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December 1, 2011

Board of Directors
Indianapolis Airport Authority
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We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. 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, 2010 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, 2010 and 2009

Indianapolis Airport Authority
December 31, 2010 and 2009

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Independent Accountants' Report on Financial Statements and Supplementary Information

To the 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, 2010 and 2009, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Airport Authority as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, in 2010, the Authority changed its method of accounting for derivatives by retroactively restating prior years' financial statements.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 5, 2011

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, 2010 and 2009. 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 (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 Airline Agreements entered into as of March 15, 2001 expired December 31, 2010. As of December 31, 2010, nine passenger carriers and two cargo carriers represent the Signatory Airlines.

Throughout 2010, the Authority and the Signatory Airlines negotiated a new Airline Agreement. This new Airline Agreement was approved by the Authority Board on October 15, 2010 and is effective from January 1, 2011 through December 31, 2015. Airlines that sign the Airline Agreement are subject to favorable Signatory rates, as opposed to the Authority's Non-Signatory rates.

Airport Operations Activity and Financial Highlights

	2010	2009	Variance
Enplaned passengers [1]	3,770,383	3,740,873	0.8%
Landed weight (1,000 lb. units)			
Passenger airlines	4,448,036	4,641,777	-4.2%
Cargo airlines	4,738,013	4,598,377	3.0%
Total landed weights	9,186,049	9,240,154	-0.6%
Aircraft operations	166,358	171,318	-2.9%

(1) - Includes domestic air carriers, international air carriers and air taxi/commuter flights

Airport Operations Activity

- In 2010, the number of enplaned passengers was 0.8% higher than in 2009. The increase reflects a partial recovery of the economy and passenger trends throughout the country over the last half of 2010.
- Passenger airlines accounted for approximately 48% of total landed weight at the Airport in 2010, 50% in prior year; cargo airlines accounted for the other 52% during 2010 and 50% in 2009. Passenger airline landed weight decreased by 4.2% in 2010 from prior year; cargo airline landed weight increased 3.0% from prior year.
- Aircraft operations represent landings and takeoffs for air carrier, air taxi and commuter, general aviation and military operations. This activity decreased 2.9% over the prior year.

Authority Financial Highlights

- The Authority experienced an increase in total assets of approximately $2.0 million during 2010. This increase can be contributed to a number of changes in the balance sheet including the increase in capital assets or the increase in unrestricted cash, cash equivalents and investments due to improved operations which is discussed later in the management's discussion and analysis.
- Total liabilities decreased $120.1 million in 2010. This change is primarily attributable to the early redemption of $39.3 million of the 2006 Revenue Bonds, $32.1 million of other debt service reductions and the effects of recording $55.2 million in adjustments for GASB 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 is further discussed in Note 8 to the financial statements.
- The increase in net assets for 2010 was $122.1 million compared to a decrease of $8.5 million for 2009. 2010 resulted in a loss from operations of $24.7 million, which is a $12.9 million decrease in the loss from operations in 2009 of $37.6 million. Net nonoperating revenue (expense) reflected a decrease in net expenses of $3.9 million, primarily due to a gain on the early redemption of debt. Capital contributions, grants and charges increased by $113.9 million, a 262% increase, primarily due to the $137.0 million FedEx Phase 3 cargo apron expansion.

- During 2010, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). GASB 53 requires the Authority to recognize, measure and disclose information related to the Authority's forward delivery agreements, interest rate swaps and basis rate swaps. The 2009 and 2008 information presented in this MD&A has been retroactively restated to conform to the current year presentation. Further information regarding the Authority's derivative activity is presented in Note 8 to the financial statements.

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 2010, approximately $8.4 million was expended on capital activities for the New Indianapolis Airport Program in order to substantially 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, and no such expenses were incurred during 2010.

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, 2010, 2009 and 2008 follows:

	2010	2009 (Restated)	2008 (Restated)
	(Table Amounts in Thousands)		
Current assets - unrestricted	$ 61,369	$ 62,851	$ 77,189
Current assets - restricted	61,744	54,300	40,018
Noncurrent assets			
Capital assets, net	2,208,994	2,140,140	2,182,891
Other noncurrent assets	175,902	248,676	345,235
Total assets	$ 2,508,009	$ 2,505,967	$ 2,645,333
Current liabilities - payable from unrestricted	$ 10,217	$ 10,335	$ 11,782
Current liabilities - payable from restricted	72,412	94,601	132,191
Noncurrent liabilities	443	1,328	2,213
Noncurrent liabilities - payable from restricted	1,343,608	1,440,493	1,531,446
Total liabilities	1,426,680	1,546,757	1,677,632
Net assets			
Invested in capital assets, net of related debt	915,229	798,088	808,080
Restricted	102,197	106,055	92,120
Unrestricted	63,903	55,067	67,501
Total net assets	1,081,329	959,210	967,701
Total liabilities and net assets	$ 2,508,009	$ 2,505,967	$ 2,645,333

2010 to 2009 (Restated) Comparative Balance Sheets

Unrestricted current assets decreased $1.5 million, which is primarily attributable to a decrease in cash and cash equivalents from airport operations.

The increase in restricted current assets of $7.4 million primarily reflects an increase in restricted cash and cash equivalents of $6.5 million.

Total noncurrent assets decreased by $3.9 million. This change is primarily attributable to a $34.1 million decrease in noncurrent cash, cash equivalents and investments and a $37.6 million decrease in the deferred inflows/outflows related to the Authority's derivative instruments, which is the result of the terminating event discussed in Note 8. These decreases are offset by an increase in net capital assets of $68.9 million due to the Authority's normal capital activities and $146.2 million in contributions from lessees offset by depreciation expense of $102.6 million.

Total current liabilities decreased by $22.3 million. Accounts payable from restricted assets decreased $22.2 million, primarily related to paying off $25.0 million in commercial paper. Total noncurrent liabilities payable from restricted assets decreased $96.9 million, attributable to a decrease in bonds payable and other debt.

2009 to 2008 Comparative Balance Sheets (Restated)

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 $139.3 million. Restricted cash and cash equivalents and investment securities decreased by $50.4 million, primarily due to payments made to construct the New Indianapolis Airport. The market value of the interest rate swaps related to the 2008 bonds decreased by $38.7 million and the value of the forward delivery agreements decreased by $20.3 million. Total depreciable and nondepreciable capital assets decreased $42.8 million.

Total current liabilities decreased by $39.0 million. Total current liabilities payable from unrestricted assets decreased by $1.5 million. Accounts payable from restricted assets decreased $37.6 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 $91.0 million, attributable to a $31.9 million decrease in bonds payable and other debt as well as an adjustment to the value of the interest rate swaps of $59.0 million.

2010 to 2009 (Restated) 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, 2010 and 2009 was $122.1 million and $(8.5) million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Assets for 2010 and 2009.

	2010	2009 (Restated)	$ Variance	% Variance
	(Table Amounts in Thousands)			
Operating Revenues				
Airfield	$ 23,379	$ 22,742	$ 637	2.8%
Terminal complex	51,178	49,958	1,220	2.4%
Parking	38,284	34,660	3,624	10.5%
Rented buildings and other	12,972	13,099	(127)	-1.0%
Indianapolis Maintenance Center (IMC)	8,803	6,852	1,951	28.5%
Reliever airports	2,474	2,414	60	2.5%
Total operating revenues	137,090	129,725	7,365	5.7%
Nonoperating Revenues				
State and local appropriations	26,771	27,130	(359)	-1.3%
Federal operating grants	1,008	1,032	(24)	-2.3%
Passenger facility charges	15,654	15,430	224	1.5%
Customer facility charges (rental cars)	5,365	4,208	1,157	27.5%
Investment income	6,211	9,531	(3,320)	-34.8%
Total nonoperating revenues	55,009	57,331	(2,322)	-4.1%
Total revenues	192,099	187,056	5,043	2.7%
Operating Expenses (includes depreciation)				
Airfield	36,112	36,374	(262)	-0.7%
Terminal complex	36,696	41,612	(4,916)	-11.8%
Parking	11,279	14,333	(3,054)	-21.3%
Rented buildings and other	13,034	10,850	2,184	20.1%
Indianapolis Maintenance Center (IMC)	28,937	25,740	3,197	12.4%
Reliever airports	3,913	3,654	259	7.1%
Public safety	10,138	11,028	(890)	-8.1%
Administration	21,726	23,738	(2,012)	-8.5%
Total operating expenses	161,835	167,329	(5,494)	-3.3%
Nonoperating Expenses				
Interest expense, net of interest capitalized	70,151	73,564	(3,413)	-4.6%
Gain on disposals of capital assets and other	(4,721)	(1,920)	(2,801)	145.9%
Net nonoperating expenses	65,430	71,644	(6,214)	-8.7%
Total expenses	227,265	238,973	(11,708)	-4.9%
Loss Before Capital Contributions and Grants	(35,166)	(51,917)	16,751	-32.3%
Capital Contributions and Grants	157,285	43,426	113,859	262.2%
Increase (Decrease) in Net Assets	122,119	(8,491)	130,610	-1538.2%
Net Assets, Beginning of Year	959,210	967,701	(8,491)	-0.9%
Net Assets, End of Year	$ 1,081,329	$ 959,210	$ 122,119	12.7%

Operating revenue in 2010 increased $7.4 million, or 5.7% 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 higher operating expense reimbursements related to the IMC.

