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

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

October 13, 2010

Board of Directors
Indianapolis Airport Authority
7800 Col. H. Weir Cook Memorial Drive, Suite 100
Indianapolis, IN 46241

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2009 to December 31, 2009. 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 Indianapolis Airport Authority, as of December 31, 2009, 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

Indianapolis Airport Authority

Accountants' Report and Financial Statements

December 31, 2009 and 2008

Indianapolis Airport Authority
December 31, 2009 and 2008

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BKD LLP
CPAs & Advisors

201 N. Illinois Street, Suite 700
P.O. Box 44998
Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

To Members of the Board of
Indianapolis Airport Authority
Indianapolis, Indiana

We have audited the accompanying basic financial statements of Indianapolis Airport Authority (Authority) as of and for the years ended December 31, 2009 and 2008, 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 our 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 Indianapolis Airport Authority as of December 31, 2009 and 2008, and its changes in financial position and cash flows for the year 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 12, 2010, on our consideration of 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 an opinion on Authority's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 audit 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

April 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009
(Unaudited)

The following discussion and analysis of the financial performance and activity of the Indianapolis Airport Authority (Authority) is to provide an introduction and overview that users need to interpret the financial statements of the Authority for the years ended December 31, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Authority Powers and Purposes

In 1962, the City Council of the City of Indianapolis (City), the Mayor of the City and the County Council of Marion County (County) created the Authority pursuant to the Authority Act as a municipal corporation, separate from the City and the County. The Authority Act authorizes the Authority to own and operate public airports. The Authority is empowered to do all things necessary or reasonably incident to carrying out the purposes of the Authority Act, including the power to: (i) acquire, establish, construct, improve, equip, maintain, control, lease and regulate municipal airports, landing fields and other air navigation facilities, either inside or outside the County; (ii) manage and operate airports, landing fields and other air navigation facilities acquired or maintained by the Authority; (iii) adopt a schedule of reasonable charges and collect them from all users of facilities and services within the County; (iv) lease all or any part of an airport, landing field or any buildings or other structures, and fix, charge and collect rentals, tolls, fees and charges to be paid for the use of the whole or a part of the airports, landing fields or other air navigation facilities by aircraft landing there and for the servicing of the aircraft; (v) make rules and regulations, consistent with laws regarding air commerce, for management and control of its airports, landing fields, air navigation facilities and other property under its control; and (vi) incur indebtedness in accordance with the Authority Act.

The operations of the Authority depend heavily on revenues received from airlines serving Indianapolis International Airport. Airlines are given the option to sign an Agreement and Lease of Premises (the Airline Agreement), which sets forth rates and charges for use of Authority assets and which utilizes a residual rate-making methodology. The residual nature of the Airline Agreement essentially requires the airlines to assume certain financial risks to guarantee the Airport has sufficient revenue to cover all operating and capital borrowing costs. In return, the Authority has less autonomy over capital asset development decisions in that the airlines have the ability to delay and, in certain instances, veto certain proposed capital improvement projects at the Airport. The current Airline Agreements were entered into as of March 15, 2001, and expire December 31, 2010. Airlines that sign the Airline Agreement are subject to favorable Signatory rates, as opposed to the Authority's Non-Signatory rates. As of December 31, 2009, nine passenger carriers and two cargo carriers represent the Signatory Airlines.

Airport Operations Activity and Financial Highlights

	2009	2008	Variance
Enplaned passengers [1]	3,740,873	4,088,526	-8.5%
Landed weight (1,000 lb. units)			
Passenger airlines	4,641,777	5,192,567	-10.6%
Cargo airlines	4,598,377	5,250,166	-12.4%
Total landed weights	9,240,154	10,442,733	-11.5%
Aircraft operations	171,318	197,202	-13.1%

[1] - Includes domestic air carriers, international air carriers and air taxi/commuter flights

Airport Operations Activity

- In 2009, the number of enplaned passengers was 8.5% lower than in 2008. The decrease reflects passenger trends throughout the country attributable to the slowdown in the national economy.
- Passenger airlines accounted for approximately 50% of total landed weight at the Airport in 2009, consistent with prior year; cargo airlines accounted for the other 50% during 2009 and 2008. Passenger airline landed weight decreased by 10.6% in 2009 from prior year; cargo airline landed weight decreased 12.4% from prior year.
- Aircraft operations represent landings and takeoffs for air carrier, air taxi and commuter, general aviation and military operations. This activity decreased 13.1% over the prior year.

Authority Financial Highlights

- The Authority experienced a decrease in total assets of approximately $84.1 million during 2009. This decrease is primarily due to a reduction of $41.9 million in net capital assets, and a $42.2 million decrease in the balances of noncurrent assets. These fluctuations are principally due to the closing of the old terminal building, which is discussed later in the management's discussion and analysis.
- Total liabilities decreased $71.9 million in 2009. This change is primarily attributable to a decrease in both current and noncurrent liabilities payable from restricted assets.
- The decrease in net assets for 2009 was $13.1 million compared to an increase of $47.8 million for 2008. 2009 resulted in a loss from operations of $37.6 million, which is a $16.3 million increase in the loss from operations in 2008 of $21.3 million. Net nonoperating revenue (expense) reflected decreased net revenue of $42.5 million, primarily due to a decrease in investment income of $7.8 million and an increase in interest expense of $37.3 million. Capital contributions, grants and charges decreased by $2.1 million, a 3.4% decrease, primarily due to decreases in passenger facility charges of $1.4 million, and a decrease in capital contributions from lessees of $1.1 million over 2008.

New Indianapolis Airport Program

The Authority's multi-year Capital Improvement Program, which included approximately $1.1 billion in capital improvements relating to the acquisition, development, construction and implementation of a New Indianapolis Airport and related infrastructure projects (the "New Indianapolis Airport Program"), was significantly completed in late 2008. Passenger airline operations transitioned to the new Col. H. Weir Cook Terminal building effective November 12, 2008. During 2009, approximately $9.2 million was expended on capital activities for the New Indianapolis Airport Program to complete the program.

The Authority incurred certain nonrecurring operating expenses in 2008 related to the opening of the New Indianapolis Airport. These expenses were related to supplemental parking and shuttle operations, enhanced airport security and IT services in support of opening activities, along with advertising and marketing programs and various opening events. The total expense incurred in 2009 for these nonrecurring operating costs to commission the New Indianapolis Airport was approximately $2.9 million. All such expenses in 2009 were considered operating expenses.

Overview of Financial Statements

The Authority only engages in business-type activities. These are activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services. The Authority reports its business-type activities in a single enterprise fund, meaning that its activities are operated and reported like a private-sector business.

The Authority's financial report includes comparative Balance Sheets, Statements of Revenues, Expenses and Changes in Net Assets and 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 as promulgated by the Governmental Accounting Standards Board (GASB).

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

- *Invested in capital assets, net of related debt* - reflects the Authority's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.
- *Restricted net assets* - represent resources that are subject to external restrictions on how they may be used.
- *Unrestricted net assets* - represent resources that may be used to meet the Authority's ongoing obligations to the public and creditors.

Balance Sheets

The Balance Sheets present the financial position of the Authority at the end of the fiscal year and include all assets and liabilities of the Authority. The net assets of the Authority represent the difference between total assets and total liabilities and are an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net assets at December 31, 2009, 2008 and 2007 follows:

	2009	2008	2007
	(Table Amounts in Thousands)		
Current assets - unrestricted	$ 62,851	$ 77,189	$ 70,050
Current assets - restricted	54,300	40,018	41,359
Noncurrent assets			
Capital assets, net	2,140,140	2,182,892	1,844,781
Other noncurrent assets	214,962	257,112	394,576
Total assets	$ 2,472,253	$ 2,557,211	$ 2,350,766
Current liabilities	$ 10,335	$ 11,782	$ 8,784
Current liabilities - payable from restricted	94,601	132,191	278,690
Noncurrent liabilities	1,328	2,213	-
Noncurrent liabilities - payable from restricted	1,408,515	1,440,444	1,140,558
Total liabilities	1,514,779	1,586,630	1,428,032
Net assets			
Invested in capital assets, net of related debt	796,352	810,960	711,132
Restricted	106,055	92,120	144,681
Unrestricted	55,067	67,501	66,921
Total net assets	957,474	970,581	922,734
Total liabilities and net assets	$ 2,472,253	$ 2,557,211	$ 2,350,766

2009 to 2008 Comparative Balance Sheets

Unrestricted current assets decreased $14.3 million, which is primarily a decrease in grants receivable of $8.2 million and a decrease in cash and cash equivalents of $4.5 million from airport operations.

The increase in restricted current assets of $14.3 million primarily reflects an increase in restricted cash and cash equivalents of $14.1 million.

Total noncurrent assets decreased by $85.0 million. Restricted cash and cash equivalents, investment securities decreased by $40.5 million, primarily due to payments made to construct the New Indianapolis Airport. Total depreciable and nondepreciable capital assets decreased $42.8 million. Construction in progress relating to the New Indianapolis Airport Program, along with other construction in progress activity and land acquisitions by the Authority increased net capital assets $131.4 million. Depreciation and land dispositions decreased net capital assets $102.2 million.

Total current liabilities decreased by $39.0 million. Accounts payable from restricted assets decreased $62.7 million as related to prior year construction relating to the new terminal. This is offset by an increase in the current portion of debt and accrued interest on debt of $25.0 million, relating to outstanding commercial paper. Total noncurrent liabilities payable from restricted assets decreased $31.9 million, attributable to a decrease in bonds payable and other debt.

2008 to 2007 Comparative Balance Sheets

The increase in unrestricted current assets of $7.1 million primarily reflects an increase in cash and cash equivalents of $6.9 million from airport operations.

Restricted current assets have decreased $1.3 million, which is primarily a $2.1 million decrease in restricted cash and cash equivalents, offset by a $.7 million increase in reimbursement receivables for IMC expenses.

Total noncurrent assets increased by $200.5 million. Restricted cash and cash equivalents, investment securities and bond issue costs decreased by $133.2 million, primarily due to payments made to construct the New Indianapolis Airport. Total depreciable and nondepreciable capital assets increased $343.6 million. Construction in progress relating to the New Indianapolis Airport Program, along with other construction in progress activity and land acquisitions by the Authority increased net capital assets $378.5 million. Depreciation and land dispositions decreased net capital assets $40.4 million.

Total current liabilities decreased by $143.6 million. Current liabilities payable from restricted assets decreased $146.6 million due to the long-term refinancing of $170.0 million in commercial paper. The current portion of debt and accrued interest on debt decreased $167.8 million while noncurrent liabilities payable from restricted assets for bonds and other debt increased $299.9 million.

2009 to 2008 Comparative Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets reflect the operating activity of the Authority for the year using the accrual basis of accounting, similar to private sector companies. The change in net assets is an indicator of whether the overall fiscal condition of the Authority has improved or worsened during the year. The change in net assets for the years ended December 31, 2009 and 2008 was $(12.2) million and $47.8 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Assets for 2009 and 2008.

	2009	2008	$ Variance	% Variance
	(Table Amounts in Thousands)			
Operating Revenues				
Airfield	$ 22,742	$ 23,889	$ (1,147)	-4.8%
Terminal complex	49,958	36,530	13,428	36.8%
Parking	34,660	29,437	5,223	17.7%
Rented buildings and other	13,099	12,406	693	5.6%
Indianapolis Maintenance Center (IMC)	6,852	7,253	(401)	-5.5%
Reliever airports	2,414	2,402	12	0.5%
Total operating revenues	129,725	111,917	17,808	15.9%
Nonoperating Revenues				
State and local appropriations	27,130	26,927	203	0.8%
Federal operating grants	1,032	1,111	(79)	-7.1%
Customer facility charges (rental cars)	4,208	5,115	(907)	-17.7%
Investment income	4,916	12,726	(7,810)	-61.4%
Total nonoperating revenues	37,286	45,879	(8,593)	-18.7%
Total revenues	167,011	157,796	9,215	5.8%
Operating Expenses (includes depreciation)				
Airfield	36,374	28,731	7,643	26.6%
Terminal complex	41,612	33,646	7,966	23.7%
Parking	14,333	8,574	5,759	67.2%
Rented buildings and other	10,850	10,134	716	7.1%
Indianapolis Maintenance Center (IMC)	25,740	26,792	(1,052)	-3.9%
Reliever airports	3,654	3,698	(44)	-1.2%
Public safety	11,028	10,051	977	9.7%
Administration	23,738	11,564	12,174	105.3%
Total operating expenses	167,329	133,190	34,139	25.6%
Nonoperating Expenses				
Interest expense, net of interest capitalized	73,564	36,265	37,299	102.9%
(Gain) loss on disposals of capital assets and other	(1,920)	1,426	(3,346)	-234.6%
Net nonoperating expenses	71,644	37,691	33,953	90.1%
Total expenses	238,973	170,881	68,092	39.8%
Loss Before Capital Contributions, Grants and Charges	(71,962)	(13,085)	(58,877)	450.0%
Capital Contributions, Grants and Charges	58,855	60,931	(2,076)	-3.4%
Increase (Decrease) in Net Assets	(13,107)	47,846	(60,953)	-127.4%
Net Assets, Beginning of Year	970,581	922,735	47,846	5.2%
Net Assets, End of Year	$ 957,474	$ 970,581	$ (13,107)	-1.4%

Operating revenue in 2009 increased $17.8 million, or 15.9% from prior year. This represents increases in activity-based revenues consisting primarily of terminal complex revenues, along with applicable rental rate adjustments, increased parking revenues, and rented buildings and other. This is offset by a decrease in airfield revenue and lower operating expense reimbursements related to the IMC.

