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February 24, 2011

Board of Directors
Marion County Convention and Recreational Facilities Auth.
4825 North Arlington
Indianapolis, Indiana 46226

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Marion County Convention and Recreational Facilities Authority, as of December 31, 2007 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

Marion County Convention and Recreational Facilities Authority

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

Accountants' Reports and Financial Statements

December 31, 2007 and 2006

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
December 31, 2007 and 2006

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Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying basic financial statements of the Marion County Convention and Recreational Facilities Authority (Authority), a component unit of the Consolidated City of Indianapolis-Marion County, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Marion County Convention and Recreational Facilities Authority as of December 31, 2007 and 2006, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the Authority's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

BKD, LLP

Indianapolis, Indiana
April 22, 2008

MANAGEMENT'S DISCUSSION & ANALYSIS **(Unaudited)**

Introduction

The Marion County Convention and Recreational Facilities Authority (the "Authority"), which is a component unit of the Consolidated City of Indianapolis-Marion County (the "City") and conducts its business in the City, offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended on December 31, 2007. This Management's Discussion and Analysis is being presented to provide additional information regarding the activities of the Authority in connection with its financial statements.

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

Financial Highlights

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

- The Authority experienced a decrease in total assets of approximately \$39.3 million. Receipt of annual lease rentals and the application of such receipts to bonded indebtedness resulted in a decrease of approximately \$42.4 million. Current unrestricted assets increased by approximately \$3.1 million due to the accrual of additional amounts to be paid in connection with a swaption that was exercised in 2007.
- The Authority also experienced a corresponding reduction in total liabilities of approximately \$42 million as a result of annual payments on its bonded indebtedness.
- Total net assets increased by approximately \$2.5 million, principally due to the accrual of the additional \$3 million due under the swaption, less a \$0.6 million payment associated with the operation of Conseco Fieldhouse.
- Operating expenses effectively offset operating revenues for the fiscal year ended December 31, 2007.
- Net nonoperating revenues (expenses) for the fiscal year ended December 31, 2007 were approximately \$2.5 million, which resulted from the payment of the current year expense under a multi-year commitment associated with the operation of Conseco Fieldhouse offset by the additional income earned under the aforementioned swaption.

Overview of Financial Statements

This financial report of the Authority 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 the Governmental Accounting Standards Board (GASB).

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

Invested in capital assets - this reflects the Authority's investment in capital assets, and relates solely to certain land donated to the Authority upon which one leased facility was constructed.

Restricted net assets - this represents resources that are subject to external restrictions on how they may be used (which principally relate to the Authority's trust agreements under which its bonded indebtedness was issued).

Unrestricted net assets - this represents resources that may be used to meet the Authority's ongoing obligations to creditors and for its other public purposes.

Net Assets

The Balance Sheets reflect the assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The Authority's net assets - the difference between total assets and total liabilities - represent one way to measure the Authority's financial health. In a general way, changes in net assets that occur over time may also serve as an indicator of whether the financial position of the Authority is strengthening or weakening.

Balance Sheets

A summarized comparison of the Authority's assets, liabilities and net assets at December 31, 2007 and 2006 and 2005 follows (in thousands):

	December 31		
	2007	2006	2005
Assets			
Unrestricted assets - current	\$ 4,319	\$ 1,200	\$ 1,200
Restricted assets - current	48,176	47,342	46,753
Unrestricted assets - noncurrent	6,929	8,614	10,250
Restricted assets - noncurrent	632,283	673,819	715,085
Total assets	<u>\$ 691,707</u>	<u>\$ 730,975</u>	<u>\$ 773,288</u>
Liabilities			
Current liabilities payable from unrestricted assets	\$ -	\$ 600	\$ 600
Current liabilities payable from restricted assets	12,001	11,226	10,499
Noncurrent liabilities payable from restricted assets	668,104	710,066	751,901
Total liabilities	<u>680,105</u>	<u>721,892</u>	<u>763,000</u>
Net assets			
Invested in capital assets	1,300	1,300	1,300
Restricted	4,786	4,257	3,820
Unrestricted	5,516	3,526	5,168
Total net assets	<u>11,602</u>	<u>9,083</u>	<u>10,288</u>
Total liabilities and net assets	<u>\$ 691,707</u>	<u>\$ 730,975</u>	<u>\$ 773,288</u>

The decrease in *total assets and total liabilities* (from 2006 to 2007 and from 2005 to 2006) is primarily attributable to the Authority's annual receipt of lease rentals and its application of such receipts to its bonded indebtedness. More specifically, the decrease in *Restricted assets - noncurrent* of approximately \$41.5 million from 2006 to 2007 and \$41.3 million from 2005 to 2006 and the decrease in *Noncurrent liabilities* of approximately \$42.0 million from 2006 to 2007 and \$41.8 million from 2005 to 2006 reflects debt payments. Also, *Restricted assets - current* increased by approximately \$0.8 million from 2006 to 2007 and by approximately \$0.6 million from 2005 to 2006 due to changes in the current portion of leases receivable reflective of the associated bond debt service requirements.

Restricted net assets have increased by about \$0.5 million in 2007 from 2006 and about \$0.4 million in 2006 from 2005. This is primarily due to increases in the monies that are being held in the Authority's sinking fund accounts.

