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May 26, 2022

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

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indianapolis Airport Authority as of December 31, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, BKD, LLP, prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

Indianapolis Airport Authority

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Indianapolis Airport Authority

December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Indianapolis Airport Authority (Authority) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. We previously expressed an unmodified opinion on the 2019 financial statements. The supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and are 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 identify accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BKD, LLP

Indianapolis, Indiana
April 12, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021 and 2020 (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 as of and for the years ended December 31, 2021 and 2020. 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 hybrid residual rate-making methodology. The hybrid 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 must approve certain proposed capital improvement projects at the Airport. As of December 31, 2021, seven passenger carriers and two cargo carriers represent the Signatory Airlines.

The term of the current signatory airline agreement is January 1, 2019 through December 31, 2023. The agreement does not contain extension provisions but does have holdover provisions. 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

	2021	2020	Variance
Enplaned passengers ⁽¹⁾	3,582,020	2,044,464	75.2%
Landed weight (1,000 lb. units)			
Passenger airlines	4,271,668	3,282,245	30.1%
Cargo airlines	<u>7,169,790</u>	<u>5,653,986</u>	<u>26.8%</u>
Total landed weights	<u><u>11,441,458</u></u>	<u><u>8,936,231</u></u>	<u><u>28.0%</u></u>
Aircraft operations	185,970	144,078	29.1%

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

Airport Operations Activity

In 2021, the number of enplaned passengers was 75.2% higher than in 2020. The increase from 2020 is primarily driven by an increase in leisure travel. Just as the COVID-19 pandemic affected health and safety guidelines, it also changed IND's mix of leisure and business travelers. The mix of leisure travel versus business travel was 82% leisure/18% business in 2021 vs. pre-pandemic 55% leisure/45% business. Non-stop destinations recovered to 46 non-stop destinations in 2021 vs. pre-pandemic activity of 50 non-stop destinations. The 2021 flight activity change was comprised of 22 flights, including 10 new destinations and the resumption of five key destinations previously suspended due to the pandemic. IND also benefited in 2021 from the addition of two new airlines, Sun Country and Contour Airlines.

Passenger airlines accounted for approximately 37% of total landed weight at IND in 2021 and 2020; cargo airlines accounted for the other 63% during 2021 and 2020. Passenger airline landed weights increased by 30.1% in 2021 from the prior year; cargo airline landed weight increased 26.8% from the prior year. The increase in passenger landed weights is mainly attributed to leisure travel and is explained further in the Economic Factors section. FedEx continued to represent most of the cargo landed weights in 2021. The increase in FedEx cargo landed weights was driven by planned capacity growth and operational changes to meet an increase in demand.

Aircraft operations represent landings and takeoffs for air carrier (passenger and cargo), air taxi and commuter, general aviation and military operations. This activity increased 29.1% over the prior year primarily attributable to an increase in passenger airline activity due to the economic recovery from the COVID-19 disruption.

Financial Highlights

- The Authority experienced an increase in total assets and deferred outflows of resources of \$218.7 million during 2021. This increase is primarily attributable to the capital asset additions of Lessee Financed Improvements for the FedEx's sort facility and capacity expansion of its Indianapolis hub, offset by the normal decrease in capital assets due to depreciation.
- Total liabilities decreased \$65.1 million in 2021. This change is primarily attributable to the reduction of bonds payable and other debt.
- The 2021 increase in net position was \$288.0 million compared to an increase of \$79.2 million for 2020. The \$288.0 million increase is a result of the loss from operations of \$24.0 million, net nonoperating revenues of \$8.5 million and capital contributions and grants of \$303.5 million.

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 Statements of Net Position, 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.

Statements of Net Position

The Statements of Net Position present the financial position of the Authority at the end of the fiscal year and include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Authority. The net position of the Authority represents the difference between total assets plus deferred outflows of resources, and total liabilities plus deferred inflows of resources and is an indicator of the current net value of the Authority.

A summarized comparison of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at December 31, 2021, 2020 and 2019 follows:

	2021	2020	2019
	(Table Amounts in Thousands)		
Current assets - unrestricted	\$ 108,270	\$ 95,514	\$ 30,929
Current assets - restricted	66,623	71,699	73,522
Noncurrent assets			
Capital assets, net	1,980,863	1,783,116	1,754,221
Other noncurrent assets	214,968	198,994	242,162
Total assets	<u>2,370,724</u>	<u>2,149,323</u>	<u>2,100,834</u>
Deferred outflows of resources	<u>17,214</u>	<u>19,882</u>	<u>22,583</u>
Total assets and deferred outflows of resources	<u>\$ 2,387,938</u>	<u>\$ 2,169,205</u>	<u>\$ 2,123,417</u>
Current liabilities - payable from unrestricted	\$ 12,605	\$ 13,491	\$ 13,229
Current liabilities - payable from restricted	61,974	67,969	72,069
Noncurrent liabilities - payable from restricted	912,066	970,288	1,004,014
Total liabilities	<u>986,645</u>	<u>1,051,748</u>	<u>1,089,312</u>
Deferred inflows of resources	<u>17,979</u>	<u>22,122</u>	<u>18,009</u>
Net position			
Net investment in capital assets	1,099,360	841,311	780,340
Restricted	185,180	171,161	162,493
Unrestricted	98,774	82,863	73,263
Total net position	<u>1,383,314</u>	<u>1,095,335</u>	<u>1,016,096</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,387,938</u>	<u>\$ 2,169,205</u>	<u>\$ 2,123,417</u>

2021 to 2020 Comparative Statements of Net Position

Unrestricted current assets increased \$12.8 million, which is attributable to increases in cash and cash equivalents, accounts receivable and grants receivable.

Restricted current assets decreased \$5.1 million relating to a decrease in cash and cash equivalents, a decrease in the receivable for reimbursable IMC expenses, offset by an increase in passenger facility charges receivable.

Total noncurrent assets increased by \$213.7 million. This change reflects a \$16.0 million increase in noncurrent cash and cash equivalents, investment securities and derivative instruments; a decrease in nondepreciable capital assets of \$9.0 million due to lower construction in progress; offset by an increase in depreciable capital assets of \$206.8 million that includes the addition of lessee financed improvements for FedEx's sort facility and capacity expansion of its Indianapolis hub reduced by the normal decrease in capital assets due to depreciation..

Total deferred outflows of resources decreased by \$2.7 million, the result of the amortization of deferred losses on the refunding of debt.

Total current liabilities decreased by \$6.9 million primarily driven by a decrease of \$3.8 million in accounts payable, and a decrease in grants payable of \$3.5 million.

Total noncurrent liabilities decreased \$58.2 million. The increase in interest rates lowered the liability on IAA's SWAPS by \$12.3 million, and normal amortization of long-term debt in the amount of \$45.9 million.

Total deferred inflows of resources decreased \$4.1 million. The increase in interest rates lowered the value of the forward delivery agreements.

2020 to 2019 Comparative Statements of Net Position

Unrestricted current assets increased \$64.6 million, which is primarily attributable to increases in cash and cash equivalents. The low interest rate environment during 2020 prompted an investment strategy change which caused the transfer of \$54.8 million of noncurrent unrestricted investments to unrestricted cash and cash equivalents.

Restricted current assets decreased \$1.8 million relating to a decrease in cash and cash equivalents, offset by an increase in the receivable for reimbursable IMC expenses.

Total noncurrent assets decreased by \$14.3 million. This change reflects a \$43.2 million decrease in cash and cash equivalents, investment securities and derivative instruments; a decrease in nondepreciable capital assets of \$14.1 million that includes the sale of the old parking garage; offset by an increase in depreciable capital assets of \$43.0 million that includes capital asset additions for the stormwater project, partly offset by the normal decrease in capital assets due to depreciation.

Total deferred outflows of resources decreased by \$2.7 million, the result of the amortization of deferred losses on the refunding of debt of \$2.7 million.

Total current liabilities decreased by \$3.8 million primarily driven by a decrease of \$16.1 million in accounts payable offset by an increase of \$3.5 million in grants payable, an increase of \$5.8 million in the current portion of debt, an increase of \$2.1 million in accrued interest on debt, and \$0.9 million increase to accrued and withheld items.

2021 to 2020 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 for the years ended December 31, 2021 and 2020 was an increase of \$288.0 million and an increase of \$79.2 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for 2021 and 2020.

	2021	2020	\$ Variance	% Variance
	(Table Amounts in Thousands)			
Total operating revenues	\$ 156,672	\$ 117,071	\$ 39,601	33.8%
Total nonoperating revenues	38,919	23,138	15,781	68.2%
Total revenues	<u>195,591</u>	<u>140,209</u>	<u>55,382</u>	<u>39.5%</u>
Total operating expenses	180,632	167,204	13,428	8.0%
Net nonoperating expenses	30,434	21,984	8,450	38.4%
Total expenses	<u>211,066</u>	<u>189,188</u>	<u>21,878</u>	<u>11.6%</u>
Loss Before Capital Contributions and Grants	(15,475)	(48,979)	33,504	-68.4%
Capital Contributions and Grants	<u>303,454</u>	<u>128,218</u>	<u>175,236</u>	<u>136.7%</u>
Increase in Net Position	287,979	79,239	208,740	263.4%
Net Position, Beginning of Year	<u>1,095,335</u>	<u>1,016,096</u>	<u>79,239</u>	<u>7.8%</u>
Net Position, End of Year	<u>\$ 1,383,314</u>	<u>\$ 1,095,335</u>	<u>\$ 287,979</u>	<u>26.3%</u>

Operating revenue in 2021 increased \$39.6 million, or 33.8% from prior year attributable to the following components:

- *Airfield revenue* in 2021 of \$31.0 million increased from prior year by \$8.9 million, or 40.3%. Total landed weights increased by 28.0% from prior year as passenger carriers increased 30.1% and cargo carriers increased 26.8%. The Signatory landing fee rate increased to \$2.30 in 2021 from \$2.09 in 2020. The Non-Signatory landing fee rate increased to \$3.45 in 2021, as compared to the 2020 rate of \$3.14.
- *Terminal complex revenues* of \$57.5 million increased \$13.3 million, or 30.2% from prior year. Budgeted airline terminal rental rates increased in 2021 to \$112.57 per square foot compared to the prior year rate of \$90.37 per square foot. Concession revenues exceeded prior year by \$2.5 million (71.1%) and automobile rental commissions exceeded prior year by \$4.0 million (73.8%); both attributable to the significant increase in passengers of 75.2%. The favorable variances are offset by \$1.0 million of payments received for concessionaire relief from the Coronavirus Response and Relief Supplemental Appropriations Act (the “CRRSA Act”), which is recorded as nonoperating federal operating grant revenue.
- *Parking revenues* increased from prior year by \$17.6 million, or 69.7%, resulting in \$42.8 million in 2021 parking revenue; an increase directly related to the 75.2% increase in passengers.
- *Rented buildings and other* of \$16.5 million increased \$0.3 million from prior year or 2.0% primarily attributable to FedEx’s leased premises expansion and various other changes in ground lease rental agreements.

- *Revenues from Indianapolis Maintenance Center (IMC)* of \$5.6 million decreased by \$1.0 million, or 15.0%. This represents revenues due the Authority for reimbursement of eligible expenditures under the terms of the Settlement Agreement reached between the Authority and the trustee for the special facility revenue bonds the Authority had previously issued on behalf of United Airlines. The decrease from prior year reflects the full year impact of the renegotiated lease with the IMC's main tenant, AAR Aircraft Services.
- *Reliever airports revenue* of \$3.2 million increased \$0.4 million or 15.7%. Increase attributable to higher fuel flowage fees, farm revenue, and increased overall hangar occupancy.

Nonoperating revenues in 2021 of \$38.9 million increased from prior year by \$15.8 million, or 68.2% attributable to the following components:

- *Federal operating grants* of \$1.8 million decreased \$14.0 million primarily attributable to a \$14.9 million reduction of the operating portion drawn on IND's CARES Act funded recovery grant in prior year offset by \$1.0 million of IND's concessionaire relief funded by the CRRSA Act.
- *Passenger facility charges (PFC) income* of \$15.0 million increased \$7.1 million, or 89.6%. This increase is due to the increase in passenger numbers and ticket sales as PFC revenues are earned when tickets are sold.
- *Customer facility charges (rental cars) income* of \$6.5 million increase \$2.2 million, or 50.1% due to the increase in passenger numbers and rental transactions.
- *Investment income (loss)* of \$15.6 million increased \$20.5 million primarily attributable to the \$23.4 million year-over-year increase in the fair value change of hedging derivatives, offset by \$2.9 million lower earnings on securities in the Authority's investment portfolio.

Operating expenses (before depreciation) for the years ended December 31, 2021 and 2020 totaled \$79.7 million and \$72.6 million, respectively, an increase of \$7.1 million, or 9.8%. The following analysis provides material operating expense changes by both operating expense class and operating expense business area.

- *Operating expenses by class* (before depreciation): Total *personal services expense* increased 2.1% or 0.7 million to \$34.8 million attributable to annual merit increases offset by lower health insurance expense claims and an average vacancy of 12%. Total *contractual services expense* increased 19.7% or \$4.1 to \$24.6 million attributable to increased professional fees for Planning and Development staff augmentation due to staffing vacancies, facility assessments for IAA's reliever airports, and pavement rehabilitation; higher investments in training and communication as these costs were intentionally reduced in 2020; contracted cleaning services due to staffing vacancies; and various strategic initiatives to maintain and preserve the Authority's assets including pavement repairs, grounds maintenance and other building repairs. Costs that vary in proportion of passenger volumes such as parking related credit card processing fees, valet operating costs, and dockmaster fees also increased. Total *utilities expense* of \$10.6 million increased by \$0.8 million, or 8.5% reflective of an increase in electricity costs and increased sewer charges relating to glycol processing and stormwater processing user fees. Total *supplies expense* of \$4.7 million increased by \$1.3 million, or 36.8% primarily in higher fuel costs, increased paper supplies, investments in uniforms and equipment for Fire and Police and expenses for snow and ice chemical. Total *materials expense* increased by \$0.3 million, or 9.6% to \$3.2 million primarily due to greater baggage system repair parts, communication equipment replacements and cleaning materials than in prior year. Total *general expense* of \$1.8 million was flat with prior year which includes an increase in property insurance premiums offset by lower bad debt expense.

- *Airfield expenses* (before depreciation) of \$11.9 million increased by \$1.3 million, or 12.1% from the prior year. The increase is attributable to higher environmental professional fees, fuel costs, snow and ice chemical and sewer charges relating to glycol processing and stormwater processing user fees.
- *Terminal complex expenses* (before depreciation) of \$18.5 million increased \$2.0 million, or 12.2% from the prior year. Increase relates to contracted cleaning services due to staffing vacancies; higher dockmaster fees due to increased activity in 2021; increased utility costs; increased paper supply usage; greater baggage system repair parts; increase in property insurance premium and various strategic initiatives to maintain and preserve the Authority's assets including concourse column painting, lower level entrance cladding, Civic Plaza floor box replacements, terminal carpet replacement and various other building repairs. These increases were offset by a decrease in personal service costs due to staff vacancies and lower health insurance claims.
- *Parking expenses* (before depreciation) of \$7.9 million increased \$0.5 million, or 6.2% from the prior year. Costs that vary in proportion of passenger volumes such as parking related credit card processing fees and valet operating costs increased as well as increased contracted services relating to stainless steel cleaning and power washing in the garage, parking lot restriping and bus decal rewrapping.
- *Rented buildings and other expenses* (before depreciation) of \$2.1 million increased \$0.4 million, or 20.9% from prior year. Current year reflects an increase in environmental remediation costs to adjust the accrual to include environmental remediation costs associated with Parcel 7 that was determined to have soil contamination from a former gas station. Contractual services also increased related to various strategic initiatives to maintain and preserve the Authority's assets including pavement repairs, grounds maintenance and other building repairs. These increases were offset by lower on-call environmental professional fees.
- *Indianapolis Maintenance Center (IMC) expenses* (before depreciation) of \$6.0 million decreased \$0.5 million, or 8.3%. The decrease from prior year is mainly attributable to lower professional fees and lower utilities related to the reduction in the number of hangars leased by AAR Aircraft Services.
- *Reliever airports expenses* (before depreciation) of \$2.5 million increased \$1.0 million, or 65.9% from prior year. Increase primarily attributable to higher fuel costs and current year pavement repairs.
- *Public safety expenses* (before depreciation) of \$13.3 million increased \$1.2 million, or 9.8% from prior year. Prior year included Families First Coronavirus Response Act (FFCRA) tax credits accrued of \$0.3 million that were reversed and paid in 2021 when verified that government employers were ineligible. Current year also includes contracted services to provide additional labor to increase the cleaning regime for the high traffic areas of the terminal in response to COVID-19, as well as the purchase of updated equipment (tasers), communication equipment and uniforms.
- *Administration costs* (before depreciation) of \$17.4 million increased by \$1.4 million, or 8.6% from prior year. Increase attributable to annual merit increases; an increase in professional fees relating to planning and development for staff augmentation, recruitment, air service consulting, information technology support services and public affairs/social media services. The increase is also attributed to investments in training and communication and print/advertising/marketing as much of these costs were intentionally reduced in 2020. These increases were offset by lower bad debt expense.

Net Nonoperating expenses for the years ended December 31, 2021 and 2020 totaled \$30.4 million and \$22.0 million, respectively, an increase of \$8.4 million, or 38.4% attributable to the following components:

- *Interest expense* of \$32.8 million decreased \$1.0 million over the prior year due to reduction in bond principal from regular debt service payments and lower costs associated with IAA's variable rate bond portfolio.
- *Gain (loss) on disposals of capital assets and other* of \$2.3 million decreased by \$9.5 million over the prior year. The current year gain is primarily attributable to \$2.0 million net gain on land sales. The prior year net gain was comprised of \$0.7 million gain on land sales and \$11.2 million gain from the sale of the old terminal's parking garage to the City of Indianapolis.

Capital contributions and grants of \$303.5 million increased \$175.2 million compared to prior year. Current year includes \$23.7 million drawn on IND's CARES Act and CRRSA Act funded recovery grants and \$252.0 million of Lessee Financed Improvements for FedEx's sort facility and capacity expansion of its Indianapolis hub. The prior year amounts included \$23.2 million drawn on IND's CARES Act funded recovery grant and \$73.9 million of Lessee Financed Improvements for FedEx's sort facility and capacity expansion of its Indianapolis hub.

2020 to 2019 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 for the years ended December 31, 2020 and 2019 was an increase of \$79.2 million and a decrease of \$17.3 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for 2020 and 2019.

	2020	2019	\$ Variance	% Variance
	(Table Amounts in Thousands)			
Total operating revenues	\$ 117,071	\$ 161,349	\$ (44,278)	-27.4%
Total nonoperating revenues	23,138	12,506	10,632	85.0%
Total revenues	<u>140,209</u>	<u>173,855</u>	<u>(33,646)</u>	<u>-19.4%</u>
Total operating expenses	167,204	174,865	(7,661)	-4.4%
Net nonoperating expenses	21,984	45,115	(23,131)	-51.3%
Total expenses	<u>189,188</u>	<u>219,980</u>	<u>(30,792)</u>	<u>-14.0%</u>
Loss Before Capital Contributions and Grants	(48,979)	(46,125)	(2,854)	6.2%
Capital Contributions and Grants	<u>128,218</u>	<u>28,849</u>	<u>99,369</u>	<u>344.4%</u>
Increase (Decrease) in Net Position	79,239	(17,276)	96,515	-558.7%
Net Position, Beginning of Year	<u>1,016,096</u>	<u>1,033,372</u>	<u>(17,276)</u>	<u>-1.7%</u>
Net Position, End of Year	<u>\$ 1,095,335</u>	<u>\$ 1,016,096</u>	<u>\$ 79,239</u>	<u>7.8%</u>

Operating revenue in 2020 decreased \$44.3 million, or 27.4% from prior year attributable to the following components:

- *Airfield revenue* in 2020 of \$22.1 million decreased from prior year by \$1.6 million, or 6.6%. Total landed weights decreased 17.1% from prior year as passenger carriers decreased 40.1% and cargo carriers increased 6.6%. The Signatory landing fee rate increased to \$2.09 in 2020 from \$1.71 in 2019. The Non-Signatory landing fee rate increased to \$3.14 in 2020, as compared to the 2019 rate of \$2.57.
- *Terminal complex revenues* of \$44.2 million decreased \$7.2 million, or 14.0% from prior year. Budgeted airline terminal rental rates increased in 2020 to \$90.37 per square foot compared to the prior year rate of \$77.95 per square foot. This was offset by concession revenues lower than prior year by \$5.0 million (58.5%) and automobile rental commissions lower than prior year by \$5.3 million (49.2%); both attributable to the significant decrease in passengers of 57.1% which prompted one-time adjustments to contractual minimum annual guarantees.
- *Parking revenues* decreased from prior year by \$34.2 million, or 57.5%, resulting in \$25.2 million in 2020 parking revenue; decrease directly related to the 57.1% decrease in passengers.
- *Rented buildings and other* of \$16.2 million increased \$0.7 million from prior year or 4.6% primarily attributable to additional aircraft parking on the old postal ramp primarily during the height of the COVID-19 disruption, and increased ground rental.
- *Revenues from Indianapolis Maintenance Center (IMC)* of \$6.6 million decreased by \$2.0 million, or 23.3%. This represents revenues due the Authority for reimbursement of eligible expenditures under the terms of the Settlement Agreement reached between the Authority and the trustee for the special facility revenue bonds the Authority had previously issued on behalf of United Airlines. The decrease from prior year relates to a renegotiated lease with the IMC's main tenant, AAR Aircraft Services.

Nonoperating revenues in 2020 of \$23.1 million increased from prior year by \$10.6 million, or 85.0% attributable to the following components:

- *Federal operating grants* of \$15.8 million increased \$15.2 million representing the operating portion drawn on IND's CARES Act funded recovery grant.
- *Passenger facility charges (PFC) income* of \$7.9 million decreased \$11.4 million, or 59.0%. This decrease is due to the decrease in passenger numbers and ticket sales as PFC revenues are earned when tickets are sold.
- *Customer facility charges (rental cars) income* of \$4.3 million decreased \$5.1 million, or 53.8% due to the decrease in passenger numbers and rental transactions.
- *Investment income (loss)* of \$(4.9) million decreased \$11.9 million, or 70.8%. The fair value change of hedging derivatives was \$12.6 million less than the change in 2019 but offset by \$0.7 million lower earnings on securities in the Authority's investment portfolio.

Operating expenses (before depreciation) for the years ended December 31, 2020 and 2019 totaled \$72.6 million and \$85.2 million, respectively, a decrease of \$12.6 million, or 14.8%. As a result of the 57.1% decrease in passengers and the impact on operating revenues, operating expenses were slowed by freezing all staff pay levels, instituting a hiring freeze and halting all non-essential operating and maintenance expenses. The following analysis provides material operating expense changes by both operating expense class and operating expense business area.

- *Operating expenses by class* (before depreciation): Total *personal services expense* decreased 3.7% or \$1.3 million to \$34.1 million attributable to the impact of the hiring freeze, lower health insurance expense claims; lower part-time salaries and contract help in the parking departments due to reduction in passengers; and lower utilization of overtime. Total *contractual services expense* decreased 27.8% or \$7.9 million to \$20.6 million attributable to the intentional strategic slowing of expenditures resulting in lower professional fees, travel/training, print/advertising, pavement repairs, and grounds maintenance. Costs that vary in proportion of passenger volumes such as parking related credit card processing fees and valet operating costs also decreased. Total *utilities expense* of \$9.7 million decreased by \$1.1 million, or 10.5% reflective of electricity efficiencies and lower sewer charges relating to glycol processing. Total *supplies expense* of \$3.4 million decreased by \$1.8 million, or 33.8% primarily in lower fuel costs, paper supplies, LED replacements and uniforms. Expenses for snow and ice chemical reduced due to milder weather than prior year. Total *materials expense* decreased by \$0.6 million, or 17.9% to \$2.9 million primarily due to lower motorized equipment repair parts, communication equipment replacements and ground power unit (GPU) replacements than in prior year. Total *general expense* of \$1.8 million increased from prior year by \$0.1 million, or 7.7% primarily due to an increase in bad debt reserve expense.
- *Airfield expenses* (before depreciation) of \$10.6 million decreased by \$1.3 million, or 11.1% from the prior year. Decrease attributable to lower environmental professional fees, pavement repairs, less ground power unit (GPU) replacements, and lower snow and ice chemical and sewage costs for glycol processing.
- *Terminal complex expenses* (before depreciation) of \$16.5 million decreased \$1.8 million, or 10.0% from the prior year. Reduction relates to vacancies throughout the year due to hiring freeze; lower electricity and sewage costs; lower paper supplies as a result of halting all non-essential operating and maintenance expenses.
- *Parking expenses* (before depreciation) of \$7.5 million decreased \$3.2 million, or 30.1% from the prior year. Decrease attributable to lower part-time and overtime salaries and contract help, pavement repairs, credit card fees and valet services. The decrease is also due to less snow removal/chemical costs due to milder weather and lower light bulb costs as prior year represented a LED lighting replacement program in the garage.
- *Rented buildings and other expenses* (before depreciation) of \$1.7 decreased \$1.7 million, or 49.4% from prior year. Current year reflects a decrease in environmental remediation costs; lower on-call environmental professional fees related to compliance audits and tree removal/vegetation control; and lower pavement repairs, grounds maintenance and building repairs as a result of halting non-essential maintenance expenses.
- *Indianapolis Maintenance Center (IMC) expenses* (before depreciation) of \$6.5 million decreased \$0.9 million, or 11.9%. The decrease from prior year is mainly attributable to a reduction of electrical usage due to a reduction in the number of hangars utilized by AAR Aircraft Services, lower pavement repairs and grounds maintenance costs.
- *Reliever airports expenses* (before depreciation) of \$1.5 million decreased \$0.4 million, or 21.2% from prior year. Decrease primarily attributable to lower fuel costs and lower utilization of contractual services.

- *Public safety expenses* (before depreciation) of \$12.1 million decreased \$0.6 million, or 4.4% from prior year. Variance represents staff vacancies throughout the year; lower health insurance claims and professional fees offset by expenses incurred relating to COVID-19 including employee testing and terminal cleaning and supplies/personal protection equipment (PPE).
- *Administration costs* (before depreciation) of \$16.0 million decreased by \$2.7 million, or 14.5% from prior year. Decrease reflects the slowing of overall expenses resulting in lower professional fees, travel/training, print/advertising and various other operating projects put on hold.

