,404	47,548	49,380	127,078
119,187	121,170	110,343	141,118	117,177	102,289
156,992	151,175	137,768	122,689	204,449	248,436
54,972	87,932	83,912	87,482	92,685	85,516
340,078	372,568	353,930	298,994	293,984	317,815
820,026	792,442	918,434	905,908	936,939	1,044,627
<u>1,550,667</u>	<u>1,591,473</u>	<u>1,663,791</u>	<u>1,603,739</u>	<u>1,694,614</u>	<u>1,925,761</u>

Table IV

**Capital Improvement Board of Managers  
Largest Customers  
Current Year**

December 31, 2008								
	Rental Income		Labor Reimbursements		Food Service Commissions <sup>1</sup>		Total	
	\$ Amount	% of Total	\$ Amount	% of Total	\$ Amount	% of Total	\$ Amount	% of Total
Customer 1	\$ 250,000	4.29%	\$ 797,077	9.31%	\$ 237,530	6.46%	\$ 1,284,607	7.11%
Customer 2	350,755	6.02%	602,532	7.04%	89,391	2.43%	1,042,678	5.77%
Customer 3	160,419	2.75%	400,692	4.68%	100,393	2.73%	661,504	3.66%
Customer 4	136,975	2.35%	273,155	3.19%	56,486	1.54%	466,616	2.58%
Customer 5	-	0.00%	359,820	4.20%	77,361	2.10%	437,181	2.42%
Customer 6	53,820	0.92%	61,900	0.72%	143,758	3.91%	259,478	1.44%
Customer 7	57,696	0.99%	197,633	2.31%	83,602	2.27%	338,931	1.88%
Customer 8	51,713	0.89%	250,431	2.93%	30,551	0.83%	332,695	1.84%
Customer 9	48,620	0.83%	234,389	2.74%	42,483	1.16%	325,492	1.80%
Customer 10	42,772	0.73%	49,305	0.58%	108,616	2.95%	200,693	1.11%
Subtotal	1,152,770	19.77%	3,226,934	37.70%	970,171	26.38%	5,349,875	29.62%
Balance from other customers	4,673,515	80.23%	5,330,717	62.30%	2,707,663	73.62%	12,711,895	70.38%
	<u>\$ 5,826,285</u>	<u>100.00%</u>	<u>\$ 8,557,651</u>	<u>100.00%</u>	<u>\$ 3,677,834</u>	<u>100.00%</u>	<u>\$ 18,061,770</u>	<u>100.00%</u>

<sup>1</sup> - Revenue amounts exclude "CIB Profit" as defined in the agreement between the CIB and Service America (d/b/a Centerplate).

Note: Information for 1999 is not readily available.

Sources: Rental income and labor reimbursement amounts obtained from the Sales Office - Capital Improvement Board of Managers.  
Food Service Commissions obtained from Service America.



**Table V**

**Capital Improvement Board of Managers  
Rate Schedule - Exhibits  
Last Ten Fiscal Years**

<b>Type of Rate</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Base Rent (Per Net Square Foot <sup>1</sup> ):										
One to Four Open Days	\$ 0.65	\$ 0.65	\$ 0.70	\$ 0.70	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.80
Five to Seven Open Days	0.70	0.70	0.75	0.75	0.80	0.80	0.80	0.80	0.80	0.85
After Seven Days - ICC	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.85	0.90
After Seven Days - LOS	-	-	-	-	-	-	-	-	-	0.97

<sup>1</sup> - Net square feet consists of actual display area used, less normal aisles and corridors.

Note: Customers are allowed up to three (3) move-in/out days at no charge; rates for additional days are based upon gross square footage of each venue.

Source: Sales Office - Capital Improvement Board of Managers.