Unrestricted net assets primarily reflect the differences in timing between the pay down of the leases receivable and the pay down of the corresponding bond debt of the Authority, as well as the amortization of certain intangible items that are not recouped through lease payments. The increase in this line of approximately \$2.0 million in 2007 from 2006 and the decrease of approximately \$1.6 million in 2006 from 2005 is largely due to the activity relating to the Authority's swaption.

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, 2006 and 2005 follows (in thousands):

	December 31		
	2007	2006	2005
Operating Revenues			
Interest on leases	\$ 24,500	\$ 25,405	\$ 26,112
Investment and other income, net of fees	166	175	107
Total operating revenues	<u>24,666</u>	<u>25,580</u>	<u>26,219</u>
Nonoperating Revenues			
Income from swaption	3,119	-	-
Premium on swaption	-	-	9,443
Total revenues	<u>27,785</u>	<u>25,580</u>	<u>35,662</u>
Operating Expenses			
Interest expense	24,446	25,355	26,140
Administrative expenses	220	230	91
Total operating expenses	<u>24,666</u>	<u>25,585</u>	<u>26,231</u>
Nonoperating Expenses			
Payments related to Pacers Games			
Cablecast	600	1,200	4,200
Total expenses	<u>25,266</u>	<u>26,785</u>	<u>30,431</u>
Increase (Decrease) in Net Assets	<u>\$ 2,519</u>	<u>\$ (1,205)</u>	<u>\$ 5,231</u>

The changes in *operating revenues* each year primarily reflects the incremental annual changes in revenue related to lease rentals. The decrease in *operating revenues* (\$0.9 million, 2007 compared to 2006 and \$0.6 million, 2006 compared to 2005) resulted primarily from lower lease rentals related to interest compared to the prior period, which was partly offset by investment earnings.

Operating expenses decreased \$0.9 million in 2007 from 2006 and \$0.6 million in 2006 from 2005 as a result of declining annual interest payments on debt.

Nonoperating revenues and nonoperating expenses are the direct result of payments under a multi-year commitment associated with the operation of Conseco Fieldhouse, as well as a premium on a swaption hedge agreement entered into in 2005, associated with a synthetic refunding. Such premium was committed to provide for a multi-year expense associated with the operation of Conseco Fieldhouse, \$0.6 million in 2007, \$1.2 million in 2006 and \$4.2 million in 2005. Additionally, during 2007, additional revenue of approximately \$3.1 million was recognized in connection with the exercise of the swaption.

Capital Assets and Debt Administration

Capital Assets

As discussed, the Authority is organized and operated to finance, acquire, construct and lease capital improvements. Each is subject to a lease arrangement, whereby the Authority operates as the lessor and other political units of the City operate as the lessee, paying rent to the Authority for their use.

The Authority presently leases (a) the Indiana Convention Center & RCA Dome, Victory Field and Conseco Fieldhouse (the "CIB Facilities") located in downtown Indianapolis to the Capital Improvement Board of Managers (of Marion County) (the "CIB") created pursuant to Indiana Code 36-10-9 and (b) a major aircraft maintenance and overhaul center at Indianapolis International Airport that was constructed and initially operated by United Air Lines, Inc. (the "Indianapolis Maintenance Center") to the Metropolitan Development Commission of Marion County, acting in its capacity as a Redevelopment Commission of the City of Indianapolis, Indiana pursuant to Indiana Code 36-7-15.1, -15.3 and -25 (the "Commission"). The CIB and the Commission have respectively entered into separate lease and other agreements (between the Authority, as lessor, and the CIB or the Commission, as lessee) and certain state and local taxes (as made available respectively to the CIB or the Commission, and used to pay lease rent) secure these bonds. The CIB is obligated to operate, maintain and insure the CIB Facilities at its expense. The Indianapolis Airport Authority is obligated to maintain and insure the Indianapolis Maintenance Center at its expense. United Air Lines, Inc. ("United"), the original tenant of the Indianapolis Maintenance Center, no longer occupies it and new tenants now lease a portion of the facility.

The Authority has accounted for its interests in these Facilities as lease receivables (and not as capital assets) because the economic substance of the Authority's activity relates to its payment rights under its leases. Further, under applicable agreements, the Authority is obligated to transfer full ownership of such Facilities to the CIB or the Commission, as the case may be, upon liquidation of the related bonded indebtedness. Readers are referred to Notes 5 and 6 in the financial statements for more detailed information on capital asset activity.

Long-Term Debt

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

United, the original end user of the Indianapolis Maintenance Center, rejected its related lease through bankruptcy. While United no longer occupies the Indianapolis Maintenance Center, this occurrence has not affected the continuing obligation of the Commission (including its payment of rent used to pay the Authority's bonds) under its lease agreement with the Authority.

More specific information concerning the financing and security for the Authority's Facilities can be found in the footnotes to the financial statements (see Notes 3, 4 and 5).

Because the Authority is a special public entity, it is not subject to any debt limitations under Indiana law; however, the Authority does have certain contractually agreed to limitations applicable to its issuance of additional debt. The Authority's revenue bonds are presently insured as to their payment pursuant to municipal bond insurance policies issued by 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 Authority's bonds during 2007 or 2006.