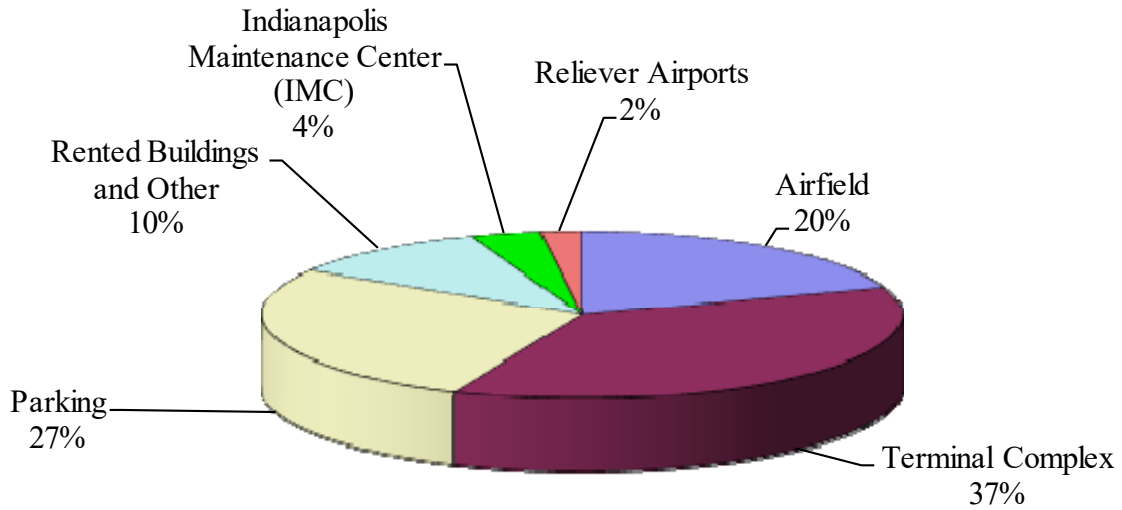
Net Nonoperating expenses for the years ended December 31, 2020 and 2019 totaled \$22.0 million and \$45.1 million, respectively, a decrease of \$23.1 million, or 51.3% attributable to the following components:

- *Interest expense* of \$33.8 million decreased \$4.2 million over the prior year due the full year effect of the 2019 bond deal issue premiums and the reduction of interest expense from the continued amortization of principal outstanding.
- *Gain (loss) on disposals of capital assets and other* of \$11.8 million increased \$18.9 million over the prior year. The current year net gain is comprised of \$0.7 million gain on land sales; \$0.7 million for loss on capital assets, offset by \$11.2 million gain from the sale of the old terminal's parking garage to the City of Indianapolis. The prior year included a \$6.5 million and \$1.8 million loss related to land sales and capital asset retirements, respectively.

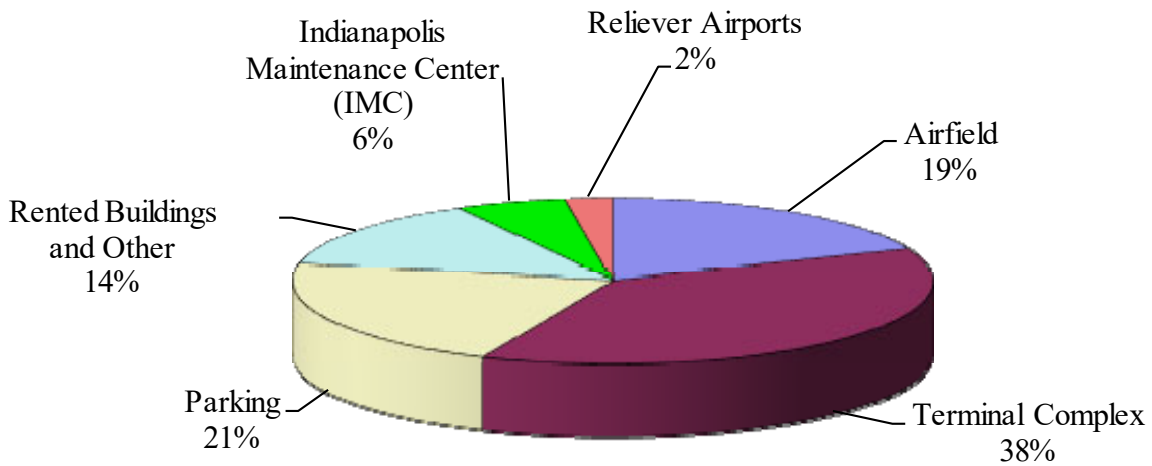
Capital contributions and grants of \$128.2 million increased \$99.4 million compared to prior year. Current year includes \$23.2 million drawn on IND's CARES Act funded recovery grant and \$73.9 million of Lessee Financed Improvements for FedEx's sort facility and capacity expansion of its Indianapolis hub.

The following is a graphic illustration of operating revenues by source for the years ended December 31, 2021 and 2020:

Operating Revenues - 2021

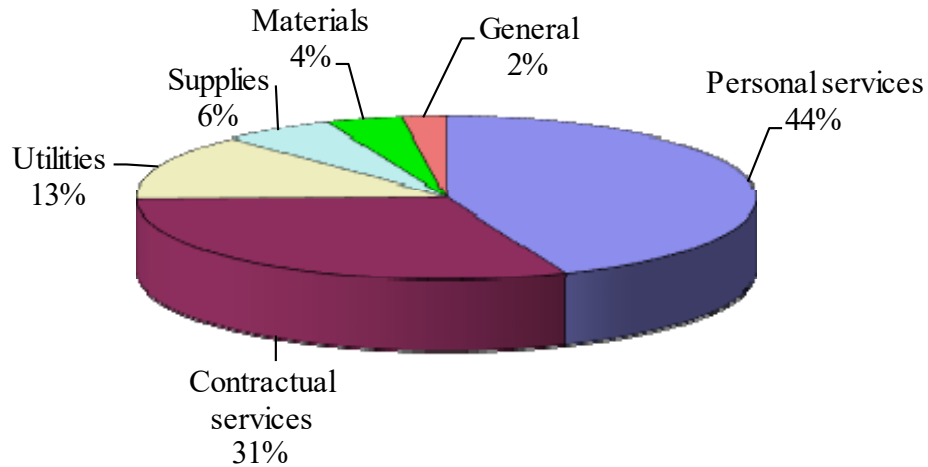


Operating Revenues - 2020

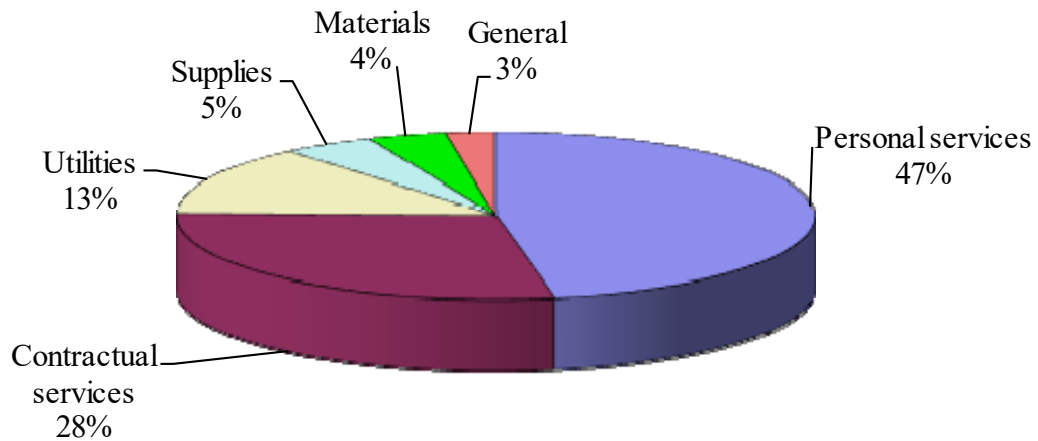


The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2021 and 2020 (excluding depreciation):

Operating Expenses (Excluding Depreciation) - 2021



Operating Expenses (Excluding Depreciation) - 2020



Capital Asset and Debt Administration

Capital Assets

During 2021, the Authority expended approximately \$49.7 million on capital assets. The capital expenditures related to multiple construction and equipment acquisition projects related to: Runway 5L-23R Rehabilitation, Airfield Maintenance and Snow Removal Equipment Facilities, Taxiways R, P, H, & N Rehabilitation, Stormwater and Deicing, and Corporate Hangar Development Infrastructure at Indy Regional.

During 2021, completed projects totaling \$54.0 million were closed from construction-in-progress to their respective capital asset accounts. The more significant of these completed projects are as follows:

Rehabilitation Runway 5L-23R	\$17.6 million
Airfield Maintenance and Snow Removal Equipment Facilities	\$16.5 million
Rehabilitation Taxiways R, P, H, & N	\$4.3 million
Stormwater & Deicing - Seerley Creek Basin Relocation & West Basin	\$3.3 million
Corporate Hangar Development Infrastructure - Indy Regional	\$2.8 million
Rehabilitation Runway 14-32 and Taxiways with LEDs	\$2.0 million

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

Long-Term Debt

Capital acquisitions can be funded using a variety of financing mechanisms, including federal and state grants, passenger facility charges, customer 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 & CFC revenues, state and/or federal grants, or other identified revenues) to be used to pay debt service on Authority revenue bonds. Note 5 of the financial statements explains the details of ordinances adopted in 2020 and 2021.

As of December 31, 2021, the Authority had \$904.7 million in outstanding senior lien bonds. 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 2021 and 2020, respectively, the Authority’s debt service coverage was 1.96 and 1.78 for senior lien debt. The 2021 senior lien debt service coverage was calculated using \$25.0 million of grant revenue funded by the CARES Act and the Coronavirus Response and Relief Supplemental Appropriations Act (the “CRRSA Act”), pledged by the Authority’s Board of Directors as Gross Revenues, that was drawn and received to pay operating expenses and debt service during 2021.

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

Economic Factors

As noted earlier, IND experienced a 75.2% increase in the number of passenger enplanements over last year, resulting in total 2021 enplanements of 3,582,020. This level of enplanements is in line with 2013 levels. COVID-19 restrictions early in 2021 slowed the recovery process, however, with significant pent up leisure demand, many months in 2021 came close to reaching 2019 levels of passenger traffic.

Due to the drop in passenger demand, all passenger airlines decreased their seat capacity at IND compared to 2019, but offered more seats and flights compared to 2020. Seat capacity overall was down 22% compared to 2019. International seat capacity was down 84% compared to 2019, due to international travel restrictions.

IND maintained year-round service from all domestic airlines in 2021 providing nonstop or 1 stop connectivity across the U.S. IND is served by both major and national airlines operating at many of the domestic hubs. In addition, point-to-point service is provided to major business and leisure destinations, mainly in the Eastern and Central U.S., and improved coverage on the West Coast.

In addition to increased passenger activity, the IAA continues to benefit from sustained cargo operations, anchored by FedEx. IND's position as FedEx's second largest hub worldwide allows the airport to maintain high cargo landed weight levels. In 2021, IND airlines carried 1.3 million tons of cargo, up 19.5% from 2020. IND domestic cargo was up 17.1% from 2020 and international cargo increased by 38% from 2020 levels, both due to an increase in demand for goods during the pandemic and increased operations from FedEx.

The COVID-19 pandemic's dynamic nature leads to uncertainties, including the ultimate geographic spread of the virus; the severity of the disease; the duration of the pandemic; and actions that may be taken by governmental authorities to contain the outbreak or to treat its impact. There is uncertainty related to the local or global economic impact of the pandemic on the demand for air travel and on the airlines and concessionaires serving IND.

Looking Forward

At the end of 2018, the Air Service Task Force Executive Committee approved the Authority's five-year Air Service Strategy. The Committee includes representatives from the Indiana Economic Development Corporation ("IEDC"), Visit Indy and the Indy Chamber. The strategy considers a myriad of factors including passenger demand, costs, airline strategy, industry trends, local and global economies amongst others.

The strategy identifies two-year and five-year targets including both domestic and international markets as well as domestic and international airlines. This strategy will be adjusted to consider the impact of COVID-19 and the potential paths for recovery. The strategy outlines opportunities of implementation with emphasis on data collection and airline engagement, which will remain critical to air service recovery.

Despite planning efforts, future increases in passenger and cargo traffic at the Authority will be influenced by several key economic factors, which include, but are not limited to, the following:

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

As mentioned above, economic conditions have a significant effect on air travel and the transportation industry. The Authority cannot predict how future air travel, enplanements, or other variables relating to airport revenues may be impacted by various market factors.

Future passenger traffic may be impacted by the following:

- Load factors by carrier
- Average daily departures
- Scheduled seat capacity
- Average nonstop fares
- Average fares by market
- Airline communication
- Aircraft orders/retirements

Although it is not anticipated, the restructuring or liquidation of one or more of the large network airlines could also affect airline service at many connecting hub airports. Additionally, present business opportunities for the remaining airlines, and evolving travel patterns throughout the U.S. aviation system will continue to play a role in how the industry performs.

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 Investor Relations, 7800 Col. H. Weir Cook Memorial Drive, Suite 100, Indianapolis, IN 46241-4941 or via email to INDir@indianapolisairport.com.

Indianapolis Airport Authority

Statements of Net Position December 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 89,548,600	\$ 83,133,735
Accounts receivable, net of allowance of \$164,000 and \$390,000, respectively	4,421,986	1,827,870
Unbilled revenues	5,254,168	5,832,412
Grants receivable	3,952,261	-
Supplies and materials inventories	2,988,315	2,705,720
Other	2,103,287	2,014,492
Total unrestricted current assets	108,268,617	95,514,229
Restricted Assets		
Cash and cash equivalents	62,085,434	65,769,083
Cash and cash equivalents - customer deposits	707,251	647,150
Receivable - passenger facility charges	2,188,760	919,097
Receivable - governments and other	122,997	137,381
Receivable - reimbursable IMC expenses	1,518,798	4,225,911
Total restricted current assets	66,623,240	71,698,622
Total current assets	174,891,857	167,212,851
Noncurrent Assets		
Cash and cash equivalents, restricted	137,237,795	136,289,112
Investment securities, unrestricted	2,384,020	-
Investment securities, restricted	56,640,881	39,742,856
Rent receivable	726,200	840,132
Derivative instruments - forward delivery purchase agreements	17,979,068	22,121,818
Nondepreciable capital assets	256,017,486	265,038,315
Depreciable capital assets, net	1,724,845,719	1,518,077,224
Total noncurrent assets	2,195,831,169	1,982,109,457
Total assets	2,370,723,026	2,149,322,308
Deferred Outflows of Resources		
Deferred loss on refunding of debt	17,214,339	19,882,354
Total deferred outflows of resources	17,214,339	19,882,354
Total assets and deferred outflows of resources	\$ 2,387,937,365	\$ 2,169,204,662

Indianapolis Airport Authority
Statements of Net Position (Continued)
December 31, 2021 and 2020

	2021	2020
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	\$ 5,454,973	\$ 2,245,705
Accrued and withheld items (including compensated absences)	7,150,259	7,772,485
Grants payable	-	3,473,304
Total current liabilities payable from unrestricted assets	12,605,232	13,491,494
Payable From Restricted Assets		
Accounts payable	8,494,980	15,454,396
Customer deposits payable	707,251	647,150
Current portion of debt	36,260,000	34,480,000
Accrued interest on debt	16,511,316	17,387,070
Total current liabilities payable from restricted assets	61,973,547	67,968,616
Total current liabilities	74,578,779	81,460,110
Noncurrent Liabilities		
Derivative instruments - interest rate swap agreements	43,597,868	55,905,280
Bonds payable and other debt, payable from restricted assets	868,468,333	914,382,708
Total noncurrent liabilities	912,066,201	970,287,988
Total liabilities	986,644,980	1,051,748,098
Deferred Inflows of Resources		
Accumulated increase in fair value of hedging derivatives	17,979,068	22,121,818
Net Position		
Net investment in capital assets	1,099,359,838	841,310,882
Restricted for		
Capital projects	106,146,839	87,155,753
Debt service	77,907,306	80,141,430
Other	1,125,729	3,863,814
Total restricted net position	185,179,874	171,160,997
Unrestricted	98,773,605	82,862,867
Total net position	1,383,313,317	1,095,334,746
Total liabilities, deferred inflows of resources and net position	\$ 2,387,937,365	\$ 2,169,204,662

Indianapolis Airport Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Airfield	\$ 31,031,457	\$ 22,118,257
Terminal complex	57,515,595	44,175,766
Parking	42,772,033	25,208,150
Rented buildings and other	16,548,566	16,218,550
Indianapolis Maintenance Center (IMC)	5,586,360	6,570,715
Reliever airports	3,217,196	2,779,635
Total operating revenues	<u>156,671,207</u>	<u>117,071,073</u>
Operating Expenses		
Personal services	34,839,202	34,126,777
Contractual services	24,627,806	20,570,241
Utilities	10,553,917	9,727,168
Supplies	4,700,866	3,435,607
Materials	3,175,479	2,897,046
General	1,801,410	1,806,630
Total operating expenses	<u>79,698,680</u>	<u>72,563,469</u>
Income From Operations Before Depreciation	76,972,527	44,507,604
Depreciation expense	<u>100,933,121</u>	<u>94,640,303</u>
Loss From Operations	<u>(23,960,594)</u>	<u>(50,132,699)</u>
Nonoperating Revenues (Expenses)		
Federal operating grants	1,816,734	15,782,948
Passenger facility charges	15,009,050	7,917,919
Customer facility charges (rental cars)	6,526,091	4,347,368
Investment income (loss), net of investment derivative fair value adjustments of \$12,307,412 and \$(11,071,931), respectively	15,567,065	(4,909,795)
Interest expense	(32,770,421)	(33,787,024)
Gain on disposals of capital assets and other	2,336,386	11,802,875
	<u>8,484,905</u>	<u>1,154,291</u>
Decrease in Net Position Before Capital Contributions and Grants	<u>(15,475,689)</u>	<u>(48,978,408)</u>
Capital Contributions and Grants		
Federal, state and local grants	48,797,367	44,816,168
Contributions from lessees and other	254,656,893	83,401,334
	<u>303,454,260</u>	<u>128,217,502</u>
Increase in Net Position	287,978,571	79,239,094
Net Position, Beginning of Year	<u>1,095,334,746</u>	<u>1,016,095,652</u>
Net Position, End of Year	<u>\$ 1,383,313,317</u>	<u>\$ 1,095,334,746</u>

Indianapolis Airport Authority
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Cash receipts from customers and users	\$ 156,394,989	\$ 115,307,738
Cash payments to vendors for goods and services	(44,751,456)	(49,359,808)
Cash payments for employees services	(34,313,497)	(34,908,600)
Net cash provided by operating activities	77,330,036	31,039,330
Cash Flows From Noncapital Financing Activities		
Operating grants received	1,816,734	21,384,104
Customer facility charges received	6,526,091	4,347,368
Insurance recoveries	477,814	60,000
Net cash provided by noncapital financing activities	8,820,639	25,791,472
Cash Flows From Capital and Related Financing Activities		
Principal paid on bonds	(34,480,000)	(28,705,000)
Bond issuance and remarketing costs paid	(288,118)	(184,142)
Interest paid	(40,344,416)	(39,084,692)
Acquisition and construction of capital assets	(49,549,284)	(62,090,535)
Proceeds from sale of capital assets	3,154,401	26,545,748
Passenger facility charges received	13,739,387	8,320,595
Capital grants received	41,371,802	44,816,168
Net cash used in capital and related financing activities	(66,396,228)	(50,381,858)
Cash Flows From Investing Activities		
Purchase of investment securities	(144,244,400)	(287,653,500)
Proceeds from sales and maturities of investment securities	126,783,601	390,999,681
Interest received on investments and cash equivalents	1,446,352	2,603,224
Net cash provided by (used in) investing activities	(16,014,447)	105,949,405
Net Increase in Cash and Cash Equivalents	3,740,000	112,398,349
Cash and Cash Equivalents, Beginning of Year	285,839,080	173,440,731
Cash and Cash Equivalents, End of Year	\$ 289,579,080	\$ 285,839,080

Indianapolis Airport Authority
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities		
Loss from operations	\$ (23,960,594)	\$ (50,132,699)
Item not requiring cash		
Depreciation of capital assets	100,933,121	94,640,303
Change in assets and liabilities		
Accounts receivable and unbilled revenues	(276,218)	(1,763,335)
Supplies and materials inventories	(282,595)	(360,923)
Other assets	(88,795)	(1,618,929)
Accounts payable	479,412	(8,943,264)
Accrued and withheld items	525,705	(781,823)
	\$ 77,330,036	\$ 31,039,330
Net cash provided by operating activities		
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	\$ 4,718,314	\$ 8,920,516
Capital assets contributed by lessees and other governments	254,656,893	83,401,334

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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

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

The Authority's Board consists of eleven members, six of which are appointed by the Mayor of the Consolidated City of Indianapolis-Marion County (a unified form of government commonly referred to as Unigov), one by the majority leader of the City-Council, and one each by the Hendricks, Hamilton, Hancock and Morgan County Boards of Commissioners. Each member is appointed a four-year term.

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 deferred outflows of resources, liabilities and deferred inflows of resources 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 unit 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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers.

Investment Securities

Investment securities are stated at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and repurchase agreements are carried at cost.

Investment income consists of interest and dividend income.

Unbilled Revenues

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

Inventories

Inventories consist of parts, supplies and materials. Inventories are stated at cost, which is determined using the first-in, first-out (FIFO) method.

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.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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:

	<u>Years</u>
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

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.

Donated capital assets are measured at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Original Issue Premiums and Discount

Original issue premiums and 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.

Deferred Outflows and Inflows of Resources

The Authority reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its statements of net position.

The Authority reports the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statements of net position.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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 when earned by the employee and the accrual is based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as grants, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as facility charges and investment income.

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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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 construction of the terminal and associated program construction.

PFC's, which are recognized as earned, are included in nonoperating revenues and amounted to \$15,009,050 and \$7,917,919 for 2021 and 2020, 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 \$3.00 per rental car transaction per day, up to 14 days. The Authority increased this charge to \$4.00 per transaction in May 2010 and subsequently increased this charge to \$5.00 per transaction in March 2019. 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 \$6,526,091 and \$4,347,368 for 2021 and 2020, respectively.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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 \$578,935 and \$637,956 at December 31, 2021 and 2020, respectively. The current receivable will be recognized in full in 2034.

Income Taxes

As an instrumentality of the state, the income of the Authority is exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law.

Note 2: Cash, Cash Equivalents and Investment Securities

Deposits

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

The 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.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

At December 31, 2021 and 2020, the Authority had the following investment securities and maturities:

	Rating	Total	December 31, 2021	
			Less Than 1 Year	1 - 5 Years
U.S. Treasury Security Bills	AA+/Aa1	\$ 48,294,107	\$ 10,185,429	\$ 38,108,678
Indiana municipal securities	AA+/Aa1	3,937,895	3,560,266	377,629
	AAA/Aaa	242,668	200,000	42,668
	AA/Aa2	10,401,205	500,682	9,900,523
Total Indiana municipal securities		14,581,768	4,260,948	10,320,820
Money market mutual funds	AAA/Aaa	86,478,561	86,478,561	-
	Not Rated	112,824,104	112,824,104	-
Total money market mutual funds		199,302,665	199,302,665	-
External investment pools	Not Rated	50,337,573	50,337,573	-
		<u>\$ 312,516,113</u>	<u>\$ 264,086,615</u>	<u>\$ 48,429,498</u>

	Rating	Total	December 31, 2020	
			Less Than 1 Year	1 - 5 Years
U.S. Treasury Security Bills	A-1+/P-1	\$ 45,586,716	\$ 30,262,993	\$ 15,323,723
Indiana municipal securities	AA+/Aa1	5,917,804	2,207,792	3,710,012
	AA/Aa2	200,120	-	200,120
Total Indiana municipal securities		6,117,924	2,207,792	3,910,132
Money market mutual funds	AAA/Aaa	86,114,163	86,114,163	-
	Not Rated	135,338,728	135,338,728	-
Total money market mutual funds		221,452,891	221,452,891	-
External investment pools	Not Rated	27,021,495	27,021,495	-
		<u>\$ 300,179,026</u>	<u>\$ 280,945,171</u>	<u>\$ 19,233,855</u>

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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, 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.

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

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Summary of Carrying Values

Cash, cash equivalents and investment securities included in the statements of net position are classified as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents		
Current - unrestricted	\$ 89,548,600	\$ 83,133,735
Current - restricted	62,792,685	66,416,233
Noncurrent - restricted	137,237,795	136,289,112
Total cash and cash equivalents	<u>289,579,080</u>	<u>285,839,080</u>
Investment securities		
Noncurrent - unrestricted	2,384,020	-
Noncurrent - restricted	56,640,881	39,742,856
Total investment securities	<u>59,024,901</u>	<u>39,742,856</u>
	<u>\$ 348,603,981</u>	<u>\$ 325,581,936</u>

The carrying value of deposits and investments are as follows:

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 36,087,868	\$ 25,402,910
Investments	312,516,113	300,179,026
	<u>\$ 348,603,981</u>	<u>\$ 325,581,936</u>

Investment Income (Loss)

Investment income (loss) for the years ended December 31, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 3,259,653	\$ 6,162,136
Changes in valuation of investment derivatives	12,307,412	(11,071,931)
Investment gain (loss)	<u>\$ 15,567,065</u>	<u>\$ (4,909,795)</u>

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Cash, cash equivalents and investment securities are as follows:

	2021	2020
Unrestricted		
Airport System Fund	\$ 68,103,405	\$ 65,554,493
Customer Facility Charge Fund	23,818,515	17,568,542
Other unrestricted funds	10,700	10,700
Total unrestricted cash, cash equivalents and investments	91,932,620	83,133,735
Restricted		
Revenue Bond Interest and Principal Fund	54,942,203	53,993,662
Revenue Bond Reserve Fund	55,220,560	55,683,658
Operation and Maintenance Reserve Fund	14,597,879	14,102,807
Renewal and Replacement Fund	2,944,231	2,837,380
Capital Improvement Fund	90,393,892	76,791,939
Passenger Facility Charge Fund	13,564,187	9,444,717
Debt Service Coverage Fund	17,157,927	17,171,467
Construction Fund - Subordinate Securities	4,653,385	9,285,803
Construction Fund - State Revolving Fund	2,489,846	2,489,618
Customer deposits	707,251	647,150
Total restricted cash, cash equivalents and investments	256,671,361	242,448,201
Total cash, cash equivalents and investments	\$ 348,603,981	\$ 325,581,936

The above funds and accounts have been established in accordance with the Authority's General Ordinance No. 5-2014, the Consolidated and Restated Master Bond Ordinance (consolidating and restating all previously adopted Bond Ordinances, as amended), 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.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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. The State Revolving Fund serves as a construction fund to be drawn upon as eligible costs for the expansion of the Authority's stormwater system are incurred. 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. Balances included in the Airport System Fund and Prepaid Airline Revenue Fund are classified in current unrestricted assets in the accompanying statements of net position.

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 statements of net position.

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 (principal and interest) issued for allowable capital projects, under a Record of Decision granted by the FAA.