Airfield revenue in 2010 of $23.4 million exceeded 2009 by $0.6 million or 2.8%. Total landed weights decreased a net 0.6% from prior year as passenger carriers decreased 4.2% and cargo carriers increased 3.0%. The 2010 landing fee signatory rate of $1.95 was maintained from prior year. The 2010 Non-Signatory landing fee rate of $2.96 was also maintained from prior year. The 2010 apron rental rate remained at $2.62 per square foot, same as prior year. However, revenues were higher due to increased intermittent gate use from a number of airlines requiring additional gates.

Terminal complex revenues exceeded prior year by $1.2 million, or 2.4%. Airline terminal rental rates were maintained from prior year of $95.00 per square foot. Concessionaire revenues exceeded prior year by $0.4 million, attributable to decreased rent relief and Minimum Annual Guarantee (MAG) rental rate adjustments, as well as increased revenues generated from merchandise sold at various Kiosks in the current year. Automobile rental commissions were also greater than prior year by $0.4 million, attributable to enplaned passengers slightly above prior year by 0.8%, and car rental usage being higher than prior year. Other commissions, fees, etc. increased $0.3 million from prior year, which includes increased revenues for the fuel farm, additional revenues from registered traveler service that was not provided in the prior year, and increased rent for car rental agency space in the Ready/Return area in the parking garage.

Parking revenues increased from prior year by $3.6 million or 10.5%, resulting in $38.3 million in 2010 parking revenue. The increase is primarily reflective of the full year impact of rate increases implemented on September 1, 2009, and an overall increase in parking transactions from prior year.

Revenues from Indianapolis Maintenance Center (IMC) increased by $1.9 million or 28.5%. 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 increase from prior year is due to additional hangar bay activation as well as rental credits that terminated in July, 2009.

Customer facility charges (rental cars) income increased $1.2 million. This was due to a rate increase implemented in May 2010.

Investment income decreased $3.3 million. This was primarily due to the GASB 53 adjustment of the basis swap market valuation.

Operating expenses for the years ended December 31, 2010 and 2009 totaled $161.8 million and $167.3 million, respectively.

Terminal complex expenses decreased $4.9 million, or 11.8% from the prior year. A large portion of this decrease relates to a decrease in depreciation expense of $2.7 million as the prior year included an adjustment for actual expense going back to the opening of the new terminal in November 2008. The current year Terminal expense decrease is also attributable to lower utility costs associated with the Central Energy Plant (CEP) allocation as usage was managed and efficiencies were put in place, and utilities were turned off at the old terminal in December 2009. Current year also reflects lower fees for the baggage conveyor maintenance due to renegotiation of the contract for the 4^{th} quarter of 2010. These decreases are offset by increased elevator/escalator costs and various building repairs as warranties associated with the new terminal expire.

Parking expenses decreased $3.1 million, or 21.3% from prior year. A significant portion of this decrease relates to a decrease in depreciation expense of $1.2 million as the prior year included an adjustment for actual expense going back to opening of the new terminal in November, 2008. Prior year included outsourced shuttle bus services for the employee parking lot that were not incurred in 2010 due to contract termination.

Rented buildings and other expenses increased $2.2 million, or 20.1% from prior year. This primarily represents an increase in depreciation expense related to the full year impact of the Phase 3 cargo apron expansion.

Indianapolis Maintenance Center (IMC) expenses increased $3.2 million or 12.4%, primarily due to an increase in depreciation expense of $3.7 million related to the write-off of a disposed asset (Hangar 7A-IMC dock structure). This is offset by lower expenses for utilities and the Central Energy Plant (CEP) allocation as usage was managed and efficiencies were put in place.

Administration costs decreased $2.0 million, or 8.5% from prior year. The variance reflects a decrease in depreciation expense as the prior year included an adjustment for actual expense going back to opening of the new terminal in November, 2008 for capitalization of Information Technology (IT) equipment of the new terminal. Variance also includes less contract help for the IT department, offset by an increase in professional fees incurred in the current year associated with Airline Use Agreement (AUA) negotiations, a human resource consulting project, and professional fees associated with the catchment marketing program. Software/hardware maintenance also increased in 2010 as warranties associated with the new terminal expired.

Interest expense decreased $3.4 million over the prior year, which is primarily attributable to lower interest rates on the 2008 synthetically fixed rate variable bonds.

Gain on disposals of capital assets and other increased $2.8 million over the prior year. Current year activity includes a $4.2 million gain on the early redemption of 2006A bonds and a net gain of approximately $1.0 million on land sale transactions (including Purchase Assurance program homes). This is offset by an asset impairment loss of $0.9 million relating to a fire in an offsite building/hangar in November 2010. Prior year included an insurance reimbursement of $1.4 million not incurred in 2010 and also contributed to the variance.

Capital contribution and grants of $157.3 million increased $113.9 million compared to prior year. This is associated with contributions from lessees higher than prior year for leased property tenant improvements; primarily the $137.0 million FedEx Phase 3 cargo apron expansion.

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

The change in net assets for the years ended December 31, 2009 and 2008 was $(8.5) million and $43.4 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 (Restated)	2008 (Restated)	$ Variance	% Variance
	(Table Amounts in Thousands)			
Operating Revenues				
Airfield	$ 22,742	$ 23,889	$ (1,147)	-4.8%
Terminal complex	49,958	36,529	13,429	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	7,256	(404)	-5.6%
Reliever airports	2,414	2,402	12	0.5%
Total operating revenues	129,725	111,919	17,806	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%
Passenger facility charges	15,430	16,853	(1,423)	-8.4%
Customer facility charges (rental cars)	4,208	5,115	(907)	-17.7%
Investment income	9,531	8,235	1,296	15.7%
Total nonoperating revenues	57,331	58,241	(910)	-1.6%
Total revenues	187,056	170,160	16,896	9.9%
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 and Grants	(51,917)	(721)	(51,196)	7100.7%
Capital Contributions and Grants	43,426	44,078	(652)	-1.5%
Increase (Decrease) in Net Assets	(8,491)	43,357	(51,848)	-119.6%
Net Assets, Beginning of Year, as Previously Reported	967,701	922,735	44,966	4.9%
Change in Accounting Principle	-	1,609	(1,609)	-100.0%
Net Assets, Beginning of Year, as Restated	967,701	924,344	43,357	(1)
Net Assets, End of Year	$ 959,210	$ 967,701	$ (8,491)	-0.9%

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%, which is 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 5.6%. 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 increased $1.3 million. This was primarily due to the GASB 53 adjustment of the basis swap changes in fair value and was offset by 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.

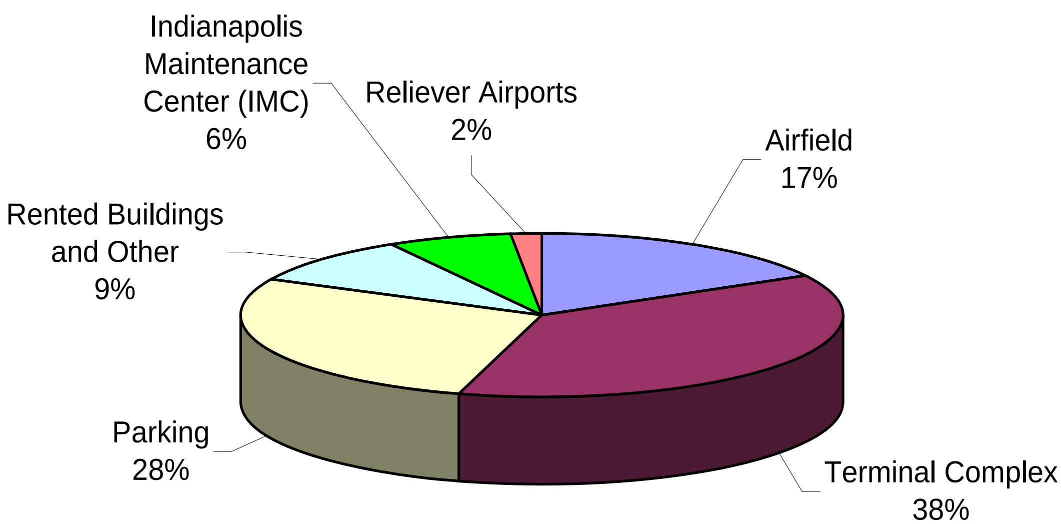
Administration costs increased $12.2 million, or 105.3% from prior year. Depreciation expense represents $11.9 million of this increase related to a full year of depreciation on IT equipment related to the opening of the new terminal.

