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STATE OF INDIANA

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May 21, 2013

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

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2012 to December 31, 2012. 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, 2012 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

Auditor’s Report and Financial Statements

December 31, 2012 and 2011

Indianapolis Airport Authority

December 31, 2012 and 2011

Contents

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Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Indianapolis Airport Authority (Authority), which are comprised of the balance sheets as of December 31, 2012 and 2011, and the statements of revenues, expenses and changes in net position and statements of cash flows for the years ended December 31, 2012 and 2011, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information, including the expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

BKD, LLP

Indianapolis, Indiana
April 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012
(Unaudited)

The following discussion and analysis of the financial performance and activity of the Indianapolis Airport Authority (Authority) is to provide an introduction and overview that users need to interpret the financial statements of the Authority for the years ended December 31, 2012 and 2011. 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. As of December 31, 2012, seven passenger carriers and two cargo carriers represent the Signatory Airlines.

The Authority and the Signatory Airlines negotiated a new Airline Agreement in 2010. 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

	2012	2011	Variance
Enplaned passengers [1]	3,687,742	3,770,469	-2.2%
Landed weight (1,000 lb. units)			
Passenger airlines	4,433,783	4,436,440	-0.1%
Cargo airlines	4,962,628	4,841,780	2.5%
Total landed weights	9,396,411	9,278,220	1.3%
Aircraft operations	158,200	159,697	-0.9%

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

Airport Operations Activity

- In 2012, the number of enplaned passengers was 2.2% lower than 2011. The decrease from 2011 is primarily attributed to rising fare prices driven by continuing high fuel prices, reduced competition through airline mergers, and increased demand caused by airline capacity cutbacks.
- Passenger airlines accounted for approximately 47% of total landed weight at the Airport in 2012, 48% in prior year; cargo airlines accounted for the other 53% during 2012 and 52% in 2011. Passenger airline landed weight decreased by 0.1% in 2012 from prior year; cargo airline landed weight increased 2.5% from prior year.
- Aircraft operations represent landings and takeoffs for air carrier, air taxi and commuter, general aviation and military operations. This activity decreased 0.9% over the prior year.

Authority Financial Highlights

- The Authority experienced a decrease in total assets of approximately $80.3 million during 2012. This decrease can be attributed to a number of changes in the balance sheet including the normal decrease in capital assets due to depreciation and the decrease in restricted cash and cash equivalents and an increase in unrestricted cash and cash equivalents.
- Total liabilities decreased $90.1 million in 2012. This change is primarily attributable to a decrease in bonds payable and other debt payable from restricted assets.
- The 2012 increase in net position was $7.5 million compared to a decrease of $27.2 million for 2011. 2012 resulted in a loss from operations of $17.8 million, which is a $13.5 million decrease in the loss from operations in 2011 of $31.3 million. Net nonoperating revenues (expenses) reflected a decrease in net expenses of $2.5 million, primarily driven by the early payoff of the 2003 revenue bonds and resulting lower interest expense. Capital contributions, grants and charges increased by $18.6 million, primarily due to an increase in contributions from lessees of $24.5 million, and a decrease in federal and state grants of $5.9 million from 2011.

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 Position 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 position of the Authority is comprised of these categories:

- *Net investment in capital assets* **-** 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* **-** represent resources that are subject to external restrictions on how they may be used.
- *Unrestricted* **-** 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 position of the Authority represents the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net position at December 31, 2012, 2011 and 2010 follows:

	2012	2011	2010
	(Table Amounts in Thousands)		
Current assets - unrestricted	$ 30,562	$ 32,238	$ 61,369
Current assets - restricted	51,009	67,476	61,744
Noncurrent assets			
Capital assets, net	2,077,729	2,122,516	2,208,994
Other noncurrent assets	218,301	235,711	177,070
Total assets	2,377,601	2,457,941	2,509,177
Deferred outflows of resources	31,855	34,108	-
Total assets and deferred outflows of resources	$ 2,409,456	$ 2,492,049	$ 2,509,177
Current liabilities - payable from unrestricted	$ 8,130	$ 8,042	$ 10,217
Current liabilities - payable from restricted	78,986	77,688	72,412
Noncurrent liabilities	-	-	443
Noncurrent liabilities - payable from restricted	1,260,675	1,352,169	1,343,608
Total liabilities	1,347,791	1,437,899	1,426,680
Deferred inflows of resources	-	-	1,168
Net position			
Net investment in capital assets	894,335	869,618	915,229
Restricted	97,267	122,822	102,197
Unrestricted	70,063	61,710	63,903
Total net position	1,061,665	1,054,150	1,081,329
Total liabilities, deferred inflows of resources and net position	$ 2,409,456	$ 2,492,049	$ 2,509,177

2012 to 2011 Comparative Balance Sheets

Unrestricted current assets decreased $1.6 million, which is attributable to moving $8.3 million in funds from cash to long-term investments (noncurrent assets), an increase in accounts receivable of $1.5 million, and an increase of $5.1 million in grants receivable.

The decrease in restricted current assets of $16.5 million primarily reflects a decrease in restricted cash and cash equivalents of $15.5 million that, in part, paid down existing principal on debt.

Total noncurrent assets decreased by $62.2 million. This change is primarily attributable to a $51.0 million decrease in depreciable capital assets, a $49.1 million decrease in restricted cash and cash equivalents, a $10.6 million increase in unrestricted investments, and a $22.1 million increase in restricted investments.

Total current liabilities increased by $1.4 million. The current portion of debt and accrued interest on debt decreased by $2.6 million, and accounts payable from restricted assets increased $3.5 million. Total noncurrent liabilities decreased $91.5 million, attributable to a decrease in the value of the interest rate swap agreements of $2.3 million and a decrease in bonds payable and other debt in the amount of $89.2 million.

2011 to 2010 Comparative Balance Sheets

Unrestricted current assets decreased $29.1 million, which is primarily attributable to moving funds from cash to long-term investments (noncurrent assets).

The increase in restricted current assets of $5.7 million primarily reflects an increase in restricted cash and cash equivalents of $4.6 million to cover debt service payments.

Total noncurrent assets decreased by $27.8 million. This change is primarily attributable to an $89.5 million decrease in depreciable capital assets, a $24.7 million increase in unrestricted investments, a $17.6 million increase due to hedging activities, a $9.3 million increase in restricted cash and cash equivalents, and a $9.4 million increase in restricted investments.

Total current liabilities increased by $3.1 million. The current portion of debt increased by $4.3 million, and accounts payable from unrestricted assets decreased $1.5 million. Total noncurrent liabilities payable from restricted assets increased $8.1 million, attributable to an increase in interest rate swap agreements of $52.9 million and a decrease in bonds payable and other debt in the amount of $44.3 million.

2012 to 2011 Comparative Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position 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 position is an indicator of whether the overall fiscal condition of the Authority has improved or worsened during the year. The change in net position for the years ended December 31, 2012 and 2011 was $7.5 million and $(27.2) million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for 2012 and 2011.

(Table Amounts in Thousands)

	2012	2011	$ Variance	% Variance
Total operating revenues	$ 138,259	$ 136,497	$ 1,762	1.3%
Total nonoperating revenues	54,166	57,334	(3,168)	-5.5%
Total revenues	192,425	193,831	(1,406)	-0.7%
Total operating expenses	156,022	167,813	(11,791)	-7.0%
Net nonoperating expenses	62,459	68,164	(5,705)	-8.4%
Total expenses	218,481	235,977	(17,496)	-7.4%
Loss Before Capital Contributions and Grants	(26,056)	(42,146)	16,090	38.2%
Capital Contributions and Grants	33,571	14,967	18,604	124.3%
Increase (Decrease) in Net Position	7,515	(27,179)	34,694	127.7%
Net Position, Beginning of Year	1,054,150	1,081,329	(27,179)	-2.5%
Net Position, End of Year	$ 1,061,665	$ 1,054,150	$ 7,515	0.7%

Operating revenue in 2012 increased $1.8 million, or 1.3% from prior year. This represents increases in activity-based revenues consisting primarily of terminal complex revenues, along with applicable rental rate adjustments, increased rented buildings and other revenues, and increased revenues from reliever airports. This is offset by a decrease in airfield and parking revenues, and lower operating expense reimbursements related to the Indianapolis Maintenance Center.

Airfield revenue in 2012 of $21.1 million decreased from prior year by $1.1 million or 4.9%. Total landed weights increased a net 1.3% from prior year as passenger carriers decreased 0.1% and cargo carriers increased 2.5%. The 2012 Signatory landing fee rate decreased 2.6% to $1.90 from $1.95 in 2011. The 2012 Non-Signatory landing fee rate decreased to $2.85, as compared to the 2011 rate of $2.93. Apron rental revenue was lower than prior year by $0.9 million, or 24.3%, as the 2012 rental rate was $0.57 per square foot as compared to $1.86 in 2011.

