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June 15, 2023

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

We have reviewed the audit report prepared by FORVIS, LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. 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, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, FORVIS, 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, 2022

# Indianapolis Airport Authority

December 31, 2022

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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 year ended December 31, 2022, 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, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Emphasis of Matter*

As discussed in Note 2 to the financial statements, in 2022, the Authority adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

#### *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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying 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 accompanying 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 11, 2023, on our consideration of the 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 the 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.

**FORVIS,LLP**

Indianapolis, Indiana  
April 11, 2023

# MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022 and 2021  
(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 statement of the Authority as of and for the year ended December 31, 2022. 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, 2022, eight 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

	<b>2022</b>	<b>2021</b>	<b>Variance</b>
Enplaned passengers <sup>(1)</sup>	4,345,413	3,582,020	21.3%
Landed weight (1,000 lb. units)			
Passenger airlines	4,788,844	4,271,668	12.1%
Cargo airlines	7,240,681	7,169,790	1.0%
	<u>12,029,525</u>	<u>11,441,458</u>	<u>5.1%</u>
Total landed weights			
Aircraft operations	193,634	185,970	4.1%

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

### Airport Operations Activity

In 2022, the number of enplaned passengers was 21.3% higher than in 2021. The increase from 2021 is primarily driven by the return of business 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 travel in 2022 was 70% leisure/30% business according to Airport Service Quality (ASQ) data. In 2021, travel skewed towards leisure with a mix of 82% leisure/18% business. The mix pre-pandemic was a more even split at 55% leisure/45% business.

Non-stop destinations recovered to 47 non-stop destinations in 2022 vs. pre-pandemic activity of 50 non-stop destinations. In 2022, the Airport launched or announced 7 flights including the resumption of Air Canada service to Toronto. Additional capacity to existing markets came from Spirit, Alaska, and Frontier. Frontier launched Raleigh Durham (RDU); a market not served since the pandemic. In addition, Indianapolis hosted the College Football Championship in January 2022 which prompted one-time flights by Delta Air Lines to Savannah (SAV), Birmingham (BGM) and Huntsville (HSV). Southwest also announced in 2022 that they would resume Kansas City (MCI) and San Diego (SAN) in 2023.

Passenger airlines accounted for approximately 40% of total landed weight at IND in 2022 and 37% in 2021; cargo airlines accounted for the other 60% during 2022 and 63% in 2021. Passenger airline landed weights increased by 12.1% in 2022 from the prior year; cargo airline landed weight increased 1.0% from the prior year. The increase in passenger landed weights is mainly attributed to the increase in business and leisure travel and is explained further in the Economic Factors section. FedEx continued to represent most of the cargo landed weights in 2022. 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 4.1% 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 \$556.6 million during 2022. This increase is primarily attributable to the \$299.3 million increase in assets due to the implementation of GASB Statement No. 87, *Leases*. The new accounting standard is represented in three lease receivable captions including a current lease receivable of \$26.0 million, a current interest receivable of \$0.6 million, and a noncurrent lease receivable of \$272.7 million. The increase is also attributable to the change in restricted cash and cash equivalents of \$183.3 million as a result of the unspent proceeds from a near year end \$174.6 million par value bond issue. The remaining variance is primarily attributable to capital asset additions.
- Total liabilities increased \$135.0 million in 2022. This change is primarily attributable to the \$174.6 million par value bond issue at the end of 2022 offset by the \$33.7 million reduction in derivative instruments value caused by both the termination of the two swaps associated with the refunded portion of the 2010C Bonds, and the effect of increased market interest rates on the value of the two remaining swaps.
- Total deferred inflows of resources increased \$282.4 million driven by a \$296.5 million increase due to the implementation of GASB Statement No. 87, *Leases*, partly offset by a \$14.1 million reduction in deferred inflows caused by the increase in market interest rates that lowered the value of the forward delivery agreements.
- The 2022 increase in net position was \$139.1 million compared to an increase of \$288.0 million for 2021. The \$139.1 million increase is a result of the loss from operations of \$38.9 million, net nonoperating revenues of \$28.5 million and capital contributions and grants of \$149.5 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, 2022 and 2021 follows:

	<b>2022</b>	<b>2021</b> <sup>(1)</sup>
	(Table Amounts in Thousands)	
Current assets - unrestricted	\$ 140,570	\$ 108,270
Current assets - restricted	250,653	66,623
Noncurrent assets		
Capital assets, net	2,044,405	1,980,863
Other noncurrent assets	494,265	214,968
Total assets	<u>2,929,893</u>	<u>2,370,724</u>
Deferred outflows of resources	<u>14,626</u>	<u>17,214</u>
Total assets and deferred outflows of resources	<u>\$ 2,944,519</u>	<u>\$ 2,387,938</u>
Current liabilities - payable from unrestricted	\$ 19,766	\$ 12,605
Current liabilities - payable from restricted	85,705	61,974
Noncurrent liabilities - payable from restricted	1,016,181	912,066
Total liabilities	<u>1,121,652</u>	<u>986,645</u>
Deferred inflows of resources	<u>300,409</u>	<u>17,979</u>
Net position		
Net investment in capital assets	1,213,447	1,099,360
Restricted	184,192	185,180
Unrestricted	124,819	98,774
Total net position	<u>1,522,458</u>	<u>1,383,314</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,944,519</u>	<u>\$ 2,387,938</u>

<sup>(1)</sup> The balances for the year ended December 31, 2021 have not been restated to reflect the adoption of GASB Statement No. 87, *Leases*. See Note 2 for additional information regarding adoption of this standard.

### **2022 to 2021 Comparative Statements of Net Position**

Unrestricted current assets increased \$32.3 million, which is attributable to a \$20.3 million decrease in cash and cash equivalents, offset by a \$22.9 million increase in grants receivable, a current interest receivable of \$0.6 million and a \$26.0 million GASB Statement No. 87, *Leases* related lease receivable.

Restricted current assets increased \$184.0 million primarily relating to an increase in cash and cash equivalents as a result of the unspent proceeds from the 2022 near year end \$174.6 million par value bond issue.

Total noncurrent assets increased by \$342.8 million. This change reflects a \$279.3 million increase in other noncurrent assets primarily attributable to the \$272.7 million lease receivable due to the implementation of GASB Statement No. 87, *Leases*. This change also includes an increase in nondepreciable and depreciable capital assets of \$63.5 million attributable to the addition of \$45.6 million in lessee financed improvements for FedEx's sort facility and capacity expansion of its Indianapolis hub, and the increase in depreciable capital assets of \$78.6 million from fixed asset additions for the runway 5R-23L reconstruction project offset by the normal decrease in capital assets due to depreciation.

Total deferred outflows of resources decreased by \$2.6 million, the result of the normal amortization of deferred losses on the refunding of debt.

Total current liabilities increased by \$30.9 million primarily driven by an increase of \$21.0 million in accounts payable, \$6.1 million increase in accrued and withheld items and an increase of \$3.6 million in the current portion of debt.

Total noncurrent liabilities increased \$104.1 million. This change is primarily attributable to the \$174.6 million bond issue at the end of 2022 offset by a \$33.7 million reduction of derivative instruments caused by the termination of swaps associated with the refunded portion of the 2010C Bonds and the valuation effect of increased market interest rates on the remaining swaps, and normal amortization of bonds payable and other debt.

Total deferred inflows of resources increased \$282.4 million as the result of the recording of \$296.5 million due to the implementation of GASB Statement No. 87, *Leases*, partly offset by a \$14.1 million reduction in deferred inflows caused by the increase in market interest rates that lowered the value of the forward delivery agreements.