Note 3: Grants Receivable (Payable)

Grants receivable (payable) from government agencies represent reimbursements due from/to the federal government and/or the State of Indiana for allowable costs incurred on federal and state award programs. Grants receivable (payable) at December 31, 2021 and 2020 consist of:

	<u>2021</u>	<u>2020</u>
State of Indiana	\$ 46,640	\$ 50,948
Federal Aviation Administration	3,845,401	(3,728,880)
U.S. Department of Homeland Security	<u>60,220</u>	<u>204,628</u>
	<u>\$ 3,952,261</u>	<u>\$ (3,473,304)</u>

The maximum amount of federal and state participation available for 2021 totaled \$251,275,269. At December 31, 2021, a cumulative total of \$115,993,767 has been received on these grant commitments.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2021 and 2020 is as follows:

	Beginning Balance	Transfers and Additions	Transfers and Disposals	Ending Balance
December 31, 2021				
Capital assets, not being depreciated:				
Land	\$ 225,345,813	\$ 134,300	\$ (491,939)	\$ 224,988,174
Construction in progress	39,692,502	54,240,663	(62,903,853)	31,029,312
Total capital assets, not being depreciated	<u>265,038,315</u>	<u>54,374,963</u>	<u>(63,395,792)</u>	<u>256,017,486</u>
Capital assets, being depreciated:				
Buildings	1,696,536,080	196,245,778	(9,619,227)	1,883,162,631
Runways and other airport infrastructure	1,218,346,172	107,478,006	(1,982,270)	1,323,841,908
Equipment, furniture and fixtures and other	265,291,757	4,265,992	(1,094,598)	268,463,151
Total capital assets, being depreciated	<u>3,180,174,009</u>	<u>307,989,776</u>	<u>(12,696,095)</u>	<u>3,475,467,690</u>
Less accumulated depreciation for:				
Buildings	(786,094,293)	(49,599,530)	9,334,731	(826,359,092)
Runways and other airport infrastructure	(675,787,960)	(41,357,962)	1,978,600	(715,167,322)
Equipment, furniture and fixtures and other	(200,214,532)	(9,975,629)	1,094,604	(209,095,557)
Total accumulated depreciation	<u>(1,662,096,785)</u>	<u>(100,933,121)</u>	<u>12,407,935</u>	<u>(1,750,621,971)</u>
Total capital assets, being depreciated, net	<u>1,518,077,224</u>	<u>207,056,655</u>	<u>(288,160)</u>	<u>1,724,845,719</u>
Capital assets, net	<u>\$ 1,783,115,539</u>	<u>\$ 261,431,618</u>	<u>\$ (63,683,952)</u>	<u>\$ 1,980,863,205</u>
December 31, 2020				
Capital assets, not being depreciated:				
Land	\$ 231,248,278	\$ 153,300	\$ (6,055,765)	\$ 225,345,813
Construction in progress	47,919,575	72,383,853	(80,610,926)	39,692,502
Total capital assets, not being depreciated	<u>279,167,853</u>	<u>72,537,153</u>	<u>(86,666,691)</u>	<u>265,038,315</u>
Capital assets, being depreciated:				
Buildings	1,657,869,625	46,194,293	(7,527,838)	1,696,536,080
Runways and other airport infrastructure	1,177,479,685	76,956,504	(36,090,017)	1,218,346,172
Equipment, furniture and fixtures and other	254,278,355	15,203,660	(4,190,258)	265,291,757
Total capital assets, being depreciated	<u>3,089,627,665</u>	<u>138,354,457</u>	<u>(47,808,113)</u>	<u>3,180,174,009</u>
Less accumulated depreciation for:				
Buildings	(745,786,143)	(47,149,853)	6,841,703	(786,094,293)
Runways and other airport infrastructure	(673,354,697)	(38,523,280)	36,090,017	(675,787,960)
Equipment, furniture and fixtures and other	(195,434,432)	(8,967,170)	4,187,070	(200,214,532)
Total accumulated depreciation	<u>(1,614,575,272)</u>	<u>(94,640,303)</u>	<u>47,118,790</u>	<u>(1,662,096,785)</u>
Total capital assets, being depreciated, net	<u>1,475,052,393</u>	<u>43,714,154</u>	<u>(689,323)</u>	<u>1,518,077,224</u>
Capital assets, net	<u>\$ 1,754,220,246</u>	<u>\$ 116,251,307</u>	<u>\$ (87,356,014)</u>	<u>\$ 1,783,115,539</u>

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Note 5: Bonds Payable and Other Debt

Bonds and other debt outstanding at December 31, 2021 and 2020 consist of:

	2021	2020
Revenue Bonds, Series 2019A		
Serial bonds, maturing January 1, 2022 to January 1, 2054 in payments from \$555,000 to \$1,340,000. Interest at 2.8%, due semiannually on January 1 and July 1.	\$ 29,455,000	\$ 29,995,000
Revenue Bonds, Series 2019B		
Serial bonds, maturing January 1, 2022 to January 1, 2035 in payments from \$320,000 to \$24,450,000. Interest at 5.0%, due semiannually on January 1 and July 1.	140,930,000	146,750,000
Unamortized premium	20,103,270	24,741,740
	161,033,270	171,491,740
Revenue Bonds, Series 2019C-1		
Term bonds, maturing January 1, 2044 to January 1, 2050 Interest at 4.00% and 5.00%, due semiannually on January 1 and July 1.	51,595,000	51,595,000
Unamortized premium	6,937,918	7,232,948
	58,532,918	58,827,948
Revenue Bonds, Series 2019C-2		
Serial bonds, maturing January 1, 2022 to January 1, 2037 in payments from \$650,000 to \$1,355,000. Interest at 5.00%, due semiannually on January 1 and July 1.	15,435,000	16,000,000
Unamortized premium	2,852,455	3,186,872
	18,287,455	19,186,872
Revenue Bonds, Series 2019D		
Serial bonds, maturing January 1, 2022 to January 1, 2040 in payments from \$1,000 to \$3,411,300. Interest at 2.62%, due semiannually on January 1 and July 1.	38,215,000	38,215,000
Revenue Bonds, Series 2016A-1		
Serial bonds, maturing January 1, 2022 to January 1, 2035 in payments from \$2,145,000 to \$18,645,000. Interest at 4.00% to 5.00%, due semiannually on January 1 and July 1.	79,955,000	97,700,000
Unamortized premium	7,792,741	9,284,110
	87,747,741	106,984,110
Revenue Bonds, Series 2016A-2		
Serial bonds, maturing January 1, 2022 to January 1, 2023 in payments from \$2,260,000 to \$3,370,000. Interest at 2.411% to 2.561%, due semiannually on January 1 and July 1.	5,630,000	8,925,000
Term bonds, maturing January 1, 2024 to January 1, 2027 in payments from \$85,000 to \$95,000. Interest is fixed at 3.195%, due semiannually on January 1 and July 1.	365,000	365,000
Term bonds, maturing January 1, 2035 and January 1, 2036 in payments of \$1,520,000 and \$1,615,000, respectively. Interest is fixed at 3.894%, due semiannually on January 1 and July 1.	3,135,000	3,135,000

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

(Continued)	2021	2020
Revenue Bonds, Series 2015A		
Serial bonds, maturing January 1, 2023 to January 1, 2033 in payments from \$6,770,000 to \$19,875,000. Interest at 4.00% to 5.00%, due semiannually on January 1 and July 1.	\$ 178,690,000	\$ 178,690,000
Unamortized premium	10,476,068	12,047,330
	189,166,068	190,737,330
Revenue Bonds, Series 2014A		
Serial bonds, maturing January 1, 2022 to January 1, 2034 in payments from \$6,840,000 to \$17,075,000. Interest at 4.00% to 5.00%, due semiannually on January 1 and July 1.	151,130,000	157,645,000
Unamortized premium	9,190,881	10,514,708
	160,320,881	168,159,708
Revenue Bonds, Series 2010C		
Term bonds, maturing January 1, 2033, 2036 and 2037. Interest is variable (75% of the one-month LIBOR plus 0.330% (0.406%) at December 31, 2021), due monthly on the first business day	152,840,000	152,840,000
	904,728,333	948,862,708
Total revenue bonds	(36,260,000)	(34,480,000)
Current portion	\$ 868,468,333	\$ 914,382,708
Long-term portion		

Revenue Bonds

Portions of the Authority's Series 2014A, 2015A, 2016A-1, 2016A-2, 2019B, 2019C-1, and 2019C-2 Revenue Bonds are subject to optional redemption by the Authority at various dates in the future. Portions of the Authority's Series 2019A and 2019D Revenue Bonds, with consent from the Indiana Finance Authority, 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 2010C Revenue Bonds (as discussed more fully below), maturing January 1, 2033, 2036 and 2037, are subject to redemption from mandatory sinking fund payments during 2030 to 2037.

The Series 2016A-2 Refunding 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 2035 to 2036, respectively.

The Authority's 2019C-1 bonds maturing January 1, 2044 (the 2044 Term Bonds) and January 1 2050 (the 2050 Term Bonds), are subject to redemption from mandatory sinking fund payments during 2040 to 2044 and 2045 to 2050, respectively.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

2019A Revenue Bonds - State Revolving Fund

In March 2019, the Authority entered into a \$30,000,000, 35-year term subsidized Clean Water Loan with the Indiana Finance Authority's State Revolving Fund (SRF) program at an annualized rate of 2.80%. The SRF Bonds were issued on parity with the Authority's Senior Lien Revenue Bonds. The proceeds were deposited in a construction fund to be drawn upon as eligible costs for the expansion of the Authority's stormwater system were incurred. As of December 31, 2021 and 2020, respectively, \$1,368,024 and \$1,367,900 remained in the construction fund.

2019B Revenue Bonds

In August 2019, the Authority issued the 2019B Refunding Revenue Bonds in the amount of \$149,130,000 with an original issue premium of \$31,330,593. The proceeds from the 2019B Revenue Bonds, in conjunction with transfers from the debt service reserve and principal and interest funds, were used to refund \$156,050,000 of the 2010C Revenue Bonds, terminate a portion of the associated interest rate swaps, fund a debt service reserve fund surety policy, and pay for costs of issuance. The net present value loss resulting from this refunding was \$592,869, and the aggregate difference in the required debt service between the portion of the refunded 2010C Bonds and the 2019B Bonds was \$2,646,125.

2019C Revenue Bonds

In December 2019, the Authority issued the 2019C-1 (\$51,595,000; tax-exempt) and 2019C-2 (\$16,000,000; tax-exempt) Refunding Revenue Bonds in the amount of \$67,595,000 with original issue premium of \$7,549,287 and \$3,558,567 on the C-1 and C-2 series, respectively. The proceeds from the 2019C-1 Revenue Bonds were used to redeem the outstanding 2018A Subordinate Securities of \$58,470,000, pay interest on the 2019C-1 Bonds through January 1, 2020, and pay for costs of issuance. The 2019C-2 Revenue Bonds were used to refund the outstanding balance of the 2010A Authority Bonds of \$20,613,781 and pay costs of issuance. The net present value savings resulting from the refunding of the 2010A Bonds were \$3,691,196, and the aggregate difference in the required debt service between the 2010A Bonds and the 2019C-2 Bonds was \$4,718,278.

2019D Revenue Bonds - State Revolving Fund

In November 2019, the Authority entered into a \$38,215,000, 20-year term subsidized Clean Water Loan with the Indiana Finance Authority's State Revolving Fund (SRF) program at an annualized rate of 2.62%. The SRF Bonds were issued on parity with the Authority's Senior Lien Revenue Bonds. The proceeds were deposited in a construction fund to be drawn upon as eligible costs for the expansion of the Authority's stormwater system were incurred. As of December 31, 2021 and 2020, respectively, \$1,121,822 and \$1,121,718 remained in the construction fund.

Indianapolis Airport Authority

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2010C Revenue Bonds

In December 2010, the Authority issued the Indianapolis Airport Authority Airport Revenue Bonds, Series 2010C (2010C Revenue Bonds) in an original amount totaling \$350,000,000. The 2010C Revenue Bonds were issued in five subseries (2010C-1 through 2010C-5) with final maturities ranging from January 1, 2033 through January 1, 2037. The Series 2010C Revenue Bonds were sold to the Indianapolis Local Public Improvement Bond Bank (the “ILPIBB”) and directly purchased by banks (by subseries), subject to Continuing Covenant Agreements, as the ILPIBB Revenue Bonds, Series 2010L, and are secured by a Trust Indenture and Ordinances establishing a security interest in net revenues of the airport system. The 2010C Revenue Bonds are currently subject to acceleration at the end of the bank term beginning on the dates outlined in the table below:

<u>Authority Series</u>	<u>ILPIBB Series</u>	<u>Maturity Date</u>	<u>End of Bank Term</u>
201C-1	2010L-1	1/1/2033	6/30/2023
201C-2	2010L-2	1/1/2033	6/30/2023
201C-3	2010L-3	1/1/2036	6/30/2023
201C-4	2010L-4	1/1/2036	6/30/2023
201C-5	2010L-5	1/1/2037	6/30/2023

The Authority has paid or refunded a portion of the 2010C Revenue Bonds since they were issued. As of December 31, 2021 and 2020, there were \$152,840,000 of 2010C Revenue Bonds outstanding and no additional amounts may be issued under the 2010C Revenue Bond facilities. The 2010C Revenue Bonds are periodically remarketed to banks and the bank owners have changed since the bonds were issued and are likely to change again before they reach maturity or are otherwise paid. The last remarketings occurred in July 2021. The bonds will be remarketed again, prior to the bank term of the existing facilities. There are certain events which could result in a higher interest rate and/or an acceleration of amounts due on the 2010C Revenue Bonds. These events are described in the Continuing Covenant Agreement filed on the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access (“EMMA”) site at the ILPIBB’s issuer homepage or using the following links:

- <https://emma.msrb.org/P11522531-P11177734-P11594052.pdf>
- <https://emma.msrb.org/P11522534-P11177735-P11594053.pdf>

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2018A Subordinate Securities

In March 2018, the Authority issued the Indianapolis Airport Authority Subordinate Securities, Series 2018A (2018A Subordinate Securities) in an original amount not to exceed \$175,000,000 with a final maturity not to exceed March 1, 2021. The Series 2018A Subordinate Securities were sold to the ILPIBB and directly purchased by Bank of America, N.A., subject to a Continuing Covenant Agreement, as the ILPIBB Subordinate Notes, Series 2018B, and were secured by a Trust Indenture and Ordinances establishing a subordinate security interest in net revenues of the airport system. The Series 2018A Subordinate Securities was a non-revolving credit facility, allowing the Authority to borrow funds to fund authorized purposes which include, but were not limited to, the Authority's stormwater enhancement and baggage system modification projects. On July 7, 2020, the Authority determined it would not need to draw additional amounts under the Continuing Covenant Agreement and elected to terminate it early. There were no amounts outstanding at the time of termination or at the year ended December 31, 2021.

Directly Placed Debt

As of December 31, 2021 and 2020, the Authority held directly placed debt as detailed below:

	2010C-1	2010C-2	2010C-3	2010C-4	2010C-5
Par Outstanding at 12/31/21	\$ 46,505,000	\$ 23,250,000	\$ 20,660,000	\$ 30,985,000	\$ 31,440,000
Par Outstanding at 12/31/20	46,505,000	23,250,000	20,660,000	30,985,000	31,440,000
Credit Available For Draw as of 12/31/21	-	-	-	-	-
Credit Available For Draw as of 12/31/20	-	-	-	-	-
Lien	Senior	Senior	Senior	Senior	Senior
Final Maturity	1/1/2033	1/1/2033	1/1/2036	1/1/2036	1/1/2037
End of Bank Term	6/30/2023	6/30/2023	6/30/2023	6/30/2023	6/30/2023
Bank	Banc of America Preferred Funding Corporation	PNC Bank, National Association	Banc of America Preferred Funding Corporation	PNC Bank, National Association	Banc of America Preferred Funding Corporation
Index Rate	1M USD LIBOR	1M USD LIBOR	1M USD LIBOR	1M USD LIBOR	1M USD LIBOR
Applicable Factor	75%	75%	75%	75%	75%
Applicable Spread as of 12/31/2021	0.33%	0.33%	0.33%	0.33%	0.33%
Applicable Spread as of 12/31/2020	1.10%	0.40%	0.62%	0.40%	1.10%
Increase in Applicable Spread Due To Credit Rating Downgrade	Yes ⁽¹⁾	Yes ⁽¹⁾	Yes ⁽¹⁾	Yes ⁽¹⁾	Yes ⁽¹⁾
Margin Rate Factor	No	No	No	No	No
Rate Formula	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread
Events of Default	CCA Article 8	CCA Article 8	CCA Article 8	CCA Article 8	CCA Article 8
Moody's Rating as of 12/31/21	A1	A1	A1	A1	A1
Moody's Rating as of 12/31/20	A1	A1	A1	A1	A1
S&P Rating as of 12/31/21	A-	A-	A-	A-	A-
S&P Rating as of 12/31/20	A-	A-	A-	A-	A-
Fitch Rating as of 12/31/21	A	A	A	A	A
Fitch Rating as of 12/31/20	A	A	A	A	A

(1) See Table 1

Indianapolis Airport Authority

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Applicable Spread upon Credit Ratings Downgrade

In the event of a change in the long-term unenhanced rating assigned by Moody's, S&P or Fitch to such bonds, the Applicable Spread shall be the Applicable Spread associated with such new long-term unenhanced rating as set forth in the following schedules:

Table 1 – 2010C-1, 2010C-2, 2010C-3, 2010C-4, and 2010C-5

Moody's	Credit Rating		Applicable Spread
	S&P	Fitch	
A2 or Higher	A or higher	A or higher	0.33%
A3	A-	A-	0.43%
Baa1	BBB+	BBB+	0.68%
Baa2	BBB	BBB	1.18%
Baa3	BBB-	BBB-	1.68%

The Master Bond Ordinance

The Authority's Revenue Bonds are secured under the Master Bond Ordinance 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 has adopted resolutions beginning in 2003 and 2006 irrevocably dedicating revenues from passenger facility charges and customer facility charges (the Dedicated Revenues), respectively, to be used exclusively to pay debt service on the Authority's Revenue Bonds. The irrevocable designation of passenger facility charges revenue in 2021 and 2020, respectively, was \$10 million and \$18.0 million, respectively. The customer facility charge revenue designation was \$0 for 2021 and 2020.

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.

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Notes to Financial Statements December 31, 2021 and 2020

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, 2021:

Years Ending December 31	Revenue Bonds		Total
	Principal	Interest	
2022	\$ 36,260,000	\$ 31,732,243	\$ 67,992,243
2023	39,876,015	30,025,544	69,901,559
2024	48,371,542	28,111,806	76,483,348
2025	50,808,785	25,862,126	76,670,911
2026	53,312,790	23,418,987	76,731,777
2027 - 2031	297,037,876	77,395,091	374,432,967
2032 - 2036	233,806,519	27,773,454	261,579,973
2037 - 2041	26,166,473	14,220,904	40,387,377
2042 - 2046	28,965,000	9,017,950	37,982,950
2047 - 2051	28,855,000	2,852,150	31,707,150
2052 - 2056	3,915,000	166,390	4,081,390
	<u>\$ 847,375,000</u>	<u>\$ 270,576,645</u>	<u>\$ 1,117,951,645</u>

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	\$ 881,855,000	\$ -	\$ (34,480,000)	\$ 847,375,000	\$ 36,260,000
Bond premium	67,007,708	-	(9,654,375)	57,353,333	-
Total revenue bonds payable	<u>948,862,708</u>	<u>-</u>	<u>(44,134,375)</u>	<u>904,728,333</u>	<u>36,260,000</u>
Total long-term obligations	<u>\$ 948,862,708</u>	<u>\$ -</u>	<u>\$ (44,134,375)</u>	<u>\$ 904,728,333</u>	<u>\$ 36,260,000</u>
	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	\$ 910,560,000	\$ -	\$ (28,705,000)	\$ 881,855,000	\$ 34,480,000
Bond premium	77,325,214	-	(10,317,506)	67,007,708	-
Total revenue bonds payable	<u>987,885,214</u>	<u>-</u>	<u>(39,022,506)</u>	<u>948,862,708</u>	<u>34,480,000</u>
Total long-term obligations	<u>\$ 987,885,214</u>	<u>\$ -</u>	<u>\$ (39,022,506)</u>	<u>\$ 948,862,708</u>	<u>\$ 34,480,000</u>

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Note 6: Special Facility Revenue Bonds

To provide for the construction of the Indianapolis Maintenance Center (IMC) (formerly leased to United Air Lines, Inc.), the Authority issued 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, 2021 and 2020, the Special Facility Revenue Bonds, Series 1995 (Indianapolis Maintenance Center), outstanding were \$165,988,327.

Note 7: Derivative Financial Instruments

Forward Delivery Purchase Agreements - Hedging Derivative Instruments

The Authority has entered into three 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 agreement. 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:

Debt Service Fund	Date of Agreement	Termination Date	Scheduled Reserve Amount	Guaranteed Rate	Fair Value at December 31, 2021	Fair Value at December 31, 2020
Series 2014A	December 1, 2004	December 30, 2033	\$ 16,534,000	4.962%	\$ 5,774,782	\$ 7,155,340
Series 2015A	December 28, 2005	December 31, 2032	15,000,000	4.820%	4,675,530	5,865,389
Series 2016A	August 1, 2006	January 1, 2036	17,321,400	5.311%	7,528,756	9,101,089
					<u>\$ 17,979,068</u>	<u>\$ 22,121,818</u>

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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 statements of net position as of December 31, 2021 and 2020. As the Forward Delivery Agreements are effective hedging instruments, the changes in fair value of the Forward Delivery Agreements of (\$4,142,750) and \$4,112,631 for the years ended December 31, 2021 and 2020, respectively, are shown as an adjustment to the carrying amount of the related deferred inflows of resources on the statements of net position.

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 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 value of the instrument at the time of termination.

Interest Rate Swap Agreements – Investment Derivative Instruments

The Authority is a party to three 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. Upon this terminating event, it was determined the interest rate swaps were no longer effective hedges and all subsequent changes in the fair value are recorded as a component of investment income.

On August 22, 2019, the Authority used the proceeds of the 2019B Revenue Bonds to refund a portion of the 2010C Revenue Bonds and terminate associated interest rate swaps. A \$26,532,000 partial termination payment to the swap counterparties eliminated \$156,050,000 of the Authority's swap notional amount.

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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, 2021	Fair Value at December 31, 2020
\$ 51,645,000	October 14, 2004	July 1, 2008	January 1, 2036	4.0325%	75% One Month LIBOR	\$ (15,886,628)	\$ (20,385,505)
31,440,000	October 14, 2004	July 1, 2008	January 1, 2037	4.1500%	75% One Month LIBOR	(10,285,702)	(12,941,730)
23,251,667	October 7, 2005	July 1, 2008	January 1, 2033	3.7800%	75% One Month LIBOR	(5,822,758)	(7,539,563)
46,503,333	July 2, 2015 *	July 1, 2015 *	January 1, 2033	3.7775%	75% One Month LIBOR	(11,602,780)	(15,038,482)
<u>\$ 152,840,000</u>						<u>\$ (43,597,868)</u>	<u>\$ (55,905,280)</u>

* During 2015, there was an exchange of counterparties from UBS to Wells Fargo. This was not considered as a terminating event.

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 statements of net position as of December 31, 2021 and 2020. As the Swap Agreements are ineffective hedging instruments, the changes in fair value of the Swap Agreements of \$12,307,412 and \$(11,071,931) for the years ended December 31, 2021 and 2020, respectively, are shown as investment income.

Credit Risk - The fair value of each of the Swap Agreements represents the Authority's credit exposure to the counterparties as of December 31, 2021. 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, 2021, 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 & Poor's, 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.

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The ratings of the various counterparties at December 31, 2021 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 \$51,645,000 and \$31,440,000	Aa2	A+
Bank of America, counterparty of the interest rate swap with the notional amount of \$23,251,667	A2	A-
Wells Fargo Bank, N.A., counterparty of the interest rate swap with the notional amount of \$46,503,333 and both basis swap agreements	Aa2	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, 2021, the interest rate on the Authority's 2010C Revenue Bonds is 0.406%, (calculated at 75% of the one-month LIBOR plus 0.330%), while the Authority receives payments under the Swap Agreements equal to 75% of the one-month LIBOR, or 0.076%.

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, 2021, 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	Total
	Principal	Interest	Swaps, Net	Interest
2022	\$ -	\$ 656,858	\$ 5,895,587	\$ 6,552,445
2023	-	739,523	5,895,587	6,635,110
2024	-	869,437	5,895,587	6,765,024
2025	-	880,263	5,895,587	6,775,850
2026	-	880,263	5,895,587	6,775,850
2027 - 2031	53,240,000	3,970,897	26,629,313	30,600,210
2032 - 2036	97,070,000	957,519	6,562,336	7,519,855
2037	2,530,000	1,214	8,342	9,556
	<u>\$ 152,840,000</u>	<u>\$ 8,955,974</u>	<u>\$ 62,677,926</u>	<u>\$ 71,633,900</u>

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Notes to Financial Statements December 31, 2021 and 2020

Note 8: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Investments				
U.S. Treasury Security Bills	\$ 48,294,107	\$ 48,294,107	\$ -	\$ -
Indiana municipal securities	14,581,768	-	14,581,768	-
External investment pools	50,337,573	-	50,337,573	-
Derivative Financial Instruments				
Forward delivery purchase agreements	17,979,068	-	-	17,979,068
Interest rate swap agreements	(43,597,868)	-	(43,597,868)	-
December 31, 2020				
Investments				
U.S. Treasury Security Bills	\$ 45,586,716	\$ 45,586,716	\$ -	\$ -
Indiana municipal securities	6,117,924	-	6,117,924	-
External investment pools	27,021,495	-	27,021,495	-
Derivative Financial Instruments				
Forward delivery purchase agreements	22,121,818	-	-	22,121,818
Interest rate swap agreements	(55,905,280)	-	(55,905,280)	-

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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Derivative Financial Instruments

Interest rate swaps classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates. The fair value of the forward delivery agreements are derived from proprietary models and are calculated on a mid-market basis, but do not include bid/offer spread and are therefore classified in Level 3.

Note 9: Indianapolis Maintenance Center

As discussed previously in these footnotes, the Authority, the State of Indiana, the City of Indianapolis and United Air Lines, Inc. (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 \$165,988,327 remains outstanding at December 31, 2021. The Authority had, and continues to have, no obligation to make interest and principal payments on these special facility bonds. Revenues from the IMC are reserved for expense reimbursement to the Authority for operational expenses incurred. Once all on-going expenses have been reimbursed to the Authority, revenue in excess of expenses are shared between the bondholders and the Authority on a percentage basis bound by the Settlement Agreement. 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.

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Notes to Financial Statements

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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 the Tenant Improvement Expenditure Reserve (TIER) fund for use of capital improvements, if certain conditions are met. On the ten-year anniversary of the Settlement Agreement, all the funds accumulated in the TIER Fund were to be disbursed to the bondholders with the exception of \$1 million. On February 13, 2014, these funds were disbursed.

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 were being used primarily for the maintenance, repair and overhaul of commercial aircraft) and certain warehouse and office space for non-aviation related use. In December 2020, the Authority entered into a new lease with the IMC's main tenant, AAR Aircraft Services (AAR), with a new lease expiration of February 28, 2025. This new AAR lease provided for AAR to return a total of five of the ten hangars previously leased back to the Authority (Hangars 1A through 3A). As well, a lease extension was granted to Express Scripts with a new lease expiration of December 31, 2023. AAR and Shuttle America make up the leasing of seven of the twelve hangar spaces. 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.

For the years ended December 31, 2021 and 2020, the Authority incurred approximately \$6.0 million and \$6.5 million of costs for the IMC, respectively. The Authority has received reimbursements for these costs under the Settlement Agreement aggregating approximately \$8.5 million and \$3.8 million for 2021 and 2020, respectively. In addition, as of December 31, 2021 and 2020, the Authority has accrued approximately \$1.5 million and \$4.2 million, respectively, in reimbursements from the Trustee for allowable costs incurred.