Terminal complex revenues of $50.3 million were essentially flat with prior year with a slight increase of 0.1%. Airline terminal rental rates decreased in 2012 to $92.80 per square foot compared to the prior year rate of $95.00 per square foot. Concessionaire revenues were greater than prior year by $0.4 million offsetting the decrease in airline terminal rental. This was primarily related to an increase in advertising/promotional revenue with additional displays and a new sponsorship deal with a beverage company.

Parking revenues decreased from prior year by $0.3 million or 0.8%, resulting in $38.4 million in 2012 parking revenue. Year-to-date enplaned passengers were below prior year by 2.2% contributing to the decrease, offset significantly by a higher yield per passenger attributed to an increase in the average duration of stay and use of higher priced offerings.

Rented buildings and other revenues increased by $3.2 million or 23.6% attributable to various new and renegotiated lease agreements including the new solar farm agreement of $0.8 million. 2012 also includes a full year of special facility rental revenues received following substantial completion of the Phase 4 cargo apron expansion in November 2011, and Super Bowl promotional related revenues totaling $0.4 million.

Revenues from Indianapolis Maintenance Center (IMC) decreased by $0.4 million or 4.6%. 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. Fewer hanger bay activation days in one hanger bay caused the decrease from prior year.

Reliever airports revenues increased by $0.4 million or 14.0% attributable to increased fuel sales and higher farm revenues.

Passenger facility charges (PFC) income decreased $0.8 million. This decrease is due to lower passenger numbers and ticket sales as PFC revenues are earned when tickets are sold, and an increase in military charter activity which are not subject to the PFC.

Investment income decreased $2.1 million. This was attributable to the year-end GASB 53 adjustment of the basis swap market valuation, as well as interest received and discounts on purchased investments were lower.

Operating expenses for the years ended December 31, 2012 and 2011 totaled $156.0 million and $167.8 million, respectively. The following analysis explores material operating expense change by both operating expense classes and operating expenses business area.

Operating expenses before depreciation decreased $0.9 million and totaled $60.7 million. Total *personal services* expense increased 4.4% or $1.2 million to $29.2 million primarily due to one-time cost associated with the 2012 Super Bowl and normal merit increases and market rate adjustments. Total *contractual services* expense decreased 8.2% or $1.4 million to $16.0 most directly by the $1.4 million reduction of expected future GASB 49 environmental remediation expenses. Total *utilities* expense decreased by $0.8 million and was offset by an increase in *supplies* and *materials* expense of $0.1 million and $0.5 million, respectively. Total *general* expense decreased by $0.5 million to $1.8 million reflecting lower insurance and bad debt costs.

Terminal complex expenses (before depreciation) increased $0.4 million, or 3.4% from the prior year. Variance primarily relates to an increase in personal services related to merit increases and market rate adjustments from prior year. Current year expenditures also included plumbing repairs, terminal roof cleaning, and fall protection installation for the concourses not incurred in 2011.

Rented buildings and other expenses (before depreciation) decreased $1.1 million, or 129.8% from prior year. This primarily represents a current year accrual reduction of $1.4 million for anticipated GASB 49 environmental remediation expenses as several projects closed requiring no further action. This is offset by various repairs for outlying properties including water line repairs and replacement of parking lot fixtures.

Indianapolis Maintenance Center (IMC) expenses (before depreciation) decreased $0.3 million, or 3.7%, primarily due to lower utilities. Electricity volumes were lower than prior year at the Central Energy Plant as a result of shutting down air handlers and the deactivation of two hangars. Natural gas was also lower than prior year as a result of lower rates and usage due to the overall unseasonably mild weather in 2012.

Reliever airports expenses (before depreciation) increased $0.2 million, or 15.1% from prior year. Variance attributable to increased fuel rates and greater demand of Av-Gas at Hendricks County Reliever and Jet Fuel at the Heliport (offset by greater fuel flowage revenue increases).

Administration costs (before depreciation) decreased $0.2 million, or 1.7% from prior year. 2011 professional fees included various initiatives not incurred in the current year including customer service training in preparation of the 2012 Super Bowl, and fees associated with a safety management system project. Current year bad debt expense was also lower than prior year as a result of payments received that were previously accrued as bad debt. These savings were offset by an increase in personal services related to merit increases, and 2012 Super Bowl related expenses totaling $0.7 million.

Depreciation expense decreased $10.9 million, or 10.3%, primarily attributable to assets fully depreciated in 2011 including a loading dock structure and Midfield information technology equipment that had a three year life.

Interest expense decreased $3.1 million over the prior year, which is primarily attributable to savings related to the payoff of the 2003 bonds, and lower interest expense on the 2010C bonds.

Gain on disposals of capital assets and other increased $2.6 million over the prior year. Prior year included an asset impairment loss related to the garage canopy collapse of $1.3 million.. Current year includes lease settlement proceeds of $1.8 million and insurance claim reimbursements of $2.1 million related to the 2011 parking garage canopy collapse event and the 2010 Comlux fire.

Capital contribution and grants of $33.6 million increased $18.6 million compared to prior year. This is associated with contributions from lessees higher than prior year for leased property tenant improvements including Building #53 for $15.0 million and the Comlux Hangar for $10.0 million. This increase was offset by lower federal and state grant revenues due to timing of completion of projects and related funding received.

2011 to 2010 Comparative Statements of Revenues, Expenses and Changes in Net Position

The change in net position for the years ended December 31, 2011 and 2010 was $(27.9) million and $122.1 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for 2011 and 2010.

	2011	2010	$ Variance	% Variance
	(Table Amounts in Thousands)			
Total operating revenues	$ 136,497	$ 137,090	$ (593)	-0.4%
Total nonoperating revenues	57,334	55,009	2,325	4.2%
Total revenues	193,831	192,099	1,732	0.9%
Total operating expenses	167,813	161,835	5,978	3.7%
Net nonoperating expenses	68,164	65,430	2,734	4.2%
Total expenses	235,977	227,265	8,712	3.8%
Loss Before Capital Contributions and Grants	(42,146)	(35,166)	(6,980)	(0)
Capital Contributions and Grants	14,967	157,285	(142,318)	-90.5%
Increase (Decrease) in Net Position	(27,179)	122,119	(149,298)	-122.3%
Net Position, Beginning of Year	1,081,329	959,210	122,119	12.7%
Net Position, End of Year	$ 1,054,150	$ 1,081,329	$ (27,179)	-2.5%

Operating revenue in 2011 decreased $0.6 million, or 0.4% from prior year. This represents decreases in activity-based revenues consisting primarily of terminal complex revenues, along with applicable rental rate adjustments, increased parking revenues and rented buildings and other, higher operating expense reimbursements related to the IMC, along with increased revenues from reliever airports.

Airfield revenue in 2011 of $22.2 million decreased from prior year by $1.2 million or 5.1%. Total landed weights increased a net 1.0% from prior year as passenger carriers decreased 0.3% and cargo carriers increased 2.2%. The 2011 Signatory landing fee rate of $1.95 was maintained from prior year. The 2011 Non-Signatory landing fee rate decreased to $2.93, as compared to the 2010 rate of $2.96. Apron rental revenue was lower than prior year by $1.2 million, or 24.8%, as the 2011 rental rate was $1.86 per square foot as compared to $2.62 in 2010.

Terminal complex revenues were below prior year by $0.9 million, or 1.8%. Airline terminal rental rates were maintained at the prior year rate of $95.00 per square foot, however, rental revenues decreased $1.7 million, or 5.7% from prior year due to various changes in leased space and most significantly with Delta who significantly reduced space from the merger with Northwest. Other space rental increased $0.5 million, primarily attributable to a full year of revenues from the Delta Skyclub that opened in November 2010. Automobile rental commissions were also greater than prior year by $0.5 million, attributable to increased car rental usage from business travelers than in the prior year.

Parking revenues increased from prior year by $0.5 million or 1.3%, resulting in $38.8 million in 2011 parking revenue. The increase is primarily reflective of higher valet parking revenues than in the prior year.

Rented buildings and other revenues increased by $0.5 million or 3.6% attributable to rental of vacant hangar and freight building space in 2011, and special facility rental revenues received following substantial completion of the Phase 4 cargo apron expansion in November 2011.

Revenues from Indianapolis Maintenance Center (IMC) increased by $0.4 million or 4.5%. 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.

Reliever airports revenues increased by $0.2 million or 7.1% attributable to increased fuel sales and higher hangar occupancies.

Customer facility charges (rental cars) income increased $0.7 million. This was due to the full year impact of the rate increase implemented in May 2010, as well as a greater number of transactions.

Investment income increased $1.6 million. This was primarily attributable to more funds being invested throughout the year.

Operating expenses for the years ended December 31, 2011 and 2010 totaled $167.8 million and $161.8 million, respectively. The following analysis explores material operating expense change by both operating expense classes and operating expenses business area.

