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May 8, 2013

Mr. John Klipsch, Chairman
Indiana Stadium and Convention Building Authority
425 W. South Street
Indianapolis, IN 46225

Dear Mr. Klipsch:

We have received the audit report prepared by Katz, Sapper, & Miller, LLP, Certified Public Accountants, for the period of July 1, 2011 to June 30, 2012. Per the auditors' opinion, the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the financial statements included in the report present fairly, in all material respects, the financial position of the Indiana Stadium and Convention Building Authority at June 30, 2012, and the changes in its financial position and its cash flows for the year 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 public record.

STATE BOARD OF ACCOUNTS

**INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY
(ENTERPRISE FUND OF THE STATE OF INDIANA)**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2012 and 2011

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY (ENTERPRISE FUND OF THE STATE OF INDIANA)

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Independent Auditors' Report

Board Members
Indiana Stadium and Convention Building Authority
State of Indiana

We have audited the accompanying financial statements of Indiana Stadium and Convention Building Authority (the Building Authority), an enterprise fund of the State of Indiana, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Building 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 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 Indiana Stadium and Convention Building Authority at June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2012, presented on pages 23 and 24, on our consideration of the Building Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Katz, Sappun & Miller, LLP

Indianapolis, Indiana
October 18, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

As management of Indiana Stadium and Convention Building Authority (the Building Authority), we offer readers of the basic financial statements this narrative overview of Management's Discussion and Analysis (MD&A) of the financial activities of the Building Authority for the fiscal years ended June 30, 2012, 2011, and 2010.

ORGANIZATIONAL STRUCTURE AND BACKGROUND

Organizational Structure: Effective May 15, 2005, Indiana Stadium and Convention Building Authority was established pursuant to House Bill 1120, which has now been codified at Ind. Code 5-1-17, as a new entity of the State to finance, design, construct and own the new Indiana Stadium in Indianapolis and the recent expansion of the adjacent Indiana Convention Center.

The Building Authority is governed by a seven member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. Day-to-day operations of the Building Authority are managed by the Executive Director, John P. Klipsch.

The Indiana Finance Authority (IFA) facilitated a portion of the project funding through the issuance of \$996 million of lease appropriation bonds to finance a portion of the construction projects. IFA then entered into loan agreements with the Building Authority structured with a payment schedule to meet debt service requirements on the bonds.

IFA has specific responsibilities as the issuer under the trust indenture that provides guidance for the treatment of sources and uses of funds. Relevant to the Building Authority's financial statement reporting, IFA's responsibilities include, but are not limited to:

- Authorization to the trustee for the release of trust funds (cash disbursements),
- Monitoring of cash receipts to the trust in accordance with the trust indenture,
- Monitoring of the trust investment policies and coordination of the nature, timing and extent of investment activity within the trust accounts.

Since IFA performs these activities which impact the Building Authority's financial statements, the Building Authority has formalized an agreement with IFA dated May 21, 2007 specifying IFA's responsibilities with regards to personnel management, investments, cash receipts, and cash disbursements.

Project Background: The Indiana Stadium is named Lucas Oil Stadium, pursuant to a naming rights agreement between the Indianapolis Colts (the Colts) and Lucas Oil. Lucas Oil Stadium was completed in 2008. Lucas Oil Stadium is leased to Indiana's Office of Management and Budget (the IOMB) and subleased to and operated by the Capital Improvement Board of Managers of Marion County (the CIB). The CIB has, in turn, entered into a sublease with the Colts, pursuant to which the Colts will play their home NFL games within Lucas Oil Stadium. Lucas Oil Stadium is marketed by the CIB, in conjunction with the Indianapolis Convention and Visitors Association, to host NCAA and other sporting events, conventions, concerts, trade shows, and other major public events.

In order to expand the Convention Center, the Building Authority demolished the RCA Dome and proceeded to finance, design, construct and own an expansion to the Indiana Convention Center, which is located on the former site of the RCA Dome. The Convention Center Expansion was substantially completed in 2011 and is also leased to the IOMB and then subleased to, and operated by, the CIB. The CIB will continue to own and operate the existing Indiana Convention Center.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

OVERVIEW OF THE PROJECT COSTS

The combined development and construction budget for Lucas Oil Stadium and the Convention Center Expansion, exclusive of financing and issuance costs and certain other costs related to the pedestrian connector, is approximately \$998.8 million. This includes approximately \$723.8 million for Lucas Oil Stadium and approximately \$275 million for the Convention Center Expansion.

At the end of the 2012 and 2011 fiscal years, total expenditures against the budget totaled approximately \$1.06 and \$1.0 billion, respectively. At the same time, there were no contractual commitments at June 30, 2012 and \$6.5 million of contractual commitments at June 30, 2011. The Building Authority is currently pursuing various claims against several entities regarding expenditures incurred for Lucas Oil Stadium, and any recoveries will reduce the total expenditures.