Table VI

**Capital Improvement Board of Managers  
Rate Schedule - Meetings  
Last Ten Fiscal Years**

Type of Rate	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b><u>Convention Meetings</u></b>										
Base Rent (Per Gross Square Footage):										
Halls	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
RCA Dome	0.10	0.10	0.11	0.11	0.11	0.11	0.13	0.13	0.13	-
Sagamore Ballrooms	0.11	0.11	0.11	0.11	0.11	0.11	0.15	0.15	0.15	0.15
Wabash Ballrooms <sup>1</sup>	-	-	0.10	0.10	0.10	0.10	0.15	0.15	0.15	0.15
500 Ballroom	0.09	0.07	0.07	0.07	0.07	0.07	0.11	0.11	0.11	0.11
White River Ballroom	0.11	0.11	0.11	0.11	0.11	0.11	0.10	0.10	0.10	-
Meeting Rooms <sup>2</sup>	0.10	0.10	0.10	0.10	0.10	0.10	0.13	0.13	0.13	0.12
<b><u>Non-Convention Meetings</u></b>										
Base Rent (Per Gross Square Footage):										
Halls	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07
RCA Dome	0.12	0.12	0.14	0.14	0.14	0.14	0.16	0.16	0.16	-
Sagamore Ballrooms	0.14	0.14	0.14	0.14	0.14	0.14	0.17	0.17	0.17	0.17
Wabash Ballrooms <sup>1</sup>	-	-	0.14	0.14	0.14	0.14	0.17	0.17	0.17	0.17
500 Ballroom	0.10	0.10	0.10	0.10	0.10	0.10	0.12	0.12	0.12	0.12
White River Ballroom	0.13	0.13	0.13	0.13	0.13	0.13	0.11	0.11	0.11	-
Meeting Rooms <sup>2</sup>	0.13	0.13	0.13	0.13	0.13	0.13	0.16	0.16	0.16	0.16
<b><u>Lucas Oil Stadium</u></b>										
Base Rent (Per Gross Square Footage):										
Stadium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.24
Halls	-	-	-	-	-	-	-	-	-	0.05
Meeting Rooms	-	-	-	-	-	-	-	-	-	0.16
Party Plazas	-	-	-	-	-	-	-	-	-	0.38
Club Lounges	-	-	-	-	-	-	-	-	-	0.34

<sup>1</sup> - The Wabash Ballrooms were added during the 2000-2001 expansion of the Indiana Convention Center.

<sup>2</sup> - Rates vary by meeting room; rates presented are blended.

Source: Sales Office - Capital Improvement Board of Managers.

Table VII

**Capital Improvement Board of Managers**  
**Rate Schedule - Hourly Labor Reimbursement Rates**  
**Last Ten Fiscal Years**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Position:</b>										
Carpenters <sup>2</sup>	\$ 24.70	\$ 25.41	\$ 26.11	\$ 26.88	\$ 27.65	\$ 29.41	\$ 30.41	\$ 31.16	\$ 31.76	\$ 32.99
Painters <sup>2</sup>	23.10	23.77	24.44	25.16	25.89	27.53	28.47	29.16	29.72	30.87
Electricians <sup>2</sup>	26.89	27.66	28.43	29.26	30.09	32.03	33.11	33.92	34.59	35.93
Stagehands (House) <sup>2</sup>	25.50	26.30	27.08	27.88	28.85	29.80	30.72	31.48	32.10	33.38
Stagehands (Call In) <sup>2</sup>	25.50	26.30	27.08	27.88	28.85	29.80	30.72	31.48	32.10	33.38
Welders and Pipefitters <sup>1</sup>	27.61	28.27	29.26	29.87	30.36	30.69	31.42	32.14	33.35	34.94
Housekeeping <sup>1</sup>	15.91	16.55	17.13	17.66	18.18	18.82	19.43	20.00	20.50	20.90
Set-up <sup>1</sup>	15.91	16.55	17.13	17.66	18.18	18.82	19.43	20.00	20.50	20.90
Change-Over Labor <sup>2</sup>	20.00	20.00	20.00	25.00	25.00	25.00	25.00	26.00	26.00	28.00
Riggers <sup>2</sup>	35.38	36.54	37.60	38.68	40.00	41.14	42.53	43.54	44.35	46.12
Rent-A-Buddy <sup>2</sup>	-	-	-	-	-	20.00	20.00	20.00	20.00	28.00
Ticket Sellers <sup>2</sup>	13.50	14.85	15.37	15.97	16.60	17.51	18.03	18.03	18.03	18.57
Assistant Treasurer/Treasurer <sup>2</sup>	16.30	16.87	17.46	18.16	18.90	19.94	20.53	21.15	21.78	22.43
Fire Marshalls <sup>1</sup>	15.63	15.63	16.25	16.88	16.88	17.50	17.50	17.50	17.50	17.50
<b>Part-Time Teamsters <sup>1</sup>:</b>										
Expo Workers	17.44	18.44	18.88	19.31	19.69	20.38	21.09	-	-	-
Housekeeping	11.25	11.44	11.59	11.71	11.84	12.50	12.71	12.96	13.15	13.35
Set-Up	11.25	11.44	11.59	11.71	11.84	12.50	12.71	12.96	13.15	13.35
Installation and Dismantling	19.25	19.25	20.00	20.50	21.00	21.75	24.50	-	-	-
Installation and Dismantling (Advance Rate)	-	-	-	-	-	-	-	24.50	25.35	26.00
Installation and Dismantling (Show Rate)	-	-	-	-	-	-	-	29.50	30.50	31.25