Operating expenses before depreciation increased $2.3 million and totaled $61.5 million. Total personal services expense increased 2.1% or $0.6 million to $28.0 million primarily due to normal merit increases and market rate adjustments and reinstatement of company retirement contributions in 2011. Total contractual services expense increased 4.8% or $0.8 million to $17.5 million reflecting greater professional fees for Information Technology (IT) for coverage of open positions, customer service training and for a safety management system project. Additionally, software/hardware maintenance also increased in 2011 as warranties associated with the new terminal expired. Total utilities expense increased by $0.4 million or 4.6% related to higher electricity usage for the activation of an additional hangar at the IMC. Total supplies expense of $3.6 million increased $0.4 million or 14.3% attributable to higher fuel costs and snow/ice chemical costs. Total material expense of $1.4 million was flat with prior year. Total general expense of $2.3 million increased by $0.1 million or 4% reflecting the rental of two temporary towers for the Super Bowl 2012.

Terminal complex expenses decreased $0.5 million, or 1.4% from the prior year. Decrease primarily relates to lower fees for the baggage conveyor maintenance due to renegotiation of the contract.

Parking expenses decreased $0.5 million, or 4.1% from prior year. A significant portion of this decrease relates to a reduction in part-time parking chauffeur hours worked related to the employee lot that closed in 2011, and lower shuttle bus repairs than in the prior year.

Rented buildings and other expenses increased $5.2 million, or 39.9% from prior year. This primarily represents an increase in depreciation expense related to the full year impact for the Federal Express sort facility and depreciation for new assets capitalized in 2011 (belly cargo, cargo apron expansion and land use study).

Reliever airports expenses increased $0.5 million, or 12.5% from prior year. Increase attributable to greater fuel costs, snow/ice chemical costs and an increase in depreciation expense related to the full year impact for taxiway A at Indianapolis Regional.

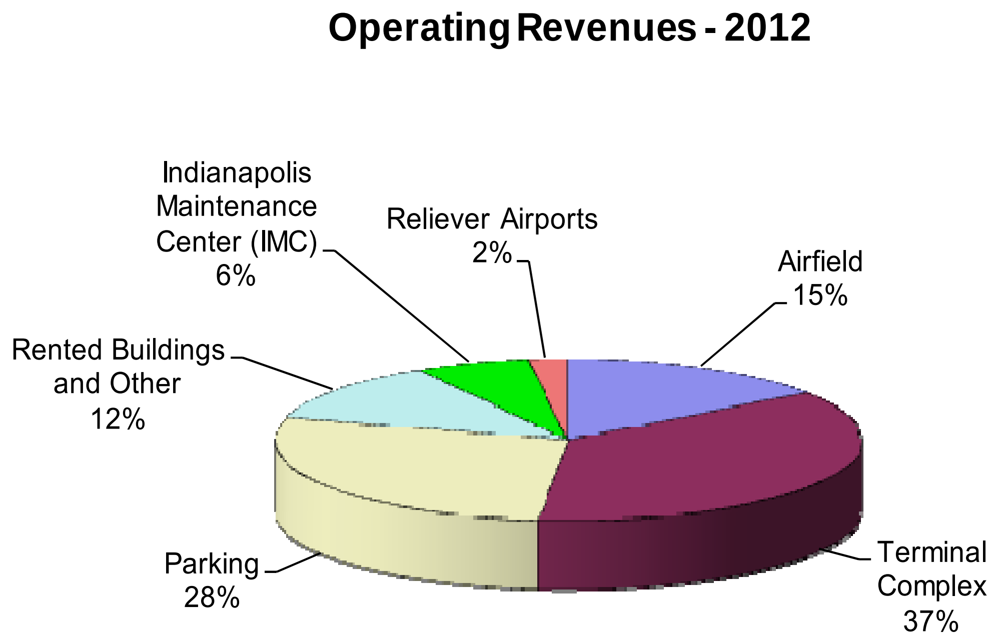
Administration costs increased $1.0 million, or 4.4% from prior year. The variance includes greater professional fees than prior year for Information Technology (IT) for coverage of open positions, customer service training and for a safety management system project. Software/hardware maintenance also increased in 2011 as warranties associated with the new terminal expired. Current year also includes the installation of two temporary towers in preparation for Super Bowl 2012. These increases are offset by a decrease in depreciation expense as various items of IT equipment for the new terminal became fully depreciated.

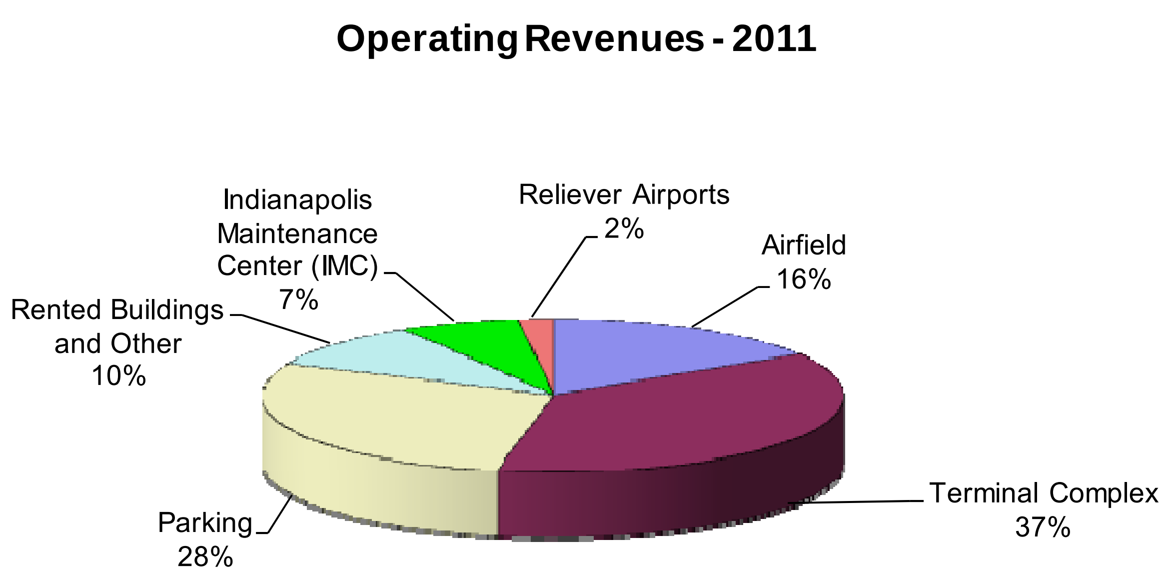
Interest expense decreased $0.8 million over the prior year, which is primarily attributable to savings related to the refunding of the 2008 bonds, a partial refunding of the 2006 bonds, and lower interest expense on the 2010C bonds.

Gain on disposals of capital assets and other decreased $3.6 million over the prior year. Prior year included a $4.2 million gain on the early redemption of 2006A bonds representing a majority of the variance. Current year activity includes insurance claim reimbursements related to the parking garage canopy collapse event that occurred in February 2011 of $1.5 million, and $1.2 million for the Comlux fire that occurred in November 2010. This is offset by an asset impairment loss related to the garage canopy collapse of $1.3 million and a loss on the sale of property of $0.3 million.

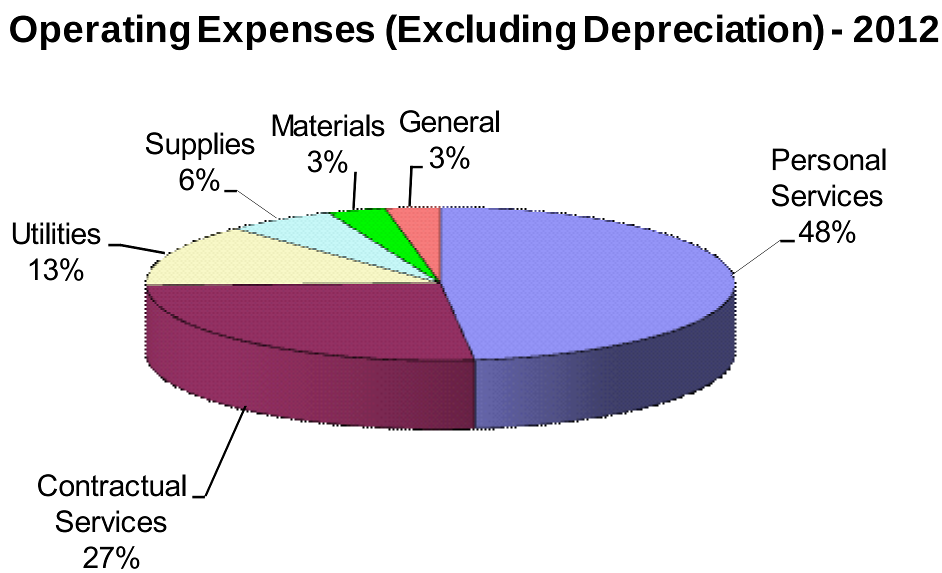
Capital contribution and grants of $15.0 million decreased $142.3 million compared to prior year. This is associated with contributions from lessees lower than prior year for leased property tenant improvements; primarily the $137.0 million FedEx Phase 3 cargo apron expansion.