FINANCIAL ANALYSIS

Indiana Stadium and Convention Building Authority Statements of Net Assets (in thousands of dollars) June 30,

	2012	2011	2010
Current assets	\$ 49,013	\$ 61,562	\$ 132,445
Noncurrent assets	<u>1,206,899</u>	<u>1,058,931</u>	<u>1,041,895</u>
Total assets	<u>\$1,255,912</u>	<u>\$1,120,493</u>	<u>\$1,174,340</u>
Current liabilities	\$ 9,293	\$ 14,901	\$ 28,688
Noncurrent liabilities	<u>1,230,588</u>	<u>1,083,372</u>	<u>1,094,504</u>
Total liabilities	<u>\$1,239,881</u>	<u>\$1,098,273</u>	<u>\$1,123,192</u>
Restricted	\$ 16,031	\$ 22,220	\$ 51,148
Total net assets	<u>\$ 16,031</u>	<u>\$ 22,220</u>	<u>\$ 51,148</u>

The majority of current assets include investments that represent the unspent proceeds received from notes payable to IFA, net of construction costs, and lease payments received from the CIB. Noncurrent assets consist of direct-financing leases for Lucas Oil Stadium and the Convention Center Expansion. All disbursements relating to the Projects were previously capitalized as construction in progress until leases were initiated in 2008 and 2011 for Lucas Oil Stadium and the Convention Center Expansion, respectively.

The majority of current liabilities include construction costs payable, interest payable, and notes payable to IFA that are due within one year. The majority of noncurrent liabilities include notes payable to IFA in respect of its Lease Appropriation Bonds issued for the purpose of financing the costs of the Stadium and Convention Center Expansion Projects that are due after one year.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

FINANCIAL ANALYSIS (CONTINUED)

Indiana Stadium and Convention Building Authority
Statements of Revenues, Expenses, and Changes in Net Assets (in thousands of dollars)
Year Ended June 30,

	2012	2011	2010
Operating Revenues			
Lease revenue	\$42,404	\$26,808	\$39,398
Contributions and grants revenue	1,779	4,124	12,131
Build America Bonds rebate	4,422	4,422	4,447
Investment income, net	43	91	86
Other revenues	<u>18</u>	<u>-</u>	<u>-</u>
	<u>48,666</u>	<u>35,445</u>	<u>56,062</u>
Operating Expenses			
Interest expense	50,951	49,500	36,380
Contribution expense	1,779	14,589	5,799
Other expenses	<u>2,125</u>	<u>284</u>	<u>-</u>
	<u>54,855</u>	<u>64,373</u>	<u>42,179</u>
Change in Net Assets	(6,189)	(28,928)	13,883
Net Assets, Beginning of Year	<u>22,220</u>	<u>51,148</u>	<u>37,265</u>
Net Assets, End of Year	<u>\$16,031</u>	<u>\$22,220</u>	<u>\$51,148</u>

Lease revenue consists of real estate lease revenue earned from the CIB for the property of Lucas Oil Stadium and the Convention Center Expansion. Contributions and grants revenue received during 2012 amounted to approximately \$1.8 million in grants and contributions from Indiana Department of Transportation and CIB. Investment income recognized as revenue consists of earnings on investments excluding earnings on note proceeds designated for the Projects during construction periods. Investment income on loan proceeds was capitalized and netted with construction in progress, along with interest expense on debt and other construction costs until the facilities were placed in service. In 2009, the Lucas Oil Stadium direct-financing lease commenced, and the Building Authority recorded a contribution expense for the amount of Lucas Oil Stadium capital assets that were funded by the Colts, including change orders and \$100 million contribution by the Colts as required in the project's Development Agreement. In 2011, the Convention Center Expansion direct-financing lease commenced. The Building Authority recorded a contribution expense for the amount of the Convention Center Expansion assets that were funded by outside grants and contributions in 2011 and 2012.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The Building Authority's investment in capital assets includes direct-financing leases and construction in progress.

**Indiana Stadium and Convention Building Authority
Capital Assets (in thousands of dollars)
June 30, 2012**

	Lucas Oil Stadium	Convention Center Expansion	Total
Direct-financing leases	<u>\$648,835</u>	<u>\$305,264</u>	<u>\$954,099</u>

**Indiana Stadium and Convention Building Authority
Capital Assets (in thousands of dollars)
June 30, 2011**

	Lucas Oil Stadium	Convention Center Expansion	Total
Direct-financing leases	<u>\$648,835</u>	<u>\$305,502</u>	<u>\$954,337</u>

**Indiana Stadium and Convention Building Authority
Capital Assets (in thousands of dollars)
June 30, 2010**

	Lucas Oil Stadium	Convention Center Expansion	Total
Hard construction costs	\$ -	\$182,975	\$182,975
Soft construction costs	-	57,069	57,069
Financing and other costs	-	36,446	36,446
Direct-financing lease	<u>657,960</u>	<u>-</u>	<u>657,960</u>
	<u>\$657,960</u>	<u>\$276,490</u>	<u>\$934,450</u>

Hard construction costs typically include real estate related costs. Soft construction costs include ancillary costs to the construction project. Additional information on the Building Authority's capital assets can be found in Notes 3 and 4 to the financial statements.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt – The entire notes payable amount represents debt secured by specified revenue sources.