Airfield revenue in 2009 of $22.7 million was lower than 2008 by $1.1 million or 4.8%. Total landed weights decreased 11.5% from prior year as passenger carriers decreased 10.6% and cargo carriers decreased 12.4%. The 2009 landing fee signatory rate of $1.95 was maintained from prior year. The 2009 Non-Signatory landing fee rate increased to $2.96, as compared to the 2008 rate of $2.86. Apron rental revenue was higher than prior year as the 2009 rental rate was $2.62 per square foot as compared to $2.05 in 2008.

Terminal complex revenues exceeded prior year by $13.4 million, or 36.8%. Airline terminal rental rates increased in 2009 with rates at the new terminal set at a fixed rental rate of $95.00 per square foot compared to the basic average rental rate in 2008 of $74.69 per square foot. Concessionaire revenues exceeded prior year by $1.4 million, attributable to the full year effect of the retail strategy implemented at the new terminal, which includes an increase in operators, locations, and variety of offerings. Other commissions, fees, etc. increased $3.4 million from prior year, which includes the impact of a full year of revenues for the fuel farm, common use fees for coverage of common area operating expenses including new dockmaster costs incurred at the new terminal, and additional rent for car rental agency space in the Ground Transportation Center, Ready/Return area in the parking garage and the Quick Turn Around area.

Parking revenues increased from prior year by $5.2 million or 17.7%, resulting in $34.7 million in 2009 Parking revenue. The increase is reflective of an increase in both market share and total number of spaces, surface lot and in the garage, at the new terminal. Rate increases were also implemented on September 1, 2009 contributing to the increased revenues in an effort to offset the impact of a decline in enplaned passengers from prior year of 8.5%.

Revenues from Rented Buildings and Other increased by $0.7 million or 5.6%, primarily attributable to special facility rental revenues received following substantial completion of the Phase 3 cargo apron expansion.

Revenues from Indianapolis Maintenance Center (IMC) decreased by $0.4 million or 5.5%. This represents revenues due the Authority for reimbursement of eligible expenditures under the terms of the Settlement Agreement reached between the Authority and the trustee for the special facility revenue bonds the Authority had previously issued on behalf of United Airlines. The decrease from prior year is due to vacancy of one tenant and lower percentage rent revenue achieved in 2009.

Investment income decreased $7.8 million. This was primarily due to lower interest rates received on a portion of the Authority’s investment portfolio, as well as lower investment balances resulting from the use of bond construction funds to complete construction of the new terminal.

Operating expenses for the years ended December 31, 2009 and 2008 totaled $167.3 million and $133.2 million, respectively.

Airfield expenses increased $7.6 million, or 26.6%, primarily due to an increase in depreciation expense resulting from the full year impact of expense for the capitalization of assets relating to the new terminal and fully depreciating assets related to the old Terminal Facility. Additionally, costs were incurred in 2009 associated with the third party operator for the deicing maintenance contract. This was offset by lower snow/ice chemicals than the prior year due to lower usage and a drop in price for potassium acetate.

Terminal complex expenses increased $8.0 million, or 23.7% from the prior year. The increase is also attributable to the full year impact of operating costs of the new terminal, including depreciation, additional staffing of maintenance technicians and janitorial positions, utilities and the dockmaster and baggage claim maintenance contracts. This is offset by a reduction in communication/marketing costs that was incurred in 2008 relating to opening events of the new terminal.

Parking expenses increased $5.8 million, or 67.2% from prior year. This represents the full year impact of operating costs at the new terminal including depreciation, additional cashiers, chauffeurs, custodial and ground transportation staff, increased utilities, and the cost for outsourced shuttle bus services.

Rented buildings and other expenses increased $0.7 million, or 7.1% from prior year. This primarily represents an increase in depreciation expense related to the new terminal.

Indianapolis Maintenance Center (IMC) expenses decreased $1.1 million or 3.9%, primarily due to a decrease in utilities and a lower Central Energy Plant (CEP) allocation.

Public safety expenses increased $1.0 million, or 9.7% from prior year attributable to the staffing of open positions and minimal vacancy as compared to prior years.

Administration costs increased $12.2 million, or 105.3% from prior year. Depreciation expense represents $11.9 million of this increase related to a full year of depreciation on IT equipment related to the opening of the new terminal.

Interest expense increased $37.3 million over the prior year, which is primarily attributable to lower capitalized interest in 2009 due to the completion of the midfield project, and the full year impact of the issuance of $350 million of additional revenue bonds in 2008. These increases are offset by lower debt service related to the 1996 bonds that were paid off in the previous year, and debt service as related to the commercial paper program.

Capital contributions, grants and charges of $58.9 million decreased $2.1 million compared to prior year. This is associated with a decrease in Passenger Facility Charges (PFCs) and contributions from lessees lower than prior year for leased property tenant improvements.

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

The change in net assets for the years ended December 31, 2008 and 2007 was $47.8 million and $94.1 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Assets for 2008 and 2007.

	2008	2007	$ Variance	% Variance
	(Table Amounts in Thousands)			
Operating Revenues				
Airfield	$ 23,889	$ 24,750	$ (861)	-3.5%
Terminal complex	36,530	31,785	4,745	14.9%
Parking	29,437	28,581	856	3.0%
Rented buildings and other	12,406	10,922	1,484	13.6%
Indianapolis Maintenance Center (IMC)	7,253	6,478	775	12.0%
Reliever airports	2,402	2,205	197	8.9%
Total operating revenues	111,917	104,721	7,196	6.9%
Nonoperating Revenues				
State and local appropriations	26,927	26,821	106	0.4%
Federal operating grants	1,111	1,138	(27)	-2.4%
Customer facility charges (rental cars)	5,115	5,137	(22)	-0.4%
Investment income	12,726	27,622	(14,896)	-53.9%
Total nonoperating revenues	45,879	60,718	(14,839)	-24.4%
Total revenues	157,796	165,439	(7,643)	-4.6%
Operating Expenses (includes depreciation)				
Airfield	28,731	19,241	9,490	49.3%
Terminal complex	33,646	13,435	20,211	150.4%
Parking	8,574	7,233	1,341	18.5%
Rented buildings and other	10,134	10,339	(205)	-2.0%
Indianapolis Maintenance Center (IMC)	26,792	25,091	1,701	6.8%
Reliever airports	3,698	3,565	133	3.7%
Public safety	10,051	9,436	615	6.5%
Administration	11,564	12,661	(1,097)	-8.7%
Total operating expenses	133,190	101,001	32,189	31.9%
Nonoperating Expenses				
Interest expense, net of interest capitalized	36,265	33,954	2,311	6.8%
Loss on disposals of capital assets and other	1,426	1,947	(521)	-26.8%
Net nonoperating expenses	37,691	35,901	1,790	5.0%
Total expenses	170,881	136,902	33,979	24.8%
Income Before Capital Contributions, Grants and Charges	(13,085)	28,537	(41,622)	-145.9%
Capital Contributions, Grants and Charges	60,931	65,573	(4,642)	-7.1%
Increase in Net Assets	47,846	94,110	(46,264)	-49.2%
Net Assets, Beginning of Year	922,735	828,625	94,110	11.4%
Net Assets, End of Year	$ 970,581	$ 922,735	$ 47,846	5.2%

Operating revenue in 2008 increased $7.2 million, or 6.9% from prior year. This represents increases in activity-based revenues consisting primarily of terminal complex revenues, along with applicable rental rate adjustments, increased parking revenues, rented buildings and other and increased operating expense reimbursements related to the IMC. This is offset by a decrease in airfield revenue.

Airfield revenue in 2008 of $23.9 million was lower than 2007 by $.9 million or 3.5%. Total landed weights decreased 1.2% from prior year as passenger carriers decreased 1.0% and cargo carriers decreased 1.4%. The 2008 landing fee signatory rate of $1.95 was maintained from prior year. The 2008 Non-Signatory landing fee rate increased to $2.86, as compared to the 2007 rate of $2.78. Apron rental revenue was lower than prior year as the 2008 rental rate was $2.05 per square foot as compared to $2.56 in 2007.

Terminal complex revenues exceeded prior year by $4.7 million, or 14.9%. Airline terminal rental rates increased in 2008 as the basic average rental rate in 2008 was $74.69 per square foot compared to an average rental rate in 2007 of $63.57 per square foot. Automobile rental revenues exceeded prior year by $.9 million as most of the operators exceeded their Minimum Annual Guarantee (MAG) rents. Other commissions, fees, etc. increased $.7 million from prior year, which includes new 2008 revenues for a fuel farm and additional rent for car rental agency space in the Ground Transportation Center, Ready/Return area in the parking garage and the Quick Turn Around area.

Parking revenues increased from prior year by $.9 million or 3.0%, resulting in $29.4 million in 2008 Parking revenue. A rate increase was implemented in January 2008 for the parking garage (maximum $22.00/day from maximum $20.00/day) contributing to the increased revenues.

Revenues from Rented Buildings and Other increased by $1.5 million or 13.6%, primarily attributable to special facility rental revenues received following substantial completion of Phase 1 and 2 cargo apron expansion in December 2006 and November 2007, respectively.

Revenues from Indianapolis Maintenance Center (IMC) increased by $.8 million or 12.0%. This represents revenues due the Authority for reimbursement of eligible expenditures under the terms of the Settlement Agreement reached between the Authority and the trustee for the special facility revenue bonds the Authority had previously issued on behalf of United Airlines. The increase from prior year is due to increased hangar bay activation and reimbursements for capital costs.

Investment income decreased $14.9 million. This was primarily due to lower interest rates received on a portion of the Authority's investment portfolio, as well as lower investment balances resulting from the use of bond construction funds to complete construction of the New Indianapolis Airport.

Operating expense for the years ended December 31, 2008 and 2007 totaled $133.2 million and $101.0 million, respectively.

Airfield expenses increased $9.5 million, or 49.3%, primarily due to an increase in depreciation expense resulting from the capitalization of ancillary assets relating to the new terminal, including the new firehouse, the new Emergency Operations Center (EOC), Taxiway R/H, and South Perimeter Road. Additionally, higher costs were incurred in 2008 for snow/ice chemicals. This was due to a significant price increase for potassium acetate, as well as the occurrence of significant ice storms in February and December 2008.

Terminal complex expenses increased $20.2 million, or 150.4% from the prior year. This increase is attributable to an increase in operating costs due to the opening of the new terminal in November, 2008. Depreciation expense represents $16.3 million of the increase. The remaining increase includes additional staffing of maintenance technicians, janitorial and guest services positions, opening event communications/marketing costs, utilities and the dockmaster and baggage claim maintenance contracts.

Parking expenses increased $1.3 million, or 18.5% from prior year. The increase is related to higher costs incurred for snow/ice chemicals, shuttle bus repairs, and an increase in operating costs due to the opening of the new terminal for outsourced shuttle bus services and depreciation expense.

Indianapolis Maintenance Center (IMC) expenses increased $1.7 million or 6.8%, primarily due to an increase in depreciation expense related to the capitalization of lessee-financed improvements.

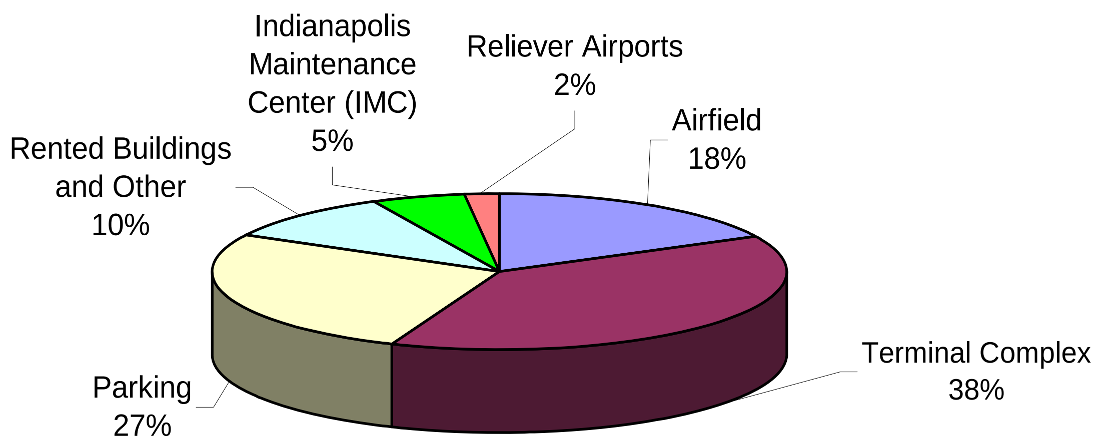
Administration costs decreased $1.1 million, or 8.7% from prior year. The decrease is primarily attributable to the termination of the management contract agreement between the Authority and BAA Indianapolis LLC (BAA) as of December 31, 2007.

Interest expense increased $2.3 million over the prior year, which was attributable to the issuance of $350 million of additional revenue bonds in 2008.

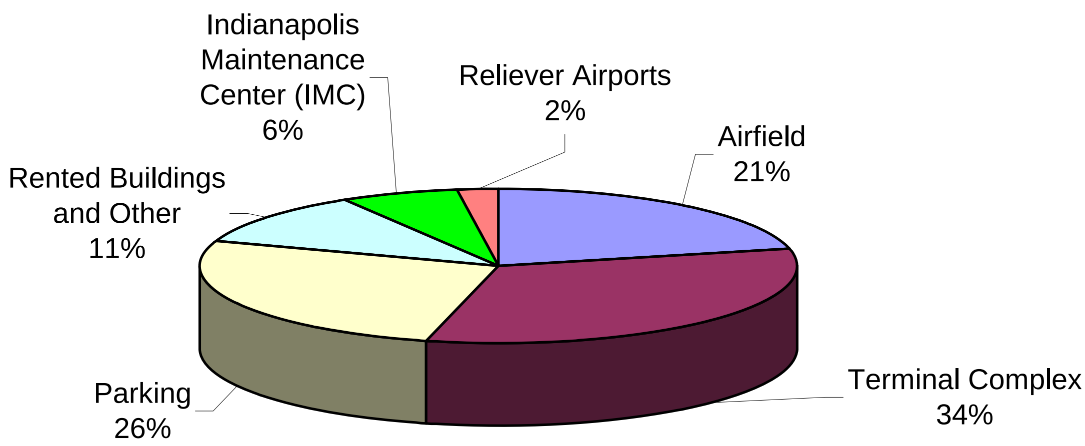
Capital contributions, grants and charges of $60.9 million decreased $4.6 million compared to prior year. Federal and State grants were lower than prior year by $9.1 million as 2007 included grants received relating to the construction of the new firehouse and the Airport Command and Control Center. Contributions from lessees of $26.4 million were $4.5 million greater than prior year for leased property tenant improvements.