The aforementioned lease agreements historically contained 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 five years. These grants and rental credits were 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 were expensed as they were earned by AAR. 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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

Note 10: 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.

The Authority recognized \$477,814 and \$60,000 in insurance recoveries as nonoperating revenue in 2021 and 2020, respectively. There are no material claim settlements to exceed insurance coverage that exists presently, to the best of the Authority's knowledge, which has the potential of doing so for the 2021 calendar year.

The Authority has a self-insured arrangement for health care benefits provided to Authority employees and has 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 \$6,646,112 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.

Note 11: 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 nine percent of eligible compensation. Contributions to the plan were \$1,173,194 for 2021 and \$1,045,341 for 2020.

Note 12: 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.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter as of December 31, 2021 are as follows:

2022	\$ 71,674,588
2023	70,634,405
2024	35,593,675
2025	33,354,180
2026	29,853,348
Thereafter	<u>306,804,800</u>
	<u>\$ 547,914,996</u>

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 hybrid 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 \$48.8 million in 2021 and \$34.4 million in 2020, and are accrued in arrears.

Note 13: Commitments and Contingencies

Land Acquisition and Disposal

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 existing Guaranteed Purchase Program (Phase I), which is now an inactive program, to add approximately 750 additional homes. As of December 31, 2021, the Authority has spent approximately \$102.6 million (including relocation costs) under this inactive program (Phase II), substantially all of which was eligible for 80% reimbursement from the FAA. The owners of an estimated 30 homes did not participate in Phase II when it was an active program.

A five-year review and update 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 included continuation of the Guaranteed Purchase Program with respect to approximately 132 additional homes, of which 127 were acquired by the Authority when the program was active.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

The Sound Insulation Program, which is now an inactive program, paid 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, 2021, 316 homes were sound insulated under this program. Under the Purchase Assurance Program, which is now an inactive program, the Authority purchased the property, sound insulated the home and then resold the property on the open market. At December 31, 2021, 118 homeowners participated in the Purchase Assurance Program. Participation in either the Sound Insulation or Purchase Assurance programs required the homeowner to grant an aviation easement in favor of the Authority.

The Sales Assistance program is the third and only active program at December 31, 2021 and applied to approximately 487 homes, of which 413 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 is approximately \$98.5 million. These programs, excluding Sales Assistance, were 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.

The Authority has also acquired land south of Interstate 70 (I-70). With the exception of one small parcel of land, all parcels have been acquired for the future development of a third parallel runway in this area. As of December 31, 2021, the Authority has expended approximately \$13.7 million for this project.

In November 2014, the Authority Board approved and adopted Resolution No. 12-2014, establishing certain land use policies and guidelines for the implementation of a new land use initiative. The Authority owns approximately 6,200 acres of land in and around the Indianapolis International Airport, with large holdings not only in Wayne and Decatur Townships of Marion County, but also in neighboring Hendricks County.

As part of the land use initiative, land holding not required for aviation purposes have been marketed and sold. The Authority determines how land sale proceeds must be treated, including what amounts, if any, must be returned to the Federal Aviation Administration directly or reinvested in other AIP eligible projects pursuant to federal grant requirements. Amounts due to the Federal Aviation Administration were \$7,145,650 and \$11,181,289 as of December 31, 2021 and 2020, respectively.

Environmental Mitigation and Remediation

The Authority is currently involved in three 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 petroleum impacted soil. 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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

The amount of the estimated liability as of December 31, 2021 and 2020 was \$798,000 and \$359,000, 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 monitoring activities.

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, 2021, the Authority had outstanding commitments for certain airport improvements aggregating \$124,876,210.

Litigation and Claims

The nature of the business of the Authority generates certain litigation against the Authority arising in the ordinary course of business.

As of December 31, 2021, there were three claims in litigation for alleged personal injury and/or other claims pending against the Authority. All of these claims were for personal injury and are fully insured. In addition, there was one worker's compensation claims-pending as of December 31, 2021. The Authority was also aware of several claims for which legal action against the Authority might be threatened or possible in the future.

Subsequent Events

Subsequent to year end and effective February 11, 2022, a total of \$635,875,106 has been approved to be imposed and collective on behalf of the Authority's Passenger Facility Charge Program and used by the Authority. The Authority received an additional Use Approval of \$110,967,500 on Applications 01-03 and 03-04.

Economic Events

As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Authority, including reduction in the overall investment position and declines in passenger traffic. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Supplementary Information

Indianapolis Airport Authority
Schedule of Net Position Information
December 31, 2021

	2021		
	Authority	IMC	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Unrestricted Assets			
Cash and cash equivalents	\$ 89,548,600	\$ -	\$ 89,548,600
Accounts receivable, net	4,421,986	-	4,421,986
Unbilled revenues	5,254,168	-	5,254,168
Grants receivable	3,952,261	-	3,952,261
Supplies and materials inventories	2,988,315	-	2,988,315
Other	2,103,287	-	2,103,287
Total unrestricted current assets	<u>108,268,617</u>	<u>-</u>	<u>108,268,617</u>
Restricted Assets			
Cash and cash equivalents	62,085,434	-	62,085,434
Cash and cash equivalents - customer deposits	707,251	-	707,251
Receivable - passenger facility charges	2,188,760	-	2,188,760
Receivable - governments and other	122,997	-	122,997
Receivable - reimbursable IMC expenses	-	1,518,798	1,518,798
Total restricted current assets	<u>65,104,442</u>	<u>1,518,798</u>	<u>66,623,240</u>
Total current assets	<u>173,373,059</u>	<u>1,518,798</u>	<u>174,891,857</u>
Noncurrent Assets			
Cash and cash equivalents, restricted	137,237,795	-	137,237,795
Investment securities, unrestricted	2,384,020	-	2,384,020
Investment securities, restricted	56,640,881	-	56,640,881
Rent receivable	726,200	-	726,200
Derivative instruments - forward delivery purchase agreements	17,979,068	-	17,979,068
Capital assets, net	1,798,884,795	181,978,410	1,980,863,205
Total noncurrent assets	<u>2,013,852,759</u>	<u>181,978,410</u>	<u>2,195,831,169</u>
Total assets	<u>2,187,225,818</u>	<u>183,497,208</u>	<u>2,370,723,026</u>
Deferred Outflows of Resources			
Deferred loss on refunding of debt	17,214,339	-	17,214,339
Accumulated decrease in fair value of hedging derivatives	-	-	-
Total deferred outflows of resources	<u>17,214,339</u>	<u>-</u>	<u>17,214,339</u>
Total assets and deferred outflows of resources	<u>\$ 2,204,440,157</u>	<u>\$ 183,497,208</u>	<u>\$ 2,387,937,365</u>

	2021		
	Authority	IMC	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Payable From Unrestricted Assets			
Accounts payable	\$ 5,454,973	\$ -	\$ 5,454,973
Accrued and withheld items	7,150,259	-	7,150,259
Grants payable	-	-	-
Total current liabilities payable from unrestricted assets	<u>12,605,232</u>	<u>-</u>	<u>12,605,232</u>
Payable From Restricted Assets			
Accounts payable	8,101,911	393,069	8,494,980
Customer deposits payable	707,251	-	707,251
Current portion of debt	36,260,000	-	36,260,000
Accrued interest on debt	16,511,316	-	16,511,316
Total current liabilities payable from restricted assets	<u>61,580,478</u>	<u>393,069</u>	<u>61,973,547</u>
Total current liabilities	<u>74,185,710</u>	<u>393,069</u>	<u>74,578,779</u>
Noncurrent Liabilities			
Derivative instruments - interest rate swap agreements	43,597,868	-	43,597,868
Bonds payable and other debt, payable from restricted assets	868,468,333	-	868,468,333
Total noncurrent liabilities	<u>912,066,201</u>	<u>-</u>	<u>912,066,201</u>
Total liabilities	<u>986,251,911</u>	<u>393,069</u>	<u>986,644,980</u>
Deferred Inflows of Resources			
Accumulated increase in fair value of hedging derivatives	<u>17,979,068</u>	<u>-</u>	<u>17,979,068</u>
Net Position			
Net investment in capital assets	<u>917,381,428</u>	<u>181,978,410</u>	<u>1,099,359,838</u>
Restricted for			
Capital projects	106,146,839	-	106,146,839
Debt service	77,907,306	-	77,907,306
Other	-	1,125,729	1,125,729
Total restricted net position	<u>184,054,145</u>	<u>1,125,729</u>	<u>185,179,874</u>
Unrestricted	<u>98,773,605</u>	<u>-</u>	<u>98,773,605</u>
Total net position	<u>1,200,209,178</u>	<u>183,104,139</u>	<u>1,383,313,317</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,204,440,157</u>	<u>\$ 183,497,208</u>	<u>\$ 2,387,937,365</u>

Indianapolis Airport Authority
Schedule of Net Position Information
December 31, 2020

	2020		
	Authority	IMC	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Unrestricted Assets			
Cash and cash equivalents	\$ 83,133,735	\$ -	\$ 83,133,735
Accounts receivable, net	1,827,870	-	1,827,870
Unbilled revenues	5,832,412	-	5,832,412
Grants receivable	-	-	-
Supplies and materials inventories	2,705,720	-	2,705,720
Other	2,014,492	-	2,014,492
Total unrestricted current assets	<u>95,514,229</u>	<u>-</u>	<u>95,514,229</u>
Restricted Assets			
Cash and cash equivalents	65,769,083	-	65,769,083
Cash and cash equivalents - customer deposits	647,150	-	647,150
Receivable - passenger facility charges	919,097	-	919,097
Receivable - governments and other	137,381	-	137,381
Receivable - reimbursable IMC expenses	-	4,225,911	4,225,911
Total restricted current assets	<u>67,472,711</u>	<u>4,225,911</u>	<u>71,698,622</u>
Total current assets	<u>162,986,940</u>	<u>4,225,911</u>	<u>167,212,851</u>
Noncurrent Assets			
Cash and cash equivalents, restricted	136,289,112	-	136,289,112
Investment securities, unrestricted	-	-	-
Investment securities, restricted	39,742,856	-	39,742,856
Rent receivable	840,132	-	840,132
Derivative instruments - forward delivery purchase agreements	22,121,818	-	22,121,818
Capital assets, net	1,588,870,173	194,245,366	1,783,115,539
Total noncurrent assets	<u>1,787,864,091</u>	<u>194,245,366</u>	<u>1,982,109,457</u>
Total assets	<u>1,950,851,031</u>	<u>198,471,277</u>	<u>2,149,322,308</u>
Deferred Outflows of Resources			
Deferred loss on refunding of debt	19,882,354	-	19,882,354
Accumulated decrease in fair value of hedging derivatives	-	-	-
Total deferred outflows of resources	<u>19,882,354</u>	<u>-</u>	<u>19,882,354</u>
Total assets and deferred outflows of resources	<u>\$ 1,970,733,385</u>	<u>\$ 198,471,277</u>	<u>\$ 2,169,204,662</u>

	2020		
	Authority	IMC	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Payable From Unrestricted Assets			
Accounts payable	\$ 2,245,705	\$ -	\$ 2,245,705
Accrued and withheld items	7,772,485	-	7,772,485
Grants payable	3,473,304	-	3,473,304
Total current liabilities payable from unrestricted assets	<u>13,491,494</u>	<u>-</u>	<u>13,491,494</u>
Payable From Restricted Assets			
Accounts payable	15,092,299	362,097	15,454,396
Customer deposits payable	647,150	-	647,150
Current portion of debt	34,480,000	-	34,480,000
Accrued interest on debt	17,387,070	-	17,387,070
Total current liabilities payable from restricted assets	<u>67,606,519</u>	<u>362,097</u>	<u>67,968,616</u>
Total current liabilities	<u>81,098,013</u>	<u>362,097</u>	<u>81,460,110</u>
Noncurrent Liabilities			
Derivative instruments - interest rate swap agreements	55,905,280	-	55,905,280
Bonds payable and other debt, payable from restricted assets	914,382,708	-	914,382,708
Total noncurrent liabilities	<u>970,287,988</u>	<u>-</u>	<u>970,287,988</u>
Total liabilities	<u>1,051,386,001</u>	<u>362,097</u>	<u>1,051,748,098</u>
Deferred Inflows of Resources			
Accumulated increase in fair value of hedging derivatives	22,121,818	-	22,121,818
Net Position			
Net investment in capital assets	647,065,516	194,245,366	841,310,882
Restricted for			
Capital projects	87,155,753	-	87,155,753
Debt service	80,141,430	-	80,141,430
Other	-	3,863,814	3,863,814
Total restricted net position	<u>167,297,183</u>	<u>3,863,814</u>	<u>171,160,997</u>
Unrestricted	82,862,867	-	82,862,867
Total net position	<u>897,225,566</u>	<u>198,109,180</u>	<u>1,095,334,746</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,970,733,385</u>	<u>\$ 198,471,277</u>	<u>\$ 2,169,204,662</u>

Indianapolis Airport Authority

Schedules of Revenues, Expenses and Changes in Net Position Information

Years Ended December 31, 2021 and 2020

	2021		
	Authority	IMC	Total
Operating Revenues			
Airfield	\$ 31,031,457	\$ -	\$ 31,031,457
Terminal complex	57,515,595	-	57,515,595
Parking	42,772,033	-	42,772,033
Rented buildings and other	16,548,566	-	16,548,566
Indianapolis Maintenance Center (IMC)	-	5,586,360	5,586,360
Reliever airports	3,217,196	-	3,217,196
Total operating revenues	<u>151,084,847</u>	<u>5,586,360</u>	<u>156,671,207</u>
Operating Expenses			
Personal services	34,426,255	412,947	34,839,202
Contractual services	21,549,145	3,078,661	24,627,806
Utilities	8,382,116	2,171,801	10,553,917
Supplies	4,566,350	134,516	4,700,866
Materials	3,225,717	(50,238)	3,175,479
General	1,554,285	247,125	1,801,410
Total operating expenses before depreciation	<u>73,703,868</u>	<u>5,994,812</u>	<u>79,698,680</u>
Income From Operations Before Depreciation Expense	77,380,979	(408,452)	76,972,527
Depreciation expense	87,668,919	13,264,202	100,933,121
Loss From Operations	<u>(10,287,940)</u>	<u>(13,672,654)</u>	<u>(23,960,594)</u>
Nonoperating Revenues (Expenses)			
Federal operating grants	1,816,734	-	1,816,734
Passenger facility charges	15,009,050	-	15,009,050
Customer facility charge (rental cars)	6,526,091	-	6,526,091
Investment loss, net of investment derivative fair value adjustments of \$12,307,412 and \$(11,071,931), respectively	15,567,065	-	15,567,065
Interest expense	(32,770,421)	-	(32,770,421)
Gain (loss) on disposals of capital assets and other	2,336,386	-	2,336,386
	<u>8,484,905</u>	<u>-</u>	<u>8,484,905</u>
Decrease in Net Position Before Capital Contributions and Grants	<u>(1,803,035)</u>	<u>(13,672,654)</u>	<u>(15,475,689)</u>
Capital Contributions and Grants			
Federal, state and local grants	48,797,367	-	48,797,367
Contributions from lessees and other	254,656,893	-	254,656,893
	<u>303,454,260</u>	<u>-</u>	<u>303,454,260</u>
Increase (Decrease) in Net Position	301,651,225	(13,672,654)	287,978,571
Transfers	1,332,387	(1,332,387)	-
Net Position, Beginning of Year	<u>897,225,566</u>	<u>198,109,180</u>	<u>1,095,334,746</u>
Net Position, End of Year	<u>\$ 1,200,209,178</u>	<u>\$ 183,104,139</u>	<u>\$ 1,383,313,317</u>

2020		
Authority	IMC	Total
\$ 22,118,257	\$ -	\$ 22,118,257
44,175,766	-	44,175,766
25,208,150	-	25,208,150
16,218,550	-	16,218,550
-	6,570,715	6,570,715
<u>2,779,635</u>	<u>-</u>	<u>2,779,635</u>
<u>110,500,358</u>	<u>6,570,715</u>	<u>117,071,073</u>
33,717,675	409,102	34,126,777
17,145,266	3,424,975	20,570,241
7,252,380	2,474,788	9,727,168
3,305,107	130,500	3,435,607
2,932,542	(35,496)	2,897,046
<u>1,669,850</u>	<u>136,780</u>	<u>1,806,630</u>
<u>66,022,820</u>	<u>6,540,649</u>	<u>72,563,469</u>
44,477,538	30,066	44,507,604
<u>81,601,624</u>	<u>13,038,679</u>	<u>94,640,303</u>
<u>(37,124,086)</u>	<u>(13,008,613)</u>	<u>(50,132,699)</u>
15,782,948	-	15,782,948
7,917,919	-	7,917,919
4,347,368	-	4,347,368
(4,909,795)	-	(4,909,795)
(33,787,024)	-	(33,787,024)
<u>12,071,625</u>	<u>(268,750)</u>	<u>11,802,875</u>
<u>1,423,041</u>	<u>(268,750)</u>	<u>1,154,291</u>
<u>(35,701,045)</u>	<u>(13,277,363)</u>	<u>(48,978,408)</u>
44,816,168	-	44,816,168
<u>83,401,334</u>	<u>-</u>	<u>83,401,334</u>
<u>128,217,502</u>	<u>-</u>	<u>128,217,502</u>
92,516,457	(13,277,363)	79,239,094
(4,317,517)	4,317,517	-
<u>809,026,626</u>	<u>207,069,026</u>	<u>1,016,095,652</u>
<u>\$ 897,225,566</u>	<u>\$ 198,109,180</u>	<u>\$ 1,095,334,746</u>

Indianapolis Airport Authority
Schedules of Operating Revenues
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Airfield			
Landing fees - scheduled airlines	\$ 9,572,246	\$ 6,776,529	\$ 2,795,717
Landing fees - freight and other	16,886,026	11,993,612	4,892,414
Apron fees	2,451,686	1,620,144	831,542
Commissions - aviation fuel sales	378,515	228,897	149,618
Other	1,742,984	1,499,075	243,909
	<u>31,031,457</u>	<u>22,118,257</u>	<u>8,913,200</u>
Terminal Complex			
Space rental			
Airlines	36,536,553	29,273,668	7,262,885
Concessionaires	6,051,069	3,536,597	2,514,472
Other space rental	1,752,750	1,726,007	26,743
Contra revenue - federal grants	(1,008,584)	-	(1,008,584)
Automobile rental commissions	9,493,605	5,461,099	4,032,506
Other commissions, fees, etc.	4,690,202	4,178,395	511,807
	<u>57,515,595</u>	<u>44,175,766</u>	<u>13,339,829</u>
Parking - parking operations	<u>42,772,033</u>	<u>25,208,150</u>	<u>17,563,883</u>
Rented Buildings and Other			
Space rental - freight buildings	1,302,823	1,343,229	(40,406)
Space rental - hangars	780,604	745,885	34,719
Space rental - other buildings	6,937,666	7,113,664	(175,998)
Ground leases	6,472,056	5,795,833	676,223
Farm income	85,738	945	84,793
Other	969,679	1,218,994	(249,315)
	<u>16,548,566</u>	<u>16,218,550</u>	<u>330,016</u>
Indianapolis Maintenance Center (IMC)	<u>5,586,360</u>	<u>6,570,715</u>	<u>(984,355)</u>
Reliever Airports	<u>3,217,196</u>	<u>2,779,635</u>	<u>437,561</u>
	<u>\$ 156,671,207</u>	<u>\$ 117,071,073</u>	<u>\$ 39,600,134</u>

Indianapolis Airport Authority
Schedule of Operating Expenses
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Airfield	Terminal Complex	Parking	Rented Buildings and Other	Indianapolis Maintenance Center (IMC)
Personal Services					
Salaries and wages	\$ 2,599,057	\$ 4,509,865	\$ 2,620,528	\$ 188,373	\$ 326,750
Employee insurance	555,677	1,167,284	570,177	28,464	46,587
Retirement and social security	286,613	443,952	252,313	18,874	39,610
	<u>3,441,347</u>	<u>6,121,101</u>	<u>3,443,018</u>	<u>235,711</u>	<u>412,947</u>
Contractual Services					
Transportation and communication	86,285	47,200	21,499	5,583	19,265
Professional fees	516,981	64,750	5,420	417,749	54,249
Printing and advertising	2,732	54,634	7,515	22,321	-
Repairs and maintenance	399,456	2,546,147	695,689	326,367	408,106
Facilities maintenance and security	38,602	3,866,301	112,613	2,715	2,519,304
Other contractual services	309,674	656,441	1,645,580	609,592	77,737
	<u>1,353,730</u>	<u>7,235,473</u>	<u>2,488,316</u>	<u>1,384,327</u>	<u>3,078,661</u>
Utilities	<u>4,109,744</u>	<u>2,940,975</u>	<u>450,360</u>	<u>399,167</u>	<u>2,171,801</u>
Supplies					
Fuel	317,219	-	114,209	-	45,850
Garage and motor	291,207	22,669	98,101	295	-
Institutional and medical	52,939	614,411	207,363	7,826	19,668
Office supplies	25,852	19,002	13,291	9,204	1,675
Snow and ice chemicals	606,294	3,587	106,840	3,548	7,009
Other	85,237	273,663	265,176	299	60,314
	<u>1,378,748</u>	<u>933,332</u>	<u>804,980</u>	<u>21,172</u>	<u>134,516</u>
Materials					
Building	31,008	124,681	14,293	3,878	(70,199)
Pavement and grounds	256,315	-	-	-	-
Repair parts	1,004,052	527,240	475,970	4,609	1,245
Small equipment and tools	64,061	66,871	15,093	-	192
Other	38,271	47,972	6,975	20,106	18,524
	<u>1,393,707</u>	<u>766,764</u>	<u>512,331</u>	<u>28,593</u>	<u>(50,238)</u>
General					
Insurance	232,771	529,978	219,259	14,911	236,100
Equipment rental	5,067	-	-	-	10,475
Other (including bad debts)	3,078	-	711	421	550
	<u>240,916</u>	<u>529,978</u>	<u>219,970</u>	<u>15,332</u>	<u>247,125</u>
Subtotal	11,918,192	18,527,623	7,918,975	2,084,302	5,994,812
Depreciation	<u>33,123,625</u>	<u>20,155,764</u>	<u>6,017,632</u>	<u>24,614,836</u>	<u>13,264,202</u>
Total	<u>\$ 45,041,817</u>	<u>\$ 38,683,387</u>	<u>\$ 13,936,607</u>	<u>\$ 26,699,138</u>	<u>\$ 19,259,014</u>
Year Ended December 31, 2020	\$ 43,150,841	\$ 35,663,616	\$ 13,443,876	\$ 21,514,238	\$ 19,579,328
Increase (Decrease)	\$ 1,890,976	\$ 3,019,771	\$ 492,731	\$ 5,184,900	\$ (320,314)

2021					
Reliever Airports	Public Safety	Administration	Total	Year Ended December 31, 2020	Increase (Decrease)
\$ 353,378	\$ 7,403,075	\$ 8,282,771	\$ 26,283,797	\$ 25,763,654	\$ 520,143
67,372	1,420,656	1,362,533	5,218,750	5,661,986	(443,236)
39,614	1,359,597	896,082	3,336,655	2,701,137	635,518
<u>460,364</u>	<u>10,183,328</u>	<u>10,541,386</u>	<u>34,839,202</u>	<u>34,126,777</u>	<u>712,425</u>
29,613	170,944	850,806	1,231,195	877,480	353,715
316,554	189,504	2,840,974	4,406,181	4,099,460	306,721
165	6,430	418,839	512,636	342,347	170,289
441,060	90,351	1,865,498	6,772,674	5,706,053	1,066,621
32,883	106	-	6,572,524	5,431,571	1,140,953
162,133	1,209,667	461,772	5,132,596	4,113,330	1,019,266
<u>982,408</u>	<u>1,667,002</u>	<u>6,437,889</u>	<u>24,627,806</u>	<u>20,570,241</u>	<u>4,057,565</u>
306,105	175,765	-	10,553,917	9,727,168	826,749
448,728	-	-	926,006	541,888	384,118
12,462	112,143	9,309	546,186	446,754	99,432
13,326	55,851	1,898	973,282	892,225	81,057
3,474	48,755	130,061	251,314	120,180	131,134
76,085	83	-	803,446	677,990	125,456
8,109	481,546	26,288	1,200,632	756,570	444,062
<u>562,184</u>	<u>698,378</u>	<u>167,556</u>	<u>4,700,866</u>	<u>3,435,607</u>	<u>1,265,259</u>
6,877	16,231	7,453	134,222	122,685	11,537
39,969	518	-	296,802	356,204	(59,402)
66,711	305,501	29,478	2,414,806	2,143,099	271,707
3,936	28,149	193	178,495	59,297	119,198
1,406	7,780	10,120	151,154	215,761	(64,607)
<u>118,899</u>	<u>358,179</u>	<u>47,244</u>	<u>3,175,479</u>	<u>2,897,046</u>	<u>278,433</u>
83,808	165,032	52,029	1,533,888	1,248,653	285,235
-	-	51,687	67,229	63,819	3,410
35	74,578	120,920	200,293	494,158	(293,865)
<u>83,843</u>	<u>239,610</u>	<u>224,636</u>	<u>1,801,410</u>	<u>1,806,630</u>	<u>(5,220)</u>
2,513,803	13,322,262	17,418,711	79,698,680	72,563,469	7,135,211
<u>2,653,748</u>	<u>373,575</u>	<u>729,739</u>	<u>100,933,121</u>	<u>94,640,303</u>	<u>6,292,818</u>
\$ 5,167,551	\$ 13,695,837	\$ 18,148,450	\$ 180,631,801		
\$ 4,380,585	\$ 12,479,277	\$ 16,992,011		\$ 167,203,772	
\$ 786,966	\$ 1,216,560	\$ 1,156,439			\$ 13,428,029