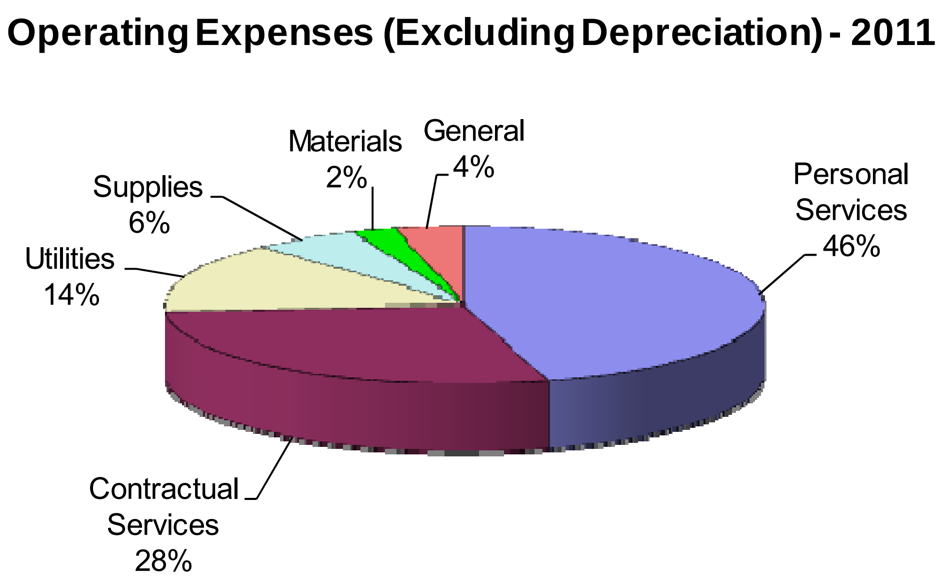
The following is a graphic illustration of operating revenues by source for the years ended December 31, 2012 and 2011:





The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2012 and 2011 (excluding depreciation):





Capital Asset and Debt Administration

Capital Assets

During 2012, the Authority expended approximately $ 17.6 million on capital activities. This included $1.6 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, Cargo Apron Construction - PH IV, Parking Garage Lighting Improvements and various other projects.

During 2012, completed projects totaling $ 15.2 million were closed from construction-in-progress to their respective capital asset accounts.

Purchase of airplane hangar	$4.5 million
Garage atrium canopy replacement	$1.8 million
Major refurbishment of airport roads	$1.2 million
Rehabilitation runway - Eagle Creek	$0.8 million

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

Long-Term Debt

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

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 and 2009.

As of December 31, 2012, the Authority had $ 1.08 billion in outstanding senior lien bonds and no outstanding subordinate securities. The Authority, through its Master Bond Ordinance, has a covenant 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 2012 and 2011, respectively, the Authority's debt service coverage was 1.68 and 1.64 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

Indianapolis International Airport (IND) experienced a 2.2% decrease in the number of passenger enplanements over last year, resulting in total 2012 enplanements of 3,687,742. The first half of 2012 experienced an economic upswing, which also reflected in positive growth of passenger performance. The second half of 2012 saw a drop in the economy as consumer confidence declined amidst the bankruptcy/bailout challenges of other countries and fuel prices remained at higher levels. Although the airline industry scaled back its capacity cutbacks system-wide, it did not slow down its increases in airfares and fees. IND's passenger airlines had kept capacity at similar year-over-year levels during the first half of 2012, but began cutting back significantly in the second half of 2012 in response to the slowing economy. In response to continued higher fuel costs, the passenger airlines at IND replaced smaller aircraft and frequencies with larger equipment to help with economies-of-scale. Passenger airline capacity at IND was down 3.7% in 2012, but the switch to larger aircraft resulted in passenger landed weights only going down 0.1%.

IND is served by most major and several national airlines operating to the majority of domestic hubs. In addition, point-to-point service is provided to major business and leisure destinations primarily in the Eastern and Central U.S. and limited coverage on the West coast. The Authority remains significantly an Origination and Destination (O&D) airport, with approximately 94.5% 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.

In addition to passenger activity, the Authority continues to benefit from the sustained activity of cargo operations, which are significantly dominated by FedEx. IND's position as one of FedEx's main hubs has helped the airport maintain cargo passenger landed weight levels despite the challenged economy. Cargo landed weight levels were up 2.5% from last year despite enplaned cargo levels from IND being down 4.2% in 2011.

Future increases in passenger and cargo traffic at the Authority 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 the airport
- Airline consolidation and alliances
- Capacity of national air traffic control and airport systems

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 2013 is based on those trends seen during late 2012 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 2013 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 Senior Finance Director, 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, 2012 and 2011

	2012	2011
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	$ 12,201,701	$ 20,529,827
Accounts receivable, net of allowance of $22,000 and $461,000, respectively	5,837,268	4,318,369
Unbilled revenues	3,037,465	2,870,759
Grants receivable	6,238,553	1,296,296
Supplies and materials inventories	1,458,777	1,497,798
Other	1,787,949	1,725,272
Total unrestricted current assets	30,561,713	32,238,321
Restricted Assets		
Cash and cash equivalents	42,535,910	58,175,398
Cash and cash equivalents - customer deposits	768,588	622,899
Receivable - passenger facility charges	1,249,335	1,580,621
Receivable - governments and other	3,815,144	3,714,458
Receivable - reimbursable IMC expenses	2,639,744	3,382,476
Total restricted current assets	51,008,721	67,475,852
Total current assets	81,570,434	99,714,173
Noncurrent Assets		
Cash and cash equivalents, restricted	101,806,496	150,883,444
Investment securities, unrestricted	44,901,196	34,252,669
Investment securities, restricted	35,957,860	13,878,737
Investment derivatives - basis swap agreements	3,401,541	2,208,673
Rent receivable	2,333,941	2,584,100
Unamortized lease costs	396,450	676,298
Bond issue and loan administration costs, net	10,211,868	11,917,622
Derivative instruments - forward delivery purchase agreements	19,291,592	19,309,434
Nondepreciable capital assets	305,091,143	298,917,813
Depreciable capital assets, net	1,772,637,924	1,823,596,868
Total noncurrent assets	2,296,030,011	2,358,225,658
Total assets	2,377,600,445	2,457,939,831
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	31,855,361	34,107,943
Total assets and deferred outflows of resources	$ 2,409,455,806	$ 2,492,047,774

	2012	2011
Liabilities and Net Position		
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	$ 3,153,336	$ 2,562,856
Accrued and withheld items (including compensated absences)	4,976,651	5,478,760
Total current liabilities payable from unrestricted assets	8,129,987	8,041,616
Payable From Restricted Assets		
Accounts payable	10,659,145	7,021,956
Customer deposits payable	768,588	622,899
Current portion of debt	47,428,390	46,877,244
Accrued interest on debt	20,129,589	23,165,766
Total current liabilities payable from restricted assets	78,985,712	77,687,865
Total current liabilities	87,115,699	85,729,481
Noncurrent Liabilities		
Derivative instruments - interest rate swap agreements	98,790,701	101,061,125
Bonds payable and other debt, payable from restricted assets	1,161,884,232	1,251,107,436
Total noncurrent liabilities	1,260,674,933	1,352,168,561
Total liabilities	1,347,790,632	1,437,898,042
Net Position		
Net investment in capital assets	894,334,930	869,617,776
Restricted for		
Capital projects	39,525,149	50,257,256
Debt service	53,574,283	67,691,486
Other	4,167,499	4,873,442
Total restricted net position	97,266,931	122,822,184
Unrestricted	70,063,313	61,709,772
Total net position	1,061,665,174	1,054,149,732
Total liabilities and net position	$ 2,409,455,806	$ 2,492,047,774

Indianapolis Airport Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues		
Airfield	$ 21,102,019	$ 22,190,682
Terminal complex	50,312,025	50,256,888
Parking	38,435,341	38,764,432
Rented buildings and other	16,611,219	13,435,764
Indianapolis Maintenance Center (IMC)	8,779,056	9,199,848
Reliever airports	3,019,185	2,649,290
Total operating revenues	138,258,845	136,496,904
Operating Expenses		
Personal services	29,217,578	27,985,045
Contractual services	16,034,905	17,462,420
Utilities	7,977,155	8,775,912
Supplies	3,677,523	3,567,343
Materials	1,943,594	1,440,212
General	1,835,053	2,310,794
Total operating expenses	60,685,808	61,541,726
Income From Operations Before Depreciation	77,573,037	74,955,178
Depreciation expense	95,335,879	106,271,451
Loss From Operations	(17,762,842)	(31,316,273)
Nonoperating Revenues (Expenses)		
State and local appropriations	26,856,087	26,825,737
Federal operating grants	711,043	1,209,990
Passenger facility charges	14,605,931	15,417,615
Customer facility charges (rental cars)	6,315,656	6,064,795
Investment income	5,677,546	7,815,561
Interest expense, net of $22,648 and $67,264 interest capitalized in 2012 and 2011, respectively	(66,237,846)	(69,326,884)
Gain on disposals of capital assets and other	3,778,863	1,162,575
	(8,292,720)	(10,830,611)
Decrease in Net Position Before Capital Contributions and Grants	(26,055,562)	(42,146,884)
Capital Contributions and Grants		
Federal, state and local grants	5,550,581	11,457,436
Contributions from lessees and other	28,020,423	3,509,752
	33,571,004	14,967,188
Increase (Decrease) in Net Position	7,515,442	(27,179,696)
Net Position, Beginning of Year	1,054,149,732	1,081,329,428
Net Position, End of Year	$ 1,061,665,174	$ 1,054,149,732