The following is a graphic illustration of operating revenues by source for the years ended December 31, 2009 and 2008:

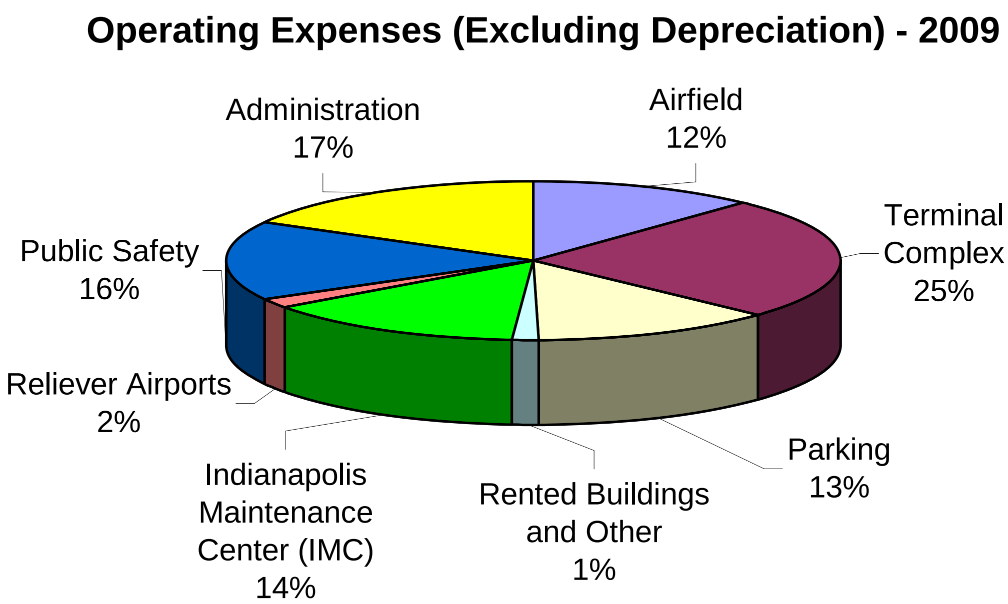
Operating Revenues - 2009

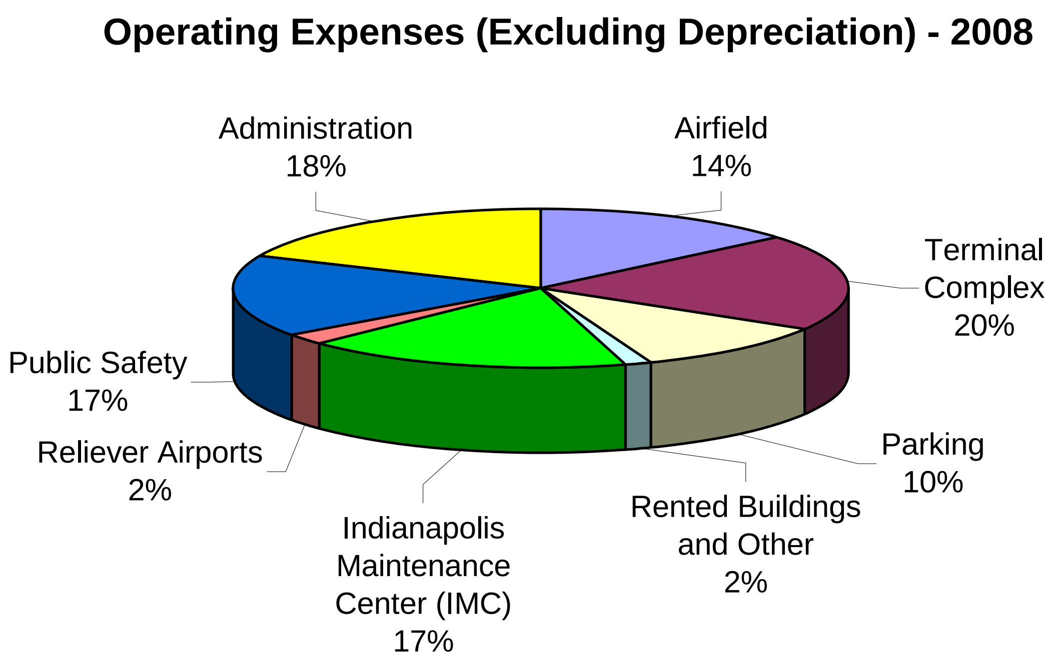


Operating Revenues - 2008



The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2009 and 2008 (excluding depreciation):





Capital Asset and Debt Administration

Capital Assets

During 2009, the Authority expended approximately $31.2 million on capital activities. This included $5.6 million for land acquisition and sound insulation costs in conjunction with the Authority's approved Part 150 Noise Compatibility Program. The balance of capital expenditures related to multiple construction and acquisition projects, including the Authority's New Indianapolis Airport Program, Extend Taxiway "R" / Reconstruct Taxiway "H", SPCC Mitigation and International and Relievers, and various other projects.

During 2009, completed projects totaling $49.7 million were closed from construction-in-progress to their respective capital asset accounts. These major completed projects included:

New Indianapolis Airport	$19.5 million
SPCC Mitigation - International	$6.5 million
SPCC Mitigation - Relievers	$2.7 million
Extend Taxiway "R" / Reconstruct Taxiway	$2.8 million

Note 4 to the financial statements provides additional information on the Authority's capital asset activity.

Long-Term Debt

Capital acquisitions are funded using a variety of financing mechanisms, including federal and state grants, passenger facility charges, public debt issues and airport operating revenues.

On June 17, 2008, the Authority issued a total of $350.0 million of revenue bonds (the Series 2008A Revenue Bonds) as part of its financing program related to the New Indianapolis Airport, as well as other capital projects. In conjunction with the 2008 bond issuance, insured ratings were provided: "Aaa" by Moody's, "AAA" by S&P, and "AAA" by Fitch. In addition, the Authority received the following underlying ratings: "A1" by Moody's, "A" by S&P, and "A+" by Fitch. As of December 31, 2008, all of the proceeds of the 2008 Revenue Bonds had been utilized to fund capital project expenditures.

The Authority's Master Bond Ordinance enables it to adopt an ordinance or resolution irrevocably designating certain revenues as Dedicated Revenues (which may include, without limitation, PFC revenues, state and/or federal grants, or other identified revenues) to be used to pay debt service on Authority revenue bonds. Note 5 of the financial statements explains the details of resolutions adopted in 2003, 2004, 2006 and 2008.

As of December 31, 2009, the Authority had $1.26 billion in outstanding senior lien bonds and no outstanding subordinate securities. The Authority, through its Master Bond Ordinance, has covenanted to maintain a debt service coverage ratio of not less than 1.25 for senior lien debt. Debt service coverage is calculated based on a formula included in the Master Ordinance and the Airline Agreements. Historically, the Authority has maintained a coverage ratio higher than its requirement. During 2009 and 2008, respectively, the Authority's debt service coverage was 1.52 and 3.70 for senior lien debt.

Notes 5, 6, 7, 8 and 9 to the financial statements provide additional information regarding the Authority's debt activities.

Economic Factors and Next Year's Rates and Charges

The Authority experienced an 8.5% decrease in passenger enplanements over last year, resulting in total 2009 enplanements of 3,740,873. The dramatic slowdown in the national economy, and subsequent pullback by airlines throughout the entire network, carried over from the last quarter of 2008 and continued throughout all of 2009. In perspective, the Airport's enplanement activity performed near the 2009 national average for airports at an 8.2% decrease (per USDOT T100 data). IND's airlines correspondingly reacted to the decrease in passenger travel demand with subsequent decreases in 2009 of scheduled operations. The Airport was a 2008 top performer for seat capacity because airlines did not start making the majority of their local schedule cuts at IND until 2009. The most significant seat capacity cutbacks in 2009 resulted from the merger of Delta Air Lines and Northwest. For 2009, IND experienced a 10.6% decrease in seat capacity by airlines while the average seat capacities change for all U.S. airports showed a 6.6% decrease.

Indianapolis International Airport is served by most major and several national airlines operating to the majority of domestic hubs. In addition, point-to-point service is provided to major business and leisure destinations primarily in the Eastern and Central U.S. and limited coverage on the West coast. The Authority remains significantly an Origination and Destination (O&D) airport, with approximately 94.7 % of its traffic being generated by the population and economy of the region, rather than the schedule of service or hub operations of an airline. The Authority's passenger profile changed significantly during 2009 with travel profiles balanced 60% for leisure and 40% for business. Historically, the balance for IND passengers has been near a 50/50% split. Passenger airlines represent 50% of total landed weight at the airport, which approximated 4.6 billion pounds in 2009, a 10.6% decrease from 2008.

In addition to passenger activity, the Airport continues to benefit from the sustained activity of cargo operations, which are significantly dominated by FedEx. In 2009, cargo carriers represented approximately 50% of the landed weight at the Airport, and experienced a 12.4% decrease in cargo landed weight compared to 2008, for a total of approximately 4.6 billion pounds.

Future increases in passenger and cargo traffic at the Airport will be influenced by several key factors, which include, but are not limited to, the following:

- Economic and political conditions
- Aviation security concerns
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Capacity of national air traffic control and airport systems
- Capacity of the airport

Fuel costs and economic conditions can have a significant effect on air travel and transportation industries. The Authority cannot predict how future air travel may be impacted by various economic or other factors or the extent of any adverse impact on net revenues (gross operating revenues less operating and maintenance expenses), passenger facility charge collections, passenger enplanements, operations or the financial condition of the Authority.

The anticipated passenger traffic in 2010 is based on those trends seen during late 2009 and takes into account load factors by carrier, average daily departures and seat capacity, average nonstop fares, average fares by market, airline communication, aircraft orders/retirements and posted 2009 schedules via Innovata. The restructuring or liquidation of one or more of the large network airlines could drastically affect airline service at many connecting hub airports, present business opportunities for the remaining airlines, and change travel patterns throughout the U.S. aviation system.

Request for Information: This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Chief Financial Officer, 7800 Col. H. Weir Cook Memorial Drive, Suite 100, Indianapolis, IN 46241-4941 or via the "Contact Us" area of the Authority's website www.indianapolisairport.com.

Indianapolis Airport Authority
Balance Sheets
December 31, 2009 and 2008

Assets

	2009	2008
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	$ 46,111,435	$ 50,607,883
Accounts receivable, net of allowance of $517,000 and $235,000, respectively	2,583,566	2,075,647
Unbilled revenues	2,357,516	3,210,662
Grants receivable	9,354,772	17,539,045
Receivable - other governments	-	1,020,603
Supplies and materials inventories	1,584,723	1,819,886
Other	858,834	915,231
Total unrestricted current assets	62,850,846	77,188,957
Restricted Assets		
Cash and cash equivalents	47,112,220	33,058,552
Cash and cash equivalents - customer deposits	470,203	378,182
Receivable - passenger facility charges	1,463,204	1,438,181
Receivable - other governments	3,743,924	3,768,003
Receivable - reimbursable IMC expenses	1,510,572	1,374,631
Total restricted current assets	54,300,123	40,017,549
Total current assets	117,150,969	117,206,506
Noncurrent Assets		
Cash and cash equivalents, restricted	179,830,273	230,246,068
Investment securities, restricted	9,920,709	-
Rent receivable	2,649,255	2,797,272
Deferred lease costs	1,229,486	1,509,334
Bond issue and loan administration costs, net	21,332,531	22,559,560
Non-depreciable capital assets	298,347,406	312,920,648
Depreciable capital assets, net	1,841,792,091	1,869,970,815
Total noncurrent assets	2,355,101,751	2,440,003,697
Total assets	$ 2,472,252,720	$ 2,557,210,203

Liabilities and Net Assets

	2009	2008
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	$ 2,936,916	$ 4,742,490
Accrued and withheld items (including compensated absences)	6,513,051	6,154,837
Deferred revenue - interest rate swap	885,000	885,000
Total current liabilities payable from unrestricted assets	10,334,967	11,782,327
Payable From Restricted Assets		
Accounts payable	13,636,032	76,312,013
Customer deposits payable	470,203	378,182
Short-term debt - commercial paper	25,000,000	-
Current portion of debt	31,091,011	29,949,992
Accrued interest on debt	24,403,843	25,550,627
Total current liabilities payable from restricted assets	94,601,089	132,190,814
Total current liabilities	104,936,056	143,973,141
Noncurrent Liabilities		
Deferred revenue - interest rate swap	1,327,500	2,212,500
Bonds payable and other debt, payable from restricted assets	1,408,514,501	1,440,444,004
Total liabilities	1,514,778,057	1,586,629,645
Net Assets		
Invested in capital assets, net of related debt	796,352,128	810,959,611
Restricted for		
Capital projects	47,760,042	33,689,024
Debt service	57,029,204	57,111,138
Other	1,266,169	1,320,049
Total restricted net assets	106,055,415	92,120,211
Unrestricted	55,067,120	67,500,736
Total net assets	957,474,663	970,580,558
Total liabilities and net assets	$ 2,472,252,720	$ 2,557,210,203