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.

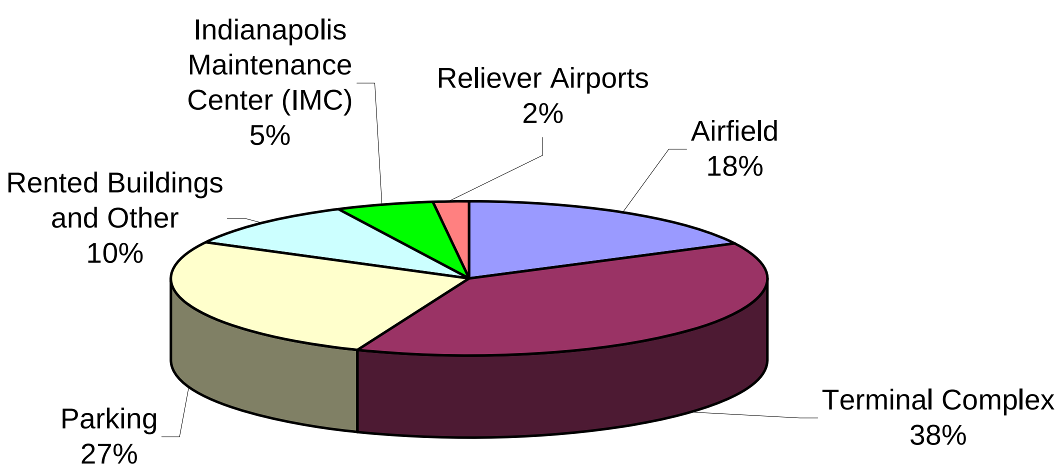
Capital contribution and grants of $43.4 million decreased $0.7 million compared to prior year. This is associated contributions from lessees being lower than prior year for leased property tenant improvements.

The following is a graphic illustration of operating revenues by source for the years ended December 31, 2010 and 2009:

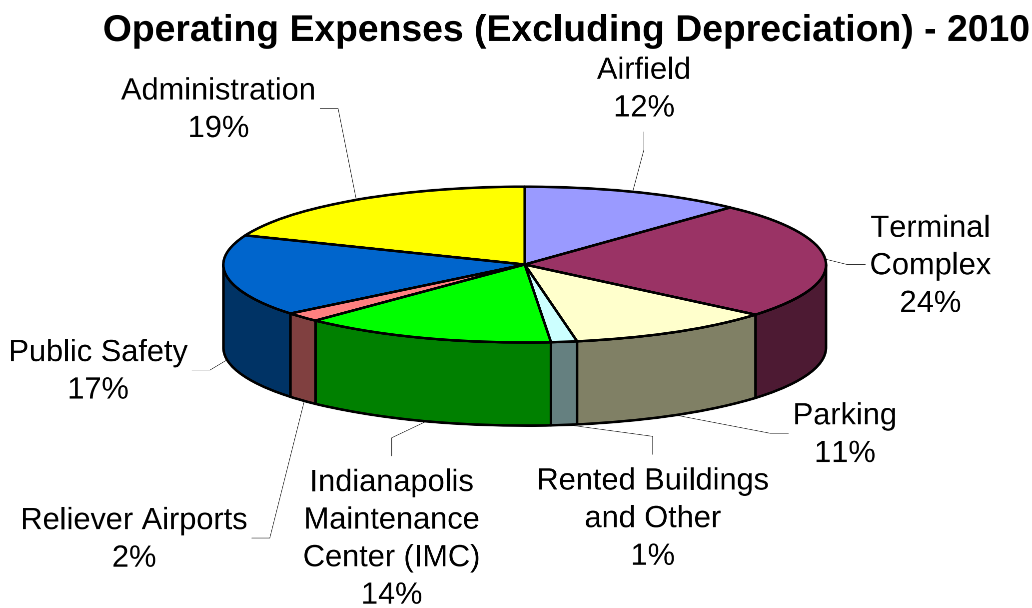
Operating Revenues - 2010

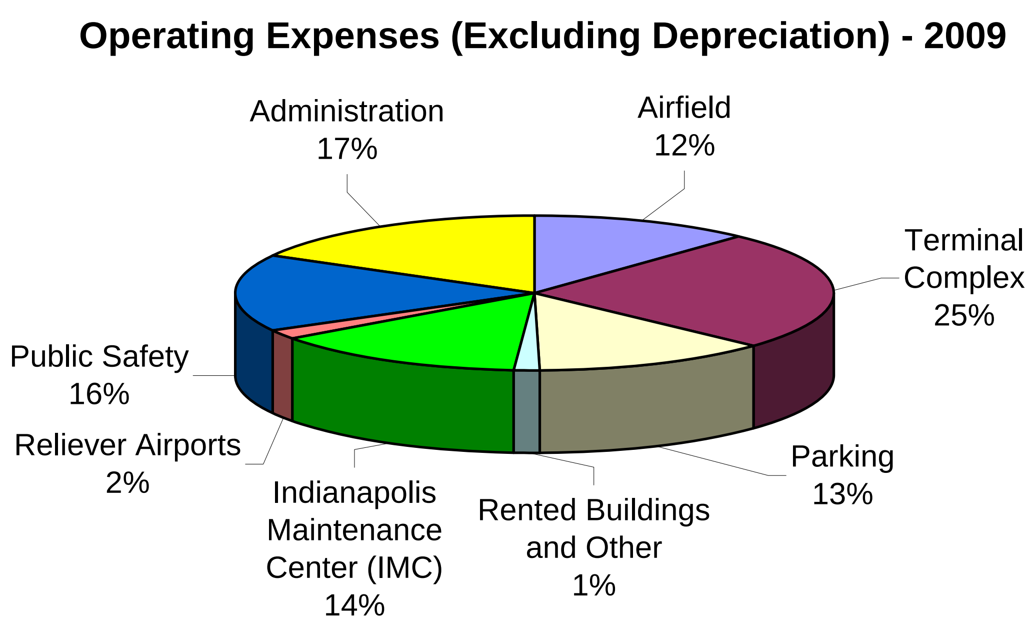


Operating Revenues - 2009



The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2010 and 2009 (excluding depreciation):





Capital Asset and Debt Administration

Capital Assets

During 2010, the Authority expended approximately $22.4 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, Belly Cargo/GSE Facility, Environmental Mitigation (HCP Monitoring), Taxiway "A" Rehabilitation at the Indianapolis Regional Airport, and various other projects.

During 2010, completed projects totaling $26.7 million were closed from construction-in-progress to their respective capital asset accounts. These major completed projects included:

Belly cargo / GSE Facility	$6.8 million
New Indianapolis Airport	$1.9 million
Environmental Mitigation (HCP Monitoring)	$4.3 million
Taxiway "A" Rehabilitation - Indianapolis Regional Airport	$4.3 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 December 21, 2010, the Authority issued a total of $350.0 million of revenue bonds (the Series 2010C Revenue Bonds) as part of its financing program related to the New Indianapolis Airport, as well as other capital projects. As of December 31, 2010, all of the proceeds of the 2010C Revenue Bonds had been utilized to refund all the Series 2008 Revenue Bonds. In conjunction with issuing bonds at the end of the year, the Authority's credit ratings were updated to the following: "A1" by Moody's, "A" by S&P, and "A" by Fitch.

On January 15, 2010, the Authority issued a total of $25.76 million of revenue bonds (the Series 2010A Revenue Bonds) as part of its financing program related to the New Indianapolis Airport, as well as other capital projects. In conjunction with the 2010A bond issuance, insured ratings were provided: "A1" by Moody's, "A" by S&P, and "A" by Fitch. As of December 31, 2010, all of the proceeds of the 2010A Revenue Bonds had been utilized to pay off outstanding commercial paper.