Indianapolis Airport Authority

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Cash receipts from customers and users	$ 137,982,069	$ 134,248,247
Cash payments to vendors for goods and services	(29,613,945)	(35,079,766)
Cash payments for employees services	(29,961,834)	(27,724,592)
Net cash provided by operating activities	78,406,290	71,443,889
Cash Flows From Noncapital Financing Activities		
Operating grants received	998,113	1,095,945
Customer facility charges received	6,315,656	6,064,795
Insurance recoveries	3,973,130	2,723,751
Net cash provided by noncapital financing activities	11,286,899	9,884,491
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of revenue bonds	46,650,421	-
Principal paid on bonds and commercial paper	(115,130,000)	(21,850,000)
Bond issue and commercial paper costs paid	(666,455)	(45,322)
Interest paid	(60,152,873)	(60,030,380)
Proceeds from novation of derivative financial instrument - basis swap	-	3,500,000
Acquisition and construction of capital assets	(20,357,851)	(17,078,583)
Proceeds from sale of capital assets	178,079	204,079
Passenger facility charges received	14,937,217	15,463,162
Capital grants received	321,254	18,790,511
Net cash used in capital and related financing activities	(134,220,208)	(61,046,533)
Cash Flows From Investing Activities		
Purchase of investment securities	(121,837,424)	(130,596,281)
Proceeds from sales and maturities of investment securities	89,570,000	95,166,000
Interest received on investments and cash equivalents	3,895,570	5,263,827
Net cash used in investing activities	(28,371,854)	(30,166,454)
Net Decrease in Cash and Cash Equivalents	(72,898,873)	(9,884,607)
Cash and Cash Equivalents, Beginning of Year	230,211,568	240,096,175
Cash and Cash Equivalents, End of Year	$ 157,312,695	$ 230,211,568

Indianapolis Airport Authority
Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

	2012	2011
Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities		
Loss from operations	$ (17,762,842)	$ (31,316,273)
Item not requiring cash		
Depreciation of capital assets	95,335,879	106,271,451
Change in assets and liabilities		
Accounts receivable and unbilled revenues	(276,776)	(2,248,657)
Supplies and materials inventories	39,021	(49,636)
Other assets	217,171	(144,107)
Accounts payable	1,598,093	(1,329,342)
Accrued and withheld items	(744,256)	260,453
Net cash provided by operating activities	$ 78,406,290	$ 71,443,889
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	$ 6,256,912	$ 3,493,361
Capital assets contributed by lessees and other governments	28,020,423	3,509,752
State and local appropriations used to fund capital lease obligations	26,856,264	26,818,453

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 nine members, four 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 majority leader of the City-Council, and one each by the Hendricks, Hamilton and Hancock County Boards of Commissioners. Each member is appointed a four-year term. Also, the Board has one nonvoting, advisory board member from Morgan County.

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. 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.

During 2012, the Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This Statement has been applied retrospectively and had no impact on the Authority's net position, changes in net position or financial reporting disclosures

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 Position 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 position are available for use, it is the Authority’s policy to use restricted net position first, and then unrestricted net position 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 $14,605,931 and $15,417,615 for 2012 and 2011, 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 $6,315,656 and $6,064,795 for 2012 and 2011, 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 $2,255,163 and $2,465,934 at December 31, 2012 and 2011, respectively. The current receivable will be recognized in full in 2034.

Future Accounting Pronouncements

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, the objective of which is to improve financial reporting and clarify GASB Statement No. 14 by requiring a financial benefit or burden relationship be present in situations in which a government is considered a component unit based on meeting the fiscal dependency criterion. Further, GASB Statement No. 61 clarifies the manner in which governments are included as component units when the component unit does not meet the financial accountability criteria. The Authority will implement the provisions of GASB Statement No. 61 in fiscal year 2013.

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities – An Amendment of GASB Statements No. 14 and No. 34,* the objective of which is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources; or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The Authority will implement the provisions of GASB Statement No. 65 in fiscal year 2013.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net position.

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 Authority's cash deposits are insured up to $250,000 at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the $250,000 FDIC limits are partially or fully collateralized by the depository institution and insured by the Indiana Public Deposits Insurance Fund (Fund) via the pledged collateral from the institutions securing deposits of public funds. The 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, 2012 and 2011, the Authority had the following investment securities and maturities:

			December 31, 2012	
	Rating	Total	Less Than 1 Year	1 - 5 Years
U.S. Government-sponsored enterprise securities				
Federal National Mortgage Association	AAA/Aaa	$ 29,616,711	$ 27,616,711	$ 2,000,000
Federal Home Loan Mortgage Corporation	AAA/Aaa	1,000,000	-	1,000,000
Federal Farm Credit Bank	AAA/Aaa	3,000,000	-	3,000,000
Total U.S. Government-sponsored enterprise securities		33,616,711	27,616,711	6,000,000
Indiana municipal securities	AAA/Aaa	129,931	129,931	-
	AA+/Aa1	34,927,007	18,055,433	16,871,574
	AA/Aa2	5,063,821	4,445,136	618,685
	AA-/Aa3	6,252,662	3,719,741	2,532,921
	A+/A1	8,063,539	1,897,248	6,166,291
	A/A2	1,127,330	581,593	545,737
	A-/A3	561,913	230,231	331,682
	BBB	252,982	252,982	-
	Not Rated	22,645,134	13,604,664	9,040,470
Total Indiana municipal securities		79,024,319	42,916,959	36,107,360
Money market mutual funds	AAA/Aaa	2,599,082	2,599,082	-
External investment pools	Not Rated	15,630,267	15,630,267	-
		$ 130,870,379	$ 88,763,019	$ 42,107,360

	Rating	Total	December 31, 2011 Less Than 1 Year	1 - 2 Years
U.S. Government-sponsored enterprise securities				
Federal National Mortgage Association	AAA/Aaa	$ 27,553,309	$ 25,553,309	$ 2,000,000
Federal Home Loan Bank	AAA/Aaa	1,700,000	-	1,700,000
Federal Home Loan Mortgage Corporation	AAA/Aaa	2,000,000	1,000,000	1,000,000
Federal Farm Credit Bank	AAA/Aaa	5,000,000	1,000,000	4,000,000
Total U.S. Government-sponsored enterprise securities		36,253,309	27,553,309	8,700,000
Indiana municipal securities	AAA/Aaa	1,584,358	770,153	814,205
	AA+/Aa1	17,141,025	6,087,128	11,053,897
	AA/Aa2	5,784,918	1,493,590	4,291,328
	AA-/Aa3	7,926,400	4,529,466	3,396,934
	A+/A1	473,425	371,460	101,965
	A/A2	559,100	352,722	206,378
	A-/A3	463,288	130,531	332,757
	Not Rated	4,723,027	1,944,412	2,778,615
Total Indiana municipal securities		38,655,541	15,679,462	22,976,079
Money market mutual funds	AAA/Aaa	6,102,769	6,102,769	-
External investment pools	Not Rated	18,236,723	18,236,723	-
		$ 99,248,342	$ 67,572,263	$ 31,676,079

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 five 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 and external investment pools 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 Investors 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, 2012 and 2011, 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. 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:

	2012	2011
Federal National Mortgage Association	$ 29,616,711	$ 27,553,309
Federal Home Loan Bank	-	1,700,000
Federal Home Loan Mortgage Corporation	1,000,000	2,000,000
Federal Farm Credit Bank	3,000,000	5,000,000
	$ 33,616,711	$ 36,253,309

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:

	2012	2011
Cash and cash equivalents		
Current - unrestricted	$ 12,201,701	$ 20,529,827
Current - restricted	43,304,498	58,798,297
Noncurrent - restricted	101,806,496	150,883,444
Total cash and cash equivalents	157,312,695	230,211,568
Investment securities		
Noncurrent - unrestricted	44,901,196	34,252,669
Noncurrent - restricted	35,957,860	13,878,737
Total investment securities	80,859,056	48,131,406
	$ 238,171,751	$ 278,342,974

Investment Income

Investment income for the years ended December 31, 2012 and 2011 consisted of:

	2012	2011
Interest and dividend income	$ 5,677,546	$ 7,815,561

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

	2012	2011
Revenue Bond Interest and Principal Fund	$ 40,728,408	$ 56,370,398
Revenue Bond Reserve Fund	70,097,916	85,083,096
Operation and Maintenance Reserve Fund	11,481,168	12,005,118
Renewal and Replacement Fund	2,549,081	2,549,664
Capital Improvement Fund	29,896,513	38,504,133
Passenger Facility Charge Fund	8,379,301	10,172,502
Debt Service Coverage Fund	15,130,071	16,217,614
Escrow for owner controlled insurance program	1,807,502	1,805,000
Customer deposits	768,588	622,899
Air Service Task Force and other	230,306	230,054
	$ 181,068,854	$ 223,560,478

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 and Revenue Bond Reserve Funds 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 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. 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 has established a Customer Facility Charge Fund, which provides for a segregated account for receipt of CFC revenue. Such revenue is expended for reimbursement of capital and operating expenditures related to rental car operations on airport property, as well as to service debt associated with the financing of such capital projects. Balances in the CFC 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.