Indianapolis Airport Authority

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2009 and 2008

	2009	2008
Operating Revenues		
Airfield	$ 22,741,896	$ 23,889,270
Terminal complex	49,960,322	36,528,432
Parking	34,660,205	29,437,187
Rented buildings and other	13,098,996	12,406,054
Indianapolis Maintenance Center (IMC)	6,851,697	7,253,302
Reliever airports	2,413,624	2,402,110
Total operating revenues	129,726,740	111,916,355
Operating Expenses (includes depreciation of $100,953,498 and $73,550,562 in 2009 and 2008, respectively)		
Airfield	36,374,295	28,731,397
Terminal complex	41,611,886	33,646,151
Parking	14,332,900	8,573,596
Rented buildings and other	10,850,374	10,133,664
Indianapolis Maintenance Center (IMC)	25,740,104	26,792,019
Reliever airports	3,654,388	3,697,927
Public safety	11,028,406	10,051,414
Administration	23,738,312	11,564,114
Total operating expenses	167,330,665	133,190,282
Loss From Operations	(37,603,925)	(21,273,927)
Nonoperating Revenues (Expenses)		
State and local appropriations	27,130,236	26,927,491
Federal operating grants	1,032,396	1,110,925
Customer facility charges (rental cars)	4,207,666	5,115,044
Investment income	4,916,486	12,726,364
Interest expense, net of $448,165 and $37,963,261 interest capitalized in 2009 and 2008, respectively	(73,563,805)	(36,264,684)
Gain (loss) on disposals of capital assets and other	1,919,654	(1,426,443)
	(34,357,367)	8,188,697
Decrease in Net Assets Before Capital Contributions, Grants and Charges	(71,961,292)	(13,085,230)
Capital Contributions, Grants and Charges		
Passenger facility charges	15,429,599	16,852,737
Federal, state and local grants	18,096,508	17,606,125
Contributions from lessees and other	25,329,290	26,472,261
	58,855,397	60,931,123
Increase (Decrease) in Net Assets	(13,105,895)	47,845,893
Net Assets, Beginning of Year	970,580,558	922,734,665
Net Assets, End of Year	$ 957,474,663	$ 970,580,558

Indianapolis Airport Authority

Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Cash receipts from customers and users	$ 130,965,972	$ 111,055,351
Cash payments to vendors for goods and services	(38,526,943)	(31,349,141)
Cash payments for employees services	(29,954,973)	(24,920,169)
Net cash provided by operating activities	62,484,056	54,786,041
Cash Flows From Noncapital Financing Activities		
Operating grants received	1,041,224	1,121,737
Customer facility charges received	4,207,666	5,115,044
Insurance recoveries	1,662,971	111,324
Net cash provided by noncapital financing activities	6,911,861	6,348,105
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of commercial paper	50,000,000	597,665,000
Proceeds from issuance of revenue bonds	-	350,000,000
Principal paid on bonds and commercial paper	(35,830,000)	(803,480,000)
Bond issue and commercial paper costs paid	(489,240)	(9,344,714)
Interest paid	(65,654,609)	(22,860,849)
Advance payment on interest rate swap agreement	-	3,540,000
Acquisition and construction of capital assets	(96,386,434)	(363,430,609)
Proceeds from sale of capital assets	1,487,495	1,234,927
Passenger facility charges received	15,404,576	16,748,123
Capital grants received	26,271,953	17,130,486
Contributions from other governments	1,020,603	1,001,703
Net cash used in capital and related financing activities	(104,175,656)	(211,795,933)
Cash Flows From Investing Activities		
Purchase of investment securities	(134,296,367)	(139,819,901)
Proceeds from sales and maturities of investment securities	126,660,000	152,710,000
Interest received on investments and cash equivalents	1,649,552	9,340,293
Net cash provided by (used in) investing activities	(5,986,815)	22,230,392
Net Decrease in Cash and Cash Equivalents	(40,766,554)	(128,431,395)
Cash and Cash Equivalents, Beginning of Year	314,290,685	442,722,080
Cash and Cash Equivalents, End of Year	$ 273,524,131	$ 314,290,685

Indianapolis Airport Authority

Statements of Cash Flows (Continued)
Years Ended December 31, 2009 and 2008

	2009	2008
Reconciliation of Income (Loss) From Operations to Net Cash		
Provided by Operating Activities		
Loss from operations	$ (37,603,925)	$ (21,273,927)
Item not requiring cash		
Depreciation of capital assets	100,953,498	73,550,562
Change in assets and liabilities		
Accounts receivable and unbilled revenues	1,239,232	(861,004)
Supplies and materials inventories	235,163	(250,365)
Other assets	336,245	428,689
Accounts payable	(2,365,084)	2,257,370
Accrued and withheld items	(311,073)	934,716
Net cash provided by operating activities	$ 62,484,056	$ 54,786,041
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	$ 9,711,592	$ 72,026,557
Capital assets contributed by lessees and other governments	25,329,290	26,447,287
State and local appropriations used to fund capital lease obligations	27,131,286	26,926,976

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

The Indianapolis Airport Authority (Authority) is a municipal corporation established January 1, 1962, under authority granted by Indiana statute (1961 Acts, Chapter 283, I.C. 1979 19-6-2, superseded by I.C. 8-22-3). The Authority was established for the general purpose of acquiring, maintaining, operating and financing airports and landing fields in and bordering on Marion County, Indiana. In connection therewith, the Authority is authorized, among other things, to issue general obligation and revenue bonds and to levy taxes in accordance with the provisions of the statute. The Authority administers an airport system comprised of the Indianapolis International Airport, three general aviation reliever airports, one general aviation airport and one general aviation reliever heliport. The Authority has no stockholders or equity holders and all revenue and other receipts must be disbursed in accordance with such statute.

The Authority's Board consists of eight members, six of which are appointed by the Mayor of the Consolidated City of Indianapolis-Marion County (a unified form of government commonly referred to as Unigov), one by the Marion County Board of Commissioners and one by the Hendricks County Board of Commissioners. Each member is appointed to a four-year term. Also, the Board has three nonvoting, advisory board members.

Use of Estimates

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

Financial Reporting Entity

The definition of the reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, is based primarily on the concept of financial accountability. Although the Mayor appoints a voting majority of the Authority's governing body, neither of the other two tests of financial accountability is met. Unigov is unable to impose its will on the Authority. Also, the Authority does not impose a financial burden or provide a financial benefit to Unigov.

The following criteria were considered:

I. Imposition of will criteria

A. Remove appointed members of Authority Board at will

The appointed members of the Authority Board cannot be removed by the Mayor without cause, and removal must be through an impeachment procedure.

B. Modify or approve the Authority's budget

The Authority Board is responsible for reviewing, approving, and modifying its budget. The City-County Council (the governing body for Unigov) holds public budget hearings, and may review and modify the budget. Since a tax levy is not currently required to finance the budget of the Authority, the Council's review is considered a routine administrative approval.

C. Modify or approve changes in fees and charges

The Authority establishes all fees and charges and negotiates contracts with commercial enterprises.

D. Veto, overrule or modify decisions of the Authority Board

Decisions of the Board are not subject to change by Unigov.

E. Appoint, hire, reassign or dismiss management of the Authority

Unigov has no control over the employment of Authority personnel.

II. Financial benefit/burden criteria

A. Legally entitled to or can otherwise access the Authority's resources

The Authority's resources cannot be accessed by Unigov. Legislation was enacted in 1992, which authorized the City-County Council to impose a payment in lieu of taxes (PILOT) from various municipal corporations, including the Authority, to recover the cost of providing governmental services to public entities that operate as private enterprises and are exempt from property taxes. However, under the Airport and Airway Improvement Act of 1982, as amended, PILOTs may not be imposed without the risk of loss of all federal funding, unless there exists adequate documentation of services actually provided. Purchases of services are considered exchange transactions, which are not manifestations of a financial benefit relationship.

B. Legally obligated to finance the deficits of, or provide financial support to, the Authority

The Authority is solely responsible for financing its deficits. The Authority may levy taxes on property within Marion County. It does not currently, and has no future plans to, levy such taxes.

C. Obligated in some manner for the debt of the Authority

The Authority is empowered to issue revenue bonds payable solely from revenue derived from the operation of the airport system and special facility revenue bonds payable exclusively from lease-rental payments. The Authority is also empowered to issue general obligation bonds. These bonds are not general obligations of Unigov, and neither the faith and credit nor the taxing power of Unigov is pledged to their payment.

Careful review of these criteria, therefore, has resulted in the conclusion that the Authority is a separate reporting entity and is not a component of Unigov or any other government.

Basis of Accounting and Financial Reporting

The financial statements consist of a single-purpose business-type activity, which is reported on the accrual basis of accounting using the economic resources measurement focus.

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows 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.

Cash Equivalents

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

Investment Securities

Investment securities are stated at fair value.

Unbilled Revenues

The Authority accrues revenue for rentals earned but not yet billed as of year end.

Inventories

Inventories of supplies and materials are valued at average cost and consist primarily of building, vehicle and airfield maintenance parts and supplies.

Lessee-Financed Improvements

Certain leases include provisions whereby lessee-financed improvements become the property of the Authority. Prior to the adoption of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Authority recorded lessee-financed improvements only upon leasehold reversion or lease termination, at which time the improvements were capitalized at fair value and recorded as a capital contribution. Upon implementation of GASB Statement No. 33, the Authority began recognizing lessee-financed improvements at cost or estimated cost upon completion of construction, or upon the asset being placed in service, whichever occurs first. However, lessee-financed improvements placed in service prior to the adoption of GASB Statement No. 33 continue to be recognized only upon leasehold reversion or lease termination.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500. Capital assets purchased by the Authority are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

	Years
Buildings, including parking garage	20 to 50
Sewers	25 to 50
Runways, taxiways and aprons	15 to 25
Roads, ramps, parking areas, runway and apron lighting, etc.	15 to 20
Heavy equipment, furniture and fixtures and fencing	5 to 20
Vehicles, office equipment and other	3 to 10

Interest incurred during construction periods is capitalized and included in the cost of property and equipment. Maintenance and repairs are expensed as incurred. Environmental mitigation costs incurred to establish wetlands and habitats are capitalized, while costs related to maintaining wetlands and habitats are generally charged to expense as incurred. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

Issue Costs

Bond issue costs are deferred and amortized over the life of the respective bond issue using the interest method. Commercial paper issuance costs are being amortized on a straight-line basis over the original term of the respective letter of credit that secures each debt issuance.

Original Issue Discount

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

Employee Health Benefits

The Authority offers health benefit plans which provide employees with a choice of coverage under a Health Savings Account plan or a plan provided by a Preferred Provider Organization.

Compensated Absences

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and personal time is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Indiana. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

From time to time, the Authority disposes of land or other assets which were originally purchased with federal assistance. In accordance with the Airport Improvement Program (AIP), the Authority must reinvest the federal government's proportionate share of the proceeds realized from the sale or exchange of such assets in approved AIP projects or return such amounts to the federal government.

Revenue and Expense and Net Assets Recognition

Revenues from airlines, concessionaires, lessees, and parking are reported as operating revenues. Operating expenses include the cost of administering the airport system, including depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions, grants and charges.

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

Passenger Facility Charges

The Authority received approval from the Federal Aviation Administration (FAA) to impose and use a passenger facility charge (PFC) of $3.00 per eligible enplaned passenger and has imposed the PFC since September 1993. PFC's are restricted for use in the acquisition of real estate and the construction of certain airport improvements and other costs, as approved by the FAA.

During 2001, the Authority received approval from the FAA to increase the collection level from $3.00 to $4.50 per enplaned passenger beginning April 2002. In addition, approvals received in March 2001 and August 2003 allow the Authority to impose and use $524,907,606 in PFC's for various capital and debt related purposes. Included in the use approval is $208,872,000 for principal payments on debt, $178,668,000 for interest payments on debt and $56,330,000 for the New Indianapolis Airport and associated program construction.

PFC's, which are recognized as earned, are included in capital contributions, grants and charges and amounted to $15,429,599 and $16,852,737 for 2009 and 2008, respectively.

Customer Facility Charges (Rental Cars)

The Authority collects a customer facility charge (CFC) of $3 per rental car transaction per day, up to 14 days, from all rental car concessionaires that operate facilities on the airport. Under the adopting ordinance, CFC's may be pledged or dedicated for the payment of airport bonds or other obligations, as defined by applicable bond documents, or other costs as agreed to by the Authority. CFC revenue totaled $4,207,666 and $5,115,044 for 2009 and 2008, respectively.

Rental Income

All leases wherein the Authority is the lessor are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms. The Authority has some leases which provide for waived rent during the initial period of the lease term and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, *Accounting for Operating Leases With Scheduled Rent Increases*, the related rental income for leases in which the rental income stream is not systematic, if significant, is reported using the straight-line method rather than using the terms of the lease agreements. Accordingly, the Authority has recorded a receivable of $2,649,255 and $2,797,272 at December 31, 2009 and 2008, respectively. The current receivable will be recognized in full in 2034.

New Financial Reporting Standards

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for periods beginning after June 15, 2009. GASB 51 establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks and computer software. The Authority will adopt GASB 51 on January 1, 2010, and does not expect a material impact on the December 31, 2010 balance sheet, statement of revenues and expenses and changes in net assets, or financial reporting disclosures.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is effective for years beginning after June 15, 2009. GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments. The Authority will adopt GASB 53 on January 1, 2010, and is in the process of determining the impact that this statement will have on the December 31, 2010 financial statements.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Cash, Cash Equivalents and Investment Securities

Deposits

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

The financial institutions holding the Authority's deposit accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, all noninterest-bearing accounts are fully guaranteed by the FDIC for the entire amount in the accounts. Effective October 3, 2008, the FDIC's insurance limits increased to $250,000 for all interest-bearing accounts. These increases in federally insured limits are currently set to expire June 30, 2010.