### **2022 to 2021 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, 2022 and 2021 was an increase of \$139.1 million and an increase of \$288.0 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for 2022 and 2021.

	<b>2022</b>	<b>2021 <sup>(1)</sup></b>	<b>\$ Variance</b>	<b>% Variance</b>
	(Table Amounts in Thousands)			
Total operating revenues	\$ 171,334	\$ 156,672	\$ 14,662	9.4%
Total nonoperating revenues	68,534	38,919	29,615	76.1%
Total revenues	<u>239,868</u>	<u>195,591</u>	<u>44,277</u>	<u>22.6%</u>
Total operating expenses	210,204	180,632	29,572	16.4%
Net nonoperating expenses	39,996	30,434	9,562	31.4%
Total expenses	<u>250,200</u>	<u>211,066</u>	<u>39,134</u>	<u>18.5%</u>
Loss Before Capital Contributions and Grants	(10,332)	(15,475)	5,143	-33.2%
Capital Contributions and Grants	<u>149,476</u>	<u>303,454</u>	<u>(153,978)</u>	<u>-50.7%</u>
Increase in Net Position	139,144	287,979	(148,835)	-51.7%
Net Position, Beginning of Year	<u>1,383,314</u>	<u>1,095,335</u>	<u>287,979</u>	<u>26.3%</u>
Net Position, End of Year	<u>\$ 1,522,458</u>	<u>\$ 1,383,314</u>	<u>\$ 139,144</u>	<u>10.1%</u>

<sup>(1)</sup> The balances for the year ended December 31, 2021 have not been restated to reflect the adoption of GASB Statement No. 87, *Leases*. See Note 2 for additional information regarding adoption of this standard.

*Operating revenue* in 2022 increased \$14.7 million, or 9.4% from prior year attributable to the following components:

- *Airfield revenue* in 2022 of \$31.5 million increased from prior year by \$0.5 million, or 1.6%. Total landed weights increased by 5.1% from prior year as passenger carriers increased 12.1% and cargo carriers increased 1.0%. The Signatory landing fee rate decreased to \$2.23 in 2022 from \$2.30 in 2021. The Non-Signatory landing fee rate decreased to \$3.35 in 2022, as compared to the 2021 rate of \$3.45.

- *Terminal complex revenues* of \$56.9 million decreased \$0.6 million, or 1.0% from prior year. Budgeted airline terminal rental rates decreased in 2022 to \$105.50 per square foot compared to the prior year rate of \$112.57 per square foot. Concession revenues exceeded prior year by \$2.7 million (44.5%) and automobile rental commissions exceeded prior year by \$2.0 million (21.4%); both attributable to the significant increase in passengers of 21.3%. The favorable variances are offset by \$4.0 million of payments received for concessionaire relief from the American Rescue Plan Act (ARPA) which is recorded as nonoperating federal operating grant revenue. Implementation of GASB Statement No. 87, *Leases* resulted in \$1.2 million of lease payments being recognized as nonoperating interest revenue – leases, further reducing Terminal complex revenues.
- *Parking revenues* increased from prior year by \$16.8 million, or 39.3%, resulting in \$59.6 million in 2022 parking revenue; an increase directly related to the 21.3% increase in passengers and a change in the product mix due to longer stays in the garage versus the lower rate parking lot products.
- *Rented buildings and other* of \$14.3 million decreased \$2.2 million from prior year or 13.6%. This is primarily attributable to implementation of GASB Statement No. 87, *Leases* and \$2.9 million of lease payment being recognized as nonoperating interest revenue – leases.
- *Revenues from Indianapolis Maintenance Center (IMC)* of \$5.6 million was flat with prior year. 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.
- *Reliever airports revenue* of \$3.4 million increased \$0.2 million or 6.4%. Increase attributable to higher fuel flowage fees offset by the implementation of GASB Statement No. 87, *Leases* and \$0.3 million lease payment being recognized as nonoperating interest revenue – leases.

*Nonoperating revenues* in 2022 of \$68.5 million increased from prior year by \$29.6 million, or 76.1% attributable to the following components:

- *Federal operating grants* of \$4.9 million increased \$3.1 million primarily attributable to \$4.2 million operating portion drawn on IND's ARPA funded recovery grant in 2022, offset by a reduction from prior year of \$1.2 million for IND's concessionaire relief funded by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA).
- *Passenger facility charges (PFC) income* of \$17.7 million increased \$2.7 million, or 18.2%. 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 \$8.1 million increased \$1.6 million, or 24.2% due to the increase in passenger numbers and rental transactions.
- *Investment income (loss)* of \$30.6 million increased \$15.0 million primarily attributable to the \$12.0 million year-over-year increase in the fair value change of hedging derivatives and \$3.0 million higher earnings on securities in the Authority's investment portfolio.
- *Interest revenue – leases* of \$7.2 million in the current year attributable to the implementation of GASB Statement No. 87, *Leases*.

*Operating expenses* (before depreciation) for the years ended December 31, 2022 and 2021 totaled \$99.2 million and \$79.7 million, respectively, an increase of \$19.5 million, or 24.5%. The following analysis provides material operating expense changes by both operating expense class and operating expense business area.

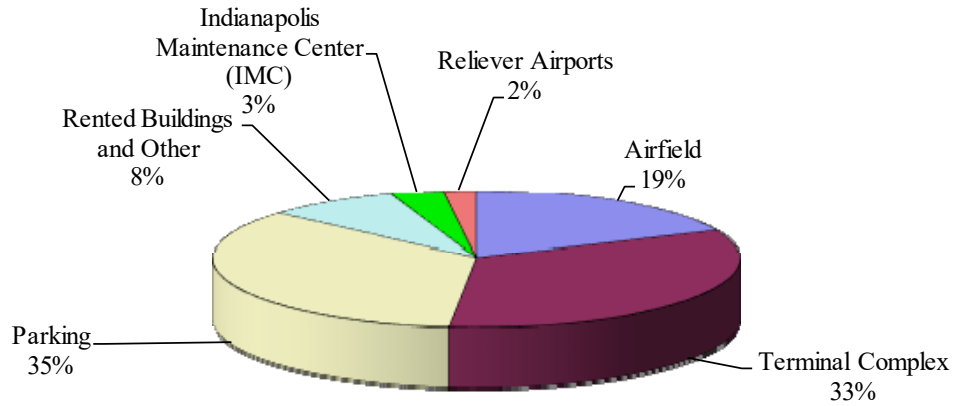
- *Operating expenses by natural classification (before depreciation):*
  - Total *personal services expense* increased 19.8% or \$6.9 million to \$41.7 million attributable to market rate adjustments and annual merit increases and an increase in health insurance expense claims. Additionally, full-time and part-time staffing increased to an average of 446 full time equivalents (FTEs) vs. 401 FTEs in the prior year; 7.4% vacancy vs. 12.0% vacancy in prior year. This included the addition of Public Safety Officers that were previously contracted services.
  - Total *contractual services expense* increased 38.7% or \$9.5 million to \$34.2 million attributable to increased professional fees for environmental services and an environmental remediation accrual adjustment to include polyfluoroalkyl substance mitigation costs; Planning and Development staff augmentation due to staffing vacancies; equity and development of DBE goals and methodology; recruitment fees; public affairs/social media services; increased contracted cleaning services due to staffing vacancies and increases for cleaning of terminal carpet and special cleaning projects; greater elevator/escalator costs due to new contract with enhanced coverage, and onetime investments to maintain and preserve the Authority's assets including pavement repairs, grounds maintenance and other building repairs. Costs that vary in proportion to passenger volumes such as parking related credit card processing fees, valet operating costs, and dockmaster fees also increased.
  - Total *utilities expense* of \$11.3 million increased by \$0.7 million, or 7.0% reflective of an increase in electricity costs offset by a decrease in sewer charges relating to glycol processing and stormwater processing user fees.
  - Total *supplies expense* of \$6.0 million increased by \$1.3 million, or 27.8% primarily in higher fuel costs, increased paper & cleaning supplies, investments in uniforms and equipment for Fire and expenses for snow & ice chemical.
  - Total *materials expense* increased by \$0.7 million, or 23.0% to \$3.9 million primarily due to greater motorized equipment repair parts for buses and airfield equipment and jet bridge repair parts than in prior year.
  - Total *general expense* of \$2.1 million increased \$0.3 million or 17.7% from prior year which relates to an increase in property insurance premiums.
- *Operating expenses by functional category (before depreciation):*
  - *Airfield expenses* of \$12.8 million increased by \$0.9 million, or 7.7% from the prior year. The increase is attributable to market rate payroll adjustments, annual merit increases and an increase in health insurance expense claims. Additionally, higher snow and ice chemical; environmental professional fees; grounds maintenance and vehicle fuel and repair costs, offset by lower sewer charges relating to glycol processing fees.