During 2011, the Authority established an escrow account in relation to its owner controlled insurance program (OCIP). These funds were set aside from the Authority's airport system fund and are held in lieu of maintaining a separate letter of credit for that insurance program.

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, 2012 and 2011 consist of:

	2012	2011
State of Indiana	$ 78,638	$ 97,152
Federal Aviation Administration	6,076,959	957,600
U.S. Department of Homeland Security	82,956	241,544
	$ 6,238,553	$ 1,296,296

The maximum amount of federal and state participation available for eligible continuing projects during 2012 totaled $21,893,785. At December 31, 2012, a cumulative total of $6,241,455 has been earned against these grant commitments.

Capital Assets

A summary of changes in capital assets for the years ended December 31, 2012 and 2011 is as follows:

	2012			
	Beginning Balance, January 1, 2012	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2012
Capital assets, not being depreciated:				
Land	$ 293,889,021	$ 1,906,793	$ (54,102)	$ 295,741,712
Construction in progress	5,028,792	20,305,794	(15,985,155)	9,349,431
Total capital assets, not being depreciated	298,917,813	22,212,587	(16,039,257)	305,091,143
Capital assets, being depreciated:				
Buildings	1,691,920,604	32,357,792	(10,036,325)	1,714,242,071
Runways and other airport infrastructure	935,651,051	11,658,093	(1,409,099)	945,900,045
Equipment, furniture and fixtures and other	244,211,568	2,910,552	(4,174,041)	242,948,079
Total capital assets, being depreciated	2,871,783,223	46,926,437	(15,619,465)	2,903,090,195
Less accumulated depreciation for:				
Buildings	(477,537,547)	(48,365,937)	9,123,719	(516,779,765)
Runways and other airport infrastructure	(410,412,336)	(32,796,496)	63,409	(443,145,423)
Equipment, furniture and fixtures and other	(160,236,472)	(14,173,446)	3,882,835	(170,527,083)
Total accumulated depreciation	(1,048,186,355)	(95,335,879)	13,069,963	(1,130,452,271)
Total capital assets, being depreciated, net	1,823,596,868	(48,409,442)	(2,549,502)	1,772,637,924
Capital assets, net	$ 2,122,514,681	$ (26,196,855)	$ (18,588,759)	$ 2,077,729,067

	2011			
	Beginning Balance, January 1, 2011	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2011
Capital assets, not being depreciated:				
Land	$ 293,006,299	$ 1,355,430	$ (472,708)	$ 293,889,021
Construction in progress	2,914,049	16,080,309	(13,965,566)	5,028,792
Total capital assets, not being depreciated	295,920,348	17,435,739	(14,438,274)	298,917,813
Capital assets, being depreciated:				
Buildings	1,688,494,881	4,771,412	(1,345,689)	1,691,920,604
Runways and other airport infrastructure	927,006,766	8,644,285	-	935,651,051
Equipment, furniture and fixtures and other	239,496,223	4,715,345	-	244,211,568
Total capital assets, being depreciated	2,854,997,870	18,131,042	(1,345,689)	2,871,783,223
Less accumulated depreciation for:				
Buildings	(425,792,755)	(51,744,792)	-	(477,537,547)
Runways and other airport infrastructure	(377,649,234)	(32,763,102)	-	(410,412,336)
Equipment, furniture and fixtures and other	(138,482,838)	(21,763,557)	9,923	(160,236,472)
Total accumulated depreciation	(941,924,827)	(106,271,451)	9,923	(1,048,186,355)
Total capital assets, being depreciated, net	1,913,073,043	(88,140,409)	(1,335,766)	1,823,596,868
Capital assets, net	$ 2,208,993,391	$ (70,704,670)	$ (15,774,040)	$ 2,122,514,681

Short-Term Debt - Commercial Paper

From time to time, the Authority has utilized a commercial paper program to finance various capital projects included in the Authority's Capital Improvement Program and to serve in lieu of an escrow for the Authority's OCIP. 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, 2012 and 2011, the Authority had no borrowings of commercial paper outstanding as all commercial paper was paid off in January 2010 with funds from the 2010A Revenue Bonds. The credit facility that supported the commercial paper program was terminated in January 2012. In December 2011, the Authority established an escrow account for the OCIP in the amount of $1,805,000 to replace the letter of credit associated with the commercial paper program that was utilized to serve in lieu of an escrow for the OCIP.

Bonds Payable and Other Debt

Bonds and other debt outstanding at December 31, 2012 and 2011 consist of:

	2012	2011
Revenue Bonds, Series 2012A		
Term bonds, maturing July 1, 2019. Interest is fixed at 1.253%, due semiannually on January 1 and July 1	$ 46,850,000	$ -
Deferred loss on refunding	(368,335)	-
Unamortized discount	(199,581)	-
	46,282,084	-
Revenue Bonds, Series 2010C		
Term bonds, maturing January 1, 2033, 2036 and 2037. Interest is variable (75% of the one-month LIBOR plus 0.815% (0.972%) at December 31, 2012), due semiannually on January 1 and July 1	345,970,000	350,000,000
Deferred loss on refunding	(48,572,095)	(51,883,147)
	297,397,905	298,116,853
Revenue Bonds, Series 2010A		
Serial bonds, maturing January 1, 2013 to January 1, 2027 in payments from $570,000 to $1,005,000. Interest at 3.00% to 4.50%, due semiannually on January 1 and July 1	11,525,000	12,095,000
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	13,155,000
	24,680,000	25,250,000
Unamortized discount	(208,041)	(221,923)
	24,471,959	25,028,077
Revenue Bonds, Series 2006		
Serial bonds, maturing January 1, 2013 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	227,475,000	240,565,000
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	82,235,000
	309,710,000	322,800,000
Unamortized premium	4,598,294	4,959,673
	314,308,294	327,759,673

(Continued)	2012	2011
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	2,403,383	2,558,821
	199,788,383	199,943,821
Revenue Bonds, Series 2004A		
Serial bonds, maturing January 1, 2013 to January 1, 2024 in payments from $3,925,000 to $11,075,000. Interest at 5.00% to 5.25%, due semiannually on January 1 and July 1	72,555,000	76,480,000
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
	197,885,000	201,810,000
Unamortized premium	2,531,188	2,743,468
	200,416,188	204,553,468
Revenue Bonds, Series 2003A		
Serial bonds, maturing January 1, 2013 to January 1, 2023 in payments from $3,495,000 to $6,135,000. Interest at 4.625% to 5.625%, due semiannually on January 1 and July 1	-	56,855,000
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
	-	93,515,000
Deferred loss on refunding	-	(1,047,736)
Unamortized premium	-	1,700,473
	-	94,167,737
Total revenue bonds	1,082,664,813	1,149,569,629
Other Debt		
Obligations under capital lease	126,647,809	148,415,051
	126,647,809	148,415,051
Total bonds payable and other debt	1,209,312,622	1,297,984,680
Current portion	(47,428,390)	(46,877,244)
Long-term portion	$ 1,161,884,232	$ 1,251,107,436

Revenue Bonds

In December 2012, the Authority issued the 2012A Refunding Revenue Bonds in the amount of $46,850,000, which refunded all of the Authority's then outstanding 2003A Revenue Bonds.

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) were subject to redemption from mandatory sinking fund payments during 2024 to 2027 and 2028 to 2033, respectively. A portion of the Series 2003A Revenue Bonds were redeemed in April 2012 and October 2012 by the Authority utilizing available cash. The remainder of the bonds were redeemed by the Authority on December 20, 2012, utilizing proceeds of the Authority's 2012 Refunding Revenue Bonds.

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 Series 2012A Refunding Revenue Bonds, maturing July 1, 2019, are subject to redemption from mandatory sinking fund payments during 2013 to 2019.