Any cash deposits in excess of the FDIC limits described above are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

Investments

Indiana statutes generally authorize the 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, and open end money market mutual funds.

At December 31, 2009 and 2008, the Authority had the following investment securities, all of which mature within one year:

	2009	2008
Repurchase agreements	$ 49,256,992	$ 86,246,745
U.S. agency obligations	9,920,709	27,569,365
Money market mutual funds	74,395,318	63,841,285
	$ 133,573,019	$ 177,657,395

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 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, 2009 and 2008, the Authority's investments in money market mutual funds and U.S. agency obligations not directly guaranteed by the U.S. Government 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, 2009 and 2008, all of the Authority's investments in repurchase agreements (which are secured by U.S. Government and U.S. Government agency obligations), as well as its investments in U.S. agency obligations, were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent in other than the Authority's name. The Authority's investment in money market mutual funds was not subject to custodial credit risk at December 31, 2009 and 2008, as their existence is not evidenced by securities that exist in physical or book entry form. The Authority's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

Concentration of Credit Risk **-** The Authority places no limit on the amount that may be invested in any one issuer. The following investments held by the Authority are not explicitly guaranteed by the U.S. Government and are subject to concentration of credit risk:

	2009	2008
Federal Home Loan Mortgage Corporation discount notes	$ 9,920,709	$ -
Federal Home Loan Bank discount notes	-	27,569,365
	$ 9,920,709	$ 27,569,365

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

Cash, cash equivalents, and investment securities included in the balance sheets are classified as follows:

	2009	2008
Cash and cash equivalents		
Current - unrestricted	$ 46,111,435	$ 50,607,883
Current - restricted	47,582,423	33,436,734
Noncurrent - restricted	179,830,273	230,246,068
	273,524,131	314,290,685
Investment securities - restricted	9,920,709	-
	$ 283,444,840	$ 314,290,685

Investment Income

Investment income for the years ended December 31, 2009 and 2008 consisted of:

	2009	2008
Interest and dividend income	$ 4,916,486	$ 12,726,364

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

	2009	2008
Revenue Bond Interest and Principal Fund	$ 47,112,220	$ 33,058,552
Revenue Bond Reserve Fund	105,153,842	106,861,375
Operation and Maintenance Reserve Fund	11,996,916	11,964,857
Renewal and Replacement Fund	2,547,746	2,540,939
Capital Improvement Fund	32,296,693	7,212,582
Passenger Facility Charge Fund	14,000,145	25,038,261
Debt Service Coverage Fund	16,032,241	13,648,599
Construction Fund - 2004A Revenue Bonds	7,484,983	44,491,545
Capitalized Interest Account - 2005A Revenue Bonds	-	6,159,633
Construction Fund - 2005A Revenue Bonds	-	114,370
Capitalized Interest Account - 2006 Revenue Bonds	-	11,518,318
Construction Fund - 2006 Revenue Bonds	-	21,959
Capitalized Interest Account - 2008 Revenue Bonds	-	2,864
Construction Fund - 2008 Revenue Bonds	-	430,047
Customer deposits	470,203	378,182
Air Service Task Force and other	238,416	240,719
	$ 237,333,405	$ 263,682,802

The above funds and accounts have been established in accordance with the Authority's General Ordinance No. 6-1985, the Master Bond Ordinance, as amended and restated by a Revised Master Bond Ordinance No. 4-2002, and further amended by various supplemental ordinances (collectively, the Ordinance). The Ordinance provides, among other things, that certain accounting procedures be followed and certain funds be established to provide bond holders a degree of security against certain contingencies. Brief descriptions of these funds follow.

Deposits into the Airport System Fund are disbursed in accordance with the Authority's annual budget to provide for current operation and maintenance expenses. Such deposits are also used to replenish balances in other funds to their required levels under the Ordinance. Amounts in the Airport System Fund are pledged to secure the Authority Revenue Bonds, but all current operation and maintenance expenses of the Airport System are paid prior to debt service on the Authority Revenue Bonds.

Assets included in the Revenue Bond Interest and Principal Funds, Revenue Bond Reserve Funds and Capitalized Interest Accounts are used for the payment of bond principal, interest and redemption premiums, as well as any amounts due under Qualified Derivative Agreements (as defined under the Ordinance) entered into with regard to any of the Authority's Revenue Bonds. The Subordinate Securities Interest and Principal Fund and Subordinate Securities Reserve Fund are used to pay principal, interest and redemption premiums on any securities secured in whole or in part by liens on the Net Revenues of the Authority that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds and to pay amounts due under certain derivative agreements. The Operation and Maintenance Reserve Fund must be maintained at a balance at least equal to one-sixth of the Authority's current operating budget as a reserve for payment of operation and maintenance expenses. Assets of the Renewal and Replacement Fund are used to pay extraordinary costs of replacing depreciable property and equipment and/or making extraordinary repairs, replacements, or renovations to the airport system. The Capital Improvement Fund can be used for any lawful airport system purpose, including payment for capital improvements and land acquisition. The Construction Funds are used to pay the project costs for each respective debt issuance. Finally, amounts in the Debt Service Coverage Fund are used for the purposes of establishing future coverage on outstanding Revenue Bonds.

Funds not used for these purposes are transferred into a Prepaid Airline Revenue Fund and used as a credit against the rentals and fees to be paid by Signatory Airlines (as defined later in these notes) in subsequent years. Balances included in the Airport System Fund and Prepaid Airline Revenue Fund are classified in current unrestricted assets in the accompanying balance sheets.

The Authority's Passenger Facility Charge Fund provides for the segregation of PFC receipts, as required by the FAA. Such revenues are to be expended only for allowable capital projects, or to repay debt issued for allowable capital projects, under a Record of Decision granted by the FAA.

Note 3: Grants Receivable

Grants receivable from government agencies represent reimbursements due from the federal government and/or the State of Indiana for allowable costs incurred on federal and state award programs. Grants receivable at December 31, 2009 and 2008 consist of:

	2009	2008
State of Indiana	$ 53,867	$ 36,721
Federal Aviation Administration	9,019,855	16,422,894
U.S. Department of Homeland Security	281,050	1,079,430
	$ 9,354,772	$ 17,539,045

The maximum amount of federal and state participation available for eligible continuing projects during 2009 totaled $87,549,840. At December 31, 2009, a cumulative total of $62,186,348 has been earned against these grant commitments.

Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2009 and 2008 is as follows:

	2009			
	Beginning Balance, January 1, 2009	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2009
Capital assets, not being depreciated:				
Land	$ 281,224,932	$ 5,893,757	$ (1,445,315)	$ 285,673,374
Construction in progress	31,695,716	30,738,979	(49,760,663)	12,674,032
Total capital assets, not being depreciated	312,920,648	36,632,736	(51,205,978)	298,347,406
Capital assets, being depreciated:				
Buildings	1,556,471,705	1,463,197	(19,398,958)	1,538,535,944
Runways and other airport infrastructure	849,915,564	71,252,048	(9,190,069)	911,977,543
Equipment, furniture and fixtures and other	207,176,831	32,362,566	(5,815,925)	233,723,472
Total capital assets, being depreciated	2,613,564,100	105,077,811	(34,404,952)	2,684,236,959
Less accumulated depreciation for:				
Buildings	(337,418,902)	(42,634,721)	-	(380,053,623)
Runways and other airport infrastructure	(311,199,772)	(34,260,364)	-	(345,460,136)
Equipment, furniture and fixtures and other	(94,974,611)	(24,058,413)	2,101,915	(116,931,109)
Total accumulated depreciation	(743,593,285)	(100,953,498)	2,101,915	(842,444,868)
Total capital assets, being depreciated, net	1,869,970,815	4,124,313	(32,303,037)	1,841,792,091
Capital assets, net	$ 2,182,891,463	$ 40,757,049	$ (83,509,015)	$ 2,140,139,497

	2008			
	Beginning Balance, January 1, 2008	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2008
Capital assets, not being depreciated:				
Land	$ 271,427,016	$ 13,749,969	$ (3,952,053)	$ 281,224,932
Construction in progress	829,305,487	374,666,006	(1,172,275,777)	31,695,716
Total capital assets, not being depreciated	1,100,732,503	388,415,975	(1,176,227,830)	312,920,648
Capital assets, being depreciated:				
Buildings	811,394,899	745,076,806	-	1,556,471,705
Runways and other airport infrastructure	490,907,097	359,008,467	-	849,915,564
Equipment, furniture and fixtures and other	121,695,647	95,387,371	(9,906,187)	207,176,831
Total capital assets, being depreciated	1,423,997,643	1,199,472,644	(9,906,187)	2,613,564,100
Less accumulated depreciation for:				
Buildings	(295,231,213)	(42,187,689)	-	(337,418,902)
Runways and other airport infrastructure	(291,708,687)	(19,491,085)	-	(311,199,772)
Equipment, furniture and fixtures and other	(93,009,010)	(11,871,788)	9,906,187	(94,974,611)
Total accumulated depreciation	(679,948,910)	(73,550,562)	9,906,187	(743,593,285)
Total capital assets, being depreciated, net	744,048,733	1,125,922,082	-	1,869,970,815
Capital assets, net	$ 1,844,781,236	$ 1,514,338,057	$ (1,176,227,830)	$ 2,182,891,463

The new terminal at the Indianapolis International Airport was placed in service in November 2008. Accordingly, the Authority reevaluated the service utility of the assets associated with the terminal that is no longer in service. This resulted in the Authority accelerating the depreciation on certain assets. During 2008, the Authority recorded approximately $14.7 million of additional depreciation as a result of this reevaluation. During 2009, the Authority placed back into service previously idle assets having a net book value of approximately $1.2 million and recorded accelerated depreciation of approximately $8.9 million on assets for which there is no continuing service utility. The net book value of the Authority's idle capital assets was approximately $4.4 million and $15.1 million at December 31, 2009 and 2008.

Note 5: Short-Term Debt - Commercial Paper

From time to time, the Authority issues commercial paper, the proceeds of which are used to finance various capital projects included in the Authority's Capital Improvement Program. The commercial paper is a short-term promissory note that is sold in traunches with maturities ranging from 1 to 180 days. At maturity, interest is paid to the investor and the commercial paper is resold. During 2007, the Authority increased its commercial paper capacity to $245,000,000. To mitigate the risk of an unsuccessful remarketing, the commercial paper is backed by a commitment for a letter of credit in the amount of $257,283,563, which is set to expire May 2012. The commercial paper is payable from and secured by a lien on net revenues of the airport system. This lien is junior and subordinate to the lien of the Revenue Bonds, and therefore, the commercial paper is considered to be a Subordinate Security as defined in the Master Bond Ordinance. The Authority had no commercial paper outstanding at December 31, 2008, as the previous borrowings were repaid using the proceeds from the 2008 Revenue Bonds. At December 31, 2009, the Authority had $25,000,000 in commercial paper outstanding with an interest rate of 0.35%.

The following is a summary of commercial paper transactions for the Authority for the years ended December 31, 2009 and 2008:

	2009			
	Beginning Balance	Additions	Deductions	Ending Balance
Short-term obligations				
Commercial paper	$ -	$ 50,000,000	$ (25,000,000)	$ 25,000,000

	2008			
	Beginning Balance	Additions	Deductions	Ending Balance
Short-term obligations				
Commercial paper	$ 170,000,000	$ 597,665,000	$ (767,665,000)	$ -

Note 6: Bonds Payable and Other Debt

Bonds and other debt outstanding at December 31, 2009 and 2008 consist of:

	2009	2008
Revenue Bonds, Series 2008		
Term bonds, maturing January 1, 2033, 2036 and 2037. Interest is variable (ranging from 0.29% to 0.75% at December 31, 2009), due semiannually on January 1 and July 1	$ 350,000,000	$ 350,000,000
Revenue Bonds, Series 2006		
Serial bonds, maturing January 1, 2010 to January 1, 2037 in payments from $4,695,000 to $48,785,000. Interest at 4.00% to 5.59%, due semiannually on January 1 and July 1	259,550,000	264,010,000
Term bonds, maturing January 1, 2027 and 2036. Interest at 4.75% and 5.00%, respectively, due semiannually on January 1 and July 1	121,530,000	121,530,000
	381,080,000	385,540,000
Unamortized premium	6,389,365	6,774,141
	387,469,365	392,314,141
Revenue Bonds, Series 2005A		
Serial bonds, maturing January 1, 2023 to January 1, 2030 in payments from $7,735,000 to $19,080,000. Interest at 5.125% to 5.25%, due semiannually on January 1 and July 1	133,970,000	133,970,000
Term bonds, maturing January 1, 2033. Interest at 4.75%, due semiannually on January 1 and July 1	63,415,000	63,415,000
	197,385,000	197,385,000
Unamortized premium	2,869,694	3,025,131
	200,254,694	200,410,131
Revenue Bonds, Series 2004A		
Serial bonds, maturing January 1, 2010 to January 1, 2024 in payments from $3,545,000 to $11,075,000. Interest at 5.00% to 5.25%, due semiannually on January 1 and July 1	83,755,000	87,130,000
Term bonds, maturing January 1, 2026 to January 1, 2034. Interest at 4.75% to 5.00%, due semiannually on January 1 and July 1	125,330,000	125,330,000
	209,085,000	212,460,000
Unamortized premium	3,185,002	3,413,699
	212,270,002	215,873,699

(Continued)	2009	2008
Revenue Bonds, Series 2003A		
Serial bonds, maturing January 1, 2010 to January 1, 2023 in payments from $3,150,000 to $6,135,000. Interest at 4.625% to 5.625%, due semiannually on January 1 and July 1	$ 63,325,000	$ 66,320,000
Term bonds, maturing January 1, 2027 and January 1, 2033. Interest at 5.00%, due semiannually on January 1 and July 1	36,660,000	36,660,000
	99,985,000	102,980,000
Deferred loss on refunding	(1,258,232)	(1,368,934)
Unamortized premium	2,049,093	2,229,376
	100,775,861	103,840,442
Total revenue bonds	1,250,769,922	1,262,438,413
Other Debt		
Obligations under capital lease	188,835,590	207,955,583
	188,835,590	207,955,583
Total bonds payable and other debt	1,439,605,512	1,470,393,996
Current portion	(31,091,011)	(29,949,992)
Long-term portion	$ 1,408,514,501	$ 1,440,444,004

Revenue Bonds

In June 2008, the Authority issued $350,000,000 of tax-exempt variable rate demand revenue bonds (the 2008 Revenue Bonds). The 2008 Revenue Bonds bear interest at daily and weekly rates and are subject to mandatory redemption upon conversion of the interest rate to a different rate type or rate period. All of the Authority's other senior lien debt bears interest at fixed rates until maturity.