<sup>1</sup> - Hourly rates currently change June 1 of each year.

<sup>2</sup> - Hourly rates currently change December 1 of each year.

Source: Schedule of Show Rates, per Capital Improvement Board of Managers.

**Table VIII**

**Capital Improvement Board of Managers  
Food Service and Concession Revenues  
Last Ten Fiscal Years**

	<b>Revenues</b>	<b>Expenses</b>	<b>CIB Commission<sup>1</sup></b>	<b>CIB Profit<sup>2</sup></b>	<b>Total</b>
1999	\$ 13,404,084	\$ 12,341,659	\$ 4,021,225	\$ 1,016,829	\$ 5,038,054
2000	14,322,452	13,834,239	4,296,736	594,874	4,891,610
2001	14,219,911	13,335,838	4,265,973	899,445	5,165,418
2002	14,083,991	13,136,138	4,225,197	859,632	5,084,829
2003	13,425,511	12,672,980	4,027,653	769,755	4,797,408
2004	15,319,720	14,629,156	4,595,916	826,019	5,421,935
2005	16,140,782	15,545,727	4,842,235	728,309	5,570,544
2006	17,172,381	16,237,885	5,151,714	993,779	6,145,493
2007	18,672,495	17,729,488	5,601,749	1,074,026	6,675,775
2008	13,925,935	11,355,237	1,647,517	2,059,350	3,706,867

<sup>1</sup> - Under its contract with Service America (d/b/a Centerplate) through June 1, 2008, the CIB received a 30% commission on ICC revenues as defined in the agreement. Effective June 2, 2008, the CIB no longer receives commissions on ICC revenues under its agreement with Crystal Food Services, LLC.

<sup>2</sup> - Revenues minus expenses, net of Service America's management fee and share of profits and exclusive of Colts' novelty sales through June 1, 2008. Effective June 2, 2008, the CIB retains net profits from Convention Center events and Non-Colts events at Lucas Oil Stadium.

Source: Service America (d/b/a Centerplate) Monthly Commission Reports.

Table IX

**Capital Improvement Board of Managers  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

Fiscal Year	Junior Subordinate Notes <sup>1</sup>	Subordinate Revenue Bonds <sup>1</sup>	Due to State <sup>2</sup>	Capital Lease Obligations	Other	Total	Per Event Attendee	Indianapolis-Carmel MSA <sup>3</sup>	
								Per Capita	% of Personal Income
1999	\$ 5,693,769	\$ 49,605,000	\$ -	\$ 391,982,642	\$ 3,110,000	\$ 450,391,411	\$ 222	\$ 309	1.00%
2000	7,119,297	46,305,000	-	387,831,528	-	441,255,825	230	289	0.90%
2001	9,172,891	45,280,000	-	385,019,648	-	439,472,539	255	283	0.87%
2002	11,152,605	43,065,000	-	382,912,275	-	437,129,880	256	277	0.84%
2003	19,544,969	40,515,000	-	375,885,045	-	435,945,014	281	272	0.81%
2004	21,571,509	37,765,000	-	371,953,227	-	431,289,736	271	267	0.76%
2005	24,636,416	34,790,000	70,808,932	365,131,054	-	495,366,402	298	302	0.83%
2006	27,144,492	31,600,000	248,557,010	356,456,643	-	663,758,145	414	398	1.05%
2007	33,759,000	28,195,000	474,121,857	347,064,809	-	883,140,666	521	521	n/a
2008	33,759,000	24,570,000	66,946,403	931,455,268	16,371,000	1,073,101,671	557	n/a	n/a

<sup>1</sup> - These obligations are payable from and secured by a pledge of certain state and local assistance, but the lien on such revenues is subordinate to that of certain lease payment obligations of the CIB.