- *Terminal complex expenses* of \$24.2 million increased \$5.7 million, or 30.7% from the prior year. The increase includes market rate payroll adjustments, annual merit increases and an increase in health insurance expense claims. The increase also relates to greater elevator/escalator costs due to new contract with enhanced coverage; increased contracted cleaning services due to staffing vacancies and increases for cleaning of terminal carpet and special cleaning projects; higher dockmaster fees due to increased 2022 activity; greater baggage system repair parts; increased utility costs; increased paper supply usage; increase in property insurance premium and various onetime investments to maintain and preserve the Authority's assets including departure area canopy repairs, emergency restroom partition repairs, stainless steel restoration/power washing and various other building repairs.
- *Parking expenses* of \$11.8 million increased \$3.9 million, or 49.5% from the prior year. The increase includes market rate payroll adjustments, annual merit increases and an increase in health insurance expense claims. The increase also relates to greater elevator/escalator costs due to new contract with enhanced coverage; increased contracted services relating to power washing in the garage, exterior painting of garage entrance and exit areas and replacement of Ground Transportation Center air curtains; increased electricity and fuel costs as well as greater vehicle and bus repair costs. Additionally, costs that vary in proportion to passenger volumes such as parking related credit card processing fees and valet operating costs increased.
- *Rented buildings and other expenses* of \$3.6 million increased \$1.5 million, or 71.3% from prior year. Current year reflects a \$1.0 million increase in environmental remediation related to polyfluoroalkyl substance mitigation costs. Contractual services also increased related to various onetime investments to maintain and preserve the Authority's assets including pavement repairs, business art and design refurbishment, International Arrivals Building remodel and building demolition costs.
- *Indianapolis Maintenance Center (IMC) expenses* of \$7.5 million increased \$1.5 million, or 25.1%. The increase includes market rate payroll adjustments, annual merit increases and an increase in health insurance expense claims. Additionally, increased electricity costs and onetime investments to maintain and preserve the Authority's assets including pavement repairs, pipe repairs, hot water system pump and motor replacements and the repair and upgrade of condensate returns.
- *Reliever airports expenses* of \$3.2 million increased \$0.7 million, or 28.0% from prior year. Increase primarily attributable to higher fuel costs and grounds maintenance related to obstruction removal for runway 15 at the Metropolitan Reliever.
- *Public safety expenses* of \$14.1 million increased \$0.8 million, or 6.2% from prior year. The increase includes annual merit payroll increases and an increase in health insurance expense claims as well as the insourcing of non-sworn public safety officers from an outsourced contractual structure.
- *Administration costs* of \$21.9 million increased by \$4.5 million, or 25.6% from prior year. Increase attributable to market rate payroll adjustments, annual merit increases and an increase in health insurance expense claims as well as new dependent care coverage offered in 2022. The increase also includes professional fees relating to Planning and Development for staff augmentation, equity and development of DBE goals and methodology; recruitment and public affairs/social media services; investments in training and employee development, retirement planning, software as a service, and software maintenance fees.

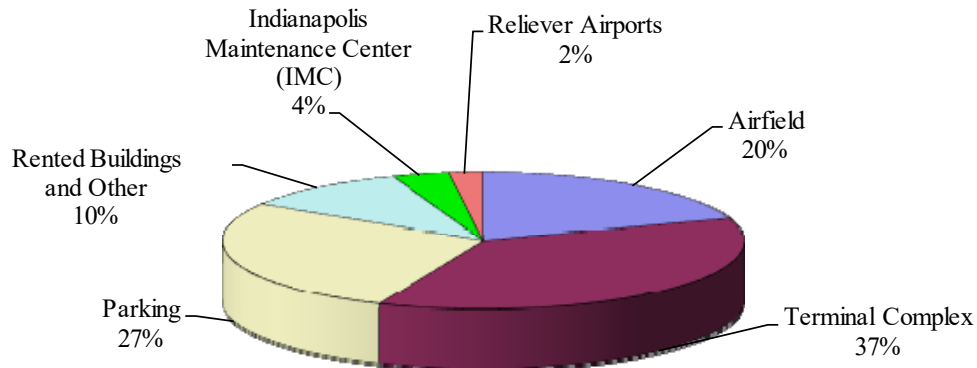
- *Net Nonoperating expenses* for the years ended December 31, 2022 and 2021 totaled \$40.0 million and \$30.4 million, respectively, an increase of \$9.6 million, or 31.4% attributable to the following components:
  - *Interest expense* of \$32.7 million decreased \$0.1 million over the prior year due primarily to lower costs associated with IAA's variable rate bond portfolio.
  - *Gain (loss) on disposals of capital assets and other* of \$(7.3) million decreased by \$9.7 million over the prior year. The current year loss is primarily attributable to the retirement of assets related to the reconstruction of runway 5R-23L, the demolition of the Lexington Hotel, offset by various land sales throughout 2022.
- *Capital contributions and grants* of \$149.5 million decreased \$154.0 million compared to prior year. Current year includes \$62.7 million drawn on the Reconstruct Runway 5R-23L and Taxiway D grants, \$20.6 million drawn on IND's CRRSA Act and ARPA funded recovery grants and \$45.6 million of Lessee Financed Improvements for the FedEx's facilities, with the remainder relating to grant receipts primarily for federally funded capital projects. The prior year amounts included \$23.7 million drawn on IND's Coronavirus Aid, Relief, and Economic Security Act (CARES) 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 following is a graphic illustration of operating revenues by source for the years ended December 31, 2022 and 2021:

### Operating Revenues - 2022



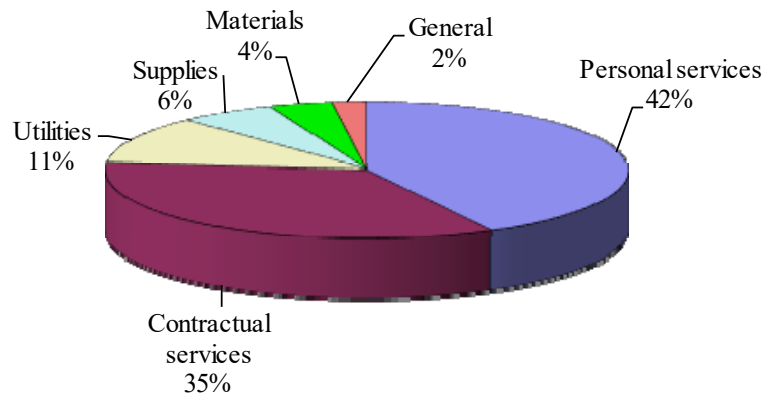
### Operating Revenues - 2021 <sup>(1)</sup>



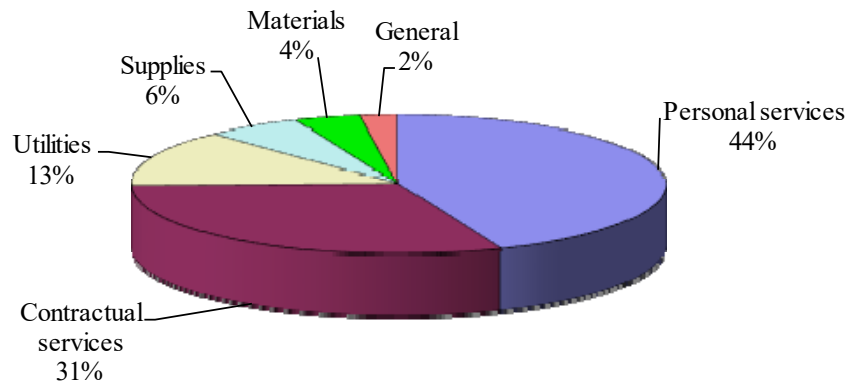
<sup>(1)</sup> The balances for the year ended December 31, 2021 have not been restated to reflect the adoption of GASB Statement No. 87, Leases. See Note 2 for additional information regarding adoption of this standard.

The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2022 and 2021 (excluding depreciation):

### Operating Expenses (Excluding Depreciation) - 2022



### Operating Expenses (Excluding Depreciation) - 2021



## Capital Asset and Debt Administration

### *Capital Assets*

During 2022, the Authority expended approximately \$108.8 million on capital assets. The capital expenditures related to multiple construction and equipment acquisition projects related to: Reconstruction of runway 5R-23L and taxiway D, Rehabilitation of Economy Parking Lot, CBP Building Refurbishment, Demolition of Lexington Hotel, Purchase of Electric Busses, and two 3000 Gallon ARFF Firefighting Vehicles.

During 2022, completed projects totaling \$99.6 million were closed from construction-in-progress to their respective capital asset accounts. The more significant of these completed projects are as follows:

Reconstruct Runway 5R-23L and Taxiway D with LEDs	\$78.6 million
Rehabilitation of Economy Parking Lot Pavement	\$4.8 million
CBP Building Occupancy Refurbishment	\$3.5 million
Demolition of Lexington Hotel	\$1.6 million
VW Mitigation Trust Program - Electric Buses	\$1.0 million
3000 Gallon ARFF Firefighting Vehicle	\$1.0 million
3000 Gallon ARFF Firefighting Vehicle	\$1.0 million

Note 5 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 8 of the financial statements explains the details of ordinances adopted in 2021 and 2022.

As of December 31, 2022, the Authority had \$1.0 billion 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 2022 and 2021, respectively, the Authority's debt service coverage was 1.94 and 1.96 for senior lien debt. The 2022 senior lien debt service coverage was calculated using \$25.0 million of grant revenue funded by CRRSA and ARPA, pledged by the Authority's Board of Directors as Gross Revenues, that was drawn and received to pay operating expenses and debt service during 2022.

Notes 8, 9 and 10 to the financial statements provide additional information regarding the Authority's debt activities.

### ***Economic Factors***

As noted earlier, IND experienced a 21.3% increase in the number of passenger enplanements over last year, resulting in total 2022 enplanements of 4,345,413. This level of enplanements represents a recovery to 91% of 2019 enplanement level.

Seat capacity in 2022 was up 15% over 2021 and only 10% down compared to 2019. Flights in 2022 were more than 13% higher compared to flights offered in 2021 and down almost 20% compared to 2019. Airline Seat Miles were approximately 17% more in 2022 compared to 2021 and 20% lower compared to 2019.

The industry is experiencing a shortage of regional pilots which has forced airlines to decrease the number of flights they offer. Although flights are down, the Airport continues to experience a stronger seat recovery than flight recovery as airlines elect to operate the routes on bigger aircraft.

The Airport was served by 11 airlines in 2022. The Airport maintained year-round service from all U.S. airlines hubs in 2022 providing nonstop or 1 stop connectivity across the U.S., Canada, and the world. 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 2022, IND airlines carried 1.25 million tons of cargo, down 6% from 2021. IND domestic cargo was down 8.3% from 2021 while international cargo increased 7.2% in 2022 from 2021 levels. This change is likely due to the changing demand for goods across the globe.

### ***Looking Forward***

The Authority's Air Service Task Force Executive Committee continues to review changes to the ten-year Air Service Strategy. The Committee includes representatives from the Indiana Economic Development Corporation ("IEDC"), Visit Indy and the Indy Chamber, amongst other tourism and business groups. The strategy considers a myriad of factors including passenger demand, costs, airline strategy, industry trends, local and global economies amongst others.

The strategy identifies targets including both domestic and international markets as well as prospective domestic and international airlines. This strategy is adjusted as needed in response to the return of business post COVID-19. The strategy also outlines implementation strategies with emphasis on data collection and airline engagement.

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:

- Pilot availability
- Average daily departures
- Scheduled seat capacity
- Average nonstop fares
- Travel preferences
- Average fares by market
- Airline communication
- Aircraft orders/retirements
- Return to business travel policies

Although it is not anticipated, the merger, 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](mailto:INDir@indianapolisairport.com).

**Indianapolis Airport Authority**  
**Statement of Net Position**  
**December 31, 2022**

	<b>2022</b>
<b>Assets and Deferred Outflows of Resources</b>	
<b>Current Assets</b>	
<b>Unrestricted Assets</b>	
Cash and cash equivalents	\$ 69,270,196
Accounts receivable, net of allowance of \$111,000	4,707,957
Unbilled revenues	6,895,926
Grants receivable	26,814,282
Supplies and materials inventories	3,298,341
Interest receivable	614,284
Lease receivable	26,003,275
Other	2,965,800
Total unrestricted current assets	140,570,061
<b>Restricted Assets</b>	
Cash and cash equivalents	245,356,436
Cash and cash equivalents - customer deposits	716,181
Receivable - passenger facility charges	2,625,344
Receivable - governments and other	589,896
Receivable - reimbursable IMC expenses	1,365,301
Total restricted current assets	250,653,158
Total current assets	391,223,219
<b>Noncurrent Assets</b>	
Cash and cash equivalents, restricted	119,099,200
Investment securities, unrestricted	27,745,397
Investment securities, restricted	70,742,172
Rent receivable	92,355
Derivative instruments - forward delivery purchase agreements	3,904,073
Lease receivable	272,681,800
Nondepreciable capital assets	281,903,530
Depreciable capital assets, net	1,762,501,772
Total noncurrent assets	2,538,670,299
Total assets	2,929,893,518
<b>Deferred Outflows of Resources</b>	
Deferred loss on refunding of debt	14,625,930
Total deferred outflows of resources	14,625,930
Total assets and deferred outflows of resources	\$ 2,944,519,448