Economic Factors and Other

As a pass-through financing entity, the Authority operations are not, in a direct way, dependent on the general economic environment. Rather, the Authority's principal assets are (or are related to) lease receivables and its principal liabilities are (or are related to) bonded indebtedness issued to finance such leased capital improvements. Lease receivables are structured to match up with bonded indebtedness obligations, as well as provide resources to fund annual administrative expenses. These fixed lease rental payments are anticipated to be sufficient to meet next year's budgeted expenditures.

Further, while economic factors could impact continuing operations of the CIB and the Commission, and, thus, indirectly, could affect the performance of their respective obligations under the lease agreements, lease rental obligations are fixed and have been, in certain ways, secured by pledges or other agreements made by the CIB and the Commission of certain generally applicable state and/or local tax revenues.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, your inquiries should be directed to:

Board of Directors
Marion County Convention and Recreational Facilities Authority
c/o Controller, Capital Improvement Board of Managers (of Marion County, Indiana)
100 South Capitol Avenue
Indianapolis, Indiana 46225-1071

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Balance Sheets
December 31, 2007 and 2006

	2007	2006
Assets		
Current Assets		
Unrestricted Assets		
Receivable from swaption	\$ 4,319,300	\$ 1,200,000
Restricted Assets		
Cash and cash equivalents	6,628,075	6,047,925
Interest receivable	11,207	28,394
Current portion of leases receivable	41,536,999	41,266,101
Total restricted current assets	48,176,281	47,342,420
Total current assets	52,495,581	48,542,420
Noncurrent Assets		
Noncurrent portion of leases receivable, restricted	632,281,593	673,818,592
Receivable from swaption	1,250,000	2,450,000
Deferred bond issuance costs	4,379,439	4,864,404
Non-depreciable land and improvements, at cost	1,300,000	1,300,000
Total noncurrent assets	639,211,032	682,432,996
Total assets	\$ 691,706,613	\$ 730,975,416
Liabilities		
Current Liabilities Payable From Unrestricted Assets		
Payable to Pacers Basketball Corporation	\$ -	\$ 600,000
Current Liabilities Payable From Restricted Assets		
Accounts payable	-	74,667
Due to local government	456,143	306,943
Interest payable	1,419,598	1,459,370
Current portion of bonds payable	10,125,000	9,385,000
Total current liabilities payable from restricted assets	12,000,741	11,225,980
Total current liabilities	12,000,741	11,825,980
Noncurrent Liabilities Payable From Restricted Assets		
Deferred revenue on leases receivable	238,883,354	263,372,905
Bonds payable	429,220,828	446,693,914
Total noncurrent liabilities payable from restricted assets	668,104,182	710,066,819
Total liabilities	680,104,923	721,892,799
Net Assets		
Invested in capital assets	1,300,000	1,300,000
Restricted for		
Debt service	4,241,192	3,737,969
Construction	544,292	519,021
Unrestricted	5,516,206	3,525,627
Total net assets	11,601,690	9,082,617
Total liabilities and net assets	\$ 691,706,613	\$ 730,975,416

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Interest on leases	\$ 24,500,051	\$ 25,405,245
Investment and other income, net of fees	165,575	174,533
Total revenues	<u>24,665,626</u>	<u>25,579,778</u>
Operating Expenses		
Interest expense	24,445,971	25,355,047
Administrative expenses	219,882	229,728
Total expenses	<u>24,665,853</u>	<u>25,584,775</u>
Operating Loss	<u>(227)</u>	<u>(4,997)</u>
Nonoperating Revenues (Expenses)		
Income from swaption	3,119,300	-
Payments related to Pacer Games Cablecast	<u>(600,000)</u>	<u>(1,200,000)</u>
	<u>2,519,300</u>	<u>(1,200,000)</u>
Change in Net Assets	2,519,073	(1,204,997)
Net Assets, Beginning of Year	<u>9,082,617</u>	<u>10,287,614</u>
Net Assets, End of Year	<u><u>\$ 11,601,690</u></u>	<u><u>\$ 9,082,617</u></u>

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Lease payments received	\$ 41,155,474	\$ 41,025,419
Interest received	303,889	265,590
Payments to trustees and other vendors	(70,682)	(179,686)
Net cash provided by operating activities	<u>41,388,681</u>	<u>41,111,323</u>
Noncapital and Related Financing Activities		
Principal payments on bonds	(17,650,000)	(16,610,000)
Interest payments on bonds	(23,158,531)	(24,062,134)
Premium on swaption	1,200,000	1,200,000
Payments related to Pacer Games Cablecast	(1,200,000)	(1,200,000)
Net cash used in noncapital financing activities	<u>(40,808,531)</u>	<u>(40,672,134)</u>
Net Increase in Cash and Cash Equivalents	580,150	439,189
Cash and Cash Equivalents, Beginning of Year	<u>6,047,925</u>	<u>5,608,736</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,628,075</u></u>	<u><u>\$ 6,047,925</u></u>
Reconciliation of Operating Loss to Net Cash Provided by		
Operating Activities		
Operating loss	\$ (227)	\$ (4,997)
Interest expense considered noncapital financing activity	24,445,971	25,355,047
Changes in assets and liabilities		
Leases receivable	41,266,101	41,120,662
Deferred revenue on leases receivable	(24,489,551)	(25,405,245)
Other	<u>166,387</u>	<u>45,856</u>
Net Cash Provided by Operating Activities	<u><u>\$ 41,388,681</u></u>	<u><u>\$ 41,111,323</u></u>

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Notes to Financial Statements
December 31, 2007 and 2006

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

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

Reporting Entity - The Authority is considered a component unit of the Consolidated City of Indianapolis-Marion County, a unified government commonly referred to as Unigov (the governments of the City of Indianapolis and Marion County, Indiana, have been consolidated and operate under one elected City-County Council) under criteria established by the Governmental Accounting Standards Board (GASB). The Authority's Board of Directors consists of three members appointed by the Mayor of the City, and the Authority has the potential to provide specific financial benefits to the Consolidated City of Indianapolis-Marion County.