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 $1.15 million in 2004 and $12.16 million 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 $13.25 million for the period including 2011 through 2014 and also extended the dedication of customer facility charges in the aggregate amount of $24.65 million 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, 2012:

Years Ending	Revenue Bonds		
December 31	Principal	Interest	Total
2013	$ 24,625,000	$ 39,869,713	$ 64,494,713
2014	29,820,000	38,786,333	68,606,333
2015	32,120,000	37,669,099	69,789,099
2016	33,450,000	36,512,578	69,962,578
2017	35,110,000	35,294,211	70,404,211
2018 - 2022	170,995,000	156,694,019	327,689,019
2023 - 2027	233,330,000	119,486,732	352,816,732
2028 - 2032	298,895,000	74,722,641	373,617,641
2033 - 2037	264,135,000	26,434,782	290,569,782
	$ 1,122,480,000	$ 565,470,108	$ 1,687,950,108

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	$ 1,190,760,000	$ 46,850,000	$ (115,130,000)	$ 1,122,480,000	$ 24,625,000
Bond (discounts)/premium	11,740,512	(199,579)	(2,415,690)	9,125,243	-
Loss on refunding	(52,930,883)	(368,335)	4,358,788	(48,940,430)	-
Total revenue bonds payable	1,149,569,629	46,282,086	(113,186,902)	1,082,664,813	24,625,000
Obligations under capital lease	148,415,051	-	(21,767,242)	126,647,809	22,803,390
Total long-term obligations	$ 1,297,984,680	$ 46,282,086	$ (134,954,144)	$ 1,209,312,622	$ 47,428,390

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	$ 1,212,610,000	$ -	$ (21,850,000)	$ 1,190,760,000	$ 25,110,000
Bond (discounts)/premium	12,630,252	-	(889,740)	11,740,512	-
Loss on refunding	(56,383,874)	-	3,452,991	(52,930,883)	-
Total revenue bonds payable	1,168,856,378	-	(19,286,749)	1,149,569,629	25,110,000
Obligations under capital lease	169,134,580	-	(20,719,529)	148,415,051	21,767,244
Total long-term obligations	$ 1,337,990,958	$ -	$ (40,006,278)	$ 1,297,984,680	$ 46,877,244

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, 2012, the Special Facility Revenue Bonds outstanding were as follows:

Special Facility Revenue Bonds, Series 2009 (Hawker Beechcraft Services, Inc. Project)	$ 9,728,242
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)	170,763,804
	$ 441,672,046

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, 2012	Fair Value at December 31, 2011
Series 2003A Debt Service Fund	February 19, 2003	January 1, 2032	$ 9,919,623	5.170%	$ -	$ 2,636,389
Series 2004A Debt Service Fund	December 1, 2004	December 30, 2033	17,760,750	4.962%	5,027,484	4,237,920
Series 2005A Debt Service Fund	December 28, 2005	December 31, 2032	19,532,425	4.820%	4,920,585	4,048,439
Series 2006A Debt Service Fund	August 1, 2006	January 1, 2036	25,236,448	5.311%	9,343,523	8,386,688
					$ 19,291,592	$ 19,309,436

The Series 2003A Debt Service Fund Agreement was terminated in December 2012 by the agreement provider under terms of the original agreement. There was no settlement or termination costs/proceeds associated with this termination.

***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 sheets for years ended December 31, 2012 and 2011. 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 sheets. The changes in fair value of the Forward Delivery Agreements of $(17,844) and $17,598,089 for the years ended December 31, 2012 and 2011, respectively, are shown as an adjustment to the carrying amount of the related deferred outflow on the balance sheets.

***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 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, 2012	Fair Value at December 31, 2011
$ 122,415,000	October 14, 2004	July 1, 2008	January 1, 2036	4.033%	75% One Month LIBOR	$ (34,228,513)	$ (35,294,418)
73,555,000	October 14, 2004	July 1, 2008	January 1, 2037	4.150%	75% One Month LIBOR	(22,162,947)	(22,919,324)
50,000,000	October 7, 2005	July 1, 2008	January 1, 2033	3.786%	75% One Month LIBOR	(13,943,131)	(13,964,163)
100,000,000	October 11, 2005	July 1, 2008	January 1, 2033	3.778%	75% One Month LIBOR	(28,456,110)	(28,883,220)
$ 345,970,000						$ (98,790,701)	$ (101,061,125)

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 sheets for years ended December 31, 2012 and 2011. As the Swap Agreements are effective hedging instruments, the offsetting balance is reflected as a noncurrent asset (deferred outflow) on the Authority's balance sheets. The changes in fair value of the Swap Agreements of $2,270,424 and $(52,874,465) for the years ended December 31, 2012 and 2011, 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, 2012. 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, 2012, 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, 2012 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	Aa3	A+
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	A2	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 Baa2 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, 2012, the interest rate on the Authority's 2010C Revenue Bonds is 0.972%, (calculated at 75% of the one-month LIBOR plus 0.815%), while the Authority receives payments under the Swap Agreements equal to 75% of the one-month LIBOR, or 0.157%

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, 2012, 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
2013	$ 4,235,000	$ 3,340,615	$ 13,035,421	$ 16,376,036
2014	4,455,000	3,298,401	12,865,177	16,163,578
2015	4,680,000	3,254,026	12,686,215	15,940,241
2016	4,915,000	3,207,417	12,498,241	15,705,658
2017	5,170,000	3,158,427	12,300,668	15,459,095
2018 - 2022	30,075,000	14,965,202	58,168,296	73,133,498
2023 - 2027	89,140,000	12,356,489	47,934,875	60,291,364
2028 - 2032	129,990,000	6,849,693	26,748,893	33,598,586
2033 - 2037	73,310,000	1,301,210	5,237,032	6,538,242
	$ 345,970,000	$ 51,731,480	$ 201,474,818	$ 253,206,298

Basis Swaps - Investment Derivative Instruments

The Authority also entered into basis swap agreements 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, 2012	Fair Value at December 31, 2011
$ 100,000,000	March 15, 2011	July 1, 2015	January 1, 2033	75% One Month LIBOR	75% ISDA Ten Year Swap Rate	$ 3,401,541	$ 2,208,673

In January 2011, the Authority novated the previous two swaps which created the basis swap presented above. As part of this transaction, the Authority deferred the start date of the basis swap until 2015 and received an upfront payment of $3,500,000. The fair value of the basis swaps is classified as a noncurrent asset on the balance sheets. Changes in the fair value of the basis swaps are classified as nonoperating revenues (investment income) on the statements of revenues, expenses, and changes in net position.

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.

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, 2012 and 2011 follow:

	2012	2011
Capital assets	$ 352,111,077	$ 352,111,077
Accumulated depreciation	(160,579,334)	(155,334,026)
	$ 191,531,743	$ 196,777,051

The present value of future minimum capital lease payments at December 31, 2012 follows:

2013	$ 28,169,993
2014	28,233,010
2015	28,308,327
2016	28,271,916
2017	16,643,240
2018	16,115,199
Total minimum lease payments	145,741,685
Amounts representing interest	(19,093,876)
Present value of future minimum capital lease payments	$ 126,647,809

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:

2013	$ 21,558,152
2014	21,583,474
2015	21,612,275
2016	21,623,920
2017	22,616,806
2018	20,801,713
	$ 129,796,340

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:

2013	$ 14,215,120
2014	14,219,913
2015	14,219,750
2016	14,211,750
	$ 56,866,533

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 $170,763,804 remains outstanding at December 31, 2012. 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 February 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.

Since 2004, 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.

For the years ended December 31, 2012 and 2011, the Authority incurred approximately $8.1 million and $8.4 million of costs for the IMC, respectively. The Authority has received reimbursements for these costs under the Settlement Agreement aggregating approximately $6.3 million and $5.9 million for 2012 and 2011, respectively. In addition, as of December 31, 2012 and 2011, the Authority has accrued approximately $2,600,000 and $3,400,000, respectively, in reimbursements from the Trustee for allowable costs incurred.

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 unamortized 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, 2012, the Authority has provided $7.5 million in grants and $6.8 million in rental credits to the lessees of the IMC.

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.

During 2011, the Authority converted from a fully-insured to a self-insured arrangement for health care benefits provided to Authority employees and established a self-insured liability for employee medical claims. The Authority utilizes a third-party company to provide individual stop loss coverage of $100,000 on each covered individual's health claims and $4,205,500 on overall health care program aggregate claims. The estimated self-insurance liability is based on claim trend and consultation with an actuary. There is no significant incremental claim adjustment expense, salvage or subrogation attributable to this liability.

Benefit Plan

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 six percent of eligible compensation. Contributions to the plan were $591,633 for 2012 and $342,701 for 2011.

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, 2012 are as follows:

2013	$ 60,550,843
2014	59,486,950
2015	57,968,124
2016	31,215,198
2017	30,853,114
Thereafter	114,195,762
	$ 354,269,991

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 $42.4 million in 2012 and $41.3 million in 2011, and are accrued in arrears.

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, 2012, the Authority has spent approximately $102.2 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 33 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 121 have been acquired by the Authority. In addition, approximately 361 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, 2012, 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, 2012, 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 336 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 $97.2 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, 2012, the Authority has expended approximately $13.7 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, 2012, the Authority had acquired approximately 1,935 acres in order to replace 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 $22.9 million has been spent under this program, of which approximately 28% was eligible for reimbursement from the FAA. The Authority's share of the costs for this conservation plan was originally estimated to be $2.4 million, of which $2.3 million has been incurred through December 31, 2012.