<sup>2</sup> - This obligation represents the accumulation of amounts spent and accrued on the Lucas Oil Stadium and Convention Center expansion projects. Once the projects are complete and the related lease payments for the facilities begin, this obligation will be reclassified as a capital lease obligation.

<sup>3</sup> - The Indianapolis-Carmel Metropolitan Statistical Area (MSA) includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Putnam and Shelby counties in Central Indiana, as defined by the U.S. Office of Management and Budget.

n/a = Information is not available.

Table X

**Capital Improvement Board of Managers  
State and Local Tax Assistance  
Last Ten Fiscal Years**

	<b>1999</b>	<b>2000 <sup>1</sup></b>	<b>2001</b>	<b>2002</b>
Innkeeper's Tax (5%)	\$ 13,742,767	\$ 16,577,831	\$ 14,890,607	\$ 15,434,339
Innkeeper's Tax (1%)	2,748,553	3,315,566	2,977,122	3,086,867
Food and Beverage Tax (1%)	14,066,942	14,780,431	14,932,215	16,033,607
Admissions Tax (5%)	1,536,366	5,124,206	4,438,762	4,581,470
Auto Rental Excise Tax (2%)	1,442,436	1,934,129	1,903,793	1,917,522
Cigarette Tax	350,000	350,000	350,000	350,000
PSDA Allocation	5,244,200	8,303,943	6,166,900	5,160,983
<b>Total Original Excise Taxes and Original PSDA Revenues</b>	<b>39,131,264</b>	<b>50,386,106</b>	<b>45,659,399</b>	<b>46,564,788</b>
Innkeeper's Tax (3%)	-	-	-	-
Food and Beverage Tax (1%)	-	-	-	-
Admissions Tax (1%)	-	-	-	-
Auto Rental Excise Tax (2%)	-	-	-	-
PSDA Allocation <sup>3</sup>	-	-	-	-
Regional Food and Beverage Tax (.5%)	-	-	-	-
<b>Total 2005 New Tax Revenues and 2005 PSDA Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Specialty License Plate Fees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total State and Local Tax Assistance</b>	<b>\$ 39,131,264</b>	<b>\$ 50,386,106</b>	<b>\$ 45,659,399</b>	<b>\$ 46,564,788</b>

<sup>1</sup> - Beginning in 2000, amounts reflect adoption of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

<sup>2</sup> - In 2005, certain expanded and new tax and PSDA revenues were established in connection with the financing of a multi-purpose venue to replace the RCA Dome and the expansion of the Indiana Convention Center.

<sup>3</sup> - The new PSDA revenues are effective July 1, 2007.

<b>2003</b>	<b>2004</b>	<b>2005 <sup>2</sup></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$ 16,051,948	\$ 17,483,328	\$ 17,176,553	\$ 19,164,522	\$ 19,716,399	\$ 19,345,115
3,210,390	3,496,666	3,435,311	3,832,904	3,943,280	3,869,023
15,617,516	17,567,107	16,959,958	18,649,983	18,499,125	18,302,507
4,541,774	4,968,613	5,434,476	5,015,698	5,689,486	5,572,962
1,849,856	1,739,924	1,850,410	2,066,784	2,163,710	2,137,402
350,000	350,000	350,000	350,000	350,000	350,000
6,452,932	5,696,189	5,257,272	7,351,193	6,562,676	7,273,513
<u>48,074,416</u>	<u>51,301,827</u>	<u>50,463,980</u>	<u>56,431,084</u>	<u>56,924,676</u>	<u>56,850,522</u>
-	-	4,577,005	11,046,858	11,829,839	11,607,069
-	-	7,389,454	18,044,932	18,499,124	18,302,508
-	-	457,580	1,003,140	1,137,897	1,114,592
-	-	846,239	2,065,332	2,163,710	2,137,402
-	-	-	-	2,413,605	10,839,606
-	-	1,561,027	4,673,376	5,024,380	5,108,824
<u>-</u>	<u>-</u>	<u>14,831,305</u>	<u>36,833,638</u>	<u>41,068,555</u>	<u>49,110,001</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>247,340</u>	<u>788,862</u>	<u>907,315</u>
<u>\$ 48,074,416</u>	<u>\$ 51,301,827</u>	<u>\$ 65,295,285</u>	<u>\$ 93,512,062</u>	<u>\$ 98,782,093</u>	<u>\$ 106,867,838</u>