Indianapolis Airport Authority
Schedule of Operating Expenses
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Airfield	Terminal Complex	Parking	Rented Buildings and Other	Indianapolis Maintenance Center (IMC)
Personal Services					
Salaries and wages	\$ 2,556,851	\$ 4,581,948	\$ 2,622,067	\$ 260,819	\$ 317,299
Employee insurance	619,351	1,288,678	664,245	35,835	53,001
Retirement and social security	290,566	479,829	263,952	36,939	38,802
	<u>3,466,768</u>	<u>6,350,455</u>	<u>3,550,264</u>	<u>333,593</u>	<u>409,102</u>
Contractual Services					
Transportation and communication	93,349	35,673	14,674	7,465	23,461
Professional fees	426,085	96,605	134,913	730,062	239,430
Printing and advertising	215	29,544	17,059	34	-
Repairs and maintenance	335,929	2,488,829	727,154	(3,397)	320,550
Facilities maintenance and security	25,222	2,592,847	42,883	-	2,752,415
Other contractual services	314,815	515,508	1,161,261	204,850	89,119
	<u>1,195,615</u>	<u>5,759,006</u>	<u>2,097,944</u>	<u>939,014</u>	<u>3,424,975</u>
Utilities	<u>3,380,575</u>	<u>2,572,199</u>	<u>426,551</u>	<u>433,344</u>	<u>2,474,788</u>
Supplies					
Fuel	169,046	-	96,871	-	27,942
Garage and motor	191,096	23,510	127,060	-	-
Institutional and medical	44,170	522,754	194,687	-	4,874
Office supplies	6,902	12,861	6,012	538	715
Snow and ice chemicals	500,422	14,759	86,866	2,400	11,361
Other	81,538	218,106	132,525	6,372	85,608
	<u>993,174</u>	<u>791,990</u>	<u>644,021</u>	<u>9,310</u>	<u>130,500</u>
Materials					
Building	42,944	124,005	13,538	-	(64,694)
Pavement and grounds	298,219	2,050	-	-	-
Repair parts	943,506	392,564	509,717	1,660	7,968
Small equipment and tools	35,862	4,660	4,287	-	-
Other	44,203	99,577	23,566	481	21,230
	<u>1,364,734</u>	<u>622,856</u>	<u>551,108</u>	<u>2,141</u>	<u>(35,496)</u>
General					
Insurance	230,793	414,915	189,422	7,137	124,000
Equipment rental	-	-	-	(572)	11,955
Other (including bad debts)	2,673	-	-	55	825
	<u>233,466</u>	<u>414,915</u>	<u>189,422</u>	<u>6,620</u>	<u>136,780</u>
Subtotal	10,634,332	16,511,421	7,459,310	1,724,022	6,540,649
Depreciation	<u>32,516,509</u>	<u>19,152,195</u>	<u>5,984,566</u>	<u>19,790,216</u>	<u>13,038,679</u>
Total	<u>\$ 43,150,841</u>	<u>\$ 35,663,616</u>	<u>\$ 13,443,876</u>	<u>\$ 21,514,238</u>	<u>\$ 19,579,328</u>
Year Ended December 31, 2019	\$ 39,929,333	\$ 36,851,173	\$ 16,615,000	\$ 22,906,468	\$ 20,672,559
Increase (Decrease)	\$ 3,221,508	\$ (1,187,557)	\$ (3,171,124)	\$ (1,392,230)	\$ (1,093,231)

2020				Year Ended	
Reliever	Public			December 31,	Increase
Airports	Safety	Administration	Total	2019	(Decrease)
\$ 315,527	\$ 7,286,458	\$ 7,822,685	\$ 25,763,654	\$ 26,524,984	\$ (761,330)
72,706	1,528,953	1,399,217	5,661,986	6,078,509	(416,523)
39,624	699,168	852,257	2,701,137	2,823,895	(122,758)
<u>427,857</u>	<u>9,514,579</u>	<u>10,074,159</u>	<u>34,126,777</u>	<u>35,427,388</u>	<u>(1,300,611)</u>
25,276	92,123	585,459	877,480	2,094,444	(1,216,964)
709	237,352	2,234,304	4,099,460	6,666,899	(2,567,439)
-	38,010	257,485	342,347	722,321	(379,974)
145,745	97,941	1,593,302	5,706,053	6,806,136	(1,100,083)
17,610	594	-	5,431,571	6,071,624	(640,053)
69,569	1,097,766	660,442	4,113,330	6,134,240	(2,020,910)
<u>258,909</u>	<u>1,563,786</u>	<u>5,330,992</u>	<u>20,570,241</u>	<u>28,495,664</u>	<u>(7,925,423)</u>
279,316	160,395	-	9,727,168	10,864,115	(1,136,947)
248,029	-	-	541,888	942,251	(400,363)
29,740	54,857	20,491	446,754	503,008	(56,254)
9,792	115,259	689	892,225	1,421,399	(529,174)
(297)	55,669	37,780	120,180	168,693	(48,513)
62,182	-	-	677,990	1,038,399	(360,409)
7,305	207,817	17,299	756,570	1,118,643	(362,073)
<u>356,751</u>	<u>433,602</u>	<u>76,259</u>	<u>3,435,607</u>	<u>5,192,393</u>	<u>(1,756,786)</u>
4,584	2,308	-	122,685	28,587	94,098
55,935	-	-	356,204	417,850	(61,646)
46,813	213,771	27,100	2,143,099	2,778,856	(635,757)
7,937	5,443	1,108	59,297	146,687	(87,390)
1,324	23,681	1,699	215,761	156,899	58,862
<u>116,593</u>	<u>245,203</u>	<u>29,907</u>	<u>2,897,046</u>	<u>3,528,879</u>	<u>(631,833)</u>
76,015	164,446	41,925	1,248,653	1,384,312	(135,659)
-	345	52,091	63,819	80,970	(17,151)
-	49,747	440,858	494,158	212,175	281,983
<u>76,015</u>	<u>214,538</u>	<u>534,874</u>	<u>1,806,630</u>	<u>1,677,457</u>	<u>129,173</u>
1,515,441	12,132,103	16,046,191	72,563,469	85,185,896	(12,622,427)
2,865,144	347,174	945,820	94,640,303	89,679,466	4,960,837
<u>\$ 4,380,585</u>	<u>\$ 12,479,277</u>	<u>\$ 16,992,011</u>	<u>\$ 167,203,772</u>		
\$ 4,889,370	\$ 13,037,252	\$ 19,964,207		<u>\$ 174,865,362</u>	
\$ (508,785)	\$ (557,975)	\$ (2,972,196)			<u>\$ (7,661,590)</u>

Indianapolis Airport Authority

Schedule of Bond Debt Service Requirements to Maturity December 31, 2021

	2019A Revenue Bonds		2019B Revenue Bonds		2019C-1 Revenue Bonds		2019C-2 Revenue Bonds		2019D Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 555,000	\$ 816,970	\$ 6,140,000	\$ 6,893,000	\$ -	\$ 2,247,450	\$ 650,000	\$ 755,500	\$ 60,000	\$ 1,000,447
2023	570,000	801,220	6,415,000	6,579,125	-	2,247,450	685,000	722,125	2,501,015	966,898
2024	585,000	785,050	18,330,000	5,960,500	-	2,247,450	720,000	687,000	2,566,542	900,513
2025	605,000	768,390	19,435,000	5,016,375	-	2,247,450	755,000	650,125	2,633,785	832,388
2026	620,000	751,240	20,585,000	4,015,875	-	2,247,450	795,000	611,375	2,702,790	762,479
2027	635,000	733,670	21,825,000	2,955,625	-	2,247,450	830,000	570,750	2,773,604	690,739
2028	655,000	715,610	23,090,000	1,832,750	-	2,247,450	870,000	528,250	2,846,272	617,118
2029	675,000	696,990	24,450,000	644,250	-	2,247,450	915,000	483,625	1,000	579,819
2030	690,000	677,880	-	33,000	-	2,247,450	965,000	436,625	1,000	579,793
2031	710,000	658,280	-	33,000	-	2,247,450	1,015,000	387,125	1,000	579,767
2032	730,000	638,120	-	33,000	-	2,247,450	1,065,000	335,125	1,000	579,740
2033	750,000	617,400	-	33,000	-	2,247,450	1,120,000	280,500	1,000	579,714
2034	775,000	596,050	320,000	25,000	-	2,247,450	1,170,000	223,250	2,920,975	541,436
2035	795,000	574,070	340,000	8,500	-	2,247,450	1,230,000	163,250	2,997,505	463,904
2036	815,000	551,530	-	-	-	2,247,450	1,295,000	100,125	3,076,039	384,341
2037	840,000	528,360	-	-	-	2,247,450	1,355,000	33,875	3,156,632	302,693
2038	865,000	504,490	-	-	-	2,247,450	-	-	3,239,335	218,906
2039	885,000	479,990	-	-	-	2,247,450	-	-	3,324,206	132,923
2040	910,000	454,860	-	-	590,000	2,232,700	-	-	3,411,300	44,688
2041	935,000	429,030	-	-	4,125,000	2,114,825	-	-	-	-
2042	965,000	402,430	-	-	4,330,000	1,903,450	-	-	-	-
2043	990,000	375,060	-	-	4,545,000	1,681,575	-	-	-	-
2044	1,020,000	346,920	-	-	4,775,000	1,448,575	-	-	-	-
2045	1,045,000	318,010	-	-	5,010,000	1,229,000	-	-	-	-
2046	1,075,000	288,330	-	-	5,210,000	1,024,600	-	-	-	-
2047	1,105,000	257,810	-	-	5,420,000	812,000	-	-	-	-
2048	1,135,000	226,450	-	-	5,635,000	590,900	-	-	-	-
2049	1,170,000	194,180	-	-	5,860,000	361,000	-	-	-	-
2050	1,200,000	161,000	-	-	6,095,000	121,900	-	-	-	-
2051	1,235,000	126,910	-	-	-	-	-	-	-	-
2052	1,270,000	91,840	-	-	-	-	-	-	-	-
2053	1,305,000	55,790	-	-	-	-	-	-	-	-
2054	1,340,000	18,760	-	-	-	-	-	-	-	-
	<u>\$ 29,455,000</u>	<u>\$ 15,642,690</u>	<u>\$ 140,930,000</u>	<u>\$ 34,063,000</u>	<u>\$ 51,595,000</u>	<u>\$ 53,974,625</u>	<u>\$ 15,435,000</u>	<u>\$ 6,968,625</u>	<u>\$ 38,215,000</u>	<u>\$ 10,758,306</u>

¹ The 2010C Revenue Bonds bear interest at a variable rate. See Note 5 to the financial statements.

2016A-1 Revenue Bonds		2016A-2 Revenue Bonds		2015A Revenue Bonds		2014A Revenue Bonds		2010C Revenue Bonds ¹		Total Debt Service
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
\$ 18,645,000	\$ 3,265,425	\$ 3,370,000	\$ 232,243	\$ -	\$ 8,649,600	\$ 6,840,000	\$ 7,214,750	\$ -	\$ 656,858	\$ 67,992,243
13,490,000	2,462,050	2,260,000	162,678	6,770,000	8,480,350	7,185,000	6,864,125	-	739,523	69,901,559
2,775,000	2,055,425	85,000	132,381	12,240,000	8,066,300	11,070,000	6,407,750	-	869,437	76,483,348
2,910,000	1,913,300	90,000	129,585	16,250,000	7,496,500	8,130,000	5,927,750	-	880,263	76,670,911
3,055,000	1,764,175	95,000	126,630	16,925,000	6,748,375	8,535,000	5,511,125	-	880,263	76,731,777
3,210,000	1,607,550	95,000	123,595	17,800,000	5,880,250	8,965,000	5,073,625	-	880,263	76,897,121
2,145,000	1,473,675	-	122,077	18,720,000	4,967,250	9,415,000	4,614,125	-	880,263	75,739,840
2,255,000	1,363,675	-	122,077	16,215,000	4,093,875	13,375,000	4,044,375	-	880,263	73,042,399
2,365,000	1,248,175	-	122,077	17,055,000	3,262,125	14,045,000	3,358,875	25,930,000	743,367	73,760,367
2,485,000	1,126,925	-	122,077	17,955,000	2,386,875	14,750,000	2,639,000	27,310,000	586,741	74,993,240
2,610,000	1,012,600	-	122,077	18,885,000	1,465,875	15,485,000	1,883,125	28,775,000	421,718	76,289,830
2,715,000	906,100	-	122,077	19,875,000	496,875	16,260,000	1,089,500	30,315,000	247,862	77,656,478
2,820,000	795,400	-	122,077	-	-	17,075,000	341,500	12,035,000	169,774	42,177,912
18,475,000	369,500	1,520,000	92,483	-	-	-	-	12,650,000	97,213	42,023,875
-	-	1,615,000	31,441	-	-	-	-	13,295,000	20,952	23,431,878
-	-	-	-	-	-	-	-	2,530,000	1,214	10,995,224
-	-	-	-	-	-	-	-	-	-	7,075,181
-	-	-	-	-	-	-	-	-	-	7,069,569
-	-	-	-	-	-	-	-	-	-	7,643,548
-	-	-	-	-	-	-	-	-	-	7,603,855
-	-	-	-	-	-	-	-	-	-	7,600,880
-	-	-	-	-	-	-	-	-	-	7,591,635
-	-	-	-	-	-	-	-	-	-	7,590,495
-	-	-	-	-	-	-	-	-	-	7,602,010
-	-	-	-	-	-	-	-	-	-	7,597,930
-	-	-	-	-	-	-	-	-	-	7,594,810
-	-	-	-	-	-	-	-	-	-	7,587,350
-	-	-	-	-	-	-	-	-	-	7,585,180
-	-	-	-	-	-	-	-	-	-	7,577,900
-	-	-	-	-	-	-	-	-	-	1,361,910
-	-	-	-	-	-	-	-	-	-	1,361,840
-	-	-	-	-	-	-	-	-	-	1,360,790
-	-	-	-	-	-	-	-	-	-	1,358,760
\$ 79,955,000	\$ 21,363,975	\$ 9,130,000	\$ 1,885,575	\$ 178,690,000	\$ 61,994,250	\$ 151,130,000	\$ 54,969,625	\$ 152,840,000	\$ 8,955,974	\$ 1,117,951,645

Indianapolis Airport Authority

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Indianapolis Airport Authority

December 31, 2021 and 2020

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Indianapolis Airport Authority (Authority) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements that collectively comprise the Authority's basic financial statements. The supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2022, on our consideration of Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
April 12, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021 and 2020

(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 as of and for the years ended December 31, 2021 and 2020. 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 hybrid residual rate-making methodology. The hybrid 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 must approve certain proposed capital improvement projects at the Airport. As of December 31, 2021, seven passenger carriers and two cargo carriers represent the Signatory Airlines.

The term of the current signatory airline agreement is January 1, 2019 through December 31, 2023. The agreement does not contain extension provisions but does have holdover provisions. 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

	2021	2020	Variance
Enplaned passengers ⁽¹⁾	3,582,020	2,044,464	75.2%
Landed weight (1,000 lb. units)			
Passenger airlines	4,271,668	3,282,245	30.1%
Cargo airlines	7,169,790	5,653,986	26.8%
	<u>11,441,458</u>	<u>8,936,231</u>	<u>28.0%</u>
Aircraft operations	185,970	144,078	29.1%

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

Airport Operations Activity

In 2021, the number of enplaned passengers was 75.2% higher than in 2020. The increase from 2020 is primarily driven by an increase in leisure travel. Just as the COVID-19 pandemic affected health and safety guidelines, it also changed IND's mix of leisure and business travelers. The mix of leisure travel versus business travel was 82% leisure/18% business in 2021 vs. pre-pandemic 55% leisure/45% business. Non-stop destinations recovered to 46 non-stop destinations in 2021 vs. pre-pandemic activity of 50 non-stop destinations. The 2021 flight activity change was comprised of 22 flights, including 10 new destinations and the resumption of five key destinations previously suspended due to the pandemic. IND also benefited in 2021 from the addition of two new airlines, Sun Country and Contour Airlines.

Passenger airlines accounted for approximately 37% of total landed weight at IND in 2021 and 2020; cargo airlines accounted for the other 63% during 2021 and 2020. Passenger airline landed weights increased by 30.1% in 2021 from the prior year; cargo airline landed weight increased 26.8% from the prior year. The increase in passenger landed weights is mainly attributed to leisure travel and is explained further in the Economic Factors section. FedEx continued to represent most of the cargo landed weights in 2021. The increase in FedEx cargo landed weights was driven by planned capacity growth and operational changes to meet an increase in demand.

Aircraft operations represent landings and takeoffs for air carrier (passenger and cargo), air taxi and commuter, general aviation and military operations. This activity increased 29.1% over the prior year primarily attributable to an increase in passenger airline activity due to the economic recovery from the COVID-19 disruption.

Financial Highlights

- The Authority experienced an increase in total assets and deferred outflows of resources of \$218.7 million during 2021. This increase is primarily attributable to the capital asset additions of Lessee Financed Improvements for the FedEx's sort facility and capacity expansion of its Indianapolis hub, offset by the normal decrease in capital assets due to depreciation.
- Total liabilities decreased \$65.1 million in 2021. This change is primarily attributable to the reduction of bonds payable and other debt.
- The 2021 increase in net position was \$288.0 million compared to an increase of \$79.2 million for 2020. The \$288.0 million increase is a result of the loss from operations of \$24.0 million, net nonoperating revenues of \$8.5 million and capital contributions and grants of \$303.5 million.

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 Statements of Net Position, 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.

Statements of Net Position

The Statements of Net Position present the financial position of the Authority at the end of the fiscal year and include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Authority. The net position of the Authority represents the difference between total assets plus deferred outflows of resources, and total liabilities plus deferred inflows of resources and is an indicator of the current net value of the Authority.

A summarized comparison of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at December 31, 2021, 2020 and 2019 follows:

	2021	2020	2019
	(Table Amounts in Thousands)		
Current assets - unrestricted	\$ 108,270	\$ 95,514	\$ 30,929
Current assets - restricted	66,623	71,699	73,522
Noncurrent assets			
Capital assets, net	1,980,863	1,783,116	1,754,221
Other noncurrent assets	214,968	198,994	242,162
Total assets	<u>2,370,724</u>	<u>2,149,323</u>	<u>2,100,834</u>
Deferred outflows of resources	<u>17,214</u>	<u>19,882</u>	<u>22,583</u>
Total assets and deferred outflows of resources	<u>\$ 2,387,938</u>	<u>\$ 2,169,205</u>	<u>\$ 2,123,417</u>
Current liabilities - payable from unrestricted	\$ 12,605	\$ 13,491	\$ 13,229
Current liabilities - payable from restricted	61,974	67,969	72,069
Noncurrent liabilities - payable from restricted	912,066	970,288	1,004,014
Total liabilities	<u>986,645</u>	<u>1,051,748</u>	<u>1,089,312</u>
Deferred inflows of resources	<u>17,979</u>	<u>22,122</u>	<u>18,009</u>
Net position			
Net investment in capital assets	1,099,360	841,311	780,340
Restricted	185,180	171,161	162,493
Unrestricted	98,774	82,863	73,263
Total net position	<u>1,383,314</u>	<u>1,095,335</u>	<u>1,016,096</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,387,938</u>	<u>\$ 2,169,205</u>	<u>\$ 2,123,417</u>

2021 to 2020 Comparative Statements of Net Position

Unrestricted current assets increased \$12.8 million, which is attributable to increases in cash and cash equivalents, accounts receivable and grants receivable.

Restricted current assets decreased \$5.1 million relating to a decrease in cash and cash equivalents, a decrease in the receivable for reimbursable IMC expenses, offset by an increase in passenger facility charges receivable.

Total noncurrent assets increased by \$213.7 million. This change reflects a \$16.0 million increase in noncurrent cash and cash equivalents, investment securities and derivative instruments; a decrease in nondepreciable capital assets of \$9.0 million due to lower construction in progress; offset by an increase in depreciable capital assets of \$206.8 million that includes the addition of lessee financed improvements for FedEx's sort facility and capacity expansion of its Indianapolis hub reduced by the normal decrease in capital assets due to depreciation..

Total deferred outflows of resources decreased by \$2.7 million, the result of the amortization of deferred losses on the refunding of debt.

Total current liabilities decreased by \$6.9 million primarily driven by a decrease of \$3.8 million in accounts payable, and a decrease in grants payable of \$3.5 million.

Total noncurrent liabilities decreased \$58.2 million. The increase in interest rates lowered the liability on IAA's SWAPS by \$12.3 million, and normal amortization of long-term debt in the amount of \$45.9 million.

Total deferred inflows of resources decreased \$4.1 million. The increase in interest rates lowered the value of the forward delivery agreements.

2020 to 2019 Comparative Statements of Net Position

Unrestricted current assets increased \$64.6 million, which is primarily attributable to increases in cash and cash equivalents. The low interest rate environment during 2020 prompted an investment strategy change which caused the transfer of \$54.8 million of noncurrent unrestricted investments to unrestricted cash and cash equivalents.

Restricted current assets decreased \$1.8 million relating to a decrease in cash and cash equivalents, offset by an increase in the receivable for reimbursable IMC expenses.

Total noncurrent assets decreased by \$14.3 million. This change reflects a \$43.2 million decrease in cash and cash equivalents, investment securities and derivative instruments; a decrease in nondepreciable capital assets of \$14.1 million that includes the sale of the old parking garage; offset by an increase in depreciable capital assets of \$43.0 million that includes capital asset additions for the stormwater project, partly offset by the normal decrease in capital assets due to depreciation.

Total deferred outflows of resources decreased by \$2.7 million, the result of the amortization of deferred losses on the refunding of debt of \$2.7 million.

Total current liabilities decreased by \$3.8 million primarily driven by a decrease of \$16.1 million in accounts payable offset by an increase of \$3.5 million in grants payable, an increase of \$5.8 million in the current portion of debt, an increase of \$2.1 million in accrued interest on debt, and \$0.9 million increase to accrued and withheld items.

2021 to 2020 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 for the years ended December 31, 2021 and 2020 was an increase of \$288.0 million and an increase of \$79.2 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for 2021 and 2020.

	2021	2020	\$ Variance	% Variance
	(Table Amounts in Thousands)			
Total operating revenues	\$ 156,672	\$ 117,071	\$ 39,601	33.8%
Total nonoperating revenues	38,919	23,138	15,781	68.2%
Total revenues	<u>195,591</u>	<u>140,209</u>	<u>55,382</u>	<u>39.5%</u>
Total operating expenses	180,632	167,204	13,428	8.0%
Net nonoperating expenses	30,434	21,984	8,450	38.4%
Total expenses	<u>211,066</u>	<u>189,188</u>	<u>21,878</u>	<u>11.6%</u>
Loss Before Capital Contributions and Grants	(15,475)	(48,979)	33,504	-68.4%
Capital Contributions and Grants	<u>303,454</u>	<u>128,218</u>	<u>175,236</u>	<u>136.7%</u>
Increase in Net Position	287,979	79,239	208,740	263.4%
Net Position, Beginning of Year	<u>1,095,335</u>	<u>1,016,096</u>	<u>79,239</u>	<u>7.8%</u>
Net Position, End of Year	<u>\$ 1,383,314</u>	<u>\$ 1,095,335</u>	<u>\$ 287,979</u>	<u>26.3%</u>

Operating revenue in 2021 increased \$39.6 million, or 33.8% from prior year attributable to the following components:

- *Airfield revenue* in 2021 of \$31.0 million increased from prior year by \$8.9 million, or 40.3%. Total landed weights increased by 28.0% from prior year as passenger carriers increased 30.1% and cargo carriers increased 26.8%. The Signatory landing fee rate increased to \$2.30 in 2021 from \$2.09 in 2020. The Non-Signatory landing fee rate increased to \$3.45 in 2021, as compared to the 2020 rate of \$3.14.
- *Terminal complex revenues* of \$57.5 million increased \$13.3 million, or 30.2% from prior year. Budgeted airline terminal rental rates increased in 2021 to \$112.57 per square foot compared to the prior year rate of \$90.37 per square foot. Concession revenues exceeded prior year by \$2.5 million (71.1%) and automobile rental commissions exceeded prior year by \$4.0 million (73.8%); both attributable to the significant increase in passengers of 75.2%. The favorable variances are offset by \$1.0 million of payments received for concessionaire relief from the Coronavirus Response and Relief Supplemental Appropriations Act (the “CRRSA Act”), which is recorded as nonoperating federal operating grant revenue.
- *Parking revenues* increased from prior year by \$17.6 million, or 69.7%, resulting in \$42.8 million in 2021 parking revenue; an increase directly related to the 75.2% increase in passengers.
- *Rented buildings and other* of \$16.5 million increased \$0.3 million from prior year or 2.0% primarily attributable to FedEx’s leased premises expansion and various other changes in ground lease rental agreements.

- *Revenues from Indianapolis Maintenance Center (IMC)* of \$5.6 million decreased by \$1.0 million, or 15.0%. This represents revenues due the Authority for reimbursement of eligible expenditures under the terms of the Settlement Agreement reached between the Authority and the trustee for the special facility revenue bonds the Authority had previously issued on behalf of United Airlines. The decrease from prior year reflects the full year impact of the renegotiated lease with the IMC's main tenant, AAR Aircraft Services.
- *Reliever airports revenue* of \$3.2 million increased \$0.4 million or 15.7%. Increase attributable to higher fuel flowage fees, farm revenue, and increased overall hangar occupancy.

Nonoperating revenues in 2021 of \$38.9 million increased from prior year by \$15.8 million, or 68.2% attributable to the following components:

- *Federal operating grants* of \$1.8 million decreased \$14.0 million primarily attributable to a \$14.9 million reduction of the operating portion drawn on IND's CARES Act funded recovery grant in prior year offset by \$1.0 million of IND's concessionaire relief funded by the CRRSA Act.
- *Passenger facility charges (PFC) income* of \$15.0 million increased \$7.1 million, or 89.6%. This increase is due to the increase in passenger numbers and ticket sales as PFC revenues are earned when tickets are sold.
- *Customer facility charges (rental cars) income* of \$6.5 million increase \$2.2 million, or 50.1% due to the increase in passenger numbers and rental transactions.
- *Investment income (loss)* of \$15.6 million increased \$20.5 million primarily attributable to the \$23.4 million year-over-year increase in the fair value change of hedging derivatives, offset by \$2.9 million lower earnings on securities in the Authority's investment portfolio.

Operating expenses (before depreciation) for the years ended December 31, 2021 and 2020 totaled \$79.7 million and \$72.6 million, respectively, an increase of \$7.1 million, or 9.8%. The following analysis provides material operating expense changes by both operating expense class and operating expense business area.

- *Operating expenses by class* (before depreciation): Total *personal services expense* increased 2.1% or 0.7 million to \$34.8 million attributable to annual merit increases offset by lower health insurance expense claims and an average vacancy of 12%. Total *contractual services expense* increased 19.7% or \$4.1 to \$24.6 million attributable to increased professional fees for Planning and Development staff augmentation due to staffing vacancies, facility assessments for IAA's reliever airports, and pavement rehabilitation; higher investments in training and communication as these costs were intentionally reduced in 2020; contracted cleaning services due to staffing vacancies; and various strategic initiatives to maintain and preserve the Authority's assets including pavement repairs, grounds maintenance and other building repairs. Costs that vary in proportion of passenger volumes such as parking related credit card processing fees, valet operating costs, and dockmaster fees also increased. Total *utilities expense* of \$10.6 million increased by \$0.8 million, or 8.5% reflective of an increase in electricity costs and increased sewer charges relating to glycol processing and stormwater processing user fees. Total *supplies expense* of \$4.7 million increased by \$1.3 million, or 36.8% primarily in higher fuel costs, increased paper supplies, investments in uniforms and equipment for Fire and Police and expenses for snow and ice chemical. Total *materials expense* increased by \$0.3 million, or 9.6% to \$3.2 million primarily due to greater baggage system repair parts, communication equipment replacements and cleaning materials than in prior year. Total *general expense* of \$1.8 million was flat with prior year which includes an increase in property insurance premiums offset by lower bad debt expense.