The 2008 Revenue Bonds are secured by a Standby Bond Purchase Agreement with available principal and interest commitments totaling $353,912,329, which includes accrued interest. The Standby Bond Purchase Agreement expires June 25, 2011. In the event any of the 2008 Revenue Bonds are tendered for purchase and the Authority is required to draw on the Standby Bond Purchase Agreement, the Authority would be required to pay interest on the unpaid principal of the amount drawn for the first 60 days following the draw at a rate equal to the greater of twelve percent or the Prime Rate or the Federal Funds Rate plus .50%. If the bonds are not remarketed within 60 days of a draw on the Standby Bond Purchase Agreement, the Authority would be required to pay interest on the unpaid principal of the amount drawn for the subsequent 120 days at a rate equal to the greater of the Prime Rate plus 1% or the Federal Funds Rate plus 1.50%. If the bonds are not remarketed within 180 days of a draw on the Standby Bond Purchase Agreement, the Authority would be required to pay interest on the unpaid principal of the amount drawn at a rate equal to the greater of the Prime Rate plus 2% or the Federal Funds Rate plus 2.50%. As of December 31, 2009, there were no amounts drawn on the Standby Bond Purchase Agreement.

The Authority's Series 2003A, 2004A, 2005A and 2006 Revenue Bonds are subject to optional redemption by the Authority at various dates in the future. The 2008 Revenue Bonds are currently subject to optional redemption by the Authority upon notification to the bondholders.

The Series 2003A Revenue Bonds, maturing on January 1, 2027 (the 2027 Term Bonds) and January 1, 2033 (the 2033 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2024 to 2027 and 2028 to 2033, respectively.

The Series 2004A Revenue Bonds, maturing January 1, 2026 (the 2026 Term Bonds), January 1, 2028 (the 2028 Term Bonds), January 1, 2031 (the 2031 Term Bonds), and January 2034 (the 2034 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2025 to 2026, 2027 to 2028, 2029 to 2031, and 2032 to 2034, respectively.

The Series 2005A Revenue Bonds, maturing January 1, 2033 (the 2033 Term Bonds), are subject to redemption from mandatory sinking fund payments during 2031 to 2033.

The Series 2006 Revenue Bonds, maturing January 1, 2027 (the 2027 Term Bonds) and January 1, 2036 (the 2036 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2024 to 2027 and 2034 to 2036, respectively.

The Series 2008 Revenue Bonds, maturing January 1, 2033, 2036 and 2037 are subject to redemption from mandatory sinking fund payments during 2012 to 2037.

The Authority's Revenue Bonds are secured under the Master Bond Ordinance (as referenced in a previous footnote) by a pledge of net revenues of the Airport System and on parity with each other, except with respect to their Revenue Bond Reserve Funds.

Pursuant to its Master Bond Ordinance, the Authority adopted a resolution in 2003 irrevocably dedicating $1.1 million per year, from 2003 through 2010, of passenger facility charges (the Dedicated Revenues) to be used exclusively to pay debt service on the Authority's Revenue Bonds. The Authority adopted a similar resolution in 2004 irrevocably dedicating approximately $1,150,000 in 2004 and $12,160,000 per year, from 2005 through 2010, in additional passenger facility charges. In 2006, another resolution was adopted, which dedicates substantially all customer facility charges to be received in the years 2006 through 2010, for the purpose of paying debt service on the Authority's Revenue Bonds. In 2009, the Authority adopted a resolution that extended the dedication of passenger facility charges in the annual amount of approximately $13,250,000 for the period including 2011 through 2014 and also extended the dedication of customer facility charges in the aggregate amount of $24,650,000 for the period including 2011 through 2014.

In accordance with the Rate Covenant contained in the Master Bond Ordinance, rates and fees charged by the Authority for the use of its facilities must be sufficient to provide annual net revenues when combined with moneys in the coverage fund to equal the larger of: (a) all amounts required to be deposited to the credit of the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund; or (b) an amount not less than 125% of the Debt Service Requirement for all Revenue Bonds. For the purpose of complying with the Rate Covenant, the Authority includes within net revenues in any fiscal year amounts transferred from the Prepaid Airline Fund and amounts on deposit in the Debt Service Coverage Fund pursuant to the Master Bond Ordinance and excludes from interest due on Authority Revenue Bonds any interest paid from bond proceeds. The Authority can also exclude debt service to be paid from dedicated revenues from its Rate Covenant calculation.

Debt Service Requirements

Debt service requirements to maturity for all debt of the Authority, excluding any unamortized discount or premium and its capital lease agreements, are as follows at December 31, 2009:

Years Ending	Revenue Bonds		
December 31	Principal	Interest	Total
2010	$ 11,390,000	$ 45,524,348	$ 56,914,348
2011	21,340,000	44,649,425	65,989,425
2012	24,540,000	43,515,259	68,055,259
2013	24,900,000	42,391,601	67,291,601
2014	26,370,000	41,240,646	67,610,646
2015 - 2019	154,830,000	187,239,006	342,069,006
2020 - 2024	203,100,000	150,039,147	353,139,147
2025 - 2029	274,345,000	108,551,161	382,896,161
2030 - 2034	337,535,000	60,776,068	398,311,068
2035 - 2039	159,185,000	9,866,023	169,051,023
	$ 1,237,535,000	$ 733,792,684	$ 1,971,327,684

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2009 and 2008:

	2009				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	$ 1,248,365,000	$ -	$ (10,830,000)	$ 1,237,535,000	$ 11,390,000
Bond discounts/premium	15,442,347	-	(949,193)	14,493,154	-
Loss on refunding	(1,368,934)	110,702	-	(1,258,232)	-
Total revenue bonds payable	1,262,438,413	110,702	(11,779,193)	1,250,769,922	11,390,000
Obligations under capital lease	207,955,583	-	(19,119,993)	188,835,590	19,701,011
Total long-term obligations	$ 1,470,393,996	$ 110,702	$ (30,899,186)	$ 1,439,605,512	$ 31,091,011

	2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	$ 934,180,000	$ 350,000,000	$ (35,815,000)	$ 1,248,365,000	$ 10,830,000
Bond discounts/premium	16,234,981	-	(792,634)	15,442,347	-
Loss on refunding	(3,857,784)	2,488,850	-	(1,368,934)	-
Total revenue bonds payable	946,557,197	352,488,850	(36,607,634)	1,262,438,413	10,830,000
Obligations under capital lease	225,990,469	-	(18,034,886)	207,955,583	19,119,992
Total long-term obligations	$ 1,172,547,666	$ 352,488,850	$ (54,642,520)	$ 1,470,393,996	$ 29,949,992

Note 7: Special Facility Revenue Bonds

To provide for the construction of the Hawker Beechcraft Services, Inc. Project, FedEx Corporation Sort Facility, Indianapolis Maintenance Center (IMC) (formerly leased to United Air Lines, Inc.) and the FedEx Corporation Hangar Facility at the airport, the Authority issued separate series of Special Facility Revenue Bonds (conduit debt obligations). These bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of lease rentals to be received by the Authority. The bonds do not constitute a debt or pledge of the faith and credit of the Authority, the County, the City or the State and are therefore not reported in the accompanying financial statements.

At December 31, 2009, the Special Facility Revenue Bonds outstanding were as follows:

Special Facility Revenue Bonds, Series 2009 (Hawker Beechcraft Services, Inc. Project)	$ 10,754,763
Special Facility Revenue Bonds, Series 2004 (FedEx Corporation Sort Facility)	237,755,000
Special Facility Revenue Bonds, Series 1998 (FedEx Corporation Hangar Facility)	23,425,000
Special Facility Revenue Bonds, Series 1995 (Indianapolis Maintenance Center)	172,112,018
	$ 444,046,781

Note 8: Interest Rate Swap Agreements

Objective of the Interest Rate Swaps

The Authority has entered into four interest rate swap agreements and two basis rate swap agreements (collectively, the Swap Agreements) since 2004 to provide a hedge against future interest rate risk. The primary intention of the Swap Agreements is to effectively convert the Authority's variable interest rates on its 2008 Revenue Bonds to synthetic fixed rates. The Swap Agreements were forward swaps and became effective on July 1, 2008.

Terms

The general terms of each agreement are set forth in the table below:

	Notional Amount	Trade Date	Effective Date of Swap Agreement	Termination Date	Rate Authority Pays	Variable Rate Authority Receives	Fair Value at December 31, 2009
	Interest Rate Swaps						
	$ 125,000,000	October 14, 2004	July 1, 2008	January 1, 2036	4.033%	75% LIBOR	$ (12,618,674)
	75,000,000	October 14, 2004	July 1, 2008	January 1, 2037	4.150%	75% LIBOR	(8,683,671)
	50,000,000	October 7, 2005	July 1, 2008	January 1, 2033	3.786%	75% LIBOR	(3,176,626)
	100,000,000	October 11, 2005	July 1, 2008	January 1, 2033	3.778%	75% LIBOR	(7,499,728)
	$ 350,000,000						(31,978,699)
	Basis Swaps						
	100,000,000	April 23, 2007	July 1, 2008	January 1, 2033	75% LIBOR	75% ISDA Swap Rate	
(A)	100,000,000	February 14, 2008	July 1, 2008	July 2, 2012	75% ISDA Swap Rate	75% LIBOR	
					Net value of basis swaps		1,735,476
							$ (30,243,223)

(A) This agreement resulted in an up front payment of $3,540,000 to the Authority, which is being amortized into income over the period July 1, 2008 through July 2, 2012. At December 31, 2009 and 2008, the unamortized portion was $2,212,500 and $3,097,500, respectively.

Payments due under these interest rate swap agreements, excluding any termination payments, and payments on any repayment obligation will be payable from net revenues of the airport system on a parity with the Revenue Bonds. Under the interest rate swap agreements, the Authority pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. With the exception of the one basis rate agreement noted above, the Swap Agreements resulted in no initial cash receipts or payments to be made by the Authority.

Fair Value

The fair values of the Swap Agreements are based on estimated discounted future cash flows determined using the counterparty's proprietary models based upon financial principles and estimates about relevant future market conditions. The fair values of the Swap Agreements are not recognized in the Authority's financial statements.

Credit Risk

The fair value of each of the Swap Agreements represents the Authority's credit exposure to the counterparties as of December 31, 2009. Should the counterparties to these transactions fail to perform according to the terms of the Swap Agreements, the Authority has a maximum possible loss equivalent to the fair value at that date. As of December 31, 2009, the Authority was not exposed to credit risk because each of the swaps had a negative fair value. In order to mitigate the potential for credit risk, if any of the counterparties' credit quality rating falls below a rating threshold of Aa3 by Moody's Investors Service or AA- by Standard & Poors, the fair value of that counterparty's swap or swaps is to be fully collateralized by the counterparty with eligible securities (as defined in the Schedule to the Master Agreement) to be held by a third-party custodian on behalf of the Authority. The ratings of the various counterparties at December 31, 2009 are as follows:

	Ratings of the Counterparty	
	Moody's Investors Service	Standard & Poor's
JPMorgan Chase Bank, N.A., counterparty of the interest rate swaps with notional amounts of $125,000,000 and $75,000,000	Aa1	AA-
SBS Financial Products, LLC, counterparty of the interest rate swap with the notional amount of $50,000,000	A2	A
UBS AG, counterparty of the interest rate swap with the notional amount of $100,000,000 and both basis swap agreements	Aa3	A+

Basis Risk

The swaps expose the Authority to basis risk should the relationship between LIBOR and the prime rates set by the Authority's lenders change in a manner adverse to the Authority. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be realized.

Termination Risk

The Authority or the counterparties may terminate the Swap Agreements if the other party fails to perform under the terms of the contract. In addition, the Authority has the unilateral option to terminate the Swap Agreements. If the Swap Agreements have a negative fair value at the time of termination, the Authority would be liable to the counterparty for a payment equal to the fair value of the respective swap.

Swap Payments and Associated Debt

The variable rate bond interest payments and net swap payments will vary with changes in interest rates. Using rates as of December 31, 2009, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below.

	Variable Rate Bonds		Interest Rate	
	Principal	Interest	Swaps, Net	Total
2010	$ -	$ 1,119,000	$ 13,217,750	$ 14,336,750
2011	-	1,119,000	13,217,750	14,336,750
2012	4,030,000	1,113,157	13,139,137	14,252,294
2013	4,235,000	1,101,172	12,977,912	14,079,084
2014	4,455,000	1,088,572	12,808,394	13,896,966
2015 - 2019	25,905,000	5,230,216	61,181,245	66,411,461
2020 - 2024	44,865,000	4,782,731	55,232,680	60,015,411
2025 - 2029	111,185,000	3,457,535	40,063,198	43,520,733
2030 - 2034	124,365,000	1,378,567	16,797,433	18,176,000
2035 - 2037	30,960,000	112,535	1,523,388	1,635,923
	$ 350,000,000	$ 20,502,485	$ 240,158,887	$ 260,661,372

Note 9: Obligations Under Capital Leases

In November 1991, the Authority entered into an agreement (the MOC-II Agreement) with the State of Indiana, the City of Indianapolis, and United Air Lines, Inc. (United) to provide a 300-acre site for United's Indianapolis Maintenance Center (IMC).