Table XI

**Capital Improvement Board of Managers  
Pledged Revenue Coverage  
Last Ten Fiscal Years**

	1999	2000	2001	2002
<b>Tax Revenues - Pledged on a Senior Basis to Secure Lease Rental Obligations <sup>1</sup></b>				
Innkeeper's Tax (5%)	\$ 13,742,767	\$ 16,577,831	\$ 14,890,607	\$ 15,434,339
Innkeeper's Tax (1%)	2,748,553	3,315,566	2,977,122	3,086,867
Food and Beverage Tax (1%)	14,066,942	14,780,431	14,932,215	16,033,607
Admissions Tax (5%)	1,536,366	5,124,206	4,438,762	4,581,470
Auto Rental Excise Tax (2%)	1,442,436	1,934,129	1,903,793	1,917,522
Cigarette Tax	350,000	350,000	350,000	350,000
Total Tax Receipts	<u>33,887,064</u>	<u>42,082,163</u>	<u>39,492,499</u>	<u>41,403,805</u>
<b>Disbursements - Senior Lease Rental Obligations <sup>2</sup></b>				
1991 and 1993 Leases	(11,120,000)	(11,120,000)	(8,283,666)	(6,281,661)
1995 Lease	(1,006,000)	(1,006,000)	(1,006,000)	(1,006,000)
1997 Lease	(1,046,000)	(1,046,000)	(1,046,000)	(1,046,000)
2001 Lease	-	-	(1,087,600)	(2,457,265)
2003 Lease	-	-	-	-
Total Disbursements - Senior Lease Rental Obligations	<u>(13,172,000)</u>	<u>(13,172,000)</u>	<u>(11,423,266)</u>	<u>(10,790,926)</u>
<b>Tax Revenues in Excess of Senior Lease Rental Obligations</b>	<u>20,715,064</u>	<u>28,910,163</u>	<u>28,069,233</u>	<u>30,612,879</u>
<b>Tax Revenues - Pledged Only to Secure Subordinate Lease Rental Obligations and Other Debt <sup>1</sup></b>				
PSDA Allocation	<u>5,244,200</u>	<u>8,303,943</u>	<u>6,166,900</u>	<u>5,160,983</u>
<b>Disbursements - Subordinate Lease Rental Obligations and Other Debt <sup>2</sup></b>				
1997 Lease	(11,205,528)	(11,985,264)	(12,765,000)	(12,806,000)
1999 Subordinate Bonds/Notes	(1,371,847)	(5,596,463)	(3,248,250)	(4,370,475)
Junior Subordinate Notes	-	-	-	-
Total Disbursements - Subordinate Lease Rental Obligations and Other Debt	<u>(12,577,375)</u>	<u>(17,581,727)</u>	<u>(16,013,250)</u>	<u>(17,176,475)</u>
<b>Excess Available for CIB Operations</b>	<u>\$ 13,381,889</u>	<u>\$ 19,632,379</u>	<u>\$ 18,222,883</u>	<u>\$ 18,597,387</u>
<b>Coverage Ratio - Senior Obligations</b>	<u>2.57</u>	<u>3.19</u>	<u>3.46</u>	<u>3.84</u>
<b>Coverage Ratios - Senior and Subordinate Obligations</b>	<u>1.52</u>	<u>1.64</u>	<u>1.66</u>	<u>1.66</u>

<sup>1</sup> - Tax revenues reflect the accrual basis of accounting. Beginning in 2000, amounts reflect the application of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

<sup>2</sup> - Debt service payments are gross and do not take into account amounts paid from capitalized interest or any other sources.

Note: The 2005 New Tax Revenues, 2005 PSDA Revenues and the Specialty License Plate Fees are not included in this schedule since they are pledged only to secure the new stadium and convention center expansion projects.