**Indiana Stadium and Convention Building Authority
Outstanding Debt (in thousands of dollars)
June 30,**

	2012	2011	2010
Lucas Oil Stadium	\$648,835	\$648,835	\$657,960
Convention Center Expansion	<u>328,117</u>	<u>329,108</u>	<u>329,098</u>
	<u>\$976,952</u>	<u>\$977,943</u>	<u>\$987,058</u>

Additional information on the Building Authority's debt can be found in Notes 5 and 6 to the financial statements.

REQUESTS OF INFORMATION

This financial report is designed to provide a general overview of the Building Authority's finances for all those with an interest in the Building Authority's finances. Questions concerning any of the information should be addressed to the Indiana Stadium and Convention Building Authority, One North Capitol, Suite 900, Indianapolis, Indiana 46204.

BASIC FINANCIAL STATEMENTS

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

STATEMENTS OF NET ASSETS June 30, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash	\$ 7,171	\$ 46,599
Build America Bonds rebate receivable	1,842,696	1,842,696
Contributions and grants receivable		637,441
Investments	47,162,913	58,035,592
Direct - financing leases, current portion		1,000,000
Total Current Assets	49,012,780	61,562,328
Noncurrent Assets		
Direct-financing leases, less current portion	954,098,830	953,337,105
Deferred outflow - derivative instrument	252,800,533	105,593,991
Total Noncurrent Assets	1,206,899,363	1,058,931,096
Total Assets	\$1,255,912,143	\$1,120,493,424
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 381,653	\$ 3,845,312
Interest payable	8,911,494	9,220,580
Purchase agreement obligation		835,000
Current maturities of notes payable		1,000,000
Total Current Liabilities	9,293,147	14,900,892
Noncurrent Liabilities		
Purchase agreement obligation	835,000	835,000
Notes payable, less current maturities	976,952,224	976,943,031
Derivative instrument liability	252,800,533	105,593,991
Total Noncurrent Liabilities	1,230,587,757	1,083,372,022
Total Liabilities	\$1,239,880,904	\$1,098,272,914
NET ASSETS		
Externally restricted for Stadium and Convention Center Expansion Projects	\$ 16,031,239	\$ 22,220,510
Total Net Assets	\$ 16,031,239	\$ 22,220,510

See accompanying notes.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Lease revenue	\$ 42,403,460	\$ 26,807,706
Contribution and grant revenue	1,779,257	4,123,522
Build America Bond rebate	4,422,470	4,422,470
Investment income, net	43,267	91,766
Other revenues	<u>17,649</u>	<u> </u>
	<u>48,666,103</u>	<u>35,445,464</u>
OPERATING EXPENSES		
Interest expense	50,951,260	49,499,403
Contribution expense	1,779,257	14,589,036
Professional fees	1,033,929	13,095
Personnel related expenses	306,103	138,853
Insurance expense	597,704	
Parking expense	126,000	132,000
Other expense	<u>61,121</u>	<u> </u>
	<u>54,855,374</u>	<u>64,372,387</u>
DECREASE IN NET ASSETS	(6,189,271)	(28,926,923)
NET ASSETS		
Beginning of Year	<u>22,220,510</u>	<u>51,147,433</u>
End of Year	<u>\$ 16,031,239</u>	<u>\$ 22,220,510</u>

See accompanying notes.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

STATEMENTS OF CASH FLOWS Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES		
Contribution and grant revenue received	\$ 2,416,698	\$ 5,411,406
Lease payments received	45,157,892	46,200,000
Other payments received	17,649	
Payments for administrative and general	<u>(2,080,651)</u>	<u>(283,948)</u>
Net Cash Provided by Operating Activities	<u>45,511,588</u>	<u>51,327,458</u>
INVESTING ACTIVITIES		
Purchase of investments	(53,070,697)	(58,570,885)
Sales of investments	63,943,374	115,206,546
Interest received on investments	<u>43,266</u>	<u>360,016</u>
Net Cash Provided by Investing Activities	<u>10,915,943</u>	<u>56,995,677</u>
CAPITAL AND FINANCING ACTIVITIES		
Principal payments to reduce indebtedness	(1,000,000)	(9,125,000)
Construction payments	(9,676,662)	(53,829,786)
Insurance proceeds and other refunds received	1,012,722	2,160,449
Build American Bond rebate received	4,422,470	4,422,470
Interest payments	<u>(51,225,489)</u>	<u>(51,919,945)</u>
Net Cash Used by Capital and Financing Activities	<u>(56,466,959)</u>	<u>(108,291,812)</u>
NET INCREASE (DECREASE) IN CASH	(39,428)	31,323
CASH		
Beginning of Year	<u>46,599</u>	<u>15,276</u>
End of Year	<u>\$ 7,171</u>	<u>\$ 46,599</u>
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Decrease in net assets	\$ (6,189,271)	\$ (28,926,923)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Build America Bonds rebate	(4,422,470)	(4,422,470)
Interest income	(43,267)	(91,766)
Interest expense	50,951,260	49,499,403
Contribution expense	1,779,257	14,589,036
Changes in certain assets and liabilities:		
Contributions and grants receivable	637,441	1,287,884
Lease receivable		2,700,000
Direct-financing lease and other	2,754,432	16,692,294
Accounts payable and accrued expenses	<u>44,206</u>	
Net Cash Provided by Operating Activities	<u>\$ 45,511,588</u>	<u>\$ 51,327,458</u>