The State, the City and Hendricks County, Indiana provided the initial funding for the IMC. The State provided $184,500,000 from the proceeds of tax-exempt lease revenue bonds and a $15,200,000 grant. The City provided approximately $111,000,000 from the proceeds of tax-exempt current interest and capital appreciation bonds. Hendricks County provided $8,000,000, in the form of a grant, from the proceeds of an economic development income tax revenue bond issue.

Concurrently with the execution of the MOC-II Agreement in 1991, the Authority entered into a tenancy in common agreement and various lease agreements, which created certain leasehold interests in the IMC site and facilities and provided the framework for financing the costs of its construction. Accordingly, the Authority's leases with the State and the City for the IMC and its lease with the State for a building and related equipment ancillary to IMC, the Aviation Technology Center (ATC), have been reflected as capital lease obligations in these financial statements. The leases expire at various dates between 2016 and 2018. The gross amounts of capital assets and related accumulated depreciation recorded under these capital leases at December 31, 2009 and 2008 follow:

	2009	2008
Capital assets	$ 352,111,077	$ 352,111,077
Accumulated depreciation	(134,090,451)	(125,974,086)
	$ 218,020,626	$ 226,136,991

The present value of future minimum capital lease payments at December 31, 2009 follows:

2010	$ 27,855,798
2011	27,991,961
2012	28,118,454
2013	28,169,993
2014	28,233,010
2015 - 2018	89,338,681
Total minimum lease payments	229,707,897
Amounts representing interest	(40,872,307)
Present value of future minimum capital lease payments	$ 188,835,590

The Authority's capital lease payments to the State are payable solely from monies to be appropriated by the Indiana General Assembly, the governing body for the State. There is no requirement that these amounts be appropriated. However, the Authority cannot be held liable, should an appropriation not be made, for the State's debt obligations relative to the IMC and ATC facilities. Assuming appropriations from the General Assembly continue, the Authority expects to receive the following future amounts to fund its capital lease obligations with the State:

2010	$ 21,567,495
2011	21,524,609
2012	21,553,598
2013	21,558,152
2014	21,583,474
2015 - 2018	86,654,714
	$ 194,442,042

The Authority's capital lease payments to the City are secured by an irrevocable pledge of a distributive share of Marion County Option Income Taxes (the Pledged Revenues). The City-County Council has covenanted not to repeal or rescind this tax as long as such rentals remain due. The Authority is not obligated for the debt incurred by the City with regard to the IMC facilities. Future Pledged Revenues to be received by the Authority to fund its capital lease obligation with the City follow:

2010	$ 14,218,310
2011	14,216,930
2012	14,220,160
2013	14,215,120
2014	14,219,913
2015 - 2016	28,431,500
	$ 99,521,933

Note 10: Indianapolis Maintenance Center

As discussed previously in these footnotes, the Authority, the State of Indiana, the City of Indianapolis and United financed the construction and equipping of the IMC. As a part of the financing of these facilities, the Authority issued $220,705,000 ($172,112,018 remains outstanding at December 31, 2009) in special facility revenue bonds. The Authority had, and continues to have, no obligation to make interest and principal payments on these special facility bonds other than from revenues derived from leasing the IMC facilities. Previously, the interest and principal payments for the Series 1995 Special Facility Revenue Bonds were funded by rentals paid by United under its lease agreement with the Authority. On December 9, 2002, United filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. On May 9, 2003, the Bankruptcy Court made effective United's rejection of its lease of the IMC and United abandoned the IMC facilities, whereby all of the IMC assets reverted to the Authority's control.

In 2004, the Authority and the Trustee of the bondholders entered into a Settlement Agreement which, among other things, provides for up to $7.5 million in reimbursements for certain costs incurred after May 2003. The Settlement Agreement also provides for reimbursement for up to $6.5 million of capital improvements, if certain conditions are met.

For the years ended December 31, 2009 and 2008, the Authority incurred approximately $9.2 million and $10.3 million of costs for the IMC, respectively. Some of these costs are not reimbursable. However, the majority of these costs may be recovered in future years, along with any costs incurred in excess of the aforementioned amounts from future revenues of the IMC. The Authority has received reimbursements under the Settlement Agreement aggregating approximately $6.8 million and $6.1 million in 2009 and 2008, respectively. Also, as of December 31, 2009 and 2008, the Authority has accrued approximately $1.5 million and $1.4 million, respectively, in reimbursements for allowable costs incurred.

United emerged from bankruptcy effective February 1, 2006, however, the Settlement Agreement remains in effect for the life of the original special facility revenue bonds. During 2007, the Indianapolis Airport Authority received over $487,000 in United Airlines' bankruptcy distributions. These distributions paid off all remaining pre-petition bankruptcy invoices and awarded the Authority over $420,000 in damages related to unearned rental revenues resulting from United Airlines' bankruptcy.

The Authority has entered into various leases for certain portions of the IMC. These leases include hangar space, office areas and the backshops (which are being used primarily for the maintenance, repair and overhaul of commercial aircraft) and certain warehouse space for non-aviation related use. As a part of the Settlement Agreement, rentals collected for the IMC are not considered revenue to the Authority, but instead are required to be deposited into a trust held on behalf of the United bondholders. The monies held in trust are to be used to pay ongoing operating and maintenance costs of the IMC and must be applied in a manner prescribed by the terms of the Settlement Agreement, including reimbursement of past capital and operating costs, payment of ground rent and payment of debt service on the bonds.

The aforementioned lease agreements contain a number of incentives to be provided by the Authority in the form of grants and rent credits over the terms of these leases, which currently range from six months to ten years. These grants and rent credits are designed to assist the tenants with start-up costs and the acquisition of certain capital assets, including leasehold improvements, and to encourage them to expand their operations and/or increase the amount of space they lease. Grants for start-up costs are recorded as deferred lease costs by the Authority and amortized over the respective lease term, while grants for capital improvements result in new depreciable assets of the Authority. Success payments (for expanding operations) and other similar grants are expensed as they are earned by the tenants. All existing IMC capital assets, as well as those acquired by the tenants through Authority grants or otherwise, remain the property of the Authority, subject only to the tenants’ rights to use such assets during their respective lease terms. As of December 31, 2009, the Authority has provided $6.4 million in grants and $6.1 million in rental credits to the lessees of the IMC.

Note 11: Risk Management

Risk management is the responsibility of the Authority. Operationally, the Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, natural disasters as well as certain tort liabilities for which commercial insurance is carried. The commercial insurance policies carry deductibles ranging from $0 to $100,000. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of coverage for certain war casualty and acts of terrorism. Coverage terms, limits, and deductibles have each been benchmarked in comparison with those maintained at other mid-size airports and found to be within the range of our peers. Although coverage limits are significant, no assurance can be given that such coverage will continue to be available at such amounts and/or at a reasonable cost.

Casualty loss involving damage to or destruction of physical property in the course of construction is covered by a separate Builders Risk policy. This policy contains a deductible of $100,000 per occurrence applicable to all covered causes of loss, including flood and earth movement. The Authority recognized approximately $1.4 million in insurance recoveries as nonoperating revenue in 2009 under the builders risk policy associated with the New Indianapolis Airport.

Lastly, an owner's protective professional indemnity policy is in place insuring the Authority from financial loss or damages assessed in relation to claims involving contracted professional services, such as architects or engineers. This policy contains a per claim self-insured retention amount of $1 million; however, contracted professional service firms participating in this project are required to provide evidence of coverage, naming the Authority as an additional insured, in amounts equal to or exceeding this retention, leaving the Authority minimally exposed.

Note 12: Benefit Plan

Effective July 15, 2007, the Authority provides a 401(a) defined-contribution employee retirement plan for employer contributions and a 457(b) deferred compensation plan for employee contributions. The Authority is the administrator of these plans, which are available to substantially all of its employees. Employer contributions to the 401(a) plan can range up to eight and one half percent of eligible compensation. Contributions to the plan were $1,177,820 for 2009 and $749,616 for 2008.

Note 13: Rental Income From Operating Leases

The Authority leases space in the Indianapolis International Airport terminal along with other land and buildings on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Authority for the purpose of rental or related use.

Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter as of December 31, 2009 are as follows:

2010	$ 59,362,095
2011	27,769,482
2012	27,401,006
2013	26,887,408
2014	24,967,954
Thereafter	153,278,583
	$ 319,666,528

The Authority has entered into an Agreement and Lease of Premises (Airline Agreement) with certain passenger, charter and cargo airlines serving the airport (collectively, the Signatory Airlines). Other airlines operate under an airport use permit that generally has a term of no more than two years. The Airline Agreement's residual rate-making features are designed to ensure that the Authority's debt service and related coverage obligations, including the Rate Covenant, will be met. The Airline Agreement authorizes the Authority to implement new fees and charges as necessary. In the event of an airline bankruptcy, the Authority may adjust the rates and charges for all Signatory Airlines in the current rate period to recover the rates and charges due from the bankrupt carrier. However, there can be no assurance that such other airlines will be financially able to absorb the additional costs. Rental rates under these agreements are determined annually.

The Airline Agreement expires on December 31, 2010. Although the Authority is in negotiations with the Signatory Airlines for a new agreement, there is no assurance that a new agreement will be executed prior to the expiration of the current Airline Agreement or that such new agreement will be substantially similar to the current Airline Agreement.

Contingent rentals and fees aggregated approximately $39,800,000 in 2009 and $37,700,000 in 2008, and are accrued in arrears.

Note 14: Commitments and Contingencies

Land Acquisition

In 1991, the Authority updated its FAA Part 150 Noise and Land Use Compatibility Study and final recommendations were adopted by the Authority Board in April 1992. The recommendations included expanding the Guaranteed Purchase Program to add approximately 750 more homes. As of December 31, 2009, the Authority has spent approximately $101.7 million (including relocation costs) under this program (Phase II), substantially all of which was eligible for 80% reimbursement from the FAA. There are an estimated 27 homes remaining eligible for purchase under Phase II.

A second update and five-year review of the Authority's noise compatibility program (Phase III) began in 1996. Final recommendations were adopted by the Authority Board in February 1998, followed by FAA approval in October 1998. The recommendations include continuation of the Guaranteed Purchase Program with respect to approximately 132 additional homes. In addition, approximately 367 homes are eligible for the Sound Insulation and Purchase Assurance Programs.

The Sound Insulation Program pays for a home within the impacted noise area to be sound insulated with respect to doors, window treatments, etc., with no further cash outlay required by the Authority. At December 31, 2009, 309 homes have been sound insulated under this program, with 6 homes remaining to be sound insulated. Under the Purchase Assurance Program, the Authority will purchase the property, sound insulate the home and then resell the property on the open market. At December 31, 2009, 121 homeowners have expressed an interest in the Purchase Assurance program, of which 115 have successfully participated in this program. Participation in either the Sound Insulation or Purchase Assurance programs requires the homeowner to grant an aviation easement in favor of the Authority.

A third program, Sales Assistance, is available to approximately 963 homes. Sales Assistance consists of a benefit payment to homeowners adjacent to the 65DNL noise contour. The benefit payment is equal to 10% of the contract sales price between the homeowner and third-party buyer, in exchange for the inclusion of a Noise Disclosure Statement in the deed of conveyance. The estimated cost of the Phase III programs approximate $96.7 million. These programs, excluding Sales Assistance, are eligible for reimbursement from passenger facility charges and FAA noise grants (at 80% reimbursement). Approximately 380 homeowners have requested to participate in the Sales Assistance program, of which 327 requests have closed, with an additional 11 sales pending in this program.

The noise mitigation land use programs described above are voluntary on the part of the homeowner as there is no legal requirement that homeowners participate in any of these programs, therefore, the foregoing comments regarding the number of homeowners eligible for participation in the various programs assumes 100% participation, which is unlikely.

In 2001, the Authority began development south of Interstate 70 (I-70). This land contains at least two parcels needed to facilitate additional airside development space and development of an Airport interchange off of I-70. Some of the parcels will protect land needed for the future development of a third parallel runway. As of December 31, 2009, the Authority has expended approximately $7.3 million for this project.

Environmental Mitigation and Remediation

In order to comply with environmental laws, the Authority has implemented a natural resource mitigation program to create, monitor and maintain wetlands along with habitats for the endangered Indiana bat. As of December 31, 2009, the Authority has acquired approximately 1,935 acres in order to replace those wetland and bat habitat areas that were removed by construction of the Indianapolis Maintenance Center and runway 5L-23R. The Authority will continue to maintain and monitor interim bat habitats under this program through the year 2016 and approximately 2,000 acres of wetlands and certain associated summer bat habitats in perpetuity, or until control over such areas can be transferred to an appropriate conservation organization. Approximately $22.3 million has been spent under this program, of which 28% is eligible for reimbursement from the FAA. The Authority’s share of the costs for this conservation plan is estimated to be $2.4 million, of which $1.7 million has been incurred through December 31, 2009.

The Authority is currently involved in six separate pollution remediation obligations that meet the requirements for accounting treatment under GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. These obligations are related primarily to the removal and/or treatment of contaminated soil associated with underground fuel tanks. The pronouncement dictates that for each obligating event, an estimate of the expected pollution remediation outlays is required to be accrued as a liability and expensed in the current period. Re-measurement of the liability is required when new information indicates increases or decreases in estimated outlays.

The amount of the estimated liability as of December 31, 2009 and 2008 is $2,110,000, which represents the approximate present value of the amounts the Authority expects to pay for future remediation activities. This estimate was generated using input and guidance from internal management and professional consultants, and represents a wide array of remediation activities ranging from one time events to longer term sustained monitoring activity.