**Indianapolis Airport Authority**  
**Statement of Net Position (Continued)**  
**December 31, 2022**

	<b>2022</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>	
<b>Current Liabilities</b>	
<b>Payable From Unrestricted Assets</b>	
Accounts payable	\$ 6,472,297
Accrued and withheld items (including compensated absences)	13,293,911
Total current liabilities payable from unrestricted assets	19,766,208
 <b>Payable From Restricted Assets</b>	
Accounts payable	28,440,991
Customer deposits payable	716,181
Current portion of debt	39,876,015
Accrued interest on debt	16,671,316
Total current liabilities payable from restricted assets	85,704,503
Total current liabilities	105,470,711
 <b>Noncurrent Liabilities</b>	
Derivative instruments - interest rate swap agreements	9,920,625
Arbitrage rebate liability	299,969
Bonds payable and other debt, payable from restricted assets	1,005,961,041
Total noncurrent liabilities	1,016,181,635
Total liabilities	1,121,652,346
 <b>Deferred Inflows of Resources</b>	
Accumulated increase in fair value of hedging derivatives	3,904,073
Deferred inflow on leases	296,504,629
	300,408,702
 <b>Net Position</b>	
Net investment in capital assets	1,213,447,242
Restricted for	
Capital projects	93,920,495
Debt service	89,156,379
Other	1,115,508
Total restricted net position	184,192,382
Unrestricted	124,818,776
Total net position	1,522,458,400
Total liabilities, deferred inflows of resources and net position	\$ 2,944,519,448

**Indianapolis Airport Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2022**

	<b>2022</b>
<b>Operating Revenues</b>	
Airfield	\$ 31,543,345
Terminal complex	56,941,119
Parking	59,561,731
Rented buildings and other	14,300,614
Indianapolis Maintenance Center (IMC)	5,565,399
Reliever airports	3,423,212
Total operating revenues	171,335,420
<b>Operating Expenses</b>	
Personal services	41,734,637
Contractual services	34,150,320
Utilities	11,295,891
Supplies	6,009,411
Materials	3,905,858
General	2,119,761
Total operating expenses	99,215,878
<b>Income From Operations Before Depreciation</b>	72,119,542
Depreciation expense	110,987,711
<b>Loss From Operations</b>	(38,868,169)
<b>Nonoperating Revenues (Expenses)</b>	
Federal operating grants	4,916,618
Passenger facility charges	17,740,130
Customer facility charges (rental cars)	8,107,965
Investment income, net of investment derivative fair value adjustments of \$24,305,243	30,585,590
Interest revenue - leases	7,183,488
Interest expense	(32,656,433)
Gain (loss) on disposals of capital assets and other	(7,339,732)
	28,537,626
<b>Decrease in Net Position Before Capital Contributions and Grants</b>	(10,330,543)
<b>Capital Contributions and Grants</b>	
Federal, state and local grants	96,868,545
Contributions from lessees and other	52,607,081
	149,475,626
<b>Increase in Net Position</b>	139,145,083
<b>Net Position, Beginning of Year</b>	1,383,313,317
<b>Net Position, End of Year</b>	\$ 1,522,458,400

**Indianapolis Airport Authority**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

	<b>2022</b>
<b>Cash Flows From Operating Activities</b>	
Cash receipts from customers and users	\$ 172,686,035
Cash payments to vendors for goods and services	(57,824,917)
Cash payments for employees services	(40,249,852)
Net cash provided by operating activities	74,611,266
<b>Cash Flows From Noncapital Financing Activities</b>	
Operating grants received	4,916,618
Customer facility charges received	8,107,965
Interest from lease transactions	6,569,204
Insurance recoveries	2,893
Net cash provided by noncapital financing activities	19,596,680
<b>Cash Flows From Capital and Related Financing Activities</b>	
Proceeds from issuance of revenue bonds	256,172,313
Principal paid on bonds	(106,015,000)
Termination payment on interest rate swap	(9,372,000)
Bond issuance and remarketing costs paid	(1,359,204)
Interest paid	(37,297,441)
Acquisition and construction of capital assets	(113,584,545)
Proceeds from sale of capital assets	4,453,665
Passenger facility charges received	17,303,546
Capital grants received	74,006,524
Net cash provided by capital and related financing activities	84,307,858
<b>Cash Flows From Investing Activities</b>	
Purchase of investment securities	(289,921,705)
Proceeds from sales and maturities of investment securities	253,452,625
Interest received on investments and cash equivalents	2,816,209
Net cash used in investing activities	(33,652,871)
<b>Net Increase in Cash and Cash Equivalents</b>	144,862,933
<b>Cash and Cash Equivalents, Beginning of Year</b>	289,579,080
<b>Cash and Cash Equivalents, End of Year</b>	\$ 434,442,013

**Indianapolis Airport Authority**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2022**

	<b>2022</b>
<b>Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities</b>	
Loss from operations	\$ (38,868,169)
Item not requiring cash	
Depreciation of capital assets	110,987,711
Change in assets and liabilities	
Accounts receivable and unbilled revenues	3,531,061
Lease receivable	950,673
Supplies and materials inventories	(310,026)
Other assets	(862,513)
Accounts payable	828,863
Accrued and withheld items	1,484,785
Leases	(3,131,119)
Net cash provided by operating activities	\$ 74,611,266
<b>Noncash Capital and Related Financing Activities</b>	
Capital assets included in accounts payable at end of year	\$ 24,828,583
Capital assets contributed by lessees and other governments	52,607,081

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

### 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, 2022

### **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, 2022, cash equivalents consisted primarily of money market mutual funds.

### **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, 2022

### **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 statement 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 statement of net position.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

### **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, 2022

### ***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.

### ***Airline Agreement***

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.

### ***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, August 2003, and February 2022 allow the Authority to impose and use \$635,875,106 in PFC's for various capital and debt-related purposes. Included in the use approval is \$275,172,500 for principal payments on debt, \$223,335,000 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 \$17,740,130 for 2022.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

### ***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 2006, was \$3.00 per rental car transaction per day, up to 14 days. The Authority increased this charge to \$4.00 per transaction in February 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 \$8,107,965 for 2022.

### ***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: Adoption of GASB Statement No. 87, Leases**

During 2022, the Authority implemented GASB Statement No. 87, *Leases* (GASB Statement No. 87). This statement requires governments to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of GASB Statement No. 87 did not result in any change to the Authority's beginning net position. As of January 1, 2022, the implementation of GASB Statement No. 87 did result in the increase of lease receivable and deferred inflows for leases of approximately \$298.7 million. Leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year. Refer to Note 6 for the additional disclosures on these balances. In addition, disclosures were added relating to regulated leases that are exempt from being included in the measurement of the above balances. Refer to Note 7 for the additional disclosures related to regulated lease activity.

### **Note 3: 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. At December 31, 2022, the carrying value of deposits was \$126,399,871.

# Indianapolis Airport Authority

## Notes to Financial Statements December 31, 2022

The Authority's cash deposits are insured up to \$250,000 at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$250,000 FDIC limits are partially or fully collateralized by the depository institution and insured by the Indiana Public Deposits Insurance Fund (Fund) via the pledged collateral from the institutions securing deposits of public funds. The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

### Investments

Indiana statutes generally authorize the Authority to invest in United States obligations and issues of federal agencies, Indiana municipal securities, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government agency securities, certificates of deposit, and open-end money market mutual funds.