See accompanying notes.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements conform with accounting principles generally accepted in the United States as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles. The Building Authority's significant accounting policies are as follows:

Reporting Entity: The Indiana Stadium and Convention Building Authority (the Building Authority) was established as a new public body corporate and politic of the State of Indiana (the State) to finance, design, construct and own Lucas Oil Stadium and the Indiana Convention Center Expansion in Indianapolis. Now that Lucas Oil Stadium is complete, it is leased to Indiana's Office of Management and Budget (the IOMB) and subleased to and operated by the Capital Improvement Board of Managers of Marion County (the CIB). The CIB has, in turn, entered into a sublease with the Indianapolis Colts (the Colts), pursuant to which the Colts will play their home NFL games within Lucas Oil Stadium. Lucas Oil Stadium will also be marketed by the CIB, in conjunction with the Indianapolis Convention and Visitors Association, to host NCAA and other sporting events, conventions, concerts, trade shows, and other major public events. Lucas Oil Stadium was completed in August 2008.

In order to expand the Convention Center, the Building Authority demolished the RCA Dome and proceeded to finance, design, construct and own an expansion to the Indiana Convention Center, which is located on the former site of the RCA Dome. The Convention Center Expansion was substantially completed in 2011 and is also leased to the IOMB and then subleased to, and operated by, the CIB. The CIB continues to own and operate the existing Indiana Convention Center.

Basis of Presentation and Accounting: The Building Authority is reported as an Enterprise Fund. An enterprise fund uses the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues and certain grants and entitlements are recognized in the period when all applicable eligibility requirements have been met.

Application of Accounting Principles Generally Accepted in the United States: The Building Authority applies (a) all applicable accounting standards included in the FASB Codification that were issued before December 1, 1989, and (b) those standards issued after that date, provided they do not contradict GASB pronouncements.

Estimates: Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets: Net assets are available for construction related to the Lucas Oil Stadium and Convention Center Expansion projects. Net assets are displayed in three components:

- The Invested in Capital Assets, Net of Debt component consists of property or infrastructure that the Building Authority acquired, less any associated debt.
- The Restricted Net Assets component represents net assets with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in GASB Statement No. 46 - *Net Assets Restricted by Enabling Legislation*.
- The Unrestricted Net Assets component consists of net assets that do not meet the definition of the preceding two components.

Cash: Cash is considered to be cash on hand and demand deposits at a bank. All account balances at the bank were insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2012 and 2011.

Investments: Investments are recorded at fair value based on the published net asset value (NAV) of the shares held by the Building Authority at the reporting date. For investments at June 30, 2012 and 2011, fair value of investments approximated historical cost. Changes in the fair value of investments, including interest, dividends, realized and unrealized gains and losses are included in the statements of revenue, expenses and changes in net assets, with the exception of investment income on loan proceeds which is capitalized and netted with loan interest paid during the construction period and included as construction in progress.

Capital Assets: Capital assets are recorded at historical cost. Cost includes interest expense, net of interest income, incurred during construction until the asset is placed in service.

Direct-Financing Leases: Direct-financing leases are accounted for by the Building Authority, as lessor, as the sum of minimum lease payments and indirect costs less unearned income. Direct costs and unearned income are amortized over the lease term using the interest rate method that mirrors the underlying long-term debt.

Long-term Debt: Notes payable are recorded at the principal amount outstanding, net of any applicable premium or discount.

Lease and Other Program Revenue Recognition: Initial real estate lease rental income is recognized when earned. Direct-financing lease rental income is deferred until the lease is initiated when projects are complete. Other program income is recognized as revenue in the period earned.

Contributions and Grants: The Building Authority received contributions as specified in the original development agreement for the Stadium Project as well as contributions and grants for additional Stadium and Convention Center amenities not included in the original project budget. Contributions are recognized in the period received. Grants are recognized in the period when related costs are incurred.

Expense Classification: Expenses have been classified using functional and activity classifications using direct costs and estimated indirect cost allocations based upon time allocation and benefit.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through October 18, 2012, the date the financial statements were available to be issued.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE 2 – INVESTMENTS

Investments Background: Indiana statutes generally authorize investments in United States obligations and issues of federal agencies, repurchase agreements fully collateralized by U.S. Government or U.S. Government Agency securities, bank certificates of deposit, and open end money market mutual funds.

All investments of the Building Authority are contained within the provisions of the trust indenture related to the Indiana Finance Authority's (IFA) issuance of revenue bonds. All investments are held by, or in the name of, The Bank of New York Trust Company, N.A., as trustee under certain indentures of trusts (Trust Indentures) pertaining to IFA Lease Appropriation Bonds, Series 2005A, 2007A and 2008A (Stadium Project), and Series 2008A, 2009A and 2009B (Convention Center Project).