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 6 of the financial statements explains the details of resolutions adopted in 2003, 2004, 2006, 2008 and 2010.

As of December 31, 2010, the Authority had $1.21 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 2010 and 2009, respectively, the Authority's debt service coverage was 1.59 and 1.52 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 a 0.8% increase in passenger enplanements over last year, resulting in total 2010 enplanements of 3,770,383. The dramatic slowdown in the national economy, and subsequent pullback by airlines throughout the entire network, carried through the first half of 2010, with a settling and partial recovery of the economy and passenger traffic occurring over the last half of 2010. IND's passenger airlines treated capacity in the market similar to passenger enplanement performance, by continuing to remove capacity in the first half of 2010 while keeping capacity at equal year-over-year levels for the second half of 2010. The reduction of passenger airline capacity during the first half of 2010 with leveled capacity in the second half of the year resulted in a 4.2% decrease in 2010 passenger landing weights over the previous year. At the end of 2010, and looking into 2011, oil prices continue to rise to about $100 per barrel, causing airlines to be more cautious in placing additional capacity into the market as operating costs rise.

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 95.1% 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 with the economic slowdown unbalancing travel profiles to a mix of 60% for leisure and 40% for business. Historically, the balance for IND passengers has been near a 50/50% split.

In addition to passenger activity, the Airport continues to benefit from the sustained activity of cargo operations, which are significantly dominated by FedEx. During the year, FedEx began utilizing its expanded facility capacity at IND and also started scheduling their new aircraft, the Boeing 777F, to operate at the airport.

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
- Airline consolidation and alliances

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 2011 is based on those trends seen during late 2010 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 2010 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, 2010 and 2009

Assets

	2010	2009 (Restated)
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	$ 44,407,768	$ 46,111,435
Accounts receivable, net of allowance of $464,000 and $517,000, respectively	2,598,039	2,583,566
Unbilled revenues	3,098,764	2,357,516
Grants receivable	8,515,326	9,354,772
Supplies and materials inventories	1,448,162	1,584,723
Other	1,301,317	858,834
Total unrestricted current assets	61,369,376	62,850,846
Restricted Assets		
Cash and cash equivalents	53,588,251	47,112,220
Cash and cash equivalents - customer deposits	483,383	470,203
Receivable - passenger facility charges	1,626,168	1,463,204
Receivable - other governments	3,632,793	3,743,924
Receivable - reimbursable IMC expenses	2,413,164	1,510,572
Total restricted current assets	61,743,759	54,300,123
Total current assets	123,113,135	117,150,969
Noncurrent Assets		
Cash and cash equivalents, restricted	141,616,773	179,830,273
Investment securities, unrestricted	9,577,275	-
Investment securities, restricted	4,497,301	9,920,709
Investment derivatives - basis swap agreements	3,208,880	1,735,476
Rent receivable	2,658,793	2,649,255
Deferred lease costs	956,146	1,229,486
Bond issue and loan administration costs, net	12,843,692	21,332,531
Derivative instruments - forward delivery purchase agreements	1,711,347	(4,648,772)
Deferred (inflows) outflows - derivative financial instruments	(1,168,435)	36,627,471
Non-depreciable capital assets	295,920,348	298,347,406
Depreciable capital assets, net	1,913,073,043	1,841,792,091
Total noncurrent assets	2,384,895,163	2,388,815,926
Total assets	$ 2,508,008,298	$ 2,505,966,895

Liabilities and Net Assets

		2010	2009 (Restated)
Current Liabilities			
Payable From Unrestricted Assets			
Accounts payable		$ 4,095,461	$ 2,936,916
Accrued and withheld items (including compensated absences)		5,236,047	6,513,051
Deferred revenue		885,000	885,000
Total current liabilities payable from unrestricted assets		10,216,508	10,334,967
Payable From Restricted Assets			
Accounts payable		5,762,295	13,636,032
Customer deposits payable		490,383	470,203
Short-term debt - commercial paper		-	25,000,000
Current portion of debt		42,569,507	31,091,011
Accrued interest on debt		23,589,566	24,403,843
Total current liabilities payable from restricted assets		72,411,751	94,601,089
Total current liabilities		82,628,259	104,936,056
Noncurrent Liabilities			
Deferred revenue		442,500	1,327,500
Derivative instruments - interest rate swap agreements		48,186,660	31,978,699
Bonds payable and other debt, payable from restricted assets		1,295,421,451	1,408,514,501
Total noncurrent liabilities		1,344,050,611	1,441,820,700
Total liabilities		1,426,678,870	1,546,756,756
Net Assets			
Invested in capital assets, net of related debt		915,229,392	798,087,604
Restricted for			
Capital projects		35,649,699	47,760,042
Debt service		64,324,328	57,029,204
Other		2,223,427	1,266,169
Total restricted net assets		102,197,454	106,055,415
Unrestricted		63,902,582	55,067,120
Total net assets		1,081,329,428	959,210,139
Total liabilities and net assets		$ 2,508,008,298	$ 2,505,966,895

Indianapolis Airport Authority

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009 (Restated)
Operating Revenues		
Airfield	$ 23,379,348	$ 22,741,896
Terminal complex	51,178,167	49,960,322
Parking	38,283,857	34,660,205
Rented buildings and other	12,972,274	13,098,996
Indianapolis Maintenance Center (IMC)	8,802,929	6,851,697
Reliever airports	2,474,023	2,413,624
Total operating revenues	137,090,598	129,726,740
Operating Expenses (includes depreciation of $102,588,784 and $100,953,498 in 2010 and 2009, respectively)		
Airfield	36,111,267	36,374,295
Terminal complex	36,696,112	41,611,886
Parking	11,278,592	14,332,900
Rented buildings and other	13,034,415	10,850,374
Indianapolis Maintenance Center (IMC)	28,937,382	25,740,104
Reliever airports	3,913,049	3,654,388
Public safety	10,138,136	11,028,406
Administration	21,725,775	23,738,312
Total operating expenses	161,834,728	167,330,665
Loss From Operations	(24,744,130)	(37,603,925)
Nonoperating Revenues (Expenses)		
State and local appropriations	26,770,584	27,130,236
Federal operating grants	1,008,288	1,032,396
Passenger facility charges	15,654,293	15,429,599
Customer facility charges (rental cars)	5,364,660	4,207,666
Investment income	6,210,897	9,531,422
Interest expense, net of $365,466 and $448,165 interest capitalized in 2010 and 2009, respectively	(70,151,361)	(73,563,805)
Gain on disposals of capital assets and other	4,721,068	1,919,654
	(10,421,571)	(14,312,832)
Decrease in Net Assets Before Capital Contributions and Grants	(35,165,701)	(51,916,757)
Capital Contributions and Grants		
Federal, state and local grants	11,013,888	18,096,508
Contributions from lessees and other	146,271,102	25,329,290
	157,284,990	43,425,798
Increase (Decrease) in Net Assets	122,119,289	(8,490,959)
Net Assets, Beginning of Year, as Previously Reported	959,210,139	970,580,558
Change in Accounting Principle	-	(2,879,460)
Net Assets, Beginning of Year, as Restated	959,210,139	967,701,098
Net Assets, End of Year	$ 1,081,329,428	$ 959,210,139

Indianapolis Airport Authority

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Cash receipts from customers and users	$ 135,291,541	$ 130,965,972
Cash payments to vendors for goods and services	(31,848,960)	(38,526,943)
Cash payments for employees services	(28,496,409)	(29,954,973)
Net cash provided by operating activities	74,946,172	62,484,056
Cash Flows From Noncapital Financing Activities		
Operating grants received	1,031,781	1,041,224
Customer facility charges received	5,364,660	4,207,666
Insurance recoveries	347,612	1,662,971
Net cash provided by noncapital financing activities	6,744,053	6,911,861
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of commercial paper	-	50,000,000
Proceeds from issuance of revenue bonds	375,510,728	-
Principal paid on bonds and commercial paper	(421,657,263)	(35,830,000)
Bond issue and commercial paper costs paid	(684,467)	(489,240)
Interest paid	(62,904,394)	(65,654,609)
Acquisition and construction of capital assets	(35,357,531)	(96,386,434)
Proceeds from sale of capital assets	2,981,729	1,487,495
Passenger facility charges received	15,491,329	15,404,576
Capital grants received	11,829,841	26,271,953
Contributions from other governments	-	1,020,603
Net cash used in capital and related financing activities	(114,790,028)	(104,175,656)
Cash Flows From Investing Activities		
Purchase of investment securities	(118,527,965)	(134,296,367)
Proceeds from sales and maturities of investment securities	116,307,000	126,660,000
Interest received on investments and cash equivalents	1,892,812	1,649,552
Net cash used in investing activities	(328,153)	(5,986,815)
Net Decrease in Cash and Cash Equivalents	(33,427,956)	(40,766,554)
Cash and Cash Equivalents, Beginning of Year	273,524,131	314,290,685
Cash and Cash Equivalents, End of Year	$ 240,096,175	$ 273,524,131