At December 31, 2022, the Authority had the following investment securities and maturities:

	Rating	Total	Less Than 1 Year	1 - 5 Years
U.S. Treasury Security Bills	AA+/Aa1	\$ 88,353,706	\$ 26,501,957	\$ 61,851,749
U.S. Government-sponsored enterprise securities Federal Home Loan Mortgage Corporation	P-1	19,521,000	19,521,000	-
Indiana municipal securities	AA+/Aa1	358,108	358,108	-
	AAA/Aaa	40,337	40,337	-
	AA/Aa2	9,173,965	448,542	8,725,423
Total Indiana municipal securities		<u>9,572,410</u>	<u>846,987</u>	<u>8,725,423</u>
Money market mutual funds	AAA <sub>m</sub> /Aaa-mf	250,544,602	250,544,602	-
External investment pools	Not Rated	<u>38,537,993</u>	<u>38,537,993</u>	-
		<u>\$ 406,529,711</u>	<u>\$ 335,952,539</u>	<u>\$ 70,577,172</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, 2022

**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, 2022, 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; and (2) no more than 15% with any one Indiana municipal issuer. Additionally, the Authority places the following limits on concentration of investments: (1) no more than 50% of total investments in money market mutual funds or forward purchase agreements; (2) no more than 25% of Authority funds in certificates of deposit or investment pools; and (3) no more than 5% of total investments with municipal securities that are unrated or that are rated below investment grade.

**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, 2022

### *Summary of Carrying Values*

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

	<u>2022</u>
Cash and cash equivalents	
Current - unrestricted	\$ 69,270,196
Current - restricted	246,072,617
Noncurrent - restricted	<u>119,099,200</u>
Total cash and cash equivalents	<u>434,442,013</u>
Investment securities	
Noncurrent - unrestricted	27,745,397
Noncurrent - restricted	<u>70,742,172</u>
Total investment securities	<u>98,487,569</u>
	<u>\$ 532,929,582</u>

The carrying value of deposits and investments are as follows:

	<u>2022</u>
Carrying value	
Deposits	\$ 126,399,871
Investments	<u>406,529,711</u>
	<u>\$ 532,929,582</u>

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

Cash, cash equivalents and investment securities are as follows:

	<u>2022</u>
<b>Unrestricted</b>	
Airport System Fund	\$ 88,540,743
Customer Facility Charge Fund	8,464,198
Other unrestricted funds	<u>10,652</u>
Total unrestricted cash, cash equivalents and investments	<u>97,015,593</u>
<b>Restricted</b>	
Revenue Bond Interest and Principal Fund	58,435,317
Revenue Bond Reserve Fund	56,988,224
Operation and Maintenance Reserve Fund	16,893,304
Renewal and Replacement Fund	3,338,840
Capital Improvement Fund	71,581,381
Passenger Facility Charge Fund	19,713,770
Debt Service Coverage Fund	21,325,853
Construction Fund - 2022B Revenue Bonds	181,666,684
Construction Fund - 2019C Revenue Bonds	901,082
Construction Fund - 2019D Revenue Bonds - State Revolving Fund	9,950
Capitalized Interest Fund	4,343,403
Customer deposits	<u>716,181</u>
Total restricted cash, cash equivalents and investments	<u>435,913,989</u>
Total cash, cash equivalents and investments	<u>\$ 532,929,582</u>

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, 2022

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 revenue bond construction funds are designated for and can be drawn upon as eligible costs for specific projects 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 statement 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 statement 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.

### **Investment Income**

Investment income for the year ended December 31, 2022 consisted of:

	<u>2022</u>
Interest and dividends	\$ 6,280,347
Changes in valuation of investment derivatives	<u>24,305,243</u>
Investment income	<u>\$ 30,585,590</u>

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

### Note 4: 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, 2022 consist of:

	<u>2022</u>
State of Indiana	\$ 29,242
Federal Aviation Administration	25,785,585
U.S. Department of Commerce	31,923
U.S. Department of Homeland Security	273,000
Other	<u>694,532</u>
	<u>\$ 26,814,282</u>

The maximum amount of federal and state participation available for 2022 totaled \$189,448,304. At December 31, 2022, a cumulative total of \$105,051,167 has been received on these grant commitments.

# Indianapolis Airport Authority

## Notes to Financial Statements

### December 31, 2022

#### Note 5: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

	2022			Ending Balance
	Beginning Balance	Transfers and Additions	Transfers and Disposals	
Capital assets, not being depreciated:				
Land	\$ 224,988,174	\$ 3,097,106	\$ (2,919,844)	\$ 225,165,436
Construction in progress	31,029,312	133,015,124	(107,306,342)	56,738,094
Total capital assets, not being depreciated	<u>256,017,486</u>	<u>136,112,230</u>	<u>(110,226,186)</u>	<u>281,903,530</u>
Capital assets, being depreciated:				
Buildings	1,883,162,631	38,975,222	(4,038,105)	1,918,099,748
Runways and other airport infrastructure	1,323,841,908	106,646,354	(41,158,159)	1,389,330,103
Equipment, furniture and fixtures and other	268,463,151	7,908,363	(548,933)	275,822,581
Total capital assets, being depreciated	<u>3,475,467,690</u>	<u>153,529,939</u>	<u>(45,745,197)</u>	<u>3,583,252,432</u>
Less accumulated depreciation for:				
Buildings	(826,359,092)	(56,036,694)	958,729	(881,437,057)
Runways and other airport infrastructure	(715,167,322)	(44,594,161)	39,351,360	(720,410,123)
Equipment, furniture and fixtures and other	(209,095,557)	(10,356,856)	548,933	(218,903,480)
Total accumulated depreciation	<u>(1,750,621,971)</u>	<u>(110,987,711)</u>	<u>40,859,022</u>	<u>(1,820,750,660)</u>
Total capital assets, being depreciated, net	<u>1,724,845,719</u>	<u>42,542,228</u>	<u>(4,886,175)</u>	<u>1,762,501,772</u>
Capital assets, net	<u>\$ 1,980,863,205</u>	<u>\$ 178,654,458</u>	<u>\$ (115,112,361)</u>	<u>\$ 2,044,405,302</u>

#### Note 6: Leases Receivable

The Authority leases a portion of its property to various third parties who use the space to conduct their operations on the Authority grounds, the terms of which expire 2023 through 2082. Payments for most of the leases increase at period intervals by the Consumer Price Index (Index), with is based upon the Index at lease commencement. In addition, the Authority has some leases with rental car companies and concessionaires that have a portion of their rent based on the higher of a percentage of receipts for the year or a minimum annual guarantee. The Authority bases the payments for these leases on the required minimum annual guarantee. The Authority leases certain equipment and property to third parties that conduct operations at airport owned facilities where lease payments are based on usage. The usage-based payments are not included in the measurement of the lease receivable because they are not fixed in substance.

# Indianapolis Airport Authority

## Notes to Financial Statements December 31, 2022

Revenue recognized under lease contracts during the year ended December 31, 2022, was \$31.6 million, which includes both lease revenue and interest. The Authority recognized lease revenue of \$7.0 million, for the year ended December 31, 2022, for variable payments not previously included in the measurement of the lease receivable.