The provisions of the Trust Indentures state that all investments shall be made under prudent investment standards reasonably expected to produce the greatest investment yields while seeking to produce principal without causing any of the bonds to be arbitrage bonds as defined in Section 148 of the Code. Moneys shall be invested in investment securities with maturity dates coinciding as nearly as practicable with the times at which moneys will be required for disbursement or transfer, provided that any such investment securities in the debt service reserve account shall have a term to maturity not greater than five years. The Trustee was also directed to invest substantial proceeds in Investment Agreements (also referred to as guaranteed investment contracts) as specified in the Trust Indentures.

The Building Authority has formalized an agreement with IFA dated May 21, 2007, specifying IFA's responsibilities pertaining to personnel management, investments, cash receipts, and cash disbursements. IFA has legal responsibility, as the issuer under the Trust Indentures, for monitoring of the Trust Indentures' investment policies and coordination of the nature, timing and extent of investment activity within trust accounts. Due to IFA's responsibilities and the limitations on investments within the Trust Indentures, the Building Authority has not adopted a formal investment policy.

The following disclosures provide information on the risk elements identified by GASB 40 and related Trust Indentures' policies:

Allowable Investments: IFA, as the issuer under the Trust Indentures, is only permitted to invest in securities authorized by the applicable bond indenture. The Trust Indentures' provisions only relate to the investment of cash within the bond indenture. Under the provisions of the bond indenture, IFA is to limit allowable investments to the following list of securities.

- United States Government Securities fully and unconditionally guaranteed
- United States Agency Obligations which are fully guaranteed
 - Export-Import Bank of the United States
 - Federal Housing Administration (FHA)
 - Government National Mortgage Association (GNMA)
 - Small Business Administration (SBA)
 - Housing and Urban Development (HUD)
 - Federal National Mortgage Association (FNMA) – rated Aaa by Moody's and AAA by S&P
 - Federal Home Loan Mortgage Corporation (FHLMC) – rated Aaa by Moody's and AAA by S&P
 - Maritime Administration
 - Including any securities with full faith and credit of the U.S. Government

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE 2 – INVESTMENTS (CONTINUED)

- United States Agency Obligations which are not fully guaranteed
 - Federal Home Loan Banks (FHLB) – consolidated debt obligations
 - Student Loan Marketing Association – debt obligations
 - Resolution Funding Corporation – debt obligations
- Obligations of States of the United States or their subdivisions – rated at the time of purchase, A2 or better by Moody’s and A or better by Standard & Poor’s (S&P)
- Commercial Paper (having original maturities of not more than 270 days) rated at the time of purchase, P-1 by Moody’s and A-1 or better by S&P
- Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the FDIC
- Certificates of deposit, deposit accounts, federal funds or bankers’ acceptances (having maturities of not more than 365 days), rated P-1 by Moody’s and A-1 or better by S&P
- Money market funds rated AAAm or AAAm-G by S&P
- State-sponsored investment pools rated AA- or better by S&P
- Repurchase Agreements
- Investment Agreements (also referred to as guaranteed investment contracts)
 - Domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody’s and AA by S&P
 - Domestic insurance companies rated Aaa by Moody’s and AAA by S&P
 - Domestic structured investment companies approved by the Series 2005A Bond Insurer and rated Aaa by Moody’s and AAA by S&P
- Forward delivery agreements in which the securities delivered mature on or before each interest payment date or drawn down date
- Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of IFA or the Trustee to put the securities back

Interest Rate Risk: The Building Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Trust Indentures state that moneys shall be invested in investment securities with maturity dates coinciding as nearly as practicable with the times at which moneys will be required for disbursement or transfer, provided that any such investment securities in the debt service reserve account shall have a term to maturity not greater than five years. At June 30, 2012 and 2011, the Building Authority had the following investments, all maturing in less than one year:

	2012	2011
	Fair Value	Fair Value
Money Market Funds	<u>\$47,162,913</u>	<u>\$58,035,592</u>

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2012 and 2011

NOTE 2 – INVESTMENTS (CONTINUED)

Credit Risk: Credit quality guidance is included in the Trust Indentures. Credit ratings for the Building Authority's investments at June 30, 2012 are as follows:

Investment Type	S&P	Fitch	Moody's	Fair Value
Money Market Funds	AAAm	AAAmmf	Aaa-mf	<u>\$47,162,913</u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. The Building Authority and Trust Indentures placed no limit on the amount that IFA may invest in any one issuer.

The following table shows investment by issuer that represent 5% or more of the total investments at June 30, 2012 and 2011:

	2012 Fair Value	2011 Fair Value
Dreyfus Cash Management Fund	\$13,122,857	\$58,035,176
Dreyfus Inst'l Res Money Fund	424	416
Goldman Financial Square Money Market Fund	3,919,857	
JP Morgan Prime Money Market Fund	<u>30,119,775</u>	<u> </u>
	<u>\$47,162,913</u>	<u>\$58,035,592</u>

Custodial Credit Risk: Custodial credit risk is the risk that the Building Authority will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the Building Authority and are held by either the counterparty or the counterparty's trust department of agent but not in the Building Authority's name. Custodial credit risk for investments at June 30, 2012 and 2011 was \$0.