The Authority's activities are currently comprised of leasing the Indiana Convention Center & RCA Dome, Conseco Fieldhouse and Victory Field to the CIB and leasing, as a tenant-in-common, an aircraft maintenance, repair and overhaul facility at the Indianapolis International Airport to the Commission.

Measurement Focus and Basis of Accounting - The Authority prepares its financial statements as a business-type activity using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar voluntary non-exchange transactions are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Marion County Convention and Recreational Facilities Authority

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

Notes to Financial Statements December 31, 2007 and 2006

Cash Equivalents - Cash equivalents are reported at amortized cost. The Authority's cash equivalents at December 31, 2007 and 2006 consisted entirely of short-term government money market mutual funds.

Original Issue Discounts and Premiums - Original issue discounts and premiums on bonds are accreted or amortized using the bonds-outstanding method over the life of the bonds to which each relates.

Deferred Bond Issuance Costs - Deferred bond issuance costs are being amortized over the life of the bonds using the bonds-outstanding method.

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

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

Note 2: Investments

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

At December 31, 2007 and 2006, the Authority had the following investments:

	<u>2007</u>	<u>2006</u>
U. S. Government money market mutual funds	\$ 6,628,075	\$ 6,047,925

Marion County Convention and Recreational Facilities Authority

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

Notes to Financial Statements December 31, 2007 and 2006

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority is limited to investing in securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Authority's investment policy for interest rate risk requires compliance with the provisions of the Indiana statutes. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy for credit risk requires compliance with the provisions of Indiana statutes, and Indiana Code Section 5-13-9-2.5 requires that the Authority only invest in securities that are rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service. At December 31, 2007 and 2006, the Authority's investments in money market mutual funds were rated AAA by Standard & Poor's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2007 and 2006, all of the Authority's investments were in money market mutual funds. As such, the Authority was not exposed to custodial credit risk as the existence of the money market mutual funds are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk - The Authority places no limit on the amount that may be invested in any one issuer. At December 31, 2007 and 2006, the Authority's investments consisted solely of money market mutual funds which are excluded from concentration of credit risk disclosure requirements.

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

Summary of Carrying Values

Investments included in the balance sheets are classified as follows:

	2007	2006
Cash and cash equivalents		
Current - restricted	\$ 6,628,075	\$ 6,047,925

Marion County Convention and Recreational Facilities Authority
(A Component Unit of the Consolidated City
of Indianapolis-Marion County)
Notes to Financial Statements
December 31, 2007 and 2006

Investment Income

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

	2007	2006
Interest income	\$ 165,575	\$ 174,533

Investments are restricted as follows:

	2007	2006
Excise Taxes Bonds		
Sinking Fund	\$ 5,101,866	\$ 4,731,559
Expense Fund	349,145	311,468
Project Fund - Construction Account	542,355	516,863
Economic Development Bonds		
Sinking Fund	1,952	-
Operation and Reserve Fund	632,757	488,035
	<u>\$ 6,628,075</u>	<u>\$ 6,047,925</u>

Note 3: Bonds Payable

2003 Excise Taxes Lease Rental Revenue Refunding Senior Bonds

In May 2003, the Authority issued \$69,620,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2003A (the "2003A Bonds"), with an average interest rate of 4.81% to redeem its then outstanding Excise Taxes Lease Rental Revenue Refunding Bonds, Series 1993A. The refunding resulted in an accounting loss of \$2,581,680, which was deferred and is being amortized over the life of the 2003A Bonds.

2001 Excise Taxes Lease Rental Revenue Refunding Senior Bonds

In August 2001, the Authority issued \$53,140,000 of Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2001A (the "2001A Bonds"), with an average interest rate of 5.20% to redeem \$51,260,000 of its then outstanding Excise Taxes Lease Rental Revenue Bonds, Series 1991A (the "1991A Bonds"). The refunding resulted in an accounting loss of \$1,902,715, which was deferred and is being amortized over the life of the 2001A Bonds.

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1997 Excise Taxes Lease Rental Revenue Subordinate Bonds

In January 1998, the Authority issued \$230,705,000 of Excise Taxes Lease Rental Revenue Subordinate Bonds, Series 1997A and 1997B (Taxable) (the "1997A and 1997B Subordinate Bonds"), to fund the construction of the Conseco Fieldhouse, a professional sports arena, and an attached garage facility. During 2005, the Authority entered into a swaption with respect to the 1997A term bonds maturing June 1, 2022 and June 1, 2027. See Note 4 for a detailed description of this transaction.