- *Airfield expenses* (before depreciation) of \$11.9 million increased by \$1.3 million, or 12.1% from the prior year. The increase is attributable to higher environmental professional fees, fuel costs, snow and ice chemical and sewer charges relating to glycol processing and stormwater processing user fees.
- *Terminal complex expenses* (before depreciation) of \$18.5 million increased \$2.0 million, or 12.2% from the prior year. Increase relates to contracted cleaning services due to staffing vacancies; higher dockmaster fees due to increased activity in 2021; increased utility costs; increased paper supply usage; greater baggage system repair parts; increase in property insurance premium and various strategic initiatives to maintain and preserve the Authority's assets including concourse column painting, lower level entrance cladding, Civic Plaza floor box replacements, terminal carpet replacement and various other building repairs. These increases were offset by a decrease in personal service costs due to staff vacancies and lower health insurance claims.
- *Parking expenses* (before depreciation) of \$7.9 million increased \$0.5 million, or 6.2% from the prior year. Costs that vary in proportion of passenger volumes such as parking related credit card processing fees and valet operating costs increased as well as increased contracted services relating to stainless steel cleaning and power washing in the garage, parking lot restriping and bus decal rewrapping.
- *Rented buildings and other expenses* (before depreciation) of \$2.1 million increased \$0.4 million, or 20.9% from prior year. Current year reflects an increase in environmental remediation costs to adjust the accrual to include environmental remediation costs associated with Parcel 7 that was determined to have soil contamination from a former gas station. Contractual services also increased related to various strategic initiatives to maintain and preserve the Authority's assets including pavement repairs, grounds maintenance and other building repairs. These increases were offset by lower on-call environmental professional fees.
- *Indianapolis Maintenance Center (IMC) expenses* (before depreciation) of \$6.0 million decreased \$0.5 million, or 8.3%. The decrease from prior year is mainly attributable to lower professional fees and lower utilities related to the reduction in the number of hangars leased by AAR Aircraft Services.
- *Reliever airports expenses* (before depreciation) of \$2.5 million increased \$1.0 million, or 65.9% from prior year. Increase primarily attributable to higher fuel costs and current year pavement repairs.
- *Public safety expenses* (before depreciation) of \$13.3 million increased \$1.2 million, or 9.8% from prior year. Prior year included Families First Coronavirus Response Act (FFCRA) tax credits accrued of \$0.3 million that were reversed and paid in 2021 when verified that government employers were ineligible. Current year also includes contracted services to provide additional labor to increase the cleaning regime for the high traffic areas of the terminal in response to COVID-19, as well as the purchase of updated equipment (tasers), communication equipment and uniforms.
- *Administration costs* (before depreciation) of \$17.4 million increased by \$1.4 million, or 8.6% from prior year. Increase attributable to annual merit increases; an increase in professional fees relating to planning and development for staff augmentation, recruitment, air service consulting, information technology support services and public affairs/social media services. The increase is also attributed to investments in training and communication and print/advertising/marketing as much of these costs were intentionally reduced in 2020. These increases were offset by lower bad debt expense.

Net Nonoperating expenses for the years ended December 31, 2021 and 2020 totaled \$30.4 million and \$22.0 million, respectively, an increase of \$8.4 million, or 38.4% attributable to the following components:

- *Interest expense* of \$32.8 million decreased \$1.0 million over the prior year due to reduction in bond principal from regular debt service payments and lower costs associated with IAA's variable rate bond portfolio.
- *Gain (loss) on disposals of capital assets and other* of \$2.3 million decreased by \$9.5 million over the prior year. The current year gain is primarily attributable to \$2.0 million net gain on land sales. The prior year net gain was comprised of \$0.7 million gain on land sales and \$11.2 million gain from the sale of the old terminal's parking garage to the City of Indianapolis.

Capital contributions and grants of \$303.5 million increased \$175.2 million compared to prior year. Current year includes \$23.7 million drawn on IND's CARES Act and CRRSA Act funded recovery grants and \$252.0 million of Lessee Financed Improvements for FedEx's sort facility and capacity expansion of its Indianapolis hub. The prior year amounts included \$23.2 million drawn on IND's CARES Act funded recovery grant and \$73.9 million of Lessee Financed Improvements for FedEx's sort facility and capacity expansion of its Indianapolis hub.

2020 to 2019 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 for the years ended December 31, 2020 and 2019 was an increase of \$79.2 million and a decrease of \$17.3 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for 2020 and 2019.

	2020	2019	\$ Variance	% Variance
	(Table Amounts in Thousands)			
Total operating revenues	\$ 117,071	\$ 161,349	\$ (44,278)	-27.4%
Total nonoperating revenues	23,138	12,506	10,632	85.0%
Total revenues	<u>140,209</u>	<u>173,855</u>	<u>(33,646)</u>	<u>-19.4%</u>
Total operating expenses	167,204	174,865	(7,661)	-4.4%
Net nonoperating expenses	21,984	45,115	(23,131)	-51.3%
Total expenses	<u>189,188</u>	<u>219,980</u>	<u>(30,792)</u>	<u>-14.0%</u>
Loss Before Capital Contributions and Grants	(48,979)	(46,125)	(2,854)	6.2%
Capital Contributions and Grants	<u>128,218</u>	<u>28,849</u>	<u>99,369</u>	<u>344.4%</u>
Increase (Decrease) in Net Position	79,239	(17,276)	96,515	-558.7%
Net Position, Beginning of Year	<u>1,016,096</u>	<u>1,033,372</u>	<u>(17,276)</u>	<u>-1.7%</u>
Net Position, End of Year	<u>\$ 1,095,335</u>	<u>\$ 1,016,096</u>	<u>\$ 79,239</u>	<u>7.8%</u>

Operating revenue in 2020 decreased \$44.3 million, or 27.4% from prior year attributable to the following components:

- *Airfield revenue* in 2020 of \$22.1 million decreased from prior year by \$1.6 million, or 6.6%. Total landed weights decreased 17.1% from prior year as passenger carriers decreased 40.1% and cargo carriers increased 6.6%. The Signatory landing fee rate increased to \$2.09 in 2020 from \$1.71 in 2019. The Non-Signatory landing fee rate increased to \$3.14 in 2020, as compared to the 2019 rate of \$2.57.
- *Terminal complex revenues* of \$44.2 million decreased \$7.2 million, or 14.0% from prior year. Budgeted airline terminal rental rates increased in 2020 to \$90.37 per square foot compared to the prior year rate of \$77.95 per square foot. This was offset by concession revenues lower than prior year by \$5.0 million (58.5%) and automobile rental commissions lower than prior year by \$5.3 million (49.2%); both attributable to the significant decrease in passengers of 57.1% which prompted one-time adjustments to contractual minimum annual guarantees.
- *Parking revenues* decreased from prior year by \$34.2 million, or 57.5%, resulting in \$25.2 million in 2020 parking revenue; decrease directly related to the 57.1% decrease in passengers.
- *Rented buildings and other* of \$16.2 million increased \$0.7 million from prior year or 4.6% primarily attributable to additional aircraft parking on the old postal ramp primarily during the height of the COVID-19 disruption, and increased ground rental.
- *Revenues from Indianapolis Maintenance Center (IMC)* of \$6.6 million decreased by \$2.0 million, or 23.3%. This represents revenues due the Authority for reimbursement of eligible expenditures under the terms of the Settlement Agreement reached between the Authority and the trustee for the special facility revenue bonds the Authority had previously issued on behalf of United Airlines. The decrease from prior year relates to a renegotiated lease with the IMC's main tenant, AAR Aircraft Services.

Nonoperating revenues in 2020 of \$23.1 million increased from prior year by \$10.6 million, or 85.0% attributable to the following components:

- *Federal operating grants* of \$15.8 million increased \$15.2 million representing the operating portion drawn on IND's CARES Act funded recovery grant.
- *Passenger facility charges (PFC) income* of \$7.9 million decreased \$11.4 million, or 59.0%. This decrease is due to the decrease in passenger numbers and ticket sales as PFC revenues are earned when tickets are sold.
- *Customer facility charges (rental cars) income* of \$4.3 million decreased \$5.1 million, or 53.8% due to the decrease in passenger numbers and rental transactions.
- *Investment income (loss)* of \$(4.9) million decreased \$11.9 million, or 70.8%. The fair value change of hedging derivatives was \$12.6 million less than the change in 2019 but offset by \$0.7 million lower earnings on securities in the Authority's investment portfolio.

Operating expenses (before depreciation) for the years ended December 31, 2020 and 2019 totaled \$72.6 million and \$85.2 million, respectively, a decrease of \$12.6 million, or 14.8%. As a result of the 57.1% decrease in passengers and the impact on operating revenues, operating expenses were slowed by freezing all staff pay levels, instituting a hiring freeze and halting all non-essential operating and maintenance expenses. The following analysis provides material operating expense changes by both operating expense class and operating expense business area.

- *Operating expenses by class* (before depreciation): Total *personal services expense* decreased 3.7% or \$1.3 million to \$34.1 million attributable to the impact of the hiring freeze, lower health insurance expense claims; lower part-time salaries and contract help in the parking departments due to reduction in passengers; and lower utilization of overtime. Total *contractual services expense* decreased 27.8% or \$7.9 million to \$20.6 million attributable to the intentional strategic slowing of expenditures resulting in lower professional fees, travel/training, print/advertising, pavement repairs, and grounds maintenance. Costs that vary in proportion of passenger volumes such as parking related credit card processing fees and valet operating costs also decreased. Total *utilities expense* of \$9.7 million decreased by \$1.1 million, or 10.5% reflective of electricity efficiencies and lower sewer charges relating to glycol processing. Total *supplies expense* of \$3.4 million decreased by \$1.8 million, or 33.8% primarily in lower fuel costs, paper supplies, LED replacements and uniforms. Expenses for snow and ice chemical reduced due to milder weather than prior year. Total *materials expense* decreased by \$0.6 million, or 17.9% to \$2.9 million primarily due to lower motorized equipment repair parts, communication equipment replacements and ground power unit (GPU) replacements than in prior year. Total *general expense* of \$1.8 million increased from prior year by \$0.1 million, or 7.7% primarily due to an increase in bad debt reserve expense.
- *Airfield expenses* (before depreciation) of \$10.6 million decreased by \$1.3 million, or 11.1% from the prior year. Decrease attributable to lower environmental professional fees, pavement repairs, less ground power unit (GPU) replacements, and lower snow and ice chemical and sewage costs for glycol processing.
- *Terminal complex expenses* (before depreciation) of \$16.5 million decreased \$1.8 million, or 10.0% from the prior year. Reduction relates to vacancies throughout the year due to hiring freeze; lower electricity and sewage costs; lower paper supplies as a result of halting all non-essential operating and maintenance expenses.
- *Parking expenses* (before depreciation) of \$7.5 million decreased \$3.2 million, or 30.1% from the prior year. Decrease attributable to lower part-time and overtime salaries and contract help, pavement repairs, credit card fees and valet services. The decrease is also due to less snow removal/chemical costs due to milder weather and lower light bulb costs as prior year represented a LED lighting replacement program in the garage.
- *Rented buildings and other expenses* (before depreciation) of \$1.7 decreased \$1.7 million, or 49.4% from prior year. Current year reflects a decrease in environmental remediation costs; lower on-call environmental professional fees related to compliance audits and tree removal/vegetation control; and lower pavement repairs, grounds maintenance and building repairs as a result of halting non-essential maintenance expenses.
- *Indianapolis Maintenance Center (IMC) expenses* (before depreciation) of \$6.5 million decreased \$0.9 million, or 11.9%. The decrease from prior year is mainly attributable to a reduction of electrical usage due to a reduction in the number of hangars utilized by AAR Aircraft Services, lower pavement repairs and grounds maintenance costs.
- *Reliever airports expenses* (before depreciation) of \$1.5 million decreased \$0.4 million, or 21.2% from prior year. Decrease primarily attributable to lower fuel costs and lower utilization of contractual services.

- *Public safety expenses* (before depreciation) of \$12.1 million decreased \$0.6 million, or 4.4% from prior year. Variance represents staff vacancies throughout the year; lower health insurance claims and professional fees offset by expenses incurred relating to COVID-19 including employee testing and terminal cleaning and supplies/personal protection equipment (PPE).
- *Administration costs* (before depreciation) of \$16.0 million decreased by \$2.7 million, or 14.5% from prior year. Decrease reflects the slowing of overall expenses resulting in lower professional fees, travel/training, print/advertising and various other operating projects put on hold.

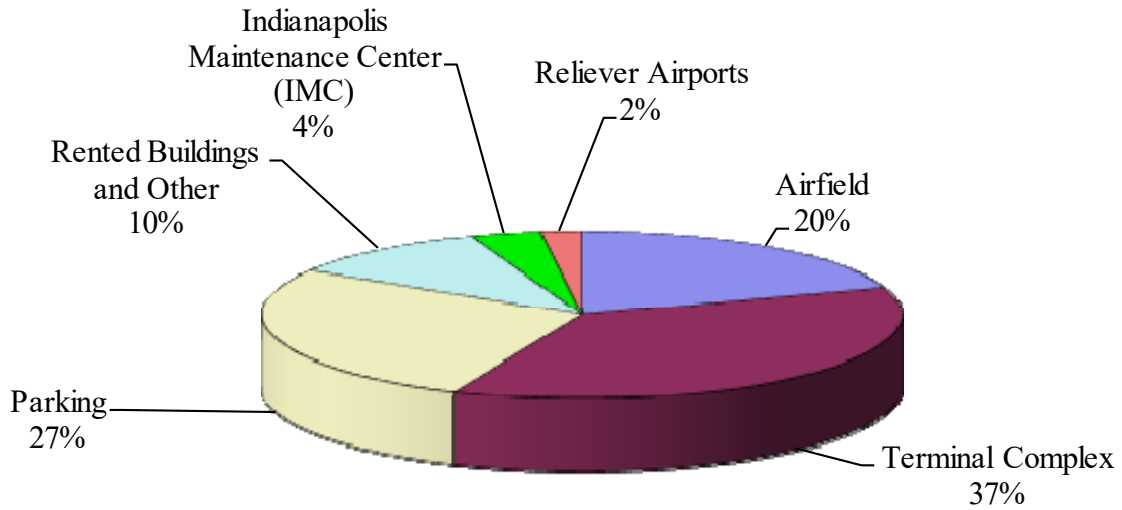
Net Nonoperating expenses for the years ended December 31, 2020 and 2019 totaled \$22.0 million and \$45.1 million, respectively, a decrease of \$23.1 million, or 51.3% attributable to the following components:

- *Interest expense* of \$33.8 million decreased \$4.2 million over the prior year due the full year effect of the 2019 bond deal issue premiums and the reduction of interest expense from the continued amortization of principal outstanding.
- *Gain (loss) on disposals of capital assets and other* of \$11.8 million increased \$18.9 million over the prior year. The current year net gain is comprised of \$0.7 million gain on land sales; \$0.7 million for loss on capital assets, offset by \$11.2 million gain from the sale of the old terminal's parking garage to the City of Indianapolis. The prior year included a \$6.5 million and \$1.8 million loss related to land sales and capital asset retirements, respectively.

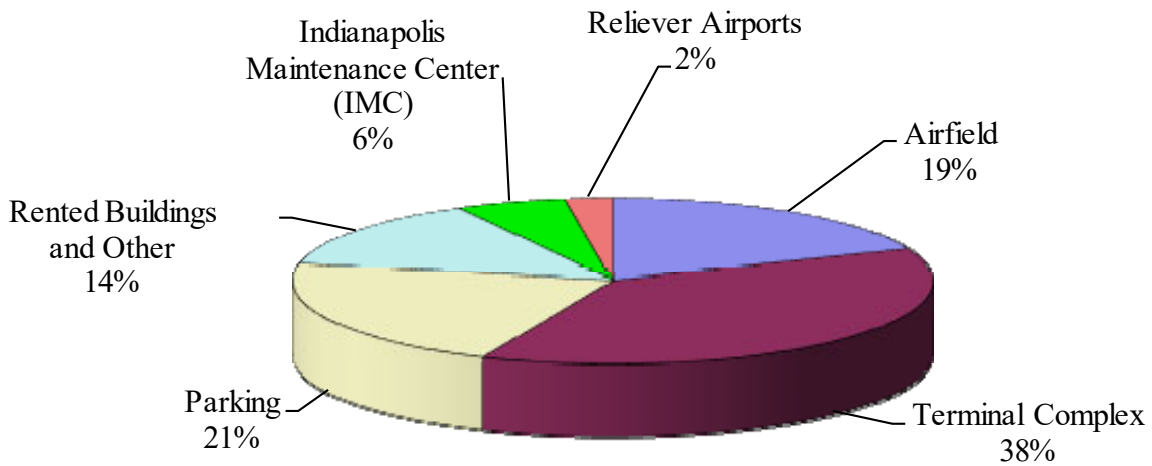
Capital contributions and grants of \$128.2 million increased \$99.4 million compared to prior year. Current year includes \$23.2 million drawn on IND's CARES Act funded recovery grant and \$73.9 million of Lessee Financed Improvements for FedEx's sort facility and capacity expansion of its Indianapolis hub.

The following is a graphic illustration of operating revenues by source for the years ended December 31, 2021 and 2020:

Operating Revenues - 2021

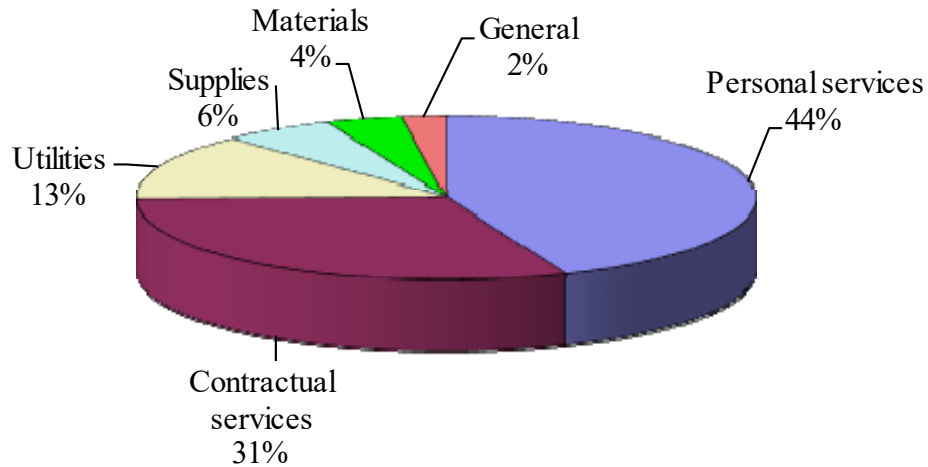


Operating Revenues - 2020

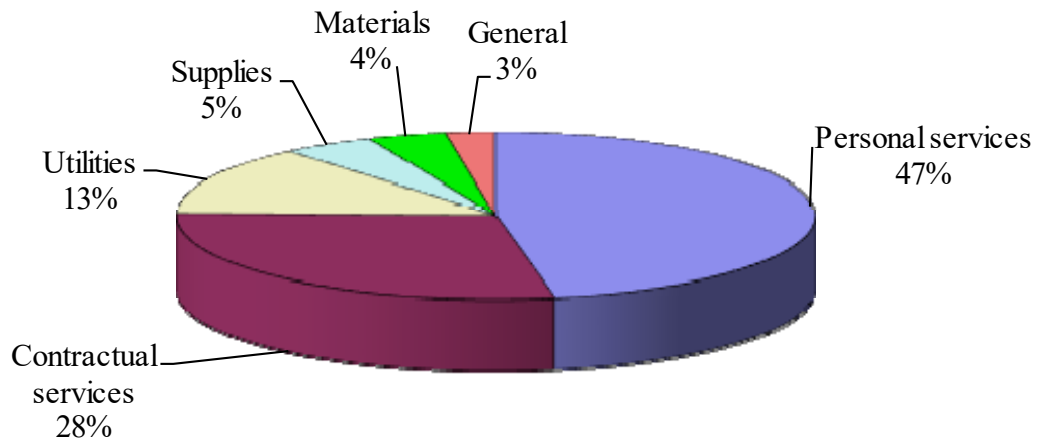


The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2021 and 2020 (excluding depreciation):

Operating Expenses (Excluding Depreciation) - 2021



Operating Expenses (Excluding Depreciation) - 2020



Capital Asset and Debt Administration

Capital Assets

During 2021, the Authority expended approximately \$49.7 million on capital assets. The capital expenditures related to multiple construction and equipment acquisition projects related to: Runway 5L-23R Rehabilitation, Airfield Maintenance and Snow Removal Equipment Facilities, Taxiways R, P, H, & N Rehabilitation, Stormwater and Deicing, and Corporate Hangar Development Infrastructure at Indy Regional.

During 2021, completed projects totaling \$54.0 million were closed from construction-in-progress to their respective capital asset accounts. The more significant of these completed projects are as follows:

Rehabilitation Runway 5L-23R	\$17.6 million
Airfield Maintenance and Snow Removal Equipment Facilities	\$16.5 million
Rehabilitation Taxiways R, P, H, & N	\$4.3 million
Stormwater & Deicing - Seerley Creek Basin Relocation & West Basin	\$3.3 million
Corporate Hangar Development Infrastructure - Indy Regional	\$2.8 million
Rehabilitation Runway 14-32 and Taxiways with LEDs	\$2.0 million

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

Long-Term Debt

Capital acquisitions can be funded using a variety of financing mechanisms, including federal and state grants, passenger facility charges, customer 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 & CFC revenues, state and/or federal grants, or other identified revenues) to be used to pay debt service on Authority revenue bonds. Note 5 of the financial statements explains the details of ordinances adopted in 2020 and 2021.

As of December 31, 2021, the Authority had \$904.7 million in outstanding senior lien bonds. 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 2021 and 2020, respectively, the Authority's debt service coverage was 1.96 and 1.78 for senior lien debt. The 2021 senior lien debt service coverage was calculated using \$25.0 million of grant revenue funded by the CARES Act and the Coronavirus Response and Relief Supplemental Appropriations Act (the "CRRSA Act"), pledged by the Authority's Board of Directors as Gross Revenues, that was drawn and received to pay operating expenses and debt service during 2021.

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

Economic Factors

As noted earlier, IND experienced a 75.2% increase in the number of passenger enplanements over last year, resulting in total 2021 enplanements of 3,582,020. This level of enplanements is in line with 2013 levels. COVID-19 restrictions early in 2021 slowed the recovery process, however, with significant pent up leisure demand, many months in 2021 came close to reaching 2019 levels of passenger traffic.

Due to the drop in passenger demand, all passenger airlines decreased their seat capacity at IND compared to 2019, but offered more seats and flights compared to 2020. Seat capacity overall was down 22% compared to 2019. International seat capacity was down 84% compared to 2019, due to international travel restrictions.

IND maintained year-round service from all domestic airlines in 2021 providing nonstop or 1 stop connectivity across the U.S. IND is served by both major and national airlines operating at many of the domestic hubs. In addition, point-to-point service is provided to major business and leisure destinations, mainly in the Eastern and Central U.S., and improved coverage on the West Coast.

In addition to increased passenger activity, the IAA continues to benefit from sustained cargo operations, anchored by FedEx. IND's position as FedEx's second largest hub worldwide allows the airport to maintain high cargo landed weight levels. In 2021, IND airlines carried 1.3 million tons of cargo, up 19.5% from 2020. IND domestic cargo was up 17.1% from 2020 and international cargo increased by 38% from 2020 levels, both due to an increase in demand for goods during the pandemic and increased operations from FedEx.

The COVID-19 pandemic's dynamic nature leads to uncertainties, including the ultimate geographic spread of the virus; the severity of the disease; the duration of the pandemic; and actions that may be taken by governmental authorities to contain the outbreak or to treat its impact. There is uncertainty related to the local or global economic impact of the pandemic on the demand for air travel and on the airlines and concessionaires serving IND.

Looking Forward

At the end of 2018, the Air Service Task Force Executive Committee approved the Authority's five-year Air Service Strategy. The Committee includes representatives from the Indiana Economic Development Corporation ("IEDC"), Visit Indy and the Indy Chamber. The strategy considers a myriad of factors including passenger demand, costs, airline strategy, industry trends, local and global economies amongst others.

The strategy identifies two-year and five-year targets including both domestic and international markets as well as domestic and international airlines. This strategy will be adjusted to consider the impact of COVID-19 and the potential paths for recovery. The strategy outlines opportunities of implementation with emphasis on data collection and airline engagement, which will remain critical to air service recovery.

Despite planning efforts, future increases in passenger and cargo traffic at the Authority will be influenced by several key economic factors, which include, but are not limited to, the following:

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

As mentioned above, economic conditions have a significant effect on air travel and the transportation industry. The Authority cannot predict how future air travel, enplanements, or other variables relating to airport revenues may be impacted by various market factors.

Future passenger traffic may be impacted by the following:

- Load factors by carrier
- Average daily departures
- Scheduled seat capacity
- Average nonstop fares
- Average fares by market
- Airline communication
- Aircraft orders/retirements

Although it is not anticipated, the restructuring or liquidation of one or more of the large network airlines could also affect airline service at many connecting hub airports. Additionally, present business opportunities for the remaining airlines, and evolving travel patterns throughout the U.S. aviation system will continue to play a role in how the industry performs.

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 Investor Relations, 7800 Col. H. Weir Cook Memorial Drive, Suite 100, Indianapolis, IN 46241-4941 or via email to INDir@indianapolisairport.com.