The following is a schedule by year of minimum payments to be received under the Authority leases that are included in the measurement of the lease receivable as of December 31, 2022:

	<b>2022</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 26,003,276	\$ 7,134,997	\$ 33,138,273
2024	25,412,824	6,743,302	32,156,126
2025	25,516,631	6,256,775	31,773,406
2026	25,137,564	5,767,985	30,905,549
2027	23,423,302	5,282,722	28,706,024
2028 - 2032	62,077,620	21,037,341	83,114,961
2033 - 2037	17,458,606	17,325,031	34,783,637
2038 - 2042	12,568,972	15,171,075	27,740,047
2043 - 2047	9,903,785	13,356,922	23,260,707
2048 - 2052	11,142,843	11,561,507	22,704,350
2053 - 2057	11,923,821	9,543,194	21,467,015
2058 - 2062	12,996,284	7,359,916	20,356,200
2063 - 2067	13,968,208	5,023,413	18,991,621
2068 - 2072	16,616,996	2,338,657	18,955,653
2073 - 2077	3,758,704	226,496	3,985,200
2078 - 2082	775,639	108,177	883,816
	\$ 298,685,075	\$ 134,237,510	\$ 432,922,585

### Note 7: Regulated Leases

The Authority leases a portion of its property to air carriers and other aeronautical users, whose leases meet the definition of a regulated lease as defined in GASB Statement No.87, and therefore, are only subject to the disclosure requirements. The terms of the regulated leases expire in 2023. The Authority leases certain equipment and property to air carriers and other aeronautical users where lease payments are based on usage. The usage-based payments are not included in the future minimum payments below because they are not fixed in substance. Most of these leases allow the lessee the preferential use of the premises, however, aircraft and vehicles may traverse the space and the Authority has the right to grant third party privileges at their discretion. The portion of total rentable space that is preferential as of December 31, 2022 for the terminal is 20.5% and 56.9% for the apron and remote overnight parking areas.

# Indianapolis Airport Authority

## Notes to Financial Statements

### December 31, 2022

The Authority recognized lease revenue of \$26.4 million, for the year ended December 31, 2022, for variable payments relating to signatory landing fees not previously included in the future minimum payments.

The following is a schedule by year of expected future minimum payments to be received under the Authority's regulated leases as of December 31, 2022:

	<b>Total Future Payments</b>
2023	\$ 33,563,909

#### **Note 8: Bonds Payable and Other Debt**

Bonds and other debt outstanding at December 31, 2022 consist of:

	<b>2022</b>
Revenue Bonds, Series 2022A	
Serial bonds, maturing January 1, 2024 to January 1, 2033, in payments from \$550,000 to \$17,475,000. Interest at 2.79%, due semiannually on January 1 and July 1.	\$ 69,755,000
Revenue Bonds, Series 2022B-1 (Non-AMT)	
Serial bonds, maturing January 1, 2028 to January 1, 2043, payments from \$1,375,000 to \$4,290,000. Interest at 5.00% and 5.25%, due semiannually on January and July 1.	43,460,000
Term bonds, maturing January 1, 2048 and January 1, 2053, in payments of \$16,850,000 and \$21,640,000, respectively. Interest at 5.25% and 5.00%, respectively, due semiannually on January 1 and July 1.	38,490,000
Unamortized premium	7,090,101
	89,040,101
Revenue Bonds, Series 2022B-2 (AMT)	
Serial bonds, maturing January 1, 2025 to January 1, 2043, payments from \$85,000 to \$7,030,000. Interest at 5.00% and 5.25%, due semiannually on January and July 1.	64,495,000
Term bonds, maturing January 1, 2048 and January 1, 2053, in payments of \$1,210,000 and \$1,540,000, respectively. Interest at 5.00%, due semiannually on January 1 and July 1.	2,750,000
Unamortized premium	4,642,936
	71,887,936
Revenue Bonds, Series 2022B-3 (Taxable)	
Serial bonds, maturing January 1, 2025 to January 1, 2032, payments from \$2,710,000 to \$3,745,000. Interest from, 4.90% to 5.18%, due semiannually on January and July 1.	25,445,000
Revenue Bonds, Series 2019A	
Serial bonds, maturing January 1, 2023 to January 1, 2054, in payments from \$570,000 to \$1,340,000. Interest at 2.8%, due semiannually on January 1 and July 1.	28,900,000

# Indianapolis Airport Authority

## Notes to Financial Statements

### December 31, 2022

(Continued)

	<b>2022</b>
Revenue Bonds, Series 2019B	
Serial bonds, maturing January 1, 2023 to January 1, 2035, payments from \$320,000 to \$24,450,000. Interest at 5.0%, due semiannually on January and July 1.	\$ 134,790,000
Unamortized premium	15,666,889
	150,456,889
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
Unamortized premium	6,642,888
	58,237,888
Revenue Bonds, Series 2019C-2	
Serial bonds, maturing January 1, 2023 to January 1, 2037, in payments from \$685,000 to \$1,355,000. Interest at 5.00%, due semiannually on January 1 and July 1.	14,785,000
Unamortized premium	2,532,121
	17,317,121
Revenue Bonds, Series 2019D	
Serial bonds, maturing January 1, 2023 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.	38,155,000
	38,155,000
Revenue Bonds, Series 2016A-1	
Serial bonds, maturing January 1, 2023 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.	61,310,000
Unamortized premium	6,673,960
	67,983,960
Revenue Bonds, Series 2016A-2	
Serial bonds, maturing January 1, 2023, in payments from \$2,260,000. Interest at 2.561%, due semiannually on January 1 and July 1.	2,260,000
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
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
	5,760,000
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
Unamortized premium	8,904,807
	187,594,807
Revenue Bonds, Series 2014A	
Serial bonds, maturing January 1, 2023 to January 1, 2034, in payments from \$7,185,000 to \$17,075,000. Interest at 4.00% to 5.00%, due semiannually on January 1 and July 1.	144,290,000
Unamortized premium	7,928,354
	152,218,354
Revenue Bonds, Series 2010C	
Term bonds, maturing January 1, 2036 and 2037. Interest is variable (75% of the one-month LIBOR plus 0.330% (3.624%) at December 31, 2022), due monthly on the first business day.	83,085,000
	83,085,000
Total revenue bonds	1,045,837,056
Current portion	(39,876,015)
Long-term portion	\$ 1,005,961,041

# Indianapolis Airport Authority

## Notes to Financial Statements

### December 31, 2022

#### **Revenue Bonds**

Portions of the Authority's Series 2014A, 2015A, 2016A-1, 2016A-2, 2019B, 2019C-1, 2019C-2, 2022B-1, 2022B-2, and 2022B-3 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 and 2022A 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, 2036 and 2037, are subject to redemption from mandatory sinking fund payments during 2030 to 2037.

The Series 2010C Revenue Bonds (as discussed more fully below), maturing January 1, 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 Revenue 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.

The Authority's 2022A Revenue Bonds maturing January 1, 2033 (the 2033 Term Bonds), are subject to redemption from mandatory sinking fund payments during 2024 to 2033.

The Authority's 2022B-1 Revenue Bonds, maturing January 1, 2048 (the 2048 Term Bonds), and January 1, 2053 (the 2053 Term Bonds), are subject to redemption from mandatory sinking fund payments during 2044 to 2048 and 2049 to 2053, respectively.

The Authority's 2022B-2 Revenue Bonds, maturing January 1, 2048 (the 2048 Term Bonds), and January 1, 2053 (the 2053 Term Bonds), are subject to redemption from mandatory sinking fund payments during 2044 to 2048 and 2049 to 2053, respectively.