1997 Excise Taxes Lease Rental Revenue Senior Bonds

In November 1997, the Authority issued \$20,920,000 of Excise Taxes Lease Rental Revenue Senior Bonds, Series 1997A (the "1997A Senior Bonds"), for the purpose of providing funds to construct and equip an expansion to the Indiana Convention Center.

1995 Excise Taxes Lease Rental Revenue Senior Bonds

In June 1995, the Authority issued \$10,000,000 of Excise Taxes Lease Rental Revenue Bonds, Series 1995A (Taxable) (the "1995A Bonds") to fund a portion of the costs to construct Victory Field, a professional baseball facility located adjacent to the Indiana Convention Center & RCA Dome.

1991 Economic Development Lease Rental Revenue Bonds

In December 1991, the Authority issued \$139,460,043 of Economic Development Lease Rental Revenue Bonds (the "1991 Economic Development Bonds"). The 1991 Economic Development Bonds were issued to acquire an undivided leasehold interest as a tenant-in-common in a large aircraft maintenance and overhaul center at Indianapolis International Airport (the "Indianapolis Maintenance Center"). The Authority entered into a tenancy-in-common agreement and related lease agreements relative to the site which created its leasehold interest in the site and facilities and which provided the framework for financing the construction of the facilities. The Indianapolis Maintenance Center was operated by United Air Lines, Inc. ("United") until May 2003, when United vacated the facilities and through bankruptcy rejected its lease with the Indianapolis Airport Authority. Several companies have entered into leases with the Indianapolis Airport Authority to use a portion of the Indianapolis Maintenance Center facilities for commercial aviation related businesses. In addition, during 2006, the Indianapolis Airport Authority entered into additional leases for the remaining office areas and certain warehouse space that are being used for non-aviation related use.

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Bonds payable consist of:

	2007	2006
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2003A (Indiana Convention Center Refinancing)		
Serial bonds, maturing June 1, 2005 to June 1, 2021. Interest at 2.00% to 5.00%, due semiannually on June 1 and December 1	\$ 62,435,000	\$ 65,590,000
Deferred loss on refunding	(1,537,922)	(1,750,295)
Unamortized premiums	2,353,177	2,678,129
	<u>63,250,255</u>	<u>66,517,834</u>
Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2001A (RCA Dome Refinancing)		
Serial bonds, maturing June 1, 2005 to June 1, 2018. Interest at 3.75% to 5.50%, due semiannually on June 1 and December 1	33,885,000	36,155,000
Term bonds, maturing June 1, 2021. Interest at 5.00%, due semi-annually on June 1 and December 1	13,150,000	13,150,000
	<u>47,035,000</u>	<u>49,305,000</u>
Deferred loss on refunding	(976,859)	(1,109,964)
Unamortized premiums	440,394	500,401
	<u>46,498,535</u>	<u>48,695,437</u>
Excise Taxes Lease Rental Revenue Senior Bonds, Series 1997A (Indiana Convention Center Expansion)		
Term bonds, maturing June 1, 2027. Interest at 5.00%, due semiannually on June 1 and December 1	20,920,000	20,920,000
Unamortized discounts	(995,674)	(1,055,503)
	<u>19,924,326</u>	<u>19,864,497</u>
Excise Taxes Lease Rental Revenue Subordinate Bonds, 1997A (Conseco Fieldhouse)		
Serial bonds, maturing June 1, 2003 to June 1, 2017. Interest at 4.35% to 5.00%, due semiannually on June 1 and December 1	36,345,000	37,460,000
Serial capital appreciation bonds, maturing June 1, 2010 to June 1, 2017. Interest at 5.10% to 5.42%, due at maturity	14,000,000	14,000,000
Term bonds, \$52,595,000 maturing June 1, 2022 and \$103,370,000 maturing June 1, 2027. Interest at 5.00%, due semiannually at June 1 and December 1	155,965,000	155,965,000
Excise Taxes Lease Rental Revenue Subordinate Bonds, 1997B (Conseco Fieldhouse Garage Facility)		
Serial bonds, maturing June 1, 2001 to June 1, 2008. Interest at 6.30% to 6.60%, due semiannually at June 1 and December 1	2,480,000	4,805,000
Term bonds, maturing June 1, 2010. Interest at 6.60%, due semiannually at June 1 and December 1	5,465,000	5,465,000
	<u>214,255,000</u>	<u>217,695,000</u>
Unamortized discounts	(9,097,288)	(9,993,854)
	<u>205,157,712</u>	<u>207,701,146</u>
Excise Taxes Lease Rental Revenue Senior Bonds, Series 1995A (Victory Field)		
Serial bonds, maturing June 1, 1997 to June 1, 2007. Interest at 6.00% to 7.10%, due semiannually on June 1 and December 1	-	520,000
Term bonds, \$1,790,000 maturing June 1, 2010 and \$3,995,000 maturing June 1, 2015. Interest at 7.375% and 7.55%, respectively, due semiannually on June 1 and December 1	5,785,000	5,785,000
	<u>5,785,000</u>	<u>6,305,000</u>
Bonds payable - CIB financings	340,615,828	349,083,914
Economic Development Lease Rental Revenue Bonds, Series 1991 (Indianapolis Maintenance Center)		
Serial bonds, maturing January 1, 1998 to January 1, 2017. Interest at 5.50%, due semiannually on January 1 and July 1	98,730,000	106,995,000
Bonds payable - Commission financings	98,730,000	106,995,000
Total bonds payable	<u>\$ 439,345,828</u>	<u>\$ 456,078,914</u>