NOTE 3 – CAPITAL ASSETS

All construction costs associated with the Lucas Oil Stadium and Convention Center Expansion Projects have been capitalized during the construction period. Now that Lucas Oil Stadium and the Convention Center Expansion are complete, the properties are leased and reported as investment in direct-financing leases by the Building Authority.

There were no contractual commitments at June 30, 2012 and approximately \$6.5 million at June 30, 2011 which were funded by current assets and future funding.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE 4 – LEASES

In accordance with the plan of finance, the Building Authority is leasing the Lucas Oil Stadium and Convention Center Expansion Projects to the IOMB under separate lease agreements which have two-year initial terms with automatic two-year renewals through December 31, 2041. The IOMB is, in turn, subleasing the Projects under separate sublease agreements to the CIB. Sublease rentals are payable from, and are secured by a pledge of 2005 New Excise Tax Revenues, the PSDA Revenues (each as defined in the bond indentures) and certain other fees, and starting in 2028 certain existing state and local assistance tax revenues more fully described in the bond indentures.

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 IFA. During construction of the Projects, the CIB was obligated under each respective sublease to make certain initial rent payments.

Stadium Project Leases

In August 2008, the Stadium Project was completed, at which time, a direct-financing lease commenced. The Building Authority reported a direct-financing lease of \$648,835,000 at June 30, 2012 and 2011. Direct-financing lease payments are structured based on the related bond principal and interest schedules that are reflected in Note 5 of the financial statements for each bond issue. Under the Third Supplemental Lease, the Lessee shall pay on a semiannual basis, in advance, the rental amounts set forth below:

Lucas Oil Stadium Period Available for Date Use and Occupancy	Payment Due	Rentals
July 1, 2012 to December 31, 2012	July 1, 2012	\$17,750,001
January 1, 2013 to June 30, 2013	January 1, 2013	17,750,001

During each fiscal year which the Stadium Facilities are available for use and occupancy, rental payments are expected to yield 100% of the debt service for such fiscal year allocable to the Stadium Facilities and all expenses incurred by the Building Authority and IFA in connection with the Stadium Facilities.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012 and 2011

NOTE 4 – LEASES (CONTINUED)

Convention Center Project Leases

In January 2011, the Convention Center Expansion Project was substantially completed, at which time, a direct-financing lease commenced. The Building Authority reported a direct-financing lease of \$305,263,830 and \$305,502,105 at June 30, 2012 and 2011, respectively. Direct-financing lease payments are structured based on the related bond principal and interest schedules that are reflected in Note 5 of the financial statements for each bond issue. Under the First Supplemental Lease, the Lessee shall pay on a semiannual basis, in advance, the rental amounts set forth below:

Convention Center Expansion Period Available for Use and Occupancy	Date Payment Due	Rentals
July 1, 2012 to December 31, 2012	July 1, 2012	\$5,087,031
January 1, 2013 to June 30, 2013	January 1, 2013	5,087,031

During each fiscal year in which the Convention Center Facilities are available for use and occupancy, rental payments are expected to yield 100% of the debt service for such fiscal year allocable to the Convention Center Facilities and all expenses incurred by the Building Authority and IFA in connection with the Convention Center Facilities.

NOTE 5 – LONG-TERM DEBT ACTIVITY

At June 30, 2012, the debt service requirements for notes payable were as follows:

Year Ending	Total Principal	Total Interest	Total Net Debt Service
June 30, 2013	\$ -	\$ 47,170,394	\$ 47,170,394
June 30, 2014	660,000	48,380,992	49,040,992
June 30, 2015	1,325,000	50,551,848	51,876,848
June 30, 2016	1,900,000	50,796,231	52,696,231
June 30, 2017	2,250,000	50,687,533	52,937,533
June 30, 2018 – June 30, 2022	45,800,000	248,173,596	293,973,596
June 30, 2023 – June 30, 2027	74,580,000	232,240,007	306,820,007
June 30, 2028 – June 30, 2032	260,525,000	193,916,010	454,441,010
June 30, 2033 – June 30, 2037	396,555,000	105,226,178	501,781,178
June 30, 2038 – June 30, 2039	<u>193,470,000</u>	<u>12,710,929</u>	<u>206,180,929</u>
	977,065,000	<u>\$1,039,853,718</u>	<u>\$2,016,918,718</u>
Premium/(Discount)	<u>(112,776)</u>		
	<u>\$976,952,224</u>		

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2012 and 2011

NOTE 5 – LONG-TERM DEBT ACTIVITY (CONTINUED)

The following is a summary of long-term debt outstanding at June 30, 2012:

	Future Interest Rates Range	Maturity Range	Annual Principal Payment Range	Amount
Stadium Project	4.20%-7.18%	2013-2037	<u>\$660,000 - \$70,550,000</u>	<u>\$648,835,000</u>
Convention Center Expansion Project	4.00%-7.20%	2013-2039	<u>\$225,000 - \$99,430,000</u>	<u>\$328,117,224</u>