2003	2004	2005	2006	2007	2008
\$ 16,051,948	\$ 17,483,328	\$ 17,176,553	\$ 19,164,522	\$ 19,716,399	\$ 19,345,115
3,210,390	3,496,666	3,435,311	3,832,904	3,943,280	3,869,023
15,617,516	17,567,107	16,959,958	18,649,983	18,499,125	18,302,507
4,541,774	4,968,613	5,434,476	5,015,698	5,689,486	5,572,962
1,849,856	1,739,924	1,850,410	2,066,784	2,163,710	2,137,402
350,000	350,000	350,000	350,000	350,000	350,000
<u>41,621,484</u>	<u>45,605,638</u>	<u>45,206,708</u>	<u>49,079,891</u>	<u>50,362,000</u>	<u>49,577,009</u>
(3,139,794)	-	-	-	-	-
(1,006,000)	(1,006,000)	(1,006,000)	(1,006,000)	(1,006,000)	(1,006,000)
(1,046,000)	(1,046,000)	(1,046,000)	(1,046,000)	(1,046,000)	(1,046,000)
(2,723,470)	(3,589,560)	(4,624,000)	(4,846,705)	(4,845,706)	(4,844,281)
<u>(1,651,701)</u>	<u>(3,794,113)</u>	<u>(5,293,750)</u>	<u>(6,271,000)</u>	<u>(6,272,000)</u>	<u>(6,273,250)</u>
<u>(9,566,965)</u>	<u>(9,435,673)</u>	<u>(11,969,750)</u>	<u>(13,169,705)</u>	<u>(13,169,706)</u>	<u>(13,169,531)</u>
<u>32,054,519</u>	<u>36,169,965</u>	<u>33,236,958</u>	<u>35,910,186</u>	<u>37,192,294</u>	<u>36,407,478</u>
<u>6,452,932</u>	<u>5,696,189</u>	<u>5,257,272</u>	<u>7,351,193</u>	<u>6,562,676</u>	<u>7,273,513</u>
(12,957,000)	(13,176,000)	(13,416,500)	(13,675,000)	(13,934,000)	(14,213,000)
(4,604,638)	(4,684,888)	(4,766,763)	(4,827,638)	(4,877,763)	(4,922,013)
<u>(40,790)</u>	<u>(58,352)</u>	<u>(63,988)</u>	<u>(72,881)</u>	<u>(85,812)</u>	<u>(562,425)</u>
<u>(17,602,428)</u>	<u>(17,919,240)</u>	<u>(18,247,251)</u>	<u>(18,575,519)</u>	<u>(18,897,575)</u>	<u>(19,697,438)</u>
<u>\$ 20,905,023</u>	<u>\$ 23,946,914</u>	<u>\$ 20,246,979</u>	<u>\$ 24,685,860</u>	<u>\$ 24,857,395</u>	<u>\$ 23,983,553</u>
<u>4.35</u>	<u>4.83</u>	<u>3.78</u>	<u>3.73</u>	<u>3.82</u>	<u>3.76</u>
<u>1.77</u>	<u>1.88</u>	<u>1.67</u>	<u>1.78</u>	<u>1.78</u>	<u>1.73</u>

**Table XII**

**Capital Improvement Board of Managers  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

Year	Population	Indianapolis-Carmel MSA <sup>1</sup>			Annual Average Unemployment Rate
		Personal Income (in millions)	Per Capita Personal Income		
1999	1,456,455	\$ 44,888	\$ 29,803		2.2%
2000	1,525,104	48,862	31,916		2.4%
2001	1,554,000	50,516	32,507		3.3%
2002	1,575,820	52,023	33,013		4.6%
2003	1,599,929	53,807	33,631		4.8%
2004	1,617,414	57,040	35,266		4.7%
2005	1,640,591	59,683	36,391		4.9%
2006	1,666,032	63,029	37,735		4.4%
2007	1,695,037	n/a	n/a		3.9%
2008	n/a	n/a	n/a		6.7%

<sup>1</sup> - The Indianapolis-Carmel Metropolitan Statistical Area (MSA) includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Putnam and Shelby counties in Central Indiana, as defined by the U.S. Office of Management and Budget.

n/a = Information is not available.

Source: Indiana Department of Workforce Development ([www.hoosierdata.in.gov](http://www.hoosierdata.in.gov)).