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Excise Taxes Lease Rental Revenue Bonds

The Authority's 1995A Bonds, 1997A Senior Bonds, 1997A and 1997B Subordinate Bonds, 2001A Bonds and 2003A Bonds ("Excise Taxes Bonds") include (a) bonds that mature serially ("Serial Bonds"), (b) bonds that are subject to redemption from mandatory sinking fund payments at various dates beginning in June 2008 ("Term Bonds") and (c) bonds that accrete from an original issue amount to their scheduled maturity amounts ("Capital Appreciation Bonds"). Certain of the Authority's Excise Taxes Bonds are subject to redemption, at the option of the Authority, at various dates for each series beginning in June 2005, at amounts up to 102% of the principal amount and declining to par at various dates.

Information as to the original issued amounts, amortized amounts and scheduled maturities for the Authority's Capital Appreciation Bonds follows:

Maturing in Year Ending December 31	Issued Amount	Current Amortized Amount	Maturity Amount	Yield
2010	\$ 535,610	\$ 881,700	\$ 1,000,000	5.10%
2011	502,700	835,540	1,000,000	5.20%
2012	711,315	1,187,985	1,500,000	5.25%
2013	672,345	1,126,170	1,500,000	5.28%
2014	633,135	1,065,600	1,500,000	5.33%
2015	994,375	1,680,075	2,500,000	5.37%
2016	938,000	1,589,425	2,500,000	5.40%
2017	885,975	1,504,150	2,500,000	5.42%
	<u>\$ 5,873,455</u>	<u>\$ 9,870,645</u>	<u>\$ 14,000,000</u>	

Economic Development Lease Rental Revenue Bonds

The 1991 Economic Development Bonds (the "1991 Bonds") mature serially and, while subject to redemption at par any time, such redemption requires the consent of The Indianapolis Local Public Improvement Bond Bank (the "Bond Bank"), the owner of such bonds. With the Bond Bank's 2005 refunding of its obligations used to purchase the 1991 Bonds, no restructuring or redemption of the 1991 Bonds is anticipated.

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Aggregate debt service requirements for all Authority Bonds at December 31, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 10,125,000	\$ 22,448,202	\$ 32,573,202
2009	19,610,000	21,438,043	41,048,043
2010	21,090,000	20,344,515	41,434,515
2011	22,405,000	19,230,526	41,635,526
2012	23,520,000	18,088,533	41,608,533
2013-2017	136,260,000	71,397,741	207,657,741
2018-2022	94,935,000	42,645,762	137,580,762
2023-2027	121,215,000	15,742,875	136,957,875
	449,160,000	<u>\$ 231,336,197</u>	<u>\$ 680,496,197</u>
Deduct:			
Net unamortized bond discounts/premium	(7,299,391)		
Deferred loss on refunding	<u>(2,514,781)</u>		
	<u>\$ 439,345,828</u>		

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

	<u>Beginning</u>		<u>2007</u>		
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current</u>
					<u>Portion</u>
Revenue bonds payable	\$ 466,810,000	\$ -	\$ (17,650,000)	\$ 449,160,000	\$ 10,125,000
Bond discounts/premiums	(7,870,827)	-	571,436	(7,299,391)	-
Loss on refunding	(2,860,259)	-	345,478	(2,514,781)	-
Total bonds payable	<u>\$ 456,078,914</u>	<u>\$ -</u>	<u>\$ (16,733,086)</u>	<u>\$ 439,345,828</u>	<u>\$ 10,125,000</u>

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	Beginning Balance		2006 Deductions	Ending Balance	Current Portion
		Additions			
Revenue bonds payable	\$ 483,420,000	\$ -	\$ (16,610,000)	\$ 466,810,000	\$ 9,385,000
Bond discounts/premiums	(8,403,498)	-	532,671	(7,870,827)	-
Loss on refunding	(3,222,893)	-	362,634	(2,860,259)	-
Total bonds payable	<u>\$ 471,793,609</u>	<u>\$ -</u>	<u>\$ (15,714,695)</u>	<u>\$ 456,078,914</u>	<u>\$ 9,385,000</u>

Note 4: Swaption

Objective of the Swaption

The Authority entered into a swap option (swaption) that provided the Authority with an up-front payment of \$3.6 million (net of costs) together with four additional annual payments of \$1.2 million and a final annual payment of \$50,000. As a synthetic refunding of its outstanding 1997A Subordinate Term Bonds, these payments represent the estimated present value, as of April 2005, of the economic gain to be realized from a refunding on or about the first call date (June 1, 2008) for such bonds. The swaption gave KeyBank National Association the option to enter into an interest rate swap to receive fixed amounts from the Authority, and pay variable amounts to the Authority, based on the swap's notional amount.

During 2007, KeyBank National Association exercised the option. In connection therewith, KeyBank National Association is obligated to pay certain remaining payments due under the swaption to the Authority. These remaining payments amount to \$3,119,300 and have been accrued by the Authority at December 31, 2007.

In connection with entering into the swaption, the Authority amended its Master Lease Agreement Number II, to provide for, among other things, the payment of additional rentals from the CIB to the Authority in the event a termination payment became due under the swaption. However, as of December 31, 2007, no termination payment was due. An additional amendment to Master Lease Agreement II is contemplated in 2008, which will also provide for the payment of additional rentals by the CIB to the Authority. Such rentals will be used to satisfy regularly scheduled swap payments and any termination payment under the interest rate swap agreement.