Indianapolis Airport Authority

Statements of Cash Flows (Continued)
Years Ended December 31, 2010 and 2009

	2010	2009
Reconciliation of Loss From Operations to Net Cash		
Provided by Operating Activities		
Loss from operations	$ (24,744,130)	$ (37,603,925)
Item not requiring cash		
Depreciation of capital assets	102,588,784	100,953,498
Change in assets and liabilities		
Accounts receivable and unbilled revenues	(1,799,057)	1,239,232
Supplies and materials inventories	136,561	235,163
Other assets	(169,143)	336,245
Accounts payable	31,732	(2,365,084)
Accrued and withheld items	(1,098,575)	(311,073)
Net cash provided by operating activities	$ 74,946,172	$ 62,484,056
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	$ 2,470,548	$ 9,893,517
Capital assets contributed by lessees and other governments	146,271,102	26,447,287
State and local appropriations used to fund capital lease obligations	26,881,448	27,131,286

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 are 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 nonoperating revenues and amounted to $15,654,293 and $15,429,599 for 2010 and 2009, respectively.

Customer Facility Charges (Rental Cars)

The Authority collects a customer facility charge (CFC) from all rental car concessionaires that operate facilities on the airport. The CFC, which started in 2007, was $3 per rental car transaction per day, up to 14 days. The Authority increased this charge to $4 per transaction in May 2010. 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 $5,364,660 and $4,207,666 for 2010 and 2009, 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 $2,501,238 and $2,649,255 at December 31, 2010 and 2009, respectively. The current receivable will be recognized in full in 2034.

Change in Accounting Principle

During the year ended December 31, 2010, the Authority adopted GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, which required the Authority to recognize, measure, and disclose information regarding derivative instruments entered into by the Authority. Amounts reported for the year ended December 31, 2009, have been restated to reflect the adoption of GASB 53. This change in accounting principle increased previously reported change in net assets at December 31, 2009, by $4,614,936 of which $2,879,460 is presented as a cumulative effect of the change in accounting principle.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 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, through December 31, 2010, all noninterest-bearing accounts are fully guaranteed by the FDIC for the entire amount in the accounts.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000 for all interest-bearing accounts. Pursuant to further legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

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, Indiana municipal securities, 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, 2010 and 2009, the Authority had the following investment securities and maturities:

	Rating	Total	December 31, 2010 Less Than 1 Year	1 - 2 Years
U.S. agency obligations	AAA/Aaa	$ 38,133,794	$ 36,133,794	$ 2,000,000
Indiana municipal securities	AAA/Aaa	185,000	-	185,000
	AA+/Aa1	3,013,739	3,013,739	-
	AA-/Aa3	1,053,204	-	1,053,204
	A/A2	6,585,279	6,448,486	136,793
	BBB+/Baa1	344,180	-	344,180
	Not Rated	2,422,854	1,701,652	721,202
Total Indiana municipal securities		13,604,256	11,163,877	2,440,379
Money market mutual funds	AAA/Aaa	129,124,708	129,124,708	-
External investment pools	Not Rated	20,152,242	20,152,242	-
		$201,015,000	$196,574,621	$ 4,440,379

	Rating	Total	December 31, 2009 Less Than 1 Year	1 - 2 Years
Repurchase agreements	n/a	$ 49,256,992	$ 49,256,992	$ -
U.S. agency obligations	AAA	9,920,709	9,920,709	-
Money market mutual funds	AAA	54,362,766	54,362,766	-
External investment pools	Not Rated	20,032,552	20,032,552	-
		$133,573,019	$133,573,019	$ -

***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 municipal securities of Indiana issuers that have not defaulted within the previous 20 years and other 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 money market mutual funds that are rated AAAm by Standard and Poor's or Aaa by Moody's Investor's Service. Other securities, including municipal securities, may be rated lower than AAAm/Aaa or may be unrated. The Authority's investment policy restricts investments in unrated or below investment grade Indiana municipal securities to five percent of its total investment portfolio.

***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, 2010 and 2009, the Authority's investments were not exposed to custodial credit risk. The Authority's investments in Indiana municipal securities and U.S. agency obligations are held by the pledging financial institution's trust department or agent in the Authority's name. Likewise, investments in repurchase agreements (which are secured by U.S. Government and U.S. Government agency obligations) are not subject to custodial credit risk as the underlying collateral was held in the Authority's name. The existence of the Authority's investment in money market mutual funds and external investment pools 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 the following limits on the amount that may be invested in any one issuer: (1) no more than 50% of total investments with any one governmental agency; (2) no more than 25% in any one money market mutual fund, investment pool or certificate of deposit; and (3) no more than 15% with any one Indiana municipal issuer. At December 31, 2010, the Authority did not have investments in excess of these limits. Furthermore, no single issuer of the Indiana municipal securities in which the Authority has invested exceeded 5% of total investments. The following governmental agency investments held by the Authority are not explicitly guaranteed by the U.S. Government and are subject to concentration of credit risk:

	2010	2009
Federal Home Loan Mortgage Corporation discount notes	$ 2,231,161	$ 9,920,709
Federal National Mortgage Association	34,902,633	-
Federal Home Loan Bank discount notes	1,000,000	-
	$ 38,133,794	$ 9,920,709

***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:

	2010	2009
Cash and cash equivalents		
Current - unrestricted	$ 44,407,768	$ 46,111,435
Current - restricted	54,071,634	47,582,423
Noncurrent - restricted	141,616,773	179,830,273
Total cash and cash equivalents	240,096,175	273,524,131
Investment securities		
Noncurrent - unrestricted	9,577,275	-
Noncurrent - restricted	4,497,301	9,920,709
Total investment securities	14,074,576	9,920,709
	$ 254,170,751	$ 283,444,840

Investment Income

Investment income for the years ended December 31, 2010 and 2009 consisted of:

	2010	2009
Interest and dividend income	$ 6,210,897	$ 9,531,422

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

	2010	2009
Revenue Bond Interest and Principal Fund	$ 53,588,251	$ 47,112,220
Revenue Bond Reserve Fund	81,164,090	105,153,842
Operation and Maintenance Reserve Fund	12,003,898	11,996,916
Renewal and Replacement Fund	2,549,274	2,547,746
Capital Improvement Fund	26,099,258	32,296,693
Passenger Facility Charge Fund	7,924,273	14,000,145
Debt Service Coverage Fund	16,139,678	16,032,241
Construction Fund - 2004A Revenue Bonds	-	7,484,983
Customer deposits	483,383	470,203
Air Service Task Force and other	233,603	238,416
	$ 200,185,708	$ 237,333,405

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 operations 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 operations 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, 2010 and 2009 consist of:

	2010	2009
State of Indiana	$ 50,120	$ 53,867
Federal Aviation Administration	8,207,649	9,019,855
U.S. Department of Homeland Security	257,557	281,050
	$ 8,515,326	$ 9,354,772

The maximum amount of federal and state participation available for eligible continuing projects during 2010 totaled $48,562,896. At December 31, 2010, a cumulative total of $32,786,336 has been earned against these grant commitments.

Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2010 and 2009 is as follows:

	2010			
	Beginning Balance, January 1, 2010	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2010
Capital assets, not being depreciated:				
Land	$ 285,673,374	$ 8,352,630	$ (1,019,705)	$ 293,006,299
Construction in progress	12,674,032	18,499,913	(28,259,896)	2,914,049
Total capital assets, not being depreciated	298,347,406	26,852,543	(29,279,601)	295,920,348
Capital assets, being depreciated:				
Buildings	1,538,535,944	152,890,668	(2,931,731)	1,688,494,881
Runways and other airport infrastructure	911,977,543	15,029,223	-	927,006,766
Equipment, furniture and fixtures and other	233,723,472	6,929,868	(1,157,117)	239,496,223
Total capital assets, being depreciated	2,684,236,959	174,849,759	(4,088,848)	2,854,997,870
Less accumulated depreciation for:				
Buildings	(380,053,623)	(47,758,259)	2,019,127	(425,792,755)
Runways and other airport infrastructure	(345,460,136)	(32,189,098)	-	(377,649,234)
Equipment, furniture and fixtures and other	(116,931,109)	(22,641,430)	1,089,701	(138,482,838)
Total accumulated depreciation	(842,444,868)	(102,588,787)	3,108,828	(941,924,827)
Total capital assets, being depreciated, net	1,841,792,091	72,260,972	(980,020)	1,913,073,043
Capital assets, net	$ 2,140,139,497	$ 99,113,515	$ (30,259,621)	$ 2,208,993,391

	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

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 $3.5 million and $4.4 million at December 31, 2010 and 2009, respectively.