The Authority will continue to closely monitor each of these obligations, working toward the point of ultimate resolution, and will make any necessary adjustments to the potential liability as new information becomes available.

Capital Improvements

As of December 31, 2009, the Authority had outstanding commitments for certain airport improvements aggregating approximately $27.5 million.

Litigation and Claims

The nature of the business of the airport generates certain litigation against the Authority arising in the ordinary course of business. However, the Authority believes that the ultimate outcome of these matters, in the aggregate or individually, should not have a materially adverse effect on its financial position or changes in financial position.

As of December 31, 2009, there was pending litigation with two contractors. One such matter involves a contractor concerning services performed during the construction of the Phase Two Cargo Apron. The dispute relates to a potential pay deduction the Authority would withhold from the contractor should the contractor not meet specific measurement criteria related to the apron construction. Independent third-party testing, using defined industry standards, demonstrated that the contractor did not meet these specific measurement criteria and the contractor disputes that finding. The amount accrued at December 31, 2009 was $77,000, which includes the pay deduction in question and retainage. A suit was filed in this matter on December 1, 2008 in the U.S. District Court for the Southern District of Indiana.

The other matter in litigation involves a contractor on the new terminal construction project and concerns, among other items, a potential pay deduction the Authority would withhold for certain costs related to the inspection of welds after the structural steel shift incident that occurred in January 2007. The amount accrued at December 31, 2009 was $2.3 million, which includes the pay deduction in question, retainage and other claims. The contractor filed suit in August 2009 in the Marion Superior Court (IN) and per the terms of the construction agreement, the matter is being litigated under Indiana’s private judge statute, IC 33-38-10 *et seq*.

Current Economic Conditions

The current economic environment presents the Authority and similar entities with difficult circumstances and challenges that in some cases may result in large declines in the fair value of investments and other assets, declines in passengers and related revenue, declines in the shipment of freight, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Authority.

The Authority's operations are heavily dependent on passenger-related revenue, in addition to nonpassenger-related revenue sources. A significant decline in such revenues or the inability of the Authority to collect these revenues from business partners could have an adverse impact on the Authority's future operating results, including increasing allowances for uncollectible receivables.

In addition, the Authority's debt service and plan of finance is dependent on nominal and relative interest rates. Given the volatility of current economic conditions, the Authority's debt service requirements may become greater than the requirements shown in the financial statements, which could negatively impact the Authority's ability to meet debt covenants or maintain sufficient liquidity, should other revenue sources not be sufficient to mitigate these effects.

Note 15: Subsequent Event - Issuance of Airport Revenue Bonds, Series 2010A

On January 15, 2010, the Authority issued $25,760,000 of Indianapolis Airport Authority Airport Revenue Bonds, Series 2010A (2010A Revenue Bonds). The 2010A Revenue Bonds consist of serial bonds that mature January 1, 2011 through January 1, 2027, and term bonds that mature on January 1, 2030 and January 2037. The serial bonds bear interest semiannually at rates ranging from 3.00% to 4.50%, and the term bonds bear interest at 4.75% and 5.00%, respectively. Proceeds of the 2010A Revenue Bonds were used to pay down the principal on all of the Authority's then outstanding commercial paper.

Supplementary Information

Indianapolis Airport Authority
Schedule of Governmental Awards
Year Ended December 31, 2009

Federal Grantor/ Pass-through Grantor/ Program Title/ Grant Name	Federal CFDA Number	Federal Grant Number	State Grant Number	Total Grant Amount
U.S. Department of Transportation - Federal				
Aviation Administrative (FAA)				
Airport Improvement Program (AIP)				
Indianapolis International Airport				
	20.106	3-18-0038-96		$ 8,771,349
	20.106	3-18-0038-97		1,435,132
	20.106	3-18-0038-101		6,932,242
	20.106	3-18-0038-103		400,000
	20.106	3-18-0038-104		1,543,618
	20.106	3-18-0038-105		12,500,000
	20.106	3-18-0038-106		1,842,637
	20.106	3-18-0038-107		7,068,687
	ARRA - 20.106	3-18-0038-108		1,174,757
	20.106	3-18-0038-109		2,931,313
	20.106	3-18-0038-110		892,770
	20.106	3-18-0038-112		6,947,140
Mount Comfort	20.106	3-18-0037-08		1,972,786
	20.106	3-18-0037-10		131,689
	ARRA - 20.106	3-18-0037-11		3,717,534
	20.106	3-18-0037-12		714,729
Indianapolis Metropolitan Airport	20.106	3-18-0040-17		285,591
Hendricks County	20.106	3-18-0093-10		172,463
	20.106	3-18-0093-11		165,000
Indianapolis Downtown Heliport	20.106	3-18-0118-07		476,168
U.S. Department of Homeland Security				
Transportation Security Administration				
FAA Explosives Detection Canine Team Program	97.072	HSTS0208HCAN425		288,500
Law Enforcement Officer Reimbursement				
Agreement Program	97.090	HST30208HSLR112		1,711,412
	97.XXX	OTA-HSTS04-07-ACTO074		-
	97.XXX	HSTS04-08-H-CT-7024		2,428,638
State of Indiana - Department of Transportation,				
Aeronautics Section				
Mt. Comfort			437008	52,282
			437012	18,809
Eagle Creek Airpark			439013	25,000
			439014	12,445
			439015	3,690
Indianapolis Metropolitan Airport			440017	7,516
Hendricks County			493010	4,539
			493011	4,342
			0811807	12,531
Habitat Conservation Plan				520,290

Grant Reimbursements Receivable at Beginning of Year	Receipts/ Credits	Disbursements/ Expenditures	Grant Reimbursements Receivable at End of Year
$ 2,268,475	$ 2,268,475	$ -	$ -
104,324	104,324	-	-
2,533,435	1,705,350	(60,503)	767,582
33,588	95,963	62,375	-
6,591	7,557	926	(40)
4,309,952	9,121,097	4,811,145	-
1,302,616	1,153,026	321,259	470,849
4,811,145	7,068,687	2,257,542	-
-	-	1,174,757	1,174,757
-	2,931,313	2,931,313	-
-	-	726,172	726,172
934,137	-	1,924,696	2,858,833
-	1,658	1,658	-
1,353	114,379	113,026	-
-	202,714	2,352,971	2,150,257
-	39,440	539,944	500,504
-	-	205,941	205,941
24,806	52,332	27,526	-
-	-	165,000	165,000
38,992	38,992	-	-
53,480	188,000	199,700	65,180
236,398	853,224	832,696	215,870
-	91,386	91,386	-
843,032	1,191,192	348,160	-
3,704	3,867	163	-
-	-	14,209	14,209
606	-	-	606
12,445	-	-	12,445
3,690	-	-	3,690
-	-	5,420	5,420
3,745	3,121	-	624
-	-	4,342	4,342
12,531	-	-	12,531
-	77,080	77,080	-
$ 17,539,045	$ 27,313,177	$ 19,128,904	$ 9,354,772

Indianapolis Airport Authority

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Grant Number	Amount Expended
U.S. Department of Transportation - Federal Aviation Administration (FAA)			
Airport Improvement Program (AIP)			
Indianapolis International Airport			
	20.106	3-18-0038-96	$ -
	20.106	3-18-0038-101	(60,503)
	20.106	3-18-0038-103	62,375
	20.106	3-18-0038-104	926
	20.106	3-18-0038-105	4,811,145
	20.106	3-18-0038-106	321,259
	20.106	3-18-0038-107	2,257,542
	ARRA - 20.106*	3-18-0038-108	1,174,757
	20.106	3-18-0038-109	2,931,313
	20.106	3-18-0038-110	726,172
	20.106	3-18-0038-112	1,924,696
Mount Comfort	20.106	3-18-0037-08	1,658
	20.106	3-18-0037-10	113,026
	ARRA - 20.106*	3-18-0037-11	2,352,971
	20.106	3-18-0037-12	539,944
Indianapolis Metropolitan Airport	20.106	3-18-0040-17	205,941
Hendricks County	20.106	3-18-0093-10	27,526
	20.106	3-18-0093-11	165,000
Subtotal - AIP			17,555,748
U.S. Department of Homeland Security			
FAA Explosives Detection Canine Team Program	97.072	HSTS0208HCAN425	199,700
Law Enforcement Officer Reimbursement Agreement Program	97.090	HST30208HSLR112	832,696
Perimeter Security Program	97.XXX	OTA-HSTS04-07-ACTO074	91,386
Closed-Circuit Television Camera Program	97.XXX	HSTS04-08-H-CT-7024	348,160
Grand Total			$ 19,027,690

* - These grants were funded through the American Recovery and Reinvestment Act of 2009

Indianapolis Airport Authority

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

Notes to Schedule:

1. This schedule includes the federal awards activity of Indianapolis Airport Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. The Indianapolis Airport Authority provided no federal awards to subrecipients.

Indianapolis Airport Authority

Schedule of Passenger Facility Charge Revenues and Expenditures
Year Ended December 31, 2009

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - December 31, 2008	Quarter Ended March 31, 2009	Quarter Ended June 30, 2009	Quarter Ended September 30, 2009	Quarter Ended December 31, 2009	Year Ended December 31, 2009	Cumulative Total - December 31, 2009
Passenger facility charge revenues received			$ 200,298,430	$ 3,550,278	$ 4,230,379	$ 3,844,648	$ 3,779,122	$ 15,404,427	$ 215,702,857
Interest earned			5,032,077	4,905	11,830	4,158	1,573	22,466	5,054,543
Total passenger facility charge revenue received			$ 205,330,507	$ 3,555,183	$ 4,242,209	$ 3,848,806	$ 3,780,695	$ 15,426,893	$ 220,757,400
Expenditures									
Application 93-01	June 28, 1993	$ 68,562,881	$ 68,562,881	$ -	$ -	$ -	$ -	$ -	$ 68,562,881
Application 96-02	December 20, 1996	12,263,018	12,263,018	-	-	-	-	-	12,263,018
Application 01-03	March 28, 2001	152,707	-	-	-	-	-	-	-
Application 03-04	August 25, 2003	443,929,000	99,468,126	-	6,622,181	-	19,842,990	26,465,171	125,933,297
Total passenger facility charge revenue expended		$ 524,907,606	$ 180,294,025	$ -	$ 6,622,181	$ -	$ 19,842,990	$ 26,465,171	$ 206,759,196

Notes to Schedule:

1. Revenues and expenditures on approved projects in the schedule above agree to the Passenger Facility Charge Quarterly Status Reports (PFC Reports) submitted by the Authority to the FAA.
2. Effective August 25, 2003, a total of $524,513,829 has been approved to be imposed and collected on behalf of the Authority and used by the Authority. On June 18, 2007, the Authority received an additional Use Approval of $393,777 on Application 96-02.
3. Applications 93-01 and 96-02 have been closed out.

BKD LLP
CPAs & Advisors

201 N. Illinois Street, Suite 700
P.O. Box 44998
Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

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 Members of the Board of
Indianapolis Airport Authority
Indianapolis, Indiana

We have audited the financial statements of Indianapolis Airport Authority (Authority) as of and for the year ended December 31, 2009, and have issued our report thereon dated April 12, 2010. 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 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis.

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 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 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 to the Authority's management in a separate letter dated April 12, 2010.

This report is intended solely for the information and use of the board, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
April 12, 2010

BKD LLP
CPAs & Advisors

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Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

Independent Accountants' Report on Compliance and Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs

To Members of the Board of
Indianapolis Airport Authority
Indianapolis, Indiana

Compliance

We have audited the compliance of Indianapolis Airport Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the compliance of the Authority based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, Indianapolis Airport Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Indianapolis Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
April 12, 2010

BKD LLP
CPAs & Advisors

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Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

Independent Accountants' Report on Compliance With Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance

To Members of the Board of
Indianapolis Airport Authority
Indianapolis, Indiana

Compliance

We have audited the compliance of Indianapolis Airport Authority (Authority) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended December 31, 2009. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the compliance of the Authority based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the year December 31, 2009.

Internal Control Over Compliance

The management of Indianapolis Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
April 12, 2010

Indianapolis Airport Authority
Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report on the basic financial statements was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No

7. The Authority's major programs were:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106
Law Enforcement Officer Reimbursement Agreement Program	97.090

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $570,831.

9. The Authority qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☒ Yes ☐ No

Indianapolis Airport Authority

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2009

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Indianapolis Airport Authority

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2009

Reference Number	Summary of Finding	Status
	No matters are reportable.	

Indianapolis Airport Authority
Passenger Facility Charge Audit Summary
Year Ended December 31, 2009

Summary of Auditor's Results

1.	Type of report issued on PFC financial statements.	☒ Unqualified	☐ Qualified
2.	Type of report on PFC compliance.	☒ Unqualified	☐ Qualified
3.	Quarterly revenue and disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.	☒ Yes	☐ No
4.	PFC revenue and interest is accurately reported on FAA Form 5100-127.	☒ Yes	☐ No
5.	The Public Agency maintains a separate financial accounting record for each application.	☒ Yes	☐ No
6.	Funds disbursed were for PFC eligible items as identified in the FAA decision to pay only for the allowable costs of the project.	☒ Yes	☐ No
7.	Monthly carrier receipts were reconciled with quarterly carrier reports.	☒ Yes	☐ No
8.	PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	☒ Yes	☐ No
9.	Serving carriers were notified of PFC program actions/changes approved by the FAA.	☒ Yes	☐ No
10.	Quarterly reports were transmitted (or available via website) to remitting carriers.	☒ Yes	☐ No
11.	The Public Agency is in compliance with Assurances 5, 6, 7 and 8.	☒ Yes	☐ No
12.	Project design and implementation is carried out in accordance with Assurance 9.	☒ Yes	☐ No
13.	Program administration is carried out in accordance with Assurance 10.	☒ Yes	☐ No
14.	For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.	☐ Yes ☐ No	☒ N/A