Indianapolis Airport Authority

Statements of Net Position December 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 89,548,600	\$ 83,133,735
Accounts receivable, net of allowance of \$164,000 and \$390,000, respectively	4,421,986	1,827,870
Unbilled revenues	5,254,168	5,832,412
Grants receivable	3,952,261	-
Supplies and materials inventories	2,988,315	2,705,720
Other	2,103,287	2,014,492
Total unrestricted current assets	108,268,617	95,514,229
Restricted Assets		
Cash and cash equivalents	62,085,434	65,769,083
Cash and cash equivalents - customer deposits	707,251	647,150
Receivable - passenger facility charges	2,188,760	919,097
Receivable - governments and other	122,997	137,381
Receivable - reimbursable IMC expenses	1,518,798	4,225,911
Total restricted current assets	66,623,240	71,698,622
Total current assets	174,891,857	167,212,851
Noncurrent Assets		
Cash and cash equivalents, restricted	137,237,795	136,289,112
Investment securities, unrestricted	2,384,020	-
Investment securities, restricted	56,640,881	39,742,856
Rent receivable	726,200	840,132
Derivative instruments - forward delivery purchase agreements	17,979,068	22,121,818
Nondepreciable capital assets	256,017,486	265,038,315
Depreciable capital assets, net	1,724,845,719	1,518,077,224
Total noncurrent assets	2,195,831,169	1,982,109,457
Total assets	2,370,723,026	2,149,322,308
Deferred Outflows of Resources		
Deferred loss on refunding of debt	17,214,339	19,882,354
Total deferred outflows of resources	17,214,339	19,882,354
Total assets and deferred outflows of resources	\$ 2,387,937,365	\$ 2,169,204,662

Indianapolis Airport Authority
Statements of Net Position (Continued)
December 31, 2021 and 2020

	2021	2020
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	\$ 5,454,973	\$ 2,245,705
Accrued and withheld items (including compensated absences)	7,150,259	7,772,485
Grants payable	-	3,473,304
Total current liabilities payable from unrestricted assets	12,605,232	13,491,494
Payable From Restricted Assets		
Accounts payable	8,494,980	15,454,396
Customer deposits payable	707,251	647,150
Current portion of debt	36,260,000	34,480,000
Accrued interest on debt	16,511,316	17,387,070
Total current liabilities payable from restricted assets	61,973,547	67,968,616
Total current liabilities	74,578,779	81,460,110
Noncurrent Liabilities		
Derivative instruments - interest rate swap agreements	43,597,868	55,905,280
Bonds payable and other debt, payable from restricted assets	868,468,333	914,382,708
Total noncurrent liabilities	912,066,201	970,287,988
Total liabilities	986,644,980	1,051,748,098
Deferred Inflows of Resources		
Accumulated increase in fair value of hedging derivatives	17,979,068	22,121,818
Net Position		
Net investment in capital assets	1,099,359,838	841,310,882
Restricted for		
Capital projects	106,146,839	87,155,753
Debt service	77,907,306	80,141,430
Other	1,125,729	3,863,814
Total restricted net position	185,179,874	171,160,997
Unrestricted	98,773,605	82,862,867
Total net position	1,383,313,317	1,095,334,746
Total liabilities, deferred inflows of resources and net position	\$ 2,387,937,365	\$ 2,169,204,662

Indianapolis Airport Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Airfield	\$ 31,031,457	\$ 22,118,257
Terminal complex	57,515,595	44,175,766
Parking	42,772,033	25,208,150
Rented buildings and other	16,548,566	16,218,550
Indianapolis Maintenance Center (IMC)	5,586,360	6,570,715
Reliever airports	3,217,196	2,779,635
Total operating revenues	<u>156,671,207</u>	<u>117,071,073</u>
Operating Expenses		
Personal services	34,839,202	34,126,777
Contractual services	24,627,806	20,570,241
Utilities	10,553,917	9,727,168
Supplies	4,700,866	3,435,607
Materials	3,175,479	2,897,046
General	1,801,410	1,806,630
Total operating expenses	<u>79,698,680</u>	<u>72,563,469</u>
Income From Operations Before Depreciation	76,972,527	44,507,604
Depreciation expense	<u>100,933,121</u>	<u>94,640,303</u>
Loss From Operations	<u>(23,960,594)</u>	<u>(50,132,699)</u>
Nonoperating Revenues (Expenses)		
Federal operating grants	1,816,734	15,782,948
Passenger facility charges	15,009,050	7,917,919
Customer facility charges (rental cars)	6,526,091	4,347,368
Investment income (loss), net of investment derivative fair value adjustments of \$12,307,412 and \$(11,071,931), respectively	15,567,065	(4,909,795)
Interest expense	(32,770,421)	(33,787,024)
Gain on disposals of capital assets and other	2,336,386	11,802,875
	<u>8,484,905</u>	<u>1,154,291</u>
Decrease in Net Position Before Capital Contributions and Grants	<u>(15,475,689)</u>	<u>(48,978,408)</u>
Capital Contributions and Grants		
Federal, state and local grants	48,797,367	44,816,168
Contributions from lessees and other	254,656,893	83,401,334
	<u>303,454,260</u>	<u>128,217,502</u>
Increase in Net Position	287,978,571	79,239,094
Net Position, Beginning of Year	<u>1,095,334,746</u>	<u>1,016,095,652</u>
Net Position, End of Year	<u>\$ 1,383,313,317</u>	<u>\$ 1,095,334,746</u>

Indianapolis Airport Authority
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Cash receipts from customers and users	\$ 156,394,989	\$ 115,307,738
Cash payments to vendors for goods and services	(44,751,456)	(49,359,808)
Cash payments for employees services	(34,313,497)	(34,908,600)
Net cash provided by operating activities	77,330,036	31,039,330
Cash Flows From Noncapital Financing Activities		
Operating grants received	1,816,734	21,384,104
Customer facility charges received	6,526,091	4,347,368
Insurance recoveries	477,814	60,000
Net cash provided by noncapital financing activities	8,820,639	25,791,472
Cash Flows From Capital and Related Financing Activities		
Principal paid on bonds	(34,480,000)	(28,705,000)
Bond issuance and remarketing costs paid	(288,118)	(184,142)
Interest paid	(40,344,416)	(39,084,692)
Acquisition and construction of capital assets	(49,549,284)	(62,090,535)
Proceeds from sale of capital assets	3,154,401	26,545,748
Passenger facility charges received	13,739,387	8,320,595
Capital grants received	41,371,802	44,816,168
Net cash used in capital and related financing activities	(66,396,228)	(50,381,858)
Cash Flows From Investing Activities		
Purchase of investment securities	(144,244,400)	(287,653,500)
Proceeds from sales and maturities of investment securities	126,783,601	390,999,681
Interest received on investments and cash equivalents	1,446,352	2,603,224
Net cash provided by (used in) investing activities	(16,014,447)	105,949,405
Net Increase in Cash and Cash Equivalents	3,740,000	112,398,349
Cash and Cash Equivalents, Beginning of Year	285,839,080	173,440,731
Cash and Cash Equivalents, End of Year	\$ 289,579,080	\$ 285,839,080

Indianapolis Airport Authority
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities		
Loss from operations	\$ (23,960,594)	\$ (50,132,699)
Item not requiring cash		
Depreciation of capital assets	100,933,121	94,640,303
Change in assets and liabilities		
Accounts receivable and unbilled revenues	(276,218)	(1,763,335)
Supplies and materials inventories	(282,595)	(360,923)
Other assets	(88,795)	(1,618,929)
Accounts payable	479,412	(8,943,264)
Accrued and withheld items	525,705	(781,823)
	\$ 77,330,036	\$ 31,039,330
Net cash provided by operating activities		
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	\$ 4,718,314	\$ 8,920,516
Capital assets contributed by lessees and other governments	254,656,893	83,401,334

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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

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

The Authority's Board consists of eleven members, six of which are appointed by the Mayor of the Consolidated City of Indianapolis-Marion County (a unified form of government commonly referred to as Unigov), one by the majority leader of the City-Council, and one each by the Hendricks, Hamilton, Hancock and Morgan County Boards of Commissioners. Each member is appointed a four-year term.

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 deferred outflows of resources, liabilities and deferred inflows of resources 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 unit 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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers.

Investment Securities

Investment securities are stated at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and repurchase agreements are carried at cost.

Investment income consists of interest and dividend income.

Unbilled Revenues

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

Inventories

Inventories consist of parts, supplies and materials. Inventories are stated at cost, which is determined using the first-in, first-out (FIFO) method.

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.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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:

	<u>Years</u>
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

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.

Donated capital assets are measured at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Original Issue Premiums and Discount

Original issue premiums and 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.

Deferred Outflows and Inflows of Resources

The Authority reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its statements of net position.

The Authority reports the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statements of net position.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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 when earned by the employee and the accrual is based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as grants, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as facility charges and investment income.

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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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 construction of the terminal and associated program construction.

PFC's, which are recognized as earned, are included in nonoperating revenues and amounted to \$15,009,050 and \$7,917,919 for 2021 and 2020, 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 \$3.00 per rental car transaction per day, up to 14 days. The Authority increased this charge to \$4.00 per transaction in May 2010 and subsequently increased this charge to \$5.00 per transaction in March 2019. 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 \$6,526,091 and \$4,347,368 for 2021 and 2020, respectively.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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 \$578,935 and \$637,956 at December 31, 2021 and 2020, respectively. The current receivable will be recognized in full in 2034.

Income Taxes

As an instrumentality of the state, the income of the Authority is exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law.

Note 2: Cash, Cash Equivalents and Investment Securities

Deposits

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

The 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.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

At December 31, 2021 and 2020, the Authority had the following investment securities and maturities:

	Rating	Total	December 31, 2021	
			Less Than 1 Year	1 - 5 Years
U.S. Treasury Security Bills	AA+/Aa1	\$ 48,294,107	\$ 10,185,429	\$ 38,108,678
Indiana municipal securities	AA+/Aa1	3,937,895	3,560,266	377,629
	AAA/Aaa	242,668	200,000	42,668
	AA/Aa2	10,401,205	500,682	9,900,523
Total Indiana municipal securities		14,581,768	4,260,948	10,320,820
Money market mutual funds	AAA/Aaa	86,478,561	86,478,561	-
	Not Rated	112,824,104	112,824,104	-
Total money market mutual funds		199,302,665	199,302,665	-
External investment pools	Not Rated	50,337,573	50,337,573	-
		<u>\$ 312,516,113</u>	<u>\$ 264,086,615</u>	<u>\$ 48,429,498</u>

	Rating	Total	December 31, 2020	
			Less Than 1 Year	1 - 5 Years
U.S. Treasury Security Bills	A-1+/P-1	\$ 45,586,716	\$ 30,262,993	\$ 15,323,723
Indiana municipal securities	AA+/Aa1	5,917,804	2,207,792	3,710,012
	AA/Aa2	200,120	-	200,120
Total Indiana municipal securities		6,117,924	2,207,792	3,910,132
Money market mutual funds	AAA/Aaa	86,114,163	86,114,163	-
	Not Rated	135,338,728	135,338,728	-
Total money market mutual funds		221,452,891	221,452,891	-
External investment pools	Not Rated	27,021,495	27,021,495	-
		<u>\$ 300,179,026</u>	<u>\$ 280,945,171</u>	<u>\$ 19,233,855</u>

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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, 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.

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

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Summary of Carrying Values

Cash, cash equivalents and investment securities included in the statements of net position are classified as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents		
Current - unrestricted	\$ 89,548,600	\$ 83,133,735
Current - restricted	62,792,685	66,416,233
Noncurrent - restricted	137,237,795	136,289,112
Total cash and cash equivalents	<u>289,579,080</u>	<u>285,839,080</u>
Investment securities		
Noncurrent - unrestricted	2,384,020	-
Noncurrent - restricted	56,640,881	39,742,856
Total investment securities	<u>59,024,901</u>	<u>39,742,856</u>
	<u>\$ 348,603,981</u>	<u>\$ 325,581,936</u>

The carrying value of deposits and investments are as follows:

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 36,087,868	\$ 25,402,910
Investments	312,516,113	300,179,026
	<u>\$ 348,603,981</u>	<u>\$ 325,581,936</u>

Investment Income (Loss)

Investment income (loss) for the years ended December 31, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 3,259,653	\$ 6,162,136
Changes in valuation of investment derivatives	12,307,412	(11,071,931)
Investment gain (loss)	<u>\$ 15,567,065</u>	<u>\$ (4,909,795)</u>

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Cash, cash equivalents and investment securities are as follows:

	2021	2020
Unrestricted		
Airport System Fund	\$ 68,103,405	\$ 65,554,493
Customer Facility Charge Fund	23,818,515	17,568,542
Other unrestricted funds	10,700	10,700
Total unrestricted cash, cash equivalents and investments	91,932,620	83,133,735
Restricted		
Revenue Bond Interest and Principal Fund	54,942,203	53,993,662
Revenue Bond Reserve Fund	55,220,560	55,683,658
Operation and Maintenance Reserve Fund	14,597,879	14,102,807
Renewal and Replacement Fund	2,944,231	2,837,380
Capital Improvement Fund	90,393,892	76,791,939
Passenger Facility Charge Fund	13,564,187	9,444,717
Debt Service Coverage Fund	17,157,927	17,171,467
Construction Fund - Subordinate Securities	4,653,385	9,285,803
Construction Fund - State Revolving Fund	2,489,846	2,489,618
Customer deposits	707,251	647,150
Total restricted cash, cash equivalents and investments	256,671,361	242,448,201
Total cash, cash equivalents and investments	\$ 348,603,981	\$ 325,581,936

The above funds and accounts have been established in accordance with the Authority's General Ordinance No. 5-2014, the Consolidated and Restated Master Bond Ordinance (consolidating and restating all previously adopted Bond Ordinances, as amended), 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.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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. The State Revolving Fund serves as a construction fund to be drawn upon as eligible costs for the expansion of the Authority's stormwater system are incurred. 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. Balances included in the Airport System Fund and Prepaid Airline Revenue Fund are classified in current unrestricted assets in the accompanying statements of net position.

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 statements of net position.

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 (principal and interest) issued for allowable capital projects, under a Record of Decision granted by the FAA.

Note 3: Grants Receivable (Payable)

Grants receivable (payable) from government agencies represent reimbursements due from/to the federal government and/or the State of Indiana for allowable costs incurred on federal and state award programs. Grants receivable (payable) at December 31, 2021 and 2020 consist of:

	<u>2021</u>	<u>2020</u>
State of Indiana	\$ 46,640	\$ 50,948
Federal Aviation Administration	3,845,401	(3,728,880)
U.S. Department of Homeland Security	<u>60,220</u>	<u>204,628</u>
	<u>\$ 3,952,261</u>	<u>\$ (3,473,304)</u>

The maximum amount of federal and state participation available for 2021 totaled \$251,275,269. At December 31, 2021, a cumulative total of \$115,993,767 has been received on these grant commitments.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2021 and 2020 is as follows:

	Beginning Balance	Transfers and Additions	Transfers and Disposals	Ending Balance
December 31, 2021				
Capital assets, not being depreciated:				
Land	\$ 225,345,813	\$ 134,300	\$ (491,939)	\$ 224,988,174
Construction in progress	39,692,502	54,240,663	(62,903,853)	31,029,312
Total capital assets, not being depreciated	<u>265,038,315</u>	<u>54,374,963</u>	<u>(63,395,792)</u>	<u>256,017,486</u>
Capital assets, being depreciated:				
Buildings	1,696,536,080	196,245,778	(9,619,227)	1,883,162,631
Runways and other airport infrastructure	1,218,346,172	107,478,006	(1,982,270)	1,323,841,908
Equipment, furniture and fixtures and other	265,291,757	4,265,992	(1,094,598)	268,463,151
Total capital assets, being depreciated	<u>3,180,174,009</u>	<u>307,989,776</u>	<u>(12,696,095)</u>	<u>3,475,467,690</u>
Less accumulated depreciation for:				
Buildings	(786,094,293)	(49,599,530)	9,334,731	(826,359,092)
Runways and other airport infrastructure	(675,787,960)	(41,357,962)	1,978,600	(715,167,322)
Equipment, furniture and fixtures and other	(200,214,532)	(9,975,629)	1,094,604	(209,095,557)
Total accumulated depreciation	<u>(1,662,096,785)</u>	<u>(100,933,121)</u>	<u>12,407,935</u>	<u>(1,750,621,971)</u>
Total capital assets, being depreciated, net	<u>1,518,077,224</u>	<u>207,056,655</u>	<u>(288,160)</u>	<u>1,724,845,719</u>
Capital assets, net	<u>\$ 1,783,115,539</u>	<u>\$ 261,431,618</u>	<u>\$ (63,683,952)</u>	<u>\$ 1,980,863,205</u>
December 31, 2020				
Capital assets, not being depreciated:				
Land	\$ 231,248,278	\$ 153,300	\$ (6,055,765)	\$ 225,345,813
Construction in progress	47,919,575	72,383,853	(80,610,926)	39,692,502
Total capital assets, not being depreciated	<u>279,167,853</u>	<u>72,537,153</u>	<u>(86,666,691)</u>	<u>265,038,315</u>
Capital assets, being depreciated:				
Buildings	1,657,869,625	46,194,293	(7,527,838)	1,696,536,080
Runways and other airport infrastructure	1,177,479,685	76,956,504	(36,090,017)	1,218,346,172
Equipment, furniture and fixtures and other	254,278,355	15,203,660	(4,190,258)	265,291,757
Total capital assets, being depreciated	<u>3,089,627,665</u>	<u>138,354,457</u>	<u>(47,808,113)</u>	<u>3,180,174,009</u>
Less accumulated depreciation for:				
Buildings	(745,786,143)	(47,149,853)	6,841,703	(786,094,293)
Runways and other airport infrastructure	(673,354,697)	(38,523,280)	36,090,017	(675,787,960)
Equipment, furniture and fixtures and other	(195,434,432)	(8,967,170)	4,187,070	(200,214,532)
Total accumulated depreciation	<u>(1,614,575,272)</u>	<u>(94,640,303)</u>	<u>47,118,790</u>	<u>(1,662,096,785)</u>
Total capital assets, being depreciated, net	<u>1,475,052,393</u>	<u>43,714,154</u>	<u>(689,323)</u>	<u>1,518,077,224</u>
Capital assets, net	<u>\$ 1,754,220,246</u>	<u>\$ 116,251,307</u>	<u>\$ (87,356,014)</u>	<u>\$ 1,783,115,539</u>

Indianapolis Airport Authority
Notes to Financial Statements
December 31, 2021 and 2020

Note 5: Bonds Payable and Other Debt

Bonds and other debt outstanding at December 31, 2021 and 2020 consist of:

	<u>2021</u>	<u>2020</u>
Revenue Bonds, Series 2019A		
Serial bonds, maturing January 1, 2022 to January 1, 2054 in payments from \$555,000 to \$1,340,000. Interest at 2.8%, due semiannually on January 1 and July 1.	\$ 29,455,000	\$ 29,995,000
Revenue Bonds, Series 2019B		
Serial bonds, maturing January 1, 2022 to January 1, 2035 in payments from \$320,000 to \$24,450,000. Interest at 5.0%, due semiannually on January 1 and July 1.	140,930,000	146,750,000
Unamortized premium	<u>20,103,270</u>	<u>24,741,740</u>
	<u>161,033,270</u>	<u>171,491,740</u>
Revenue Bonds, Series 2019C-1		
Term bonds, maturing January 1, 2044 to January 1, 2050 Interest at 4.00% and 5.00%, due semiannually on January 1 and July 1.	51,595,000	51,595,000
Unamortized premium	<u>6,937,918</u>	<u>7,232,948</u>
	<u>58,532,918</u>	<u>58,827,948</u>
Revenue Bonds, Series 2019C-2		
Serial bonds, maturing January 1, 2022 to January 1, 2037 in payments from \$650,000 to \$1,355,000. Interest at 5.00%, due semiannually on January 1 and July 1.	15,435,000	16,000,000
Unamortized premium	<u>2,852,455</u>	<u>3,186,872</u>
	<u>18,287,455</u>	<u>19,186,872</u>
Revenue Bonds, Series 2019D		
Serial bonds, maturing January 1, 2022 to January 1, 2040 in payments from \$1,000 to \$3,411,300. Interest at 2.62%, due semiannually on January 1 and July 1.	38,215,000	38,215,000
Revenue Bonds, Series 2016A-1		
Serial bonds, maturing January 1, 2022 to January 1, 2035 in payments from \$2,145,000 to \$18,645,000. Interest at 4.00% to 5.00%, due semiannually on January 1 and July 1.	79,955,000	97,700,000
Unamortized premium	<u>7,792,741</u>	<u>9,284,110</u>
	<u>87,747,741</u>	<u>106,984,110</u>
Revenue Bonds, Series 2016A-2		
Serial bonds, maturing January 1, 2022 to January 1, 2023 in payments from \$2,260,000 to \$3,370,000. Interest at 2.411% to 2.561%, due semiannually on January 1 and July 1.	5,630,000	8,925,000
Term bonds, maturing January 1, 2024 to January 1, 2027 in payments from \$85,000 to \$95,000. Interest is fixed at 3.195%, due semiannually on January 1 and July 1.	<u>365,000</u>	<u>365,000</u>
Term bonds, maturing January 1, 2035 and January 1, 2036 in payments of \$1,520,000 and \$1,615,000, respectively. Interest is fixed at 3.894%, due semiannually on January 1 and July 1.	<u>3,135,000</u>	<u>3,135,000</u>

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Notes to Financial Statements

December 31, 2021 and 2020

(Continued)	2021	2020
Revenue Bonds, Series 2015A		
Serial bonds, maturing January 1, 2023 to January 1, 2033 in payments from \$6,770,000 to \$19,875,000. Interest at 4.00% to 5.00%, due semiannually on January 1 and July 1.	\$ 178,690,000	\$ 178,690,000
Unamortized premium	10,476,068	12,047,330
	189,166,068	190,737,330
Revenue Bonds, Series 2014A		
Serial bonds, maturing January 1, 2022 to January 1, 2034 in payments from \$6,840,000 to \$17,075,000. Interest at 4.00% to 5.00%, due semiannually on January 1 and July 1.	151,130,000	157,645,000
Unamortized premium	9,190,881	10,514,708
	160,320,881	168,159,708
Revenue Bonds, Series 2010C		
Term bonds, maturing January 1, 2033, 2036 and 2037. Interest is variable (75% of the one-month LIBOR plus 0.330% (0.406%) at December 31, 2021), due monthly on the first business day	152,840,000	152,840,000
Total revenue bonds	904,728,333	948,862,708
Current portion	(36,260,000)	(34,480,000)
Long-term portion	\$ 868,468,333	\$ 914,382,708

Revenue Bonds

Portions of the Authority's Series 2014A, 2015A, 2016A-1, 2016A-2, 2019B, 2019C-1, and 2019C-2 Revenue Bonds are subject to optional redemption by the Authority at various dates in the future. Portions of the Authority's Series 2019A and 2019D Revenue Bonds, with consent from the Indiana Finance Authority, 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 2010C Revenue Bonds (as discussed more fully below), maturing January 1, 2033, 2036 and 2037, are subject to redemption from mandatory sinking fund payments during 2030 to 2037.

The Series 2016A-2 Refunding 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 2035 to 2036, respectively.

The Authority's 2019C-1 bonds maturing January 1, 2044 (the 2044 Term Bonds) and January 1 2050 (the 2050 Term Bonds), are subject to redemption from mandatory sinking fund payments during 2040 to 2044 and 2045 to 2050, respectively.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

2019A Revenue Bonds - State Revolving Fund

In March 2019, the Authority entered into a \$30,000,000, 35-year term subsidized Clean Water Loan with the Indiana Finance Authority's State Revolving Fund (SRF) program at an annualized rate of 2.80%. The SRF Bonds were issued on parity with the Authority's Senior Lien Revenue Bonds. The proceeds were deposited in a construction fund to be drawn upon as eligible costs for the expansion of the Authority's stormwater system were incurred. As of December 31, 2021 and 2020, respectively, \$1,368,024 and \$1,367,900 remained in the construction fund.

2019B Revenue Bonds

In August 2019, the Authority issued the 2019B Refunding Revenue Bonds in the amount of \$149,130,000 with an original issue premium of \$31,330,593. The proceeds from the 2019B Revenue Bonds, in conjunction with transfers from the debt service reserve and principal and interest funds, were used to refund \$156,050,000 of the 2010C Revenue Bonds, terminate a portion of the associated interest rate swaps, fund a debt service reserve fund surety policy, and pay for costs of issuance. The net present value loss resulting from this refunding was \$592,869, and the aggregate difference in the required debt service between the portion of the refunded 2010C Bonds and the 2019B Bonds was \$2,646,125.

2019C Revenue Bonds

In December 2019, the Authority issued the 2019C-1 (\$51,595,000; tax-exempt) and 2019C-2 (\$16,000,000; tax-exempt) Refunding Revenue Bonds in the amount of \$67,595,000 with original issue premium of \$7,549,287 and \$3,558,567 on the C-1 and C-2 series, respectively. The proceeds from the 2019C-1 Revenue Bonds were used to redeem the outstanding 2018A Subordinate Securities of \$58,470,000, pay interest on the 2019C-1 Bonds through January 1, 2020, and pay for costs of issuance. The 2019C-2 Revenue Bonds were used to refund the outstanding balance of the 2010A Authority Bonds of \$20,613,781 and pay costs of issuance. The net present value savings resulting from the refunding of the 2010A Bonds were \$3,691,196, and the aggregate difference in the required debt service between the 2010A Bonds and the 2019C-2 Bonds was \$4,718,278.

2019D Revenue Bonds - State Revolving Fund

In November 2019, the Authority entered into a \$38,215,000, 20-year term subsidized Clean Water Loan with the Indiana Finance Authority's State Revolving Fund (SRF) program at an annualized rate of 2.62%. The SRF Bonds were issued on parity with the Authority's Senior Lien Revenue Bonds. The proceeds were deposited in a construction fund to be drawn upon as eligible costs for the expansion of the Authority's stormwater system were incurred. As of December 31, 2021 and 2020, respectively, \$1,121,822 and \$1,121,718 remained in the construction fund.

Indianapolis Airport Authority

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2010C Revenue Bonds

In December 2010, the Authority issued the Indianapolis Airport Authority Airport Revenue Bonds, Series 2010C (2010C Revenue Bonds) in an original amount totaling \$350,000,000. The 2010C Revenue Bonds were issued in five subseries (2010C-1 through 2010C-5) with final maturities ranging from January 1, 2033 through January 1, 2037. The Series 2010C Revenue Bonds were sold to the Indianapolis Local Public Improvement Bond Bank (the "ILPIBB") and directly purchased by banks (by subseries), subject to Continuing Covenant Agreements, as the ILPIBB Revenue Bonds, Series 2010L, and are secured by a Trust Indenture and Ordinances establishing a security interest in net revenues of the airport system. The 2010C Revenue Bonds are currently subject to acceleration at the end of the bank term beginning on the dates outlined in the table below:

<u>Authority Series</u>	<u>ILPIBB Series</u>	<u>Maturity Date</u>	<u>End of Bank Term</u>
201C-1	2010L-1	1/1/2033	6/30/2023
201C-2	2010L-2	1/1/2033	6/30/2023
201C-3	2010L-3	1/1/2036	6/30/2023
201C-4	2010L-4	1/1/2036	6/30/2023
201C-5	2010L-5	1/1/2037	6/30/2023

The Authority has paid or refunded a portion of the 2010C Revenue Bonds since they were issued. As of December 31, 2021 and 2020, there were \$152,840,000 of 2010C Revenue Bonds outstanding and no additional amounts may be issued under the 2010C Revenue Bond facilities. The 2010C Revenue Bonds are periodically remarketed to banks and the bank owners have changed since the bonds were issued and are likely to change again before they reach maturity or are otherwise paid. The last remarketings occurred in July 2021. The bonds will be remarketed again, prior to the bank term of the existing facilities. There are certain events which could result in a higher interest rate and/or an acceleration of amounts due on the 2010C Revenue Bonds. These events are described in the Continuing Covenant Agreement filed on the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") site at the ILPIBB's issuer homepage or using the following links:

- <https://emma.msrb.org/P11522531-P11177734-P11594052.pdf>
- <https://emma.msrb.org/P11522534-P11177735-P11594053.pdf>

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2018A Subordinate Securities

In March 2018, the Authority issued the Indianapolis Airport Authority Subordinate Securities, Series 2018A (2018A Subordinate Securities) in an original amount not to exceed \$175,000,000 with a final maturity not to exceed March 1, 2021. The Series 2018A Subordinate Securities were sold to the ILPIBB and directly purchased by Bank of America, N.A., subject to a Continuing Covenant Agreement, as the ILPIBB Subordinate Notes, Series 2018B, and were secured by a Trust Indenture and Ordinances establishing a subordinate security interest in net revenues of the airport system. The Series 2018A Subordinate Securities was a non-revolving credit facility, allowing the Authority to borrow funds to fund authorized purposes which include, but were not limited to, the Authority's stormwater enhancement and baggage system modification projects. On July 7, 2020, the Authority determined it would not need to draw additional amounts under the Continuing Covenant Agreement and elected to terminate it early. There were no amounts outstanding at the time of termination or at the year ended December 31, 2021.