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A portion of the payments to the Authority under the swaption were used by the Authority to make payments under an agreement entered into with Pacers Basketball Corporation and the CIB in April 2005, which provided for the cablecast of a significant amount of Pacers' home games. During 2007 and 2006, the Authority made a \$1.2 million payment to the Pacers in connection with this agreement.

Terms

The swaption was entered into in April 2005. The \$8,450,000 in total payments under the swaption was based on a notional amount of \$155,965,000. KeyBank National Association exercised its option under the agreement in December 2007 and the resulting swap will become effective on June 1, 2008 with a scheduled termination date of June 1, 2027. The swap agreement provides for the Authority to receive interest from KeyBank National Association at 75% of the one-month London Interbank Offering Rate (LIBOR) and to pay interest to KeyBank National Association at a fixed rate of 4.75% on the notional amount outstanding.

Fair Value

As of December 31, 2007 and 2006, the swap had a fair value of \$(17,621,151) and \$(6,032,614), respectively. The fair value is derived from estimated discounted future cash flows determined using KeyBank National Association's proprietary models, which are based upon financial principles and estimates about relevant future market conditions. The fair value of the agreement is not recognized in the Authority's financial statements.

Credit Risk

As of December 31, 2007, the Authority was not exposed to credit risk on this agreement since the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk and a maximum possible loss equivalent to the fair value of the swap at that date. The swap counterparty was rated A2 by Moody's Investors Service and A- by Standard & Poor's as of December 31, 2007. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A2 as issued by Moody's Investors Service or A by Standard & Poor's, the swap agreement requires the swap fair value be collateralized by cash, U.S. government obligations or U.S. government agency securities and posted with a third party custodian.

Termination Risk

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay. The Schedule to the Master Agreement also includes an additional termination event. That is, the swap may be terminated by the Authority if the counterparty's long-term senior unsecured debt rating is withdrawn, suspended or falls to or below Baa1 as issued by Moody's Investors Service or BBB+ as issued by Standard & Poor's. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the agreement. If the swap is terminated and the fair value of the swap is negative at the time of termination, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

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Note 5: Financing Leases

Indiana Convention Center & RCA Dome, Victory Field and Conseco Fieldhouse

Pursuant to a Master Lease Agreement dated May 1, 1991, and as amended March 15, 1993, June 1, 1995, November 1, 1997, August 1, 2001 and May 1, 2003, the Authority has leased the Indiana Convention Center & RCA Dome and Victory Field to the CIB. Also, pursuant to a Master Lease Agreement II, dated December 1, 1997, the Authority has leased the Conseco Fieldhouse and related parking facility to the CIB.

In January 2007, the Authority entered into a sixth amendment to its Master Lease Agreement. This sixth amendment generally allows for the future amendment of the lease and essentially provides for the transfer of the Authority's fee interest in the RCA Dome site to the CIB so that the CIB can then transfer such interest to the Indiana Stadium and Convention Building Authority. This will allow the RCA Dome to be demolished and the site to be used by the Indiana Stadium and Convention Building Authority to expand the existing Indiana Convention Center facilities for the ultimate use and benefit of the CIB. This transfer of fee interest in the site does not affect the amount of annual lease payments to be made by the CIB to the Authority in connection with the Master Lease Agreement, as previously amended. Subsequent to December 31, 2007, the transfer of the fee interest in the RCA Dome site was effected.

Under both lease agreements, the CIB has the option to purchase the leased facilities at a price equal to the amount required to provide for payment or redemption of all related outstanding bonds of the Authority. Also, the CIB is obligated to pay the expenses of the Authority and to insure and maintain the leased facilities. The leases provide for fixed annual rentals, payable in semiannual installments. The CIB's lease payment obligations are payable from and secured by a pledge of certain state and local taxes to be received annually by the CIB. Certain Authority bonds have specific or senior liens on some state and local taxes. Future minimum lease payments due from the CIB at December 31, 2007, together with amounts representing interest 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	126,130,500
	<u>545,880,747</u>
Current portion	<u>(27,382,531)</u>
Lease receivable - noncurrent	<u>\$ 518,498,216</u>

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Indianapolis Maintenance Center

Pursuant to its standing as a tenant-in-common, the Authority leased its interest in the Indianapolis Maintenance Center facility to the Commission, which is acting on behalf of the City of Indianapolis. Concurrently, the Commission subleased its interest to the Indianapolis Airport Authority, which thereupon leased the interests of the tenants-in-common in the site and facilities to United. During 2002, UAL, the parent of United, filed for Chapter 11 bankruptcy protection, and continued operations at Indianapolis International Airport until May 2003, when it abandoned the Indianapolis Maintenance Center facilities. Since 2004, a portion of the Indianapolis Maintenance Center has since been leased to various other companies. United's rejection of its lease in bankruptcy and the subsequent re-letting of the facilities does not affect the continuing obligation of the Commission under its lease agreement with the Authority.