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. 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. At December 31, 2009, the Authority had $25,000,000 in commercial paper outstanding with an interest rate of 0.35%. This commercial paper was paid off in January 2010 with funds from the 2010A Revenue Bonds. In conjunction with repaying the outstanding commercial paper, the Authority reduced its available letter of credit to $52,506,850. This letter of credit is in place to mitigate the risk of an unsuccessful remarketing of any outstanding commercial paper, and is set to expire in May 2012.

The following is a summary of commercial paper transactions for the Authority for the years ended December 31, 2010 and 2009:

	2010			
	Beginning Balance	Additions	Deductions	Ending Balance
Short-term obligations				
Commercial paper	$ 25,000,000	$ -	$ (25,000,000)	$ -

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

Note 6: Bonds Payable and Other Debt

Bonds and other debt outstanding at December 31, 2010 and 2009 consist of:

	2010	2009
Revenue Bonds, Series 2010C		
Term bonds, maturing January 1, 2033, 2036 and 2037. Interest is variable (75% of the one-month LIBOR plus 0.85% at December 31, 2010), due semiannually on January 1 and July 1	$ 350,000,000	$ -
Deferred loss on refunding	(55,232,772)	-
	294,767,228	-
Revenue Bonds, Series 2010A		
Serial bonds, maturing January 1, 2011 to January 1, 2027 in payments from $510,000 to $1,005,000. Interest at 3.00% to 4.50%, due semiannually on January 1 and July 1	12,605,000	-
Term bonds, maturing January 1, 2030 and 2037. Interest at 4.75% and 5.00%, respectively, due semiannually on January 1 and July 1	13,155,000	-
	25,760,000	-
Unamortized discount	(236,018)	-
	25,523,982	-
Revenue Bonds, Series 2008		
Term bonds, paid off in 2010. Interest was variable (ranging from 0.29% to 0.75% at December 31, 2009)	-	350,000,000
Revenue Bonds, Series 2006		
Serial bonds, maturing January 1, 2011 to January 1, 2037 in payments from $1,220,000 to $48,785,000. Interest at 4.00% to 5.59%, due semiannually on January 1 and July 1	254,855,000	259,550,000
Term bonds, maturing January 1, 2027 and 2036. Interest at 4.75% and 5.00%, respectively, due semiannually on January 1 and July 1	82,235,000	121,530,000
	337,090,000	381,080,000
Unamortized premium	5,321,702	6,389,365
	342,411,702	387,469,365

	2010	2009
(Continued)		
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	2,714,258	2,869,694
	200,099,258	200,254,694
Revenue Bonds, Series 2004A		
Serial bonds, maturing January 1, 2011 to January 1, 2024 in payments from $3,730,000 to $11,075,000. Interest at 5.00% to 5.25%, due semiannually on January 1 and July 1	80,210,000	83,755,000
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
	205,540,000	209,085,000
Unamortized premium	2,961,501	3,185,002
	208,501,501	212,270,002
Revenue Bonds, Series 2003A		
Serial bonds, maturing January 1, 2011 to January 1, 2023 in payments from $3,320,000 to $6,135,000. Interest at 4.625% to 5.625%, due semiannually on January 1 and July 1	60,175,000	63,325,000
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
	96,835,000	99,985,000
Deferred loss on refunding	(1,151,102)	(1,258,232)
Unamortized premium	1,868,809	2,049,093
	97,552,707	100,775,861
Total revenue bonds	1,168,856,378	1,250,769,922
Other Debt		
Obligations under capital lease	169,134,580	188,835,590
	169,134,580	188,835,590
Total bonds payable and other debt	1,337,990,958	1,439,605,512
Current portion	(42,569,507)	(31,091,011)
Long-term portion	$ 1,295,421,451	$ 1,408,514,501

Revenue Bonds

In January 2010, the Authority issued the 2010A Revenue Bonds in the amount of $25,760,000, which refunded all of the Authority's then-outstanding commercial paper. The commercial paper provided interim funding for various capital projects undertaken by the Authority.

On December 21, 2010, the Authority issued $350,000,000 of Revenue Bonds that refunded all of the Authority's outstanding 2008 Revenue Bonds. The 2010C Revenue Bonds are multi-modal and are initially in an indexed rate mode, during which time the rate is based on a fixed spread to the one-month LIBOR index. The interest rate in effect for these bonds was 1.045% at December 31, 2010. The credit agreement that supports this rate expires in December 2013 at which time the Authority will be required to replace the agreement or enter into a new agreement.

The Authority's Series 2003A, 2004A, 2005A, 2006 and 2010A Revenue Bonds are subject to optional redemption by the Authority at various dates in the future. The 2010C Revenue Bonds are 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. On December 23, 2010, the Authority repurchased and retired $39,295,000 of the 2036 Term Bonds through a secondary market purchase.

The Series 2010A Revenue Bonds, maturing January 1, 2030 (the 2030 Term Bonds) and January 1, 2037 (the 2037 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2028 to 2030 and 2031 to 2037, respectively.

The Series 2010C 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, 2010:

Years Ending December 31	Revenue Bonds Principal	Revenue Bonds Interest	Total
2011	$ 21,850,000	$ 46,858,711	$ 68,708,711
2012	25,110,000	45,201,302	70,311,302
2013	25,485,000	44,029,100	69,514,100
2014	26,970,000	42,827,543	69,797,543
2015	28,395,000	41,579,901	69,974,901
2016 - 2020	166,535,000	187,112,537	353,647,537
2021 - 2025	221,300,000	146,475,437	367,775,437
2026 - 2030	292,585,000	99,846,524	392,431,524
2031 - 2035	326,025,000	46,923,519	372,948,519
2036 - 2040	78,355,000	4,765,236	83,120,236
	$ 1,212,610,000	$ 705,619,810	$ 1,918,229,810

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2010 and 2009:

	2010				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	$ 1,237,535,000	$ 375,760,000	$ (400,685,000)	$ 1,212,610,000	$ 21,850,000
Bond (discounts)/premium	14,493,154	(249,272)	(1,613,630)	12,630,252	-
Loss on refunding	(1,258,232)	(55,232,772)	107,130	(56,383,874)	-
Total revenue bonds payable	1,250,769,922	320,277,956	(402,191,500)	1,168,856,378	21,850,000
Obligations under capital lease	188,835,590	-	(19,701,010)	169,134,580	20,719,507
Total long-term obligations	$ 1,439,605,512	$ 320,277,956	$ (421,892,510)	$ 1,337,990,958	$ 42,569,507

	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	-	(11,668,491)	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	$ -	$ (30,788,484)	$ 1,439,605,512	$ 31,091,011

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, 2010, the Special Facility Revenue Bonds outstanding were as follows:

Special Facility Revenue Bonds, Series 2009 (Hawker Beechcraft Services, Inc. Project)	$ 10,213,013
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)	172,046,477
	$ 443,439,490

Note 8: Derivative Financial Instruments

Forward Delivery Purchase Agreements – Hedging Derivative Instruments

The Authority has entered into four forward delivery purchase agreements (the Forward Delivery Agreements). The Forward Delivery Agreements require the counterparties to deposit securities in the Authority’s debt service reserve trust accounts and provides the Authority a guaranteed rate of return. The securities that are deposited into the debt service reserve trust accounts are required to mature prior to scheduled debt service payment dates on the bonds that are secured by the respective debt service reserve funds.

Eligible securities include (a) discount notes issued by a federal agency; and (b) securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America, and issued by any of the following:

- the United States Treasury
- a federal agency
- a federal instrumentality
- a federal government sponsored enterprise

***Objective of the Forward Delivery Agreements* -** The Forward Delivery Agreements allow the Authority to earn a guaranteed fixed rate of return over the life of the investment. These Agreements are utilized by the Authority to earn a rate of return in excess of a rate that would otherwise be feasible by investing in securities with a shorter term.