**Table XIII**

**Capital Improvement Board of Managers**  
**Principal Employers <sup>1</sup>**  
**Current Year**

<b>Employer Name</b>	<b>2008</b>	
	<b>Employees</b>	<b>% of Total</b>
Clarian Health Partners, Inc.	26,284	3.03%
Eli Lilly and Company	11,550	1.33%
St. Vincent Hospitals & Health Services	10,384	1.20%
FedEx	6,311	0.73%
Community Health Network	5,341	0.62%
Rolls-Royce	4,300	0.50%
WellPoint, Inc.	4,200	0.48%
Allison Transmission/Division of GMC	4,000	0.46%
Roche Diagnostic Corporation	3,650	0.42%
Roche Diagnostics	3,650	0.42%
	<u>79,670</u>	<u>9.19%</u>

<sup>1</sup> - Principal employers for the Indianapolis MSA (Local, state and federal employers are excluded).

Note: Information for 1999 is not readily available.

Sources: The Indy Partnership ([www.indypartnership.com](http://www.indypartnership.com)).

Table XIV

**Capital Improvement Board of Managers**  
**Number of Employees (FTEs) by Identifiable Activity**  
**Last Ten Fiscal Years**

	1999 <sup>1</sup>	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Position:</b>										
Carpenters	-	3	5	3	3	5	3	3	3	4
Electricians	-	16	20	23	23	23	24	21	17	20
Grounds	-	3	3	3	3	3	3	3	3	5
Housekeeping	-	49	81	63	60	61	82	67	62	64
Pipefitters	-	9	13	13	15	14	13	12	12	15
Painters	-	2	3	3	3	3	3	3	3	3
Sound and lighting	-	6	9	8	8	8	8	8	8	10
Set-Up	-	19	30	29	37	49	46	31	25	27
Installation and dismantling	-	19	22	15	13	15	11	7	7	6
Box office	-	2	3	4	4	4	4	3	3	4
Administrative	-	65	65	64	65	64	69	64	69	76
Miscellaneous clerical	-	3	3	4	5	5	5	4	5	7
Telecommunications	-	-	-	-	-	-	-	-	-	2
Fire Marshals	-	-	-	-	-	-	-	-	-	1
Guest Services	-	-	-	-	-	-	-	-	-	2
Total Full-Time Equivalent Employees	-	196	257	232	239	254	271	226	217	246

<sup>1</sup> - Comparable employee breakdowns are not available prior to 2000 when the Capital Improvement Board switched payroll providers.

<sup>2</sup> - The Capital Improvement Board outsources its security force and its food services personnel to outside contractors. Personnel figures for these activities are not included in this table.

Note: Fluctuations can result from year to year due to the type of labor that is required and the amount of labor the CIB is able to secure on a contractual basis.

Source: Capital Improvement Board of Managers - Payroll/HR records.

Table XV

**Capital Improvement Board of Managers  
Occupancy Statistics <sup>1</sup>  
Last Ten Fiscal Years**

Venue	1999		2000 <sup>3</sup>	
	Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy
<b>Exhibit Halls</b>				
Hall A	36.70%	69.90%	31.50%	63.10%
Hall B	36.40%	70.70%	27.40%	60.00%
Hall C	34.20%	69.00%	28.60%	58.30%
Hall D	32.60%	61.10%	35.00%	71.30%
Hall E	33.70%	62.50%	39.10%	76.20%
Hall F	d/n/e	d/n/e	33.90%	64.80%
Hall G	d/n/e	d/n/e	31.10%	61.70%
<b>RCA Dome</b>	23.30%	51.20%	19.90%	43.40%
<b>Ballrooms</b>				
500 Ballroom	40.30%	57.00%	46.20%	62.60%
White River Ballroom	40.80%	55.10%	36.60%	50.80%
Sagamore Ballrooms <sup>2</sup>	44.70%	60.10%	51.00%	67.00%
Wabash Ballrooms <sup>2</sup>	d/n/e	d/n/e	d/n/e	d/n/e
<b>Lucas Oil Stadium</b>				
Stadium	-	-	-	-
Exhibit Halls <sup>2</sup>	-	-	-	-
Quarterback Club	-	-	-	-
Lounges <sup>2</sup>	-	-	-	-
Concourse	-	-	-	-
North Terrace	-	-	-	-
	2004		2005	
	Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy
<b>Exhibit Halls</b>				
Hall A	33.30%	66.40%	33.40%	67.90%
Hall B	35.80%	72.40%	33.40%	69.30%
Hall C	37.70%	78.10%	35.60%	70.70%
Hall D	35.00%	73.50%	34.20%	70.40%
Hall E	36.60%	76.00%	32.90%	66.80%
Hall F	30.60%	60.40%	31.50%	64.90%
Hall G	30.30%	59.30%	31.80%	65.20%
<b>RCA Dome</b>	18.60%	40.20%	18.40%	53.20%
<b>Ballrooms</b>				
500 Ballroom	37.20%	51.90%	35.90%	50.40%
White River Ballroom	34.70%	48.90%	28.80%	43.60%
Sagamore Ballrooms <sup>2</sup>	39.30%	57.80%	39.30%	60.00%
Wabash Ballrooms <sup>2</sup>	40.30%	57.30%	36.70%	56.30%
<b>Lucas Oil Stadium</b>				
Stadium	-	-	-	-
Exhibit Halls <sup>2</sup>	-	-	-	-
Quarterback Club	-	-	-	-
Lounges <sup>2</sup>	-	-	-	-
Concourse	-	-	-	-
North Terrace	-	-	-	-