Changes in long-term liabilities were as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year	Amount Due After One Year
Purchase Agreement Obligation	\$ 1,670,000	\$ -	\$ (835,000)	\$ 835,000	\$ 835,000
Notes Payable	977,943,031	9,193	(1,000,000)	976,952,224	976,952,224
Derivative Instrument	<u>105,593,991</u>	<u>147,206,542</u>	<u>-</u>	<u>252,800,533</u>	<u>252,800,533</u>
	<u>\$1,085,207,022</u>	<u>\$147,215,735</u>	<u>\$(1,835,000)</u>	<u>\$1,230,587,757</u>	<u>\$1,230,587,757</u>

NOTE 6 – FINANCING OF STADIUM AND CONVENTION CENTER PROJECTS

IFA adopted a financing program for Lucas Oil Stadium whereby it issued three separate series of bonds; the first being the Series 2005A Bonds, the second being the Series 2007A Bonds, and the third being the Series 2008A Bonds. The Building Authority received loans from IFA in connection with the issuance of \$400 million, \$212 million and \$55 million in Lease Appropriation Bonds, Series 2005A, 2007A and 2008A, respectively, for purposes of financing the costs of the Stadium Project. A similar but separate financing program was adopted for the Convention Center Expansion Project, which includes IFA's \$120 million, \$18 million and \$192 million in Lease Appropriation Bonds, Series 2008A, 2009A and 2009B, respectively. The Building Authority also received loans from IFA for these issues.

In October 2009, IFA altered the liquidity facilities in connection with the variable rate bonds issued for Lucas Oil Stadium and the Convention Center Expansion Project. Following a mandatory tender of the bonds, the prior Standby Bond Purchase Agreements (the SBPA) syndicates were replaced by individual SBPAs between a bank and IFA for certain sub-series of bonds. The banks include JPMorgan Chase Bank, Barclays Bank PLC, The Bank of New York Mellon, and The Bank of Nova Scotia. IFA is using self-liquidity on the remaining sub-series of bonds. In March 2011, the SBPAs provided by The Bank of New York Mellon and The Bank of Nova Scotia on two sub-series of bonds were replaced with a Direct Purchase (DP) by Wells Fargo Bank and US Bank. The Wells Fargo Bank DP matures IN March 2014 and the US Bank DP matures in March 2013.

IFA's revenue obligations are payable from and secured by the Building Authority obligations that are supported by the Building Authority's leases with the IOMB, as lessee, who in turn receives rent under subleases with the CIB, as sublessee.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE 6 – FINANCING OF STADIUM AND CONVENTION CENTER PROJECTS (CONTINUED)

Variable Rate Terms

Hedged, Tax-exempt Variable Rate Debt: An interest rate swap with a notional amount of \$611,525,000 commenced for the Stadium Lease Appropriation Bonds, Series 2005A and 2007A on August 15, 2008, with IFA receiving the SIFMA Index and paying the swap counterparties a fixed rate of 4.231%. The purchase price of tendered but not remarketed 2005 and 2007 Bonds is payable from SBPAs in an aggregate amount of \$416,530,948, expiring October 7, 2011 through December 1, 2013. On September 16, 2011, two series of Stadium bonds were converted to the index floating rate mode. On that date the stand-by bond purchase agreement, which was due to expire October 7, 2011, was terminated. The bonds will remain in the index floating-rate mode until the end of the initial mode in September 2014, which is three years after the conversion to the mode. A portion of the Series 2005A Bonds in the amount of \$200,000,000 were directly purchased by two separate banking institutions and are not subject to redemption by the bondholder until March 2013 and 2014. The Bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2005A and 2007A Bonds are subject to optional redemption by IFA, in whole or in part, in authorized denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2005A and 2007A Bonds for fiscal year 2012 was .45%.

Partially Hedged, Tax-exempt Variable Rate Debt: An interest rate swap with an original notional amount of \$46,875,000 commenced for the Stadium Lease Appropriation Bonds, Series 2008A Bonds, on August 15, 2008, with IFA receiving the SIFMA Index and paying the swap counterparties a fixed rate of 3.796%. The purchase price of tendered but not remarketed 2008A Bonds is payable from a SBPA in the amount of \$37,763,853, which expires February 1, 2035. The 2008A Bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A Bonds are subject to optional redemption by IFA, in whole or in part, in authorized denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2008A Bonds for fiscal year 2012 was .12%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A Bonds is 6.00%.

Partially Hedged, Tax-exempt Variable Rate Debt: An interest rate swap with a notional amount of \$98,114,750 commenced for the Convention Center Lease Appropriation Bonds, Series 2008A Bonds, on December 1, 2010, with IFA receiving the SIFMA Index and paying the swap counterparties a fixed rate of 4.556%. The purchase price of tendered but not remarketed 2008A Bonds is payable from SBPAs in the amount of \$121,459,728, expiring December 1, 2013 through February 1, 2039. The 2008A Bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A Bonds are subject to optional redemption by IFA, in whole or in part, in authorized denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2008A Bonds for fiscal year 2012 was .12%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A Bonds is 6.00%.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2012 and 2011

NOTE 6 – FINANCING OF STADIUM AND CONVENTION CENTER PROJECTS (CONTINUED)

Interest Rate Swap Agreements:

Objective of the Interest Rate Swap Agreement: In order to protect against the potential of rising interest rates, IFA entered into three separate pay-fixed, receive-variable interest rate swaps.