Directly Placed Debt

As of December 31, 2021 and 2020, the Authority held directly placed debt as detailed below:

	2010C-1	2010C-2	2010C-3	2010C-4	2010C-5
Par Outstanding at 12/31/21	\$ 46,505,000	\$ 23,250,000	\$ 20,660,000	\$ 30,985,000	\$ 31,440,000
Par Outstanding at 12/31/20	46,505,000	23,250,000	20,660,000	30,985,000	31,440,000
Credit Available For Draw as of 12/31/21	-	-	-	-	-
Credit Available For Draw as of 12/31/20	-	-	-	-	-
Lien	Senior	Senior	Senior	Senior	Senior
Final Maturity	1/1/2033	1/1/2033	1/1/2036	1/1/2036	1/1/2037
End of Bank Term	6/30/2023	6/30/2023	6/30/2023	6/30/2023	6/30/2023
Bank	Banc of America Preferred Funding Corporation	PNC Bank, National Association	Banc of America Preferred Funding Corporation	PNC Bank, National Association	Banc of America Preferred Funding Corporation
Index Rate	1M USD LIBOR	1M USD LIBOR	1M USD LIBOR	1M USD LIBOR	1M USD LIBOR
Applicable Factor	75%	75%	75%	75%	75%
Applicable Spread as of 12/31/2021	0.33%	0.33%	0.33%	0.33%	0.33%
Applicable Spread as of 12/31/2020	1.10%	0.40%	0.62%	0.40%	1.10%
Increase in Applicable Spread Due To Credit Rating Downgrade	Yes ⁽¹⁾	Yes ⁽¹⁾	Yes ⁽¹⁾	Yes ⁽¹⁾	Yes ⁽¹⁾
Margin Rate Factor	No	No	No	No	No
Rate Formula	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread
Events of Default	CCA Article 8	CCA Article 8	CCA Article 8	CCA Article 8	CCA Article 8
Moody's Rating as of 12/31/21	A1	A1	A1	A1	A1
Moody's Rating as of 12/31/20	A1	A1	A1	A1	A1
S&P Rating as of 12/31/21	A-	A-	A-	A-	A-
S&P Rating as of 12/31/20	A-	A-	A-	A-	A-
Fitch Rating as of 12/31/21	A	A	A	A	A
Fitch Rating as of 12/31/20	A	A	A	A	A

(1) See Table 1

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Applicable Spread upon Credit Ratings Downgrade

In the event of a change in the long-term unenhanced rating assigned by Moody's, S&P or Fitch to such bonds, the Applicable Spread shall be the Applicable Spread associated with such new long-term unenhanced rating as set forth in the following schedules:

Table 1 – 2010C-1, 2010C-2, 2010C-3, 2010C-4, and 2010C-5

Moody's	Credit Rating		Applicable Spread
	S&P	Fitch	
A2 or Higher	A or higher	A or higher	0.33%
A3	A-	A-	0.43%
Baa1	BBB+	BBB+	0.68%
Baa2	BBB	BBB	1.18%
Baa3	BBB-	BBB-	1.68%

The Master Bond Ordinance

The Authority's Revenue Bonds are secured under the Master Bond Ordinance 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 has adopted resolutions beginning in 2003 and 2006 irrevocably dedicating revenues from passenger facility charges and customer facility charges (the Dedicated Revenues), respectively, to be used exclusively to pay debt service on the Authority's Revenue Bonds. The irrevocable designation of passenger facility charges revenue in 2021 and 2020, respectively, was \$10 million and \$18.0 million, respectively. The customer facility charge revenue designation was \$0 for 2021 and 2020.

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.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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, 2021:

Years Ending December 31	Revenue Bonds		Total
	Principal	Interest	
2022	\$ 36,260,000	\$ 31,732,243	\$ 67,992,243
2023	39,876,015	30,025,544	69,901,559
2024	48,371,542	28,111,806	76,483,348
2025	50,808,785	25,862,126	76,670,911
2026	53,312,790	23,418,987	76,731,777
2027 - 2031	297,037,876	77,395,091	374,432,967
2032 - 2036	233,806,519	27,773,454	261,579,973
2037 - 2041	26,166,473	14,220,904	40,387,377
2042 - 2046	28,965,000	9,017,950	37,982,950
2047 - 2051	28,855,000	2,852,150	31,707,150
2052 - 2056	3,915,000	166,390	4,081,390
	\$ 847,375,000	\$ 270,576,645	\$ 1,117,951,645

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	\$ 881,855,000	\$ -	\$ (34,480,000)	\$ 847,375,000	\$ 36,260,000
Bond premium	67,007,708	-	(9,654,375)	57,353,333	-
Total revenue bonds payable	948,862,708	-	(44,134,375)	904,728,333	36,260,000
Total long-term obligations	\$ 948,862,708	\$ -	\$ (44,134,375)	\$ 904,728,333	\$ 36,260,000
	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	\$ 910,560,000	\$ -	\$ (28,705,000)	\$ 881,855,000	\$ 34,480,000
Bond premium	77,325,214	-	(10,317,506)	67,007,708	-
Total revenue bonds payable	987,885,214	-	(39,022,506)	948,862,708	34,480,000
Total long-term obligations	\$ 987,885,214	\$ -	\$ (39,022,506)	\$ 948,862,708	\$ 34,480,000

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Note 6: Special Facility Revenue Bonds

To provide for the construction of the Indianapolis Maintenance Center (IMC) (formerly leased to United Air Lines, Inc.), the Authority issued 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, 2021 and 2020, the Special Facility Revenue Bonds, Series 1995 (Indianapolis Maintenance Center), outstanding were \$165,988,327.

Note 7: Derivative Financial Instruments

Forward Delivery Purchase Agreements - Hedging Derivative Instruments

The Authority has entered into three 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 agreement. 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:

Debt Service Fund	Date of Agreement	Termination Date	Scheduled Reserve Amount	Guaranteed Rate	Fair Value at December 31, 2021	Fair Value at December 31, 2020
Series 2014A	December 1, 2004	December 30, 2033	\$ 16,534,000	4.962%	\$ 5,774,782	\$ 7,155,340
Series 2015A	December 28, 2005	December 31, 2032	15,000,000	4.820%	4,675,530	5,865,389
Series 2016A	August 1, 2006	January 1, 2036	17,321,400	5.311%	7,528,756	9,101,089
					<u>\$ 17,979,068</u>	<u>\$ 22,121,818</u>

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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 statements of net position as of December 31, 2021 and 2020. As the Forward Delivery Agreements are effective hedging instruments, the changes in fair value of the Forward Delivery Agreements of (\$4,142,750) and \$4,112,631 for the years ended December 31, 2021 and 2020, respectively, are shown as an adjustment to the carrying amount of the related deferred inflows of resources on the statements of net position.

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 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 value of the instrument at the time of termination.

Interest Rate Swap Agreements – Investment Derivative Instruments

The Authority is a party to three 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. Upon this terminating event, it was determined the interest rate swaps were no longer effective hedges and all subsequent changes in the fair value are recorded as a component of investment income.

On August 22, 2019, the Authority used the proceeds of the 2019B Revenue Bonds to refund a portion of the 2010C Revenue Bonds and terminate associated interest rate swaps. A \$26,532,000 partial termination payment to the swap counterparties eliminated \$156,050,000 of the Authority's swap notional amount.

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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, 2021	Fair Value at December 31, 2020
\$ 51,645,000	October 14, 2004	July 1, 2008	January 1, 2036	4.0325%	75% One Month LIBOR	\$ (15,886,628)	\$ (20,385,505)
31,440,000	October 14, 2004	July 1, 2008	January 1, 2037	4.1500%	75% One Month LIBOR	(10,285,702)	(12,941,730)
23,251,667	October 7, 2005	July 1, 2008	January 1, 2033	3.7800%	75% One Month LIBOR	(5,822,758)	(7,539,563)
46,503,333	July 2, 2015 *	July 1, 2015 *	January 1, 2033	3.7775%	75% One Month LIBOR	(11,602,780)	(15,038,482)
<u>\$ 152,840,000</u>						<u>\$ (43,597,868)</u>	<u>\$ (55,905,280)</u>

* During 2015, there was an exchange of counterparties from UBS to Wells Fargo. This was not considered as a terminating event.

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 statements of net position as of December 31, 2021 and 2020. As the Swap Agreements are ineffective hedging instruments, the changes in fair value of the Swap Agreements of \$12,307,412 and \$(11,071,931) for the years ended December 31, 2021 and 2020, respectively, are shown as investment income.

Credit Risk - The fair value of each of the Swap Agreements represents the Authority's credit exposure to the counterparties as of December 31, 2021. 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, 2021, 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 & Poor's, 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.

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The ratings of the various counterparties at December 31, 2021 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 \$51,645,000 and \$31,440,000	Aa2	A+
Bank of America, counterparty of the interest rate swap with the notional amount of \$23,251,667	A2	A-
Wells Fargo Bank, N.A., counterparty of the interest rate swap with the notional amount of \$46,503,333 and both basis swap agreements	Aa2	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, 2021, the interest rate on the Authority's 2010C Revenue Bonds is 0.406%, (calculated at 75% of the one-month LIBOR plus 0.330%), while the Authority receives payments under the Swap Agreements equal to 75% of the one-month LIBOR, or 0.076%.

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, 2021, 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	Total
	Principal	Interest	Swaps, Net	Interest
2022	\$ -	\$ 656,858	\$ 5,895,587	\$ 6,552,445
2023	-	739,523	5,895,587	6,635,110
2024	-	869,437	5,895,587	6,765,024
2025	-	880,263	5,895,587	6,775,850
2026	-	880,263	5,895,587	6,775,850
2027 - 2031	53,240,000	3,970,897	26,629,313	30,600,210
2032 - 2036	97,070,000	957,519	6,562,336	7,519,855
2037	2,530,000	1,214	8,342	9,556
	<u>\$ 152,840,000</u>	<u>\$ 8,955,974</u>	<u>\$ 62,677,926</u>	<u>\$ 71,633,900</u>

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Notes to Financial Statements December 31, 2021 and 2020

Note 8: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Investments				
U.S. Treasury Security Bills	\$ 48,294,107	\$ 48,294,107	\$ -	\$ -
Indiana municipal securities	14,581,768	-	14,581,768	-
External investment pools	50,337,573	-	50,337,573	-
Derivative Financial Instruments				
Forward delivery purchase agreements	17,979,068	-	-	17,979,068
Interest rate swap agreements	(43,597,868)	-	(43,597,868)	-
December 31, 2020				
Investments				
U.S. Treasury Security Bills	\$ 45,586,716	\$ 45,586,716	\$ -	\$ -
Indiana municipal securities	6,117,924	-	6,117,924	-
External investment pools	27,021,495	-	27,021,495	-
Derivative Financial Instruments				
Forward delivery purchase agreements	22,121,818	-	-	22,121,818
Interest rate swap agreements	(55,905,280)	-	(55,905,280)	-

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Derivative Financial Instruments

Interest rate swaps classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates. The fair value of the forward delivery agreements are derived from proprietary models and are calculated on a mid-market basis, but do not include bid/offer spread and are therefore classified in Level 3.

Note 9: Indianapolis Maintenance Center

As discussed previously in these footnotes, the Authority, the State of Indiana, the City of Indianapolis and United Air Lines, Inc. (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 \$165,988,327 remains outstanding at December 31, 2021. The Authority had, and continues to have, no obligation to make interest and principal payments on these special facility bonds. Revenues from the IMC are reserved for expense reimbursement to the Authority for operational expenses incurred. Once all on-going expenses have been reimbursed to the Authority, revenue in excess of expenses are shared between the bondholders and the Authority on a percentage basis bound by the Settlement Agreement. 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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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 the Tenant Improvement Expenditure Reserve (TIER) fund for use of capital improvements, if certain conditions are met. On the ten-year anniversary of the Settlement Agreement, all the funds accumulated in the TIER Fund were to be disbursed to the bondholders with the exception of \$1 million. On February 13, 2014, these funds were disbursed.

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 were being used primarily for the maintenance, repair and overhaul of commercial aircraft) and certain warehouse and office space for non-aviation related use. In December 2020, the Authority entered into a new lease with the IMC's main tenant, AAR Aircraft Services (AAR), with a new lease expiration of February 28, 2025. This new AAR lease provided for AAR to return a total of five of the ten hangars previously leased back to the Authority (Hangars 1A through 3A). As well, a lease extension was granted to Express Scripts with a new lease expiration of December 31, 2023. AAR and Shuttle America make up the leasing of seven of the twelve hangar spaces. 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.

For the years ended December 31, 2021 and 2020, the Authority incurred approximately \$6.0 million and \$6.5 million of costs for the IMC, respectively. The Authority has received reimbursements for these costs under the Settlement Agreement aggregating approximately \$8.5 million and \$3.8 million for 2021 and 2020, respectively. In addition, as of December 31, 2021 and 2020, the Authority has accrued approximately \$1.5 million and \$4.2 million, respectively, in reimbursements from the Trustee for allowable costs incurred.

The aforementioned lease agreements historically contained 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 five years. These grants and rental credits were 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 were expensed as they were earned by AAR. 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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

Note 10: 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.

The Authority recognized \$477,814 and \$60,000 in insurance recoveries as nonoperating revenue in 2021 and 2020, respectively. There are no material claim settlements to exceed insurance coverage that exists presently, to the best of the Authority's knowledge, which has the potential of doing so for the 2021 calendar year.

The Authority has a self-insured arrangement for health care benefits provided to Authority employees and has 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 \$6,646,112 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.

Note 11: 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 nine percent of eligible compensation. Contributions to the plan were \$1,173,194 for 2021 and \$1,045,341 for 2020.

Note 12: 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.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter as of December 31, 2021 are as follows:

2022	\$ 71,674,588
2023	70,634,405
2024	35,593,675
2025	33,354,180
2026	29,853,348
Thereafter	<u>306,804,800</u>
	<u>\$ 547,914,996</u>

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 hybrid 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 \$48.8 million in 2021 and \$34.4 million in 2020, and are accrued in arrears.

Note 13: Commitments and Contingencies

Land Acquisition and Disposal

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 existing Guaranteed Purchase Program (Phase I), which is now an inactive program, to add approximately 750 additional homes. As of December 31, 2021, the Authority has spent approximately \$102.6 million (including relocation costs) under this inactive program (Phase II), substantially all of which was eligible for 80% reimbursement from the FAA. The owners of an estimated 30 homes did not participate in Phase II when it was an active program.

A five-year review and update 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 included continuation of the Guaranteed Purchase Program with respect to approximately 132 additional homes, of which 127 were acquired by the Authority when the program was active.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

The Sound Insulation Program, which is now an inactive program, paid 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, 2021, 316 homes were sound insulated under this program. Under the Purchase Assurance Program, which is now an inactive program, the Authority purchased the property, sound insulated the home and then resold the property on the open market. At December 31, 2021, 118 homeowners participated in the Purchase Assurance Program. Participation in either the Sound Insulation or Purchase Assurance programs required the homeowner to grant an aviation easement in favor of the Authority.

The Sales Assistance program is the third and only active program at December 31, 2021 and applied to approximately 487 homes, of which 413 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 is approximately \$98.5 million. These programs, excluding Sales Assistance, were 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.

The Authority has also acquired land south of Interstate 70 (I-70). With the exception of one small parcel of land, all parcels have been acquired for the future development of a third parallel runway in this area. As of December 31, 2021, the Authority has expended approximately \$13.7 million for this project.

In November 2014, the Authority Board approved and adopted Resolution No. 12-2014, establishing certain land use policies and guidelines for the implementation of a new land use initiative. The Authority owns approximately 6,200 acres of land in and around the Indianapolis International Airport, with large holdings not only in Wayne and Decatur Townships of Marion County, but also in neighboring Hendricks County.

As part of the land use initiative, land holding not required for aviation purposes have been marketed and sold. The Authority determines how land sale proceeds must be treated, including what amounts, if any, must be returned to the Federal Aviation Administration directly or reinvested in other AIP eligible projects pursuant to federal grant requirements. Amounts due to the Federal Aviation Administration were \$7,145,650 and \$11,181,289 as of December 31, 2021 and 2020, respectively.

Environmental Mitigation and Remediation

The Authority is currently involved in three 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 petroleum impacted soil. 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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

The amount of the estimated liability as of December 31, 2021 and 2020 was \$798,000 and \$359,000, 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 monitoring activities.

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, 2021, the Authority had outstanding commitments for certain airport improvements aggregating \$124,876,210.

Litigation and Claims

The nature of the business of the Authority generates certain litigation against the Authority arising in the ordinary course of business.

As of December 31, 2021, there were three claims in litigation for alleged personal injury and/or other claims pending against the Authority. All of these claims were for personal injury and are fully insured. In addition, there was one worker's compensation claims-pending as of December 31, 2021. The Authority was also aware of several claims for which legal action against the Authority might be threatened or possible in the future.

Subsequent Events

Subsequent to year end and effective February 11, 2022, a total of \$635,875,106 has been approved to be imposed and collective on behalf of the Authority's Passenger Facility Charge Program and used by the Authority. The Authority received an additional Use Approval of \$110,967,500 on Applications 01-03 and 03-04.

Economic Events

As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Authority, including reduction in the overall investment position and declines in passenger traffic. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Supplementary Information

Indianapolis Airport Authority

Schedule of Governmental Awards

Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title/ Grant Name	Federal CFDA Number	Federal Grant Number	State Grant Number	Total Grant Amount	Grant Reimbursements Receivable (Payable) at Beginning of Year	Receipts/ Credits	Disbursements/ Expenditures	Grant Reimbursements Receivable (Payable) at End of Year
U.S. Department of Transportation - Federal								
Aviation Administrative (FAA)								
Airport Improvement Program (AIP)								
Indianapolis International Airport	20.106	3-18-0038-152		\$ 1,000,000	\$ 82,803	\$ (44,044)	\$ (126,847)	\$ -
	20.106	3-18-0038-156		262,500	27,301	-	-	27,301
	20.106	3-18-0038-157		12,112,321	605,617	-	-	605,617
	20.106	3-18-0038-159		464,427	107,575	56,488	-	51,087
	20.106	3-18-0038-160		934,779	114,252	-	-	114,252
	20.106	3-18-0038-161		1,082,685	146,298	158,061	11,763	-
	20.106	3-18-0038-162		2,725,894	237,622	240,710	108,825	105,737
	20.106	3-18-0038-163		300,000	65,252	82,205	29,978	13,025
	20.106	3-18-0038-164		2,091,219	209,122	-	-	209,122
	20.106	3-18-0038-165		9,654,846	1,455,746	991,273	510,557	975,030
	20.106	CARES Act: 3-18-0038-166		52,275,549	-	13,839,612	13,839,612	-
	20.106	3-18-0038-167		8,517,837	1,677,591	5,516,355	4,485,955	647,191
	20.106	3-18-0038-168		13,333,333	793,890	5,355,085	10,227,920	5,666,725
	20.106	3-18-0038-170		4,250,000	253,052	1,706,933	3,260,149	1,806,268
	20.106	CARES Act: 3-18-0038-171		11,135,307	-	9,853,965	9,853,965	-
	20.106	CARES Act: 3-18-0038-172		1,008,584	-	1,008,584	1,008,584	-
	20.106	3-18-0038-173		56,345,957	-	-	85,236	85,236
	20.106	3-18-0038-176		9,500,000	-	-	14,370	14,370
	21.106	Various		-	(11,181,289)	18,718	4,054,357	(7,145,650)
Indianapolis Regional Airport	20.106	3-18-0037-19		862,472	110,322	110,322	-	-
	20.106	3-18-0037-20		360,000	27,000	76,530	72,480	22,950
	20.106	CARES Act: 3-18-0037-21		69,000	-	69,000	69,000	-
	20.106	3-18-0037-22		165,064	-	53,000	53,000	-
Eagle Creek Airpark	20.106	3-18-0039-22		237,000	23,024	23,024	-	-
	20.106	3-18-0039-23		855,000	-	173,898	173,898	-
	20.106	3-18-0039-24		2,825,000	312,889	-	-	312,889
	20.106	3-18-0039-25		150,000	82,515	66,454	-	16,061
	20.106	3-18-0039-26		1,339,354	1,041,804	1,197,050	277,055	121,809
	20.106	CARES Act: 3-18-0039-27		69,000	-	69,000	69,000	-
	20.106	3-18-0039-29		149,562	-	-	42,821	42,821
Indianapolis Metropolitan Airport	20.106	3-18-0040-26		600,000	58,260	147,628	150,000	60,632
	20.106	CARES Act: 3-18-0040-27		69,000	-	69,000	69,000	-
Hendricks County	20.106	3-18-0093-17		79,560	20,474	20,474	-	-
	20.106	CARES Act: 3-18-0093-19		30,000	-	30,000	30,000	-
	20.106	3-18-0093-20		316,606	-	31,062	123,990	92,928
Indianapolis Downtown	20.106	CARES Act: 3-18-0118-18		20,000	-	20,000	20,000	-

Indianapolis Airport Authority
Schedule of Governmental Awards (Continued)
Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title/ Grant Name	Federal CFDA Number	Federal Grant Number	State Grant Number	Total Grant Amount	Grant Reimbursements Receivable (Payable) at Beginning of Year	Receipts/ Credits	Disbursements/ Expenditures	Grant Reimbursements Receivable (Payable) at End of Year
U.S. Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	147877		\$ 77,960	\$ 58,471	\$ 77,960	\$ 19,489	\$ -
State of Indiana - Department of Transportation, Aeronautics Section								
Indianapolis Regional Airport			1837019	47,915	6,129	6,129	-	-
			2037020	20,000	8,404	6,904	4,027	5,527
Eagle Creek Airpark			1739022	10,533	1,023	1,023	-	-
			1839023	47,500	-	9,661	9,661	-
			1939024	156,944	17,383	-	-	17,383
			2039025	8,333	4,584	3,536	-	1,048
Indianapolis Metropolitan Airport			2040026	33,333	12,288	6,272	16,666	22,682
Hendricks County			1993017	4,420	1,137	1,137	-	-
					<u>\$ (3,619,461)</u>	<u>\$ 41,053,009</u>	<u>\$ 48,564,511</u>	<u>\$ 3,892,041</u>

Notes to Schedule:

- The Authority has sold land which was originally acquired with federal funds. Accordingly, the Authority has recorded amounts due back to the Federal Aviation Administration in the financial statements and those amounts are reflected in the Schedule under the various federal grant number. Land sales for the years ended December 31, 2021 and 2020 totaled \$18,718 and \$2,666,636, respectively.

Indianapolis Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation - Federal Aviation Administration (FAA)				
Airport Improvement Program (AIP)				
Indianapolis International Airport	20.106	3-18-0038-152	\$ -	\$ (126,847)
	20.106	3-18-0038-161	-	11,763
	20.106	3-18-0038-162	-	108,825
	20.106	3-18-0038-163	-	29,978
	20.106	3-18-0038-165	-	510,557
CARES Act	20.106	3-18-0038-166	-	13,839,612
	20.106	3-18-0038-167	-	4,485,955
	20.106	3-18-0038-168	-	10,227,920
	20.106	3-18-0038-170	-	3,260,149
CARES Act	20.106	3-18-0038-171	-	9,853,965
CARES Act	20.106	3-18-0038-172	-	1,008,584
	20.106	3-18-0038-173	-	85,236
	20.106	3-18-0038-176	-	14,370
	21.106	Various	-	4,054,357
Indianapolis Regional Airport	20.106	3-18-0037-20	-	72,480
CARES Act	20.106	3-18-0037-21	-	69,000
	20.106	3-18-0037-22	-	53,000
Eagle Creek Airpark	20.106	3-18-0039-23	-	173,898
	20.106	3-18-0039-26	-	277,055
CARES Act	20.106	3-18-0039-27	-	69,000
	20.106	3-18-0039-29	-	42,821
Indianapolis Metropolitan Airport	20.106	3-18-0040-26	-	150,000
CARES Act	20.106	3-18-0040-27	-	69,000
Hendricks County	20.106	3-18-0093-19	-	30,000
CARES Act	20.106	3-18-0093-20	-	123,990
Indianapolis Downtown - CARES Act	20.106	3-18-0118-18	-	20,000
Total U.S. Department of Transportation - Federal Aviation Administration			-	48,514,668
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
	97.036	147877	-	19,489
Grand Total			\$ -	\$ 48,534,157

Indianapolis Airport Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Notes to Schedule:

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Indianapolis Airport Authority (Authority) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Authority administered no federal loans during the year ended December 31, 2021.
4. The Authority has sold land which was originally acquired with federal funds. Accordingly, the Authority has recorded amounts due back to the Federal Aviation Administration in the financial statements and those amounts are reflected in the Schedule under the various federal grant numbers. Land sales for the years ended December 31, 2021 and 2020 totaled \$18,718 and \$2,666,636, respectively.

Indianapolis Airport Authority

Schedule of Passenger Facility Charge Revenues and Expenditures

Year Ended December 31, 2021

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - December 31, 2020	Quarter Ended				Year Ended December 31, 2021	Cumulative Total - December 31, 2021
				March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021		
Passenger facility charge revenues received			\$ 388,202,354	\$ 2,016,087	\$ 3,529,158	\$ 4,516,368	\$ 4,033,688	\$ 14,095,301	\$ 402,297,655
Interest earned			6,455,451	-	22,582	345	1,127	24,054	6,479,505
Total passenger facility charge revenue received			<u>\$ 394,657,805</u>	<u>\$ 2,016,087</u>	<u>\$ 3,551,740</u>	<u>\$ 4,516,713</u>	<u>\$ 4,034,815</u>	<u>\$ 14,119,355</u>	<u>\$ 408,777,160</u>
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	304,392,021	-	10,000,000	-	-	10,000,000	314,392,021
Total passenger facility charge revenue expended		<u>\$ 524,907,606</u>	<u>\$ 385,217,920</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ 395,217,920</u>

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.
4. Subsequent to year end and effective February 11, 2022, a total of \$635,875,106 has been approved to be imposed and collective on behalf of the Authority and used by the Authority. The Authority received an additional Use Approval of \$110,967,500 on Applications 01-03 and 03-04.

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

Independent Auditor's Report

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

We have audited, 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, the financial statements of Indianapolis Airport Authority (Authority), which comprise the Authority's statement of net position as of December 31, 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
April 12, 2022

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Indianapolis Airport Authority's (Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2021. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
April 12, 2022

Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited Indianapolis Airport Authority's (Authority) compliance with the types of compliance requirements identified as subject to audit in the *Passenger Facility Audit Guide for Public Agencies* (Guide) that could have a direct and material effect on the Authority's passenger facility charge program for the year ended December 31, 2021.

In our opinion, the 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, 2021.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the Guide. Our responsibilities under those standards and the Guide are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the PFC program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide and will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Guide. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
April 12, 2022

Indianapolis Airport Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2021

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Indianapolis Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021

Reference Number	Summary of Finding	Status
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No matters are reportable.

Indianapolis Airport Authority
Passenger Facility Charge Audit Summary
Year Ended December 31, 2021

Summary of Auditor's Results

- | | | | |
|--|--|------------------------------------|---|
| 1. Type of report issued on PFC financial statements. | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified | |
| 2. Type of report on PFC compliance. | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified | |
| 3. Quarterly revenue and disbursements reconciled with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 4. PFC revenue and interest is accurately reported on FAA Form 5100-127. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 5. The Public Agency maintains a separate financial accounting record for each application. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> 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. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 10. Quarterly reports were transmitted (or available via website) to remitting carriers. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 12. Project design and implementation is carried out in accordance with Assurance 9. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 13. Program administration is carried out in accordance with Assurance 10. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> 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. | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> N/A |