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

	Date of Agreement	Termination Date	Scheduled Reserve Amount	Guaranteed Rate	Fair Value at December 31, 2010	Fair Value at December 31, 2009
Series 2003A Debt Service Fund	February 19, 2003	January 1, 2032	$ 9,919,623	5.170%	$ 425,970	$ (332,738)
Series 2004A Debt Service Fund	December 1, 2004	December 30, 2033	Various	4.962%	116,684	(1,333,350)
Series 2005A Debt Service Fund	December 28, 2005	December 31, 2032	19,532,425	4.820%	(189,677)	(1,655,431)
Series 2006A Debt Service Fund	August 1, 2006	January 1, 2036	25,236,448	5.311%	1,358,370	(1,327,253)
					$ 1,711,347	$ (4,648,772)

***Fair Value* -** The fair values of the Forward Delivery Agreements are based on the value of the future discounted cash flows expected to be received over the life of the agreement relative to an estimate of discounted cash flows that could be received over the same term based on current market conditions. The fair values of the Forward Delivery Agreements are classified as a noncurrent asset on the balance sheet for years ended December 31, 2010 and 2009. As the Forward Delivery Agreements are effective hedging instruments, the offsetting balance is reflected as a noncurrent asset (deferred outflow) on the Authority's balance sheet. The changes in fair value of the Forward Delivery Agreements of $6,360,119 and $(20,319,726) for the years ended December 31, 2010 and 2009, respectively, are shown as an adjustment to the carrying amount of the related deferred outflow on the balance sheet.

***Credit Risk* -** Credit risk is the risk that a counterparty will not fulfill its obligations. Under the terms of the Forward Delivery Agreements, the Authority is either holding cash or an approved security within the debt service reserve funds. None of the principal amount of an investment under the Forward Delivery Agreements is at risk to the credit of the counterparty. Should the counterparty default, the Authority's maximum exposure is the positive termination value, if any, related to these agreements.

***Interest Rate Risk* -** Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Authority's financial instruments or cash flows. The fair market value of the Forward Delivery Agreements is expected to fluctuate over the life of the agreements in response to changes in interest rates. The Authority does not have a formally adopted policy related to interest rate risk on the Forward Delivery Agreements.

Termination Risk **-** The Authority or the counterparties may terminate the Forward Delivery Agreements if the other party fails to perform under the terms of the contract. In addition, the Authority has an unrestricted option to terminate the Forward Delivery Agreements. If the Forward Delivery Agreements have a negative fair value at the time of termination, the Authority would be liable to the counterparty for a payment equivalent to the fair market value of the instrument at the time of termination.

Interest Rate Swap Agreements - Hedging Derivative Instruments

The Authority is a party to four interest rate swap agreements (the Swap Agreements) that became effective on July 1, 2008, concurrent with the issuance of the 2008 Revenue Bonds. The Swap Agreements continued to hedge the 2008 Revenue Bonds until December 21, 2010, at which time the 2008 Revenue Bonds were refunded by the issuance of the 2010C Revenue Bonds. This refunding resulted in a terminating event and accordingly, the Authority included the balance of the deferred outflows associated with this hedge in its calculation of the deferred loss on refunding, which was $47,643,748. At that same time, the Swap Agreements became a hedge of the 2010C Revenue Bonds with terms and conditions that are identical to the previous hedge of the refunded 2008 Revenue Bonds.

Objective of the Interest Rate Swaps **-** The Swap Agreements are used as a strategy to maintain acceptable levels of exposure to the risk of future changes in to interest rates related to the Authority's existing variable rate debt. The primary intention of the Swap Agreements is to effectively convert the Authority's variable interest rates on its long-term debt to synthetic fixed rates.

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, 2010	Fair Value at December 31, 2009
$ 125,000,000	October 14, 2004	July 1, 2008	January 1, 2036	4.033%	75% One Month LIBOR	$ (18,080,821)	$ (12,618,674)
75,000,000	October 14, 2004	July 1, 2008	January 1, 2037	4.150%	75% One Month LIBOR	(12,023,769)	(8,683,671)
50,000,000	October 7, 2005	July 1, 2008	January 1, 2033	3.786%	75% One Month LIBOR	(5,745,438)	(3,176,626)
100,000,000	October 11, 2005	July 1, 2008	January 1, 2033	3.778%	75% One Month LIBOR	(12,336,632)	(7,499,728)
$ 350,000,000						$ (48,186,660)	$ (31,978,699)

Payments due under the 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 Swap Agreements, the Authority pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. 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 counterparties' proprietary models based upon financial principles and estimates about relevant future market conditions. The fair values of the Swap Agreements are classified as a noncurrent liability on the balance sheet for years ended December 31, 2010 and 2009. As the Swap Agreements are effective hedging instruments, the offsetting balance is reflected as a noncurrent asset (deferred outflow) on the Authority's balance sheet. The changes in fair value of the Swap Agreements of $(542,912) and $59,023,767 for the years ended December 31, 2010 and 2009, respectively, are shown as an adjustment to the carrying amount of the related deferred outflow on the balance sheet.

***Credit Risk* -** The fair value of each of the Swap Agreements represents the Authority's credit exposure to the counterparties as of December 31, 2010. 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, 2010, 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, 2010 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	See note [1]	See note [1]
UBS AG, counterparty of the interest rate swap with the notional amount of $100,000,000 and both basis swap agreements	Aa3	A+

[1] — SBS is not a rated institution. Instead, these interest rate swaps are supported through a credit agreement with Bank of America/Merrill Lynch, who is rated A2 and A.

***Basis Risk* -** The Authority is not exposed to basis risk because the variable-rate payments received by the Authority under the Swap Agreements are based on an index that coincides with the interest rates the Authority pays on its 2010C Revenue Bonds. As of December 31, 2010, the interest rate on the Authority's 2010C Revenue Bonds is 1.045%, (calculated at 75% of the one-month LIBOR plus 0.85%), while the Authority receives payments under the Swap Agreements equal to 75% of the one-month LIBOR, or 0.195%

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, 2010, 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
2011	$ -	$ 3,659,152	$ 13,139,971	$ 16,799,123
2012	4,030,000	3,638,087	13,061,806	16,699,893
2013	4,235,000	3,594,883	12,901,499	16,496,382
2014	4,455,000	3,549,456	12,732,947	16,282,403
2015	4,680,000	3,501,704	12,555,794	16,057,498
2016 - 2020	27,225,000	16,702,961	59,789,792	76,492,753
2021 - 2025	58,845,000	14,839,931	52,946,476	67,786,407
2026 - 2030	117,135,000	9,952,922	35,605,001	45,557,923
2031 - 2035	111,085,000	3,378,993	12,134,128	15,513,121
2036 - 2037	18,310,000	148,143	456,188	604,331
	$ 350,000,000	$ 62,966,232	$ 225,323,602	$ 288,289,834

Basis Swaps - Investment Derivative Instruments

The Authority has also entered into two basis swaps that are associated with the $100 million interest rate swap with a trade date of October 11, 2005. These basis swaps are considered investment derivative instruments. The general terms of these basis swaps 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, 2010	Fair Value at December 31, 2009
$ 100,000,000	April 23, 2007	July 1, 2008	January 1, 2033	75% One Month LIBOR	75% ISDA Ten Year Swap Rate	See Note A	
100,000,000	February 14, 2008	July 1, 2008	July 2, 2012	75% ISDA Ten Year Swap Rate	75% One Month LIBOR	See Note A	
				Net Fair Value of Basis Swaps		$ 3,208,880	$ 1,735,476

Note A - The fair value of the basis swaps is presented as a net value due to the nature of these agreements.

The basis swap with a trade date of February 14, 2008 resulted in an upfront payment of $3,540,000 to the Authority. The fair value of the basis swaps is classified as a noncurrent asset on the balance sheet. Changes in the fair value of the basis swaps are classified as nonoperating revenues (investment income) on the statement of revenues, expenses, and changes in net assets.

Interest Rate Risk **-** Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Authority's financial instruments or cash flows. The fair value of the basis swaps are expected to fluctuate over the term of the agreements. The Authority does not have a policy related to interest rate risk on these basis swap agreements.

Credit Risk **-** Credit risk is the risk that the counterparty to an investment derivative will not fulfill its obligations. Should the counterparties to these transactions fail to perform according to the terms of the basis swap agreements, the Authority has a maximum possible loss equivalent to the fair value at that date.