The Authority is currently involved in four 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, 2012 and 2011 was $200,000 and $1,711,000, respectively, 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, 2012, the Authority had outstanding commitments for certain airport improvements aggregating approximately $14.8 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, 2012, there were thirteen claims in litigation for alleged personal injury, property or other damages pending against the Authority. Nine of these claims are for personal injury, and four of the claims are for property damage from the hangar fire. The Authority has also invoked the indemnification and hold harmless clauses contained within its lease for the hangar and demanded that the tenant comply with the requirements thereof.

Supplementary Information

Indianapolis Airport Authority

Schedule of Governmental Awards
Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title/ Grant Name	Federal CFDA Number	Federal Grant Number	State Grant Number	Total Grant Amount	Grant Reimbursements Receivable at Beginning of Year
U.S. Department of Transportation - Federal					
Aviation Administrative (FAA)					
Airport Improvement Program (AIP)					
Indianapolis International Airport					
	20.106	3-18-0038-112		$ 6,947,140	$ 346,876
	20.106	3-18-0038-114		348,053	2,532
	20.106	3-18-0038-115		400,000	76,540
	20.106	3-18-0038-117		1,034,172	99,065
	20.106	3-18-0038-120		400,500	58,131
	20.106	3-18-0038-121		399,718	21,297
	20.106	3-18-0038-122		42,000	-
	20.106	3-18-0038-123		128,834	-
	20.106	3-18-0038-124		926,250	-
	20.106	3-18-0038-126		3,500,000	-
	20.106	3-18-0038-127		615,094	-
Indianapolis Regional Airport	20.106	3-18-0037-13		252,985	28,500
	20.106	3-18-0037-14		693,609	-
Eagle Creek Airpark	20.106	3-18-0039-16		57,000	18,806
	20.106	3-18-0039-17		154,499	-
	20.106	3-18-0039-18		497,724	5,292
	20.106	3-18-0039-19		889,179	-
Indianapolis Metropolitan Airport	20.106	3-18-0040-17		285,591	935
	20.106	3-18-0040-18		190,105	24,783
	20.106	3-18-0040-19		518,856	-
Hendricks County	20.106	3-18-0093-10		172,463	-
	20.106	3-18-0093-12		390,588	41,833
	20.106	3-18-0093-13		194,412	-
Indianapolis Downtown Heliport	20.106	3-18-0118-09		175,168	120,368
	20.106	3-18-0118-10		112,648	112,642
U.S. Department of Homeland Security					
Transportation Security Administration					
FAA Explosives Detection Canine Team Program	97.072	HSTS0208HCAN425		181,500	36,431
Law Enforcement Officer Reimbursement Agreement Program	97.090	HST30208HSLR112		682,524	205,113
State of Indiana - Department of Transportation,					
Aeronautics Section					
Indianapolis Regional Airport			437012	18,809	17,293
			437013	3,329	375
			437014	19,267	-
Eagle Creek Airpark			439016	750	750
			439017	2,033	-
			439018	6,549	70
			439019	24,699	-
				66,000	66,000
Indianapolis Metropolitan Airport			440017	7,516	5,858
			440018	2,501	326
			440019	14,413	-
Hendricks County			493010	4,539	41
			493011	4,342	4,342
			493012	5,139	550
			493013	5,400	-
Indianapolis Downtown Heliport			0811807	12,531	-
			0811808	3,616	65
			0811810	1,482	1,482
					$ 1,296,296

Receipts/ Credits	Disbursements/ Expenditures	Grant Reimbursements Receivable at End of Year
$ -	$ 1,277,742	$ 1,624,618
1,545	66,100	67,087
76,540	14,058	14,058
23,092	-	75,973
42,480	402,443	418,094
27,590	146,787	140,494
-	42,000	42,000
11,795	117,039	105,244
-	23,982	23,982
-	1,199,256	1,199,256
-	476,377	476,377
28,500	201,179	201,179
-	144,923	144,923
18,806	-	-
57,116	19,782	(37,334)
3,150	369,994	372,136
-	77,600	77,600
-	-	935
36,463	165,322	153,642
-	243,855	243,855
41	-	(41)
41,834	343,594	343,593
	184,180	184,180
3,053	-	117,315
24,849	-	87,793
97,344	143,869	82,956
758,229	553,116	-
-	-	17,293
-	2,647	3,022
-	4,026	4,026
-	-	750
-	260	260
-	4,894	4,964
-	16,942	16,942
66,000	-	-
-	-	5,858
-	2,022	2,348
-	6,774	6,774
-	-	41
-	-	4,342
-	4,521	5,071
-	5,400	5,400
940	940	-
-	-	65
-	-	1,482
$ 1,319,367	$ 6,261,624	$ 6,238,553

Indianapolis Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

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	3-18-0038-112	$ 1,277,742
	20.106	3-18-0038-114	66,100
	20.106	3-18-0038-115	14,058
	20.106	3-18-0038-120	402,443
	20.106	3-18-0038-121	146,787
	20.106	3-18-0038-122	42,000
	20.106	3-18-0038-123	117,039
	20.106	3-18-0038-124	23,982
	20.106	3-18-0038-126	1,199,256
	20.106	3-18-0038-127	476,377
Indianapolis Regional Airport	20.106	3-18-0037-13	201,179
	20.106	3-18-0037-14	144,923
Eagle Creek Airport	20.106	3-18-0039-17	19,782
	20.106	3-18-0039-18	369,994
	20.106	3-18-0039-19	77,600
Indianapolis Metropolitan Airport	20.106	3-18-0040-18	165,322
	20.106	3-18-0040-19	243,855
Hendricks County	20.106	3-18-0093-12	343,594
	20.106	3-18-0093-13	184,180
Subtotal - AIP			5,516,213
U.S. Department of Homeland Security			
FAA Explosives Detection Canine Team Program	97.072	HSTS0208HCAN425	143,869
Law Enforcement Officer Reimbursement Agreement Program	97.090	HST30208HSLR112	553,116
Grand Total			$ 6,213,198

Indianapolis Airport Authority

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

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, 2012

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - December 31, 2011	Quarter Ended March 31, 2012	Quarter Ended June 30, 2012	Quarter Ended September 30, 2012	Quarter Ended December 31, 2012	Year Ended December 31, 2012	Cumulative Total - December 31, 2012
Passenger facility charge revenues received			$ 246,657,387	$ 3,344,712	$ 3,735,162	$ 3,935,220	$ 3,922,124	$ 14,937,218	$ 261,594,605
Interest earned			5,028,163	24,661	(12,775)	23,282	(19,201)	15,967	5,044,130
Total passenger facility charge revenue received			$ 251,685,550	$ 3,369,373	$ 3,722,387	$ 3,958,502	$ 3,902,923	$ 14,953,185	$ 266,638,735
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	160,688,994	-	10,123,193	-	6,623,193	16,746,386	177,435,380
Total passenger facility charge revenue expended		$ 524,907,606	$ 241,514,893	$ -	$ 10,123,193	$ -	$ 6,623,193	$ 16,746,386	$ 258,261,279

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 Auditor's 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
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, 2012, and have issued our report thereon dated April 11, 2013. 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

Management of the Authority is responsible for establishing and maintaining effective 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 was not designed to 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

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*.

Other Matters

We noted certain matters that we reported to the Authority's management in a separate letter dated April 11, 2013.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
April 11, 2013

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Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Members of the Board
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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. 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.

Management's Responsibility

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.

Auditor's Responsibility

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.

Opinion

In our opinion, Indianapolis Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Internal Control Over Compliance

The management of the 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.

Restricted Purpose

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
April 11, 2013

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Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on the Passenger Facility Charge Program and on Internal Control Over Compliance

To the Members of the Board
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 *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2012.

Management's Responsibility

Compliance with the requirements of laws and regulations applicable to the passenger facility charge program is the responsibility of the Authority's management.

Auditor's Responsibility

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 the passenger facility charge 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.

Opinion

In our opinion, Indianapolis Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2012.

Internal Control Over Compliance

The management of the 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 and to test and report on internal control over compliance in accordance with the Guide, 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.

Restricted Purpose

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the passenger facility charge program. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
April 11, 2013

Indianapolis Airport Authority

Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

Summary of Auditor's Results

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

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent auditor's 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 auditor's 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 auditor's report on compliance with requirements applicable to major federal awards was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

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

7. The Authority's major programs were:

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

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $300,000.

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, 2012

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, 2012

Reference Number	Summary of Finding	Status
	No matters are reportable.	

Indianapolis Airport Authority

Passenger Facility Charge Audit Summary
Year Ended December 31, 2012

Summary of Auditor's Results

1.	Type of report issued on PFC financial statements.	☒ Unmodified	☐ Qualified	
2.	Type of report on PFC compliance.	☒ Unmodified	☐ 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