Terms, Fair Values, and Credit Risk: The notional amounts of the swaps match the anticipated principal amounts of the associated debt. IFA's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in the associated bonds payable category. The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2012 and 2011, were as follows:

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	6/30/2012 Fair Values	Swap Termination Date
2005/2007 Stadium Project	\$611,525,000	8/15/2008	4.231%	SIFMA	\$(203,723,538)	2/1/2037
2008 Stadium Project	29,185,000	8/15/2008	3.796%	SIFMA	(7,470,063)	2/1/2035
2008 Convention Center	<u>98,114,750</u>	12/1/2010	4.556%	SIFMA	<u>(41,606,932)</u>	2/1/2039
	<u>\$738,824,750</u>				<u>\$(252,800,533)</u>	

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	6/30/2011 Fair Values	Swap Termination Date
2005/2007 Stadium Project	\$611,525,000	8/15/2008	4.231%	SIFMA	\$ (84,918,103)	2/1/2037
2008 Stadium Project	29,185,000	8/15/2008	3.796%	SIFMA	(2,267,097)	2/1/2035
2008 Convention Center	<u>98,114,750</u>	12/1/2010	4.556%	SIFMA	<u>(18,408,791)</u>	2/1/2039
	<u>\$738,824,750</u>				<u>\$(105,593,991)</u>	

The swap counterparties include JP Morgan Chase Bank, Goldman Sachs Bank USA, and The Bank of New York Mellon. They were rated by Moody's as being Aa1, Aa3, and Aaa, respectively.

Termination Risk: IFA or the swap provider may terminate the swap if the other party fails to perform under the terms of the contract (as defined by the swap agreement). If at the time of termination, the swap has a positive fair value, the swap providers would be liable to IFA for a payment equal to the swap's fair value.

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2012 and 2011

NOTE 7 – PENSION PLAN

The Building Authority has elected to participate in the Public Employers' Retirement Fund (PERF) which, along with the Teacher's Retirement Fund (TRF), merged into the Indiana Public Retirement System (INPRS) effective July 1, 2011. The Building Authority contributes to the INPRS, an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for units of state and local government in Indiana.

All full-time state employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) give the Building Authority the right to contribute and govern most requirements of the system, including the benefits, which vest after ten years of service. Plan participants who have reached age 50 may receive retirement benefits with fifteen years of service. A participant may receive benefits at age 65 with ten years of service.

Participants are required to contribute 3% of compensation to an annuity savings account. Legislation permits an INPRS employer to make the participant's contributions on behalf of the participant. The Building Authority elected to make its participants' 3% contributions. The employer rate of contributions was 8.6% and 7% during fiscal years 2012 and 2011, respectively. These accumulated participant contributions and allocated interest income are maintained by INPRS in a separate system-wide fund for all participants. Upon retirement, participants may elect a lump sum distribution of all or part of the savings account. Participants who leave employment before qualifying for benefits receive a refund of the savings account.

All assets of the plan are held and invested by INPRS. Investments are in obligations of the U.S. Government, federal agencies, corporate bonds and equity securities.

There is no (i) pension benefit obligation information, (ii) assets available for benefits at cost information or (iii) an analysis of funding disclosed in the annual financial statements. INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol, Suite 001, Indianapolis, Indiana 46204.

The following shows pension plan information relative to contributions for fiscal years 2012 and 2011:

Year	Employer Contributions	Participant Contributions	Total Contributions	Annual Covered Payroll	Percentage of Employer Contributions to Covered Payroll
2012	\$10,933	\$3,814	\$14,747	\$127,130	8.60%
2011	\$12,789	\$5,481	\$18,270	\$182,694	7.00%

INDIANA STADIUM AND CONVENTION BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE 8 – CONTINGENCIES AND COMMITMENTS

Contingencies: In the course of normal operations, the Building Authority is subject to various claims and assessments and is involved in litigation that it intends to vigorously defend. The range of loss, if any, from these potential claims cannot be reasonably estimated. However, the management of the Building Authority believes the ultimate resolution of these matters will not have a material adverse impact on the Building Authority's operations or financial position.

Commitments: The Development Agreement provides in the definition of "Authority Provided Parking" that the Building Authority is to provide for the construction of approximately 2,600 parking spaces on the Project Site. It has been determined that approximately 1,000 of the 2,600 parking spaces cannot be constructed on the Project site at the present time. Therefore, an agreement has been made which commits the Building Authority to provide the Colts game day parking spaces through the term of the Stadium lease. The Authority is responsible for the costs associated with providing this parking. Parking costs are expensed as they are incurred by the Building Authority.

OTHER REPORT

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

Board Members
Indiana Stadium and Convention Building Authority
State of Indiana

We have audited the financial statements of Indiana Stadium and Convention Building Authority (the Building Authority), an enterprise fund of the State of Indiana, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States 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

Management of the Building Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Building Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Building Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Building Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or, detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board Members and management of the Building Authority 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.

Katz, Sappan & Miller, LLP

Indianapolis, Indiana
October 18, 2012