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, 2010 and 2009 follow:

	2010	2009
Capital assets	$ 352,111,077	$ 352,111,077
Accumulated depreciation	(144,540,008)	(134,090,451)
	$ 207,571,069	$ 218,020,626

The present value of future minimum capital lease payments at December 31, 2010 follows:

2011	$ 27,991,961
2012	28,118,454
2013	28,169,993
2014	28,233,010
2015	28,308,327
2016 - 2018	61,030,355
Total minimum lease payments	201,852,100
Amounts representing interest	(32,717,520)
Present value of future minimum capital lease payments	$ 169,134,580

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:

2011	$ 21,524,609
2012	21,553,598
2013	21,558,152
2014	21,583,474
2015	21,612,275
2016 - 2018	65,042,439
	$ 172,874,547

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:

2011	$ 14,216,930
2012	14,220,160
2013	14,215,120
2014	14,219,913
2015	14,219,750
2016	14,211,750
	$ 85,303,623

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 in special facility revenue bonds of which $172,046,477 remains outstanding at December 31, 2010. 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, 2010 and 2009, the Authority incurred approximately $8.1 million and $9.2 million of costs for the IMC, respectively. 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 for both 2010 and 2009. Also, as of December 31, 2010 and 2009, the Authority has accrued approximately $2,400,000 and $1,500,000, 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, 2010, the Authority has provided \$6.6 million in grants and \$6.2 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 the 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 \$175,000 and \$1.4 million in insurance recoveries as nonoperating revenue in 2010 and 2009, respectively, 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 from zero up to eight and one half percent of eligible compensation. Contributions to the plan were $0 for 2010 and $1,177,820 for 2009.

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, 2010 are as follows:

2011	$ 61,765,791
2012	30,115,926
2013	29,341,441
2014	28,502,856
2015	28,921,487
Thereafter	143,447,564
	$ 322,095,065

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.

Contingent rentals and fees aggregated approximately $41,000,000 in 2010 and $39,800,000 in 2009, 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, 2010, 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 35 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, of which 115 have been acquired by the Authority. 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, 2010, 316 homes have been sound insulated under this program. 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, 2010, 118 homeowners have expressed an interest and successfully completed their participation in the Purchase Assurance 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, of which 331 requests have been completed. 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).

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). With the exception of one small parcel of land, all remaining parcels have been acquired for the future development of a third parallel runway. As of December 31, 2010, the Authority has expended approximately $13.4 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, 2010, 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 $22.6 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 $2.0 million has been incurred through December 31, 2010.

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, 2010 and 2009 was $1,764,000 and $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, 2010, the Authority had outstanding commitments for certain airport improvements aggregating approximately $3.8 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, 2010, there were eight (8) separate claims in litigation for alleged personal injury or property damage pending against the Authority. Seven of the claims are fully insured, and are being defended by the Authority's insurer.

In addition, as of December 31, 2010, there were several minor construction claims that may proceed to mediation. Under the Authority's construction contracts, the parties are required to attempt formal mediation before filing lawsuits. As a general rule, construction claims and litigation arising against the Airport are resolved in a manner that will not affect the use and operation of the Airport or have a material adverse effect on the Authority's financial position.

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 amounts accrued at December 31, 2010 and 2009 were \$0.3 million and \$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*.

Supplementary Information

Indianapolis Airport Authority
Schedule of Governmental Awards
Year Ended December 31, 2010

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	3-18-0038-101		$ 6,932,242
	20.106	3-18-0038-103		400,000
	20.106	3-18-0038-104		1,543,618
	20.106	3-18-0038-106		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
	20.106	3-18-0038-113		6,322,988
	20.106	3-18-0038-114		348,053
	20.106	3-18-0038-115		400,000
	20.106	3-18-0038-116		1,677,012
	20.106	3-18-0038-117		1,034,172
Indianapolis Regional Airport	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
	20.106	3-18-0118-08		274,832
	20.106	3-18-0118-09		175,168
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		-
State of Indiana - Department of Transportation,				
Aeronautics Section				
Indianapolis Regional Airport			437008	52,282
			437010	3,466
			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
			0811808	3,616
			0811809	2,305
Habitat Conservation Plan				520,290

Grant Reimbursements Receivable at Beginning of Year	Receipts/ Credits	Disbursements/ Expenditures	Grant Reimbursements Receivable at End of Year
$ 767,544	$ 1,058,634	$ 291,090	$ -
-	-	-	-
-	-	-	-
470,847	92,612	-	378,235
-	-	-	-
1,174,757	1,174,757	-	-
-	-	-	-
726,172	285,883	2,234	442,523
2,858,833	1,955,560	457,541	1,360,814
-	3,728,613	6,322,988	2,594,375
-	-	279,601	279,601
-	-	12,482	12,482
-	-	1,677,012	1,677,012
-	-	356,185	356,185
-	-	-	-
2,150,257	3,029,772	953,269	73,754
500,504	54,905	114,628	560,227
205,941	202,219	15,690	19,412
-	-	-	-
165,000	165,000	-	-
-	-	-	-
-	-	273,329	273,329
-	-	179,700	179,700
65,180	150,500	171,763	86,443
215,870	868,799	824,043	171,114
-	-	-	-
-	-	-	-
-	3,466	3,466	-
14,209	-	3,026	17,235
606	-	-	606
12,445	12,445	-	-
3,690	-	-	3,690
5,420	-	413	5,833
624	1,377	753	-
4,342	-	-	4,342
12,531	-	-	12,531
-	-	3,596	3,596
-	-	2,287	2,287
-	77,080	77,080	-
$ 9,354,772	$ 12,861,622	$ 12,022,176	$ 8,515,326

Indianapolis Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

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	3-18-0038-101	$ 291,090
	20.106	3-18-0038-110	2,234
	20.106	3-18-0038-112	457,541
	20.106	3-18-0038-113	6,322,988
	20.106	3-18-0038-114	279,601
	20.106	3-18-0038-115	12,482
	20.106	3-18-0038-116	1,677,012
	20.106	3-18-0038-117	356,185
Indianapolis Regional Airport	ARRA - 20.106*	3-18-0037-11	953,269
	20.106	3-18-0037-12	114,628
Indianapolis Metropolitan Airport	20.106	3-18-0040-17	15,690
Indianapolis Downtown Heliport	20.106	3-18-0118-08	273,329
	20.106	3-18-0118-09	179,700
Subtotal - AIP			10,935,749
U.S. Department of Homeland Security			
FAA Explosives Detection Canine Team Program	97.072	HSTS0208HCAN425	171,763
Law Enforcement Officer Reimbursement Agreement Program	97.090	HST30208HSLR112	824,043
Grand Total			$ 11,931,555

* - 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, 2010

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, 2010

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - December 31, 2009	Quarter Ended March 31, 2010	Quarter Ended June 30, 2010	Quarter Ended September 30, 2010	Quarter Ended December 31, 2010	Year Ended December 31, 2010	Cumulative Total - December 31, 2010
Passenger facility charge revenues received			$ 215,702,857	$ 3,745,991	$ 3,942,507	$ 4,001,694	$ 3,801,107	$ 15,491,299	$ 231,194,156
Interest earned			5,054,543	402	2,120	(33,343)	(22,876)	(53,697)	5,000,846
Total passenger facility charge revenue received			$ 220,757,400	$ 3,746,393	$ 3,944,627	$ 3,968,351	$ 3,778,231	$ 15,437,602	$ 236,195,002
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	125,933,297	-	-	6,623,093	14,890,356	21,513,449	147,446,746
Total passenger facility charge revenue expended		$ 524,907,606	$ 206,759,196	$ -	$ -	$ 6,623,093	$ 14,890,356	$ 21,513,449	$ 228,272,645

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.

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

To the 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, 2010, and have issued our report thereon dated April 5, 2011, which contained an explanatory paragraph regarding a change in accounting principles. 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 5, 2011.

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

BKD, LLP

April 5, 2011

BKD LLP
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Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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, 2010. 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, 2011.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 governing body, 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

April 5, 2011

BKD LLP
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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, 2010. 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, 2010.

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

April 5, 2011

Indianapolis Airport Authority

Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

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)? ☐ Yes ☒ No

   Material weakness(es)? ☐ 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 disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ No

   Material weakness(es)? ☐ 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

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $357,947.

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, 2010

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, 2010

Reference Number	Summary of Finding	Status
	No matters are reportable.	

Indianapolis Airport Authority
Passenger Facility Charge Audit Summary
Year Ended December 31, 2010

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