<sup>1</sup> - Occupancy formulas:

Per Venue Event Occupancy = number of event days divided by number of days in the month.

Per Venue Total Occupancy = total days divided by number of days in the month

(total days = number of event days plus number of move-in/out days).

<sup>2</sup> - Average for all associated space.

<sup>3</sup> - Phase IV expansion of the Indiana Convention Center was completed in July 2000.

Halls B, C, D and E became Halls D, E, F and G.

d/n/e = Did not exist.

Source: Sales Office - Capital Improvement Board of Managers.

2001		2002		2003	
Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy
31.50%	64.90%	32.90%	60.00%	29.90%	63.60%
37.00%	73.20%	36.20%	67.90%	33.70%	71.00%
38.60%	75.60%	33.40%	69.00%	34.00%	73.70%
37.30%	74.50%	36.20%	71.50%	31.80%	69.00%
39.20%	76.40%	35.30%	70.70%	33.20%	69.60%
31.50%	61.90%	33.70%	64.90%	29.30%	57.50%
29.90%	59.50%	30.70%	57.00%	26.60%	51.80%
20.50%	46.80%	20.80%	43.00%	15.30%	41.40%
46.30%	59.70%	43.60%	58.40%	38.90%	50.70%
36.20%	49.00%	30.40%	39.20%	28.50%	42.50%
49.00%	64.30%	44.00%	59.30%	39.20%	56.10%
30.10%	39.10%	36.90%	50.10%	40.50%	56.50%
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2006		2007		2008	
Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy	Event Occupancy	Total Occupancy
33.40%	61.90%	30.1%	60.5%	30.3%	66.1%
35.30%	65.50%	31.5%	63.8%	31.4%	66.7%
30.70%	59.50%	31.8%	63.8%	32.2%	68.9%
29.90%	58.40%	29.9%	61.4%	32.8%	67.2%
28.50%	55.10%	29.9%	61.1%	29.2%	64.5%
29.30%	54.80%	31.5%	58.1%	18.9%	41.0%
27.90%	51.00%	25.5%	52.3%	17.8%	39.1%
18.90%	43.80%	20.5%	42.2%	18.1%	44.8%
34.20%	48.50%	36.4%	50.4%	38.3%	50.8%
27.90%	41.60%	29.9%	41.1%	26.7%	34.3%
41.20%	56.60%	38.0%	55.3%	40.6%	56.9%
37.00%	51.60%	34.2%	49.7%	38.6%	52.8%
-	-	-	-	32.2%	54.5%
-	-	-	-	22.0%	36.0%
-	-	-	-	28.0%	28.0%
-	-	-	-	24.5%	35.7%
-	-	-	-	33.6%	46.2%
-	-	-	-	15.4%	26.6%

**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***

Capital Improvement Board of Managers  
(of Marion County, Indiana)  
Indianapolis, Indiana

We have audited the financial statements of Capital Improvement Board of Managers (of Marion County, Indiana) (CIB) as of and for the year ended December 31, 2008, and have issued our report thereon dated May 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the CIB'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 CIB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CIB's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the CIB's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CIB's financial statements that is more than inconsequential will not be prevented or detected by the CIB's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CIB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the CIB's management in a separate letter dated May 21, 2009.

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

BKO, LLP

Indianapolis, Indiana  
May 21, 2009