Fixed rentals under these lease agreements, which will ultimately be used to service the debt on the 1991 Economic Development Bonds, are payable from the City's and Marion County's collective distributive share of the Marion County Option Income Tax and the general obligation tax levy of the City's Redevelopment Tax District, or other legally available monies. Future minimum lease payments due from the Commission at December 31, 2007, together with the amount representing interest are as follows:

2008	\$ 14,154,468
2009	14,261,446
2010	14,218,310
2011	14,216,930
2012	14,220,160
2013-2016	<u>56,866,531</u>
	127,937,845
Current portion	<u>(14,154,468)</u>
Lease receivable - noncurrent	<u>\$ 113,783,377</u>

Note 6: Land and Improvements

The Authority owns land upon which a parking facility for Conseco Fieldhouse has been built. The Authority holds title to the land and constructed improvements.

Supplementary Information

Marion County Convention and Recreational Facilities Authority
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Schedule of Receipts and Disbursements
Years Ended December 31, 2007 and 2006

	Excise Taxes Lease Rental Revenue Bonds			
	Sinking Funds	Expense Funds	Cost of Issuance Funds	Debt Service Reserve Funds
Balances, December 31, 2005	\$ 4,375,707	\$ 295,871	\$ -	\$ -
Receipts				
Lease payments from Capital Improvement Board of Managers	26,749,461	-	-	-
Lease payments from Metropolitan Development Commission	-	-	-	-
Interest on cash equivalents and investments, net of fees	95,759	14,024	-	-
Premium on swaption	-	1,200,000	-	-
Total receipts	26,845,220	1,214,024	-	-
Transfer Between Accounts - net	(78,658)	89,158	-	-
Disbursements				
Interest paid on bonds	(17,740,710)	-	-	-
Bond principal payments	(8,670,000)	-	-	-
Payment of expenses, including issuance costs	-	(87,585)	-	-
Payment to Pacers Basketball Corporation	-	(1,200,000)	-	-
Total disbursements	(26,410,710)	(1,287,585)	-	-
Balances, December 31, 2006	4,731,559	311,468	-	-
Receipts				
Lease payments from Capital Improvement Board of Managers	26,982,516	-	-	-
Lease payments from Metropolitan Development Commission	-	-	-	-
Interest on cash equivalents and investments, net of fees	120,930	16,198	-	-
Premium on swaption	-	1,200,000	-	-
Total receipts	27,103,446	1,216,198	-	-
Transfer Between Accounts - net	(74,333)	84,833	-	-
Disbursements				
Interest paid on bonds	(17,273,806)	-	-	-
Bond principal payments	(9,385,000)	-	-	-
Payment of expenses, including issuance costs	-	(63,354)	-	-
Payment to Pacers Basketball Corporation	-	(1,200,000)	-	-
Total disbursements	(26,658,806)	(1,263,354)	-	-
Balances, December 31, 2007	\$ 5,101,866	\$ 349,145	\$ -	\$ -

Project Fund— Construction Accounts	Economic Development Lease Rental Revenue Bonds				
	Total Excise	Sinking Fund	Operation	Total Economic	Totals
	Taxes Lease		and	Development	
	Rental Revenue Bonds		Reserve Fund	Lease Rental Revenue Bonds	
\$ 494,123	\$ 5,165,701	\$ -	\$ 443,035	\$ 443,035	\$ 5,608,736
-	26,749,461	-	-	-	26,749,461
-	-	14,275,958	-	14,275,958	14,275,958
22,740	132,523	117,165	15,902	133,067	265,590
-	1,200,000	-	-	-	1,200,000
22,740	28,081,984	14,393,123	15,902	14,409,025	42,491,009
-	10,500	(131,696)	121,196	(10,500)	-
-	(17,740,710)	(6,321,427)	-	(6,321,427)	(24,062,137)
-	(8,670,000)	(7,940,000)	-	(7,940,000)	(16,610,000)
-	(87,585)	-	(92,098)	(92,098)	(179,683)
-	(1,200,000)	-	-	-	(1,200,000)
-	(27,698,295)	(14,261,427)	(92,098)	(14,353,525)	(42,051,820)
516,863	5,559,890	-	488,035	488,035	6,047,925
-	26,982,516	-	-	-	26,982,516
-	-	14,172,958	-	14,172,958	14,172,958
25,492	162,620	37,214	104,055	141,269	303,889
-	1,200,000	-	-	-	1,200,000
25,492	28,345,136	14,210,172	104,055	14,314,227	42,659,363
-	10,500	(58,495)	47,995	(10,500)	-
-	(17,273,806)	(5,884,725)	-	(5,884,725)	(23,158,531)
-	(9,385,000)	(8,265,000)	-	(8,265,000)	(17,650,000)
-	(63,354)	-	(7,328)	(7,328)	(70,682)
-	(1,200,000)	-	-	-	(1,200,000)
-	(27,922,160)	(14,149,725)	(7,328)	(14,157,053)	(42,079,213)
\$ 542,355	\$ 5,993,366	\$ 1,952	\$ 632,757	\$ 634,709	\$ 6,628,075



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

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

We have audited the financial statements of Marion County Convention and Recreational Facilities Authority (Authority) as of and for the year ended December 31, 2007, and have issued our report thereon dated April 22, 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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A 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 Authority'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 Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority'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 Authority'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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported the Authority's management in a separate letter dated April 22, 2008.

This report is intended solely for the information and use of the Board of Directors 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 22, 2008