#### **2022A Revenue Bonds**

In August 2022, the Authority issued the 2022A Refunding Revenue Bonds in the amount of \$69,755,000. The proceeds from the 2022A Revenue Bonds, in conjunction with transfers from the principal and interest fund, were used to refund the Series 2010C-1 and 2010C-2 Revenue Bonds, terminate the associated interest rate swaps, and pay for costs of issuance. The net present value loss resulting from this refunding was \$1,342,910, and the aggregate reduction in the required debt service between the portion of the refunded 2010C Bonds and the 2022A Bonds was \$9,747,851. There are certain events which could result in a higher interest rate and/or an acceleration of amounts due on the 2022B 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/P21611524-P21241965-P21666010.pdf>

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

### 2022B Revenue Bonds

In December 2022, the Authority issued the 2022B-1 (\$81,950,000; tax-exempt, Non-AMT), 2022B-2 (\$67,245,000; tax-exempt, AMT), and 2022B-3 (\$25,445,000, taxable) in an original amount totaling \$174,640,000 with an original issue premium of \$11,777,311. The 2022B Revenue Bonds were issued for the principal purpose of providing funds, together with other funds of the Authority, to finance a portion of certain capital projects at the Authority. The projects include, but are not limited to the expansion of the parking garage, expansion of the terminal aircraft remain-over-night (RON) parking, completion of the airfield maintenance and snow removal equipment facility, improvement of the 5R-23L south runway, and rehabilitation of the public parking lots. Proceeds from the 2022B Revenue Bonds were also used to fund one or more reserve accounts for the 2022B Revenue Bonds, fund all or a portion of interest on the 2022B Revenue Bonds through the in-service date on each particular portion of the 2022B project and pay costs of issuance related to the 2022B Revenue Bonds. The proceeds were deposited in project funds and capitalized interest funds to be drawn upon as eligible costs were incurred. As of December 31, 2022, \$85,300,462, \$70,972,246, and \$25,393,976 remained in the 2022B-1, 2022B-2, and 2022B-3 project funds, respectively; and \$3,561,715 and \$781,688 remained in the 2022B-1 and 2022B-2 capitalized interest funds, respectively.

### 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. In August 2022, the proceeds from the 2022A Revenue Bonds were used to refund the 2010C-1 and 2010C-2 Revenue Bonds and the associated swaps were terminated.

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>
2010C-3	2010L-3	1/1/2036	6/30/2023
2010C-4	2010L-4	1/1/2036	6/30/2023
2010C-5	2010L-5	1/1/2037	6/30/2023

# Indianapolis Airport Authority

## Notes to Financial Statements

### December 31, 2022

The Authority has paid or refunded a portion of the 2010C Revenue Bonds since they were issued. As of December 31, 2022, there were \$83,085,000 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>

### **Directly Placed Debt**

As of December 31, 2022, the Authority held directly placed debt as detailed below:

	2010C-3	2010C-4	2010C-5	2022A
Par Outstanding at 12/31/22	\$ 20,660,000	\$ 30,985,000	\$ 31,440,000	\$ 69,755,000
Credit Available For Draw as of 12/31/22	-	-	-	-
Lien	Senior	Senior	Senior	Senior
Final Maturity	1/1/2036	1/1/2036	1/1/2037	1/1/2033
End of Bank Term	6/30/2023	6/30/2023	6/30/2023	n/a
Bank	Banc of America Preferred Funding Corporation	PNC Bank, National Association	Banc of America Preferred Funding Corporation	Bank of America, N.A.
Index / Interest Rate	1M USD LIBOR	1M USD LIBOR	1M USD LIBOR	2.79%
Applicable Factor	75%	75%	75%	n/a
Applicable Spread as of 12/31/2022	0.33%	0.33%	0.33%	n/a
Increase in Applicable Spread Due To Credit Rating Downgrade	Yes <sup>(1)</sup>	Yes <sup>(1)</sup>	Yes <sup>(1)</sup>	n/a
Margin Rate Factor	No	No	No	n/a
Rate Formula	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread	Index Rate x Applicable Factor + Applicable Spread	n/a
Events of Default	CCA Article 8	CCA Article 8	CCA Article 8	n/a

(1) The proceeds from the 2022A Revenue Bonds were used to refund the 2010C-1 and 2010C-2 Revenue Bonds in August 2022, and the associated swaps were terminated.

# Indianapolis Airport Authority

## Notes to Financial Statements December 31, 2022

### ***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-3, 2010C-4 and 2010C-5***

<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>Applicable Spread</b>
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 2022, was \$11.4 million. The customer facility charge revenue designation was \$0 for 2022.

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, 2022

### 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, 2022:

Years Ending December 31	Revenue Bonds		Total
	Principal	Interest	
2023	\$ 39,876,015	\$ 39,045,767	\$ 78,921,782
2024	48,921,542	41,247,215	90,168,757
2025	54,313,785	38,905,600	93,219,385
2026	57,297,790	36,291,742	93,589,532
2027	60,958,604	33,432,226	94,390,830
2028 - 2032	339,010,272	120,848,749	459,859,021
2033 - 2037	213,207,151	54,500,679	267,707,830
2038 - 2042	69,264,841	30,900,182	100,165,023
2043 - 2047	36,365,000	17,014,407	53,379,407
2048 - 2052	41,915,000	6,020,586	47,935,586
2053 - 2057	24,625,000	202,050	24,827,050
	<u>\$ 985,755,000</u>	<u>\$ 418,409,203</u>	<u>\$ 1,404,164,203</u>

The following is a summary of long-term obligation transactions for the Authority for the year ended December 31, 2022:

	Beginning Balance	2022		Ending Balance	Current Portion
		Additions	Deductions		
Long-term obligations					
Revenue bonds payable	\$ 847,375,000	\$ 244,395,000	\$ (106,015,000)	\$ 985,755,000	\$ 39,876,015
Bond premium	57,353,333	11,777,313	(9,048,590)	60,082,056	-
Total revenue bonds payable	<u>904,728,333</u>	<u>256,172,313</u>	<u>(115,063,590)</u>	<u>1,045,837,056</u>	<u>39,876,015</u>
Total long-term obligations	<u>\$ 904,728,333</u>	<u>\$ 256,172,313</u>	<u>\$ (115,063,590)</u>	<u>\$ 1,045,837,056</u>	<u>\$ 39,876,015</u>

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

### **Interest Expense**

Interest expense is comprised of the following components at December 31, 2022:

	<u>2022</u>
Interest expense on long-term debt	\$ 37,457,446
Amortization of bond premiums/discounts	(9,048,590)
Amortization of deferred losses on refundings	2,588,404
Bond issuance costs	1,359,204
Changes in bond arbitrage rebates	<u>299,969</u>
Total interest expense	<u>\$ 32,656,433</u>

### **Note 9: 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, 2022, the Special Facility Revenue Bonds, Series 1995 (Indianapolis Maintenance Center), outstanding were \$165,988,327.

### **Note 10: 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

# Indianapolis Airport Authority

## Notes to Financial Statements December 31, 2022

**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, 2022
Series 2014A	December 1, 2004	December 30, 2033	\$ 16,534,000	4.962%	\$ 1,145,738
Series 2015A	December 28, 2005	December 31, 2032	15,000,000	4.820%	774,892
Series 2016A	August 1, 2006	January 1, 2036	17,321,400	5.311%	1,983,443
					<u>\$ 3,904,073</u>

**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 statement of net position as of December 31, 2022. As the Forward Delivery Agreements are effective hedging instruments, the changes in fair value of the Forward Delivery Agreements of (\$14,047,995) and for the year ended December 31, 2022, are shown as an adjustment to the carrying amount of the related deferred inflows of resources on the statement 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.

# Indianapolis Airport Authority

## Notes to Financial Statements December 31, 2022

### **Interest Rate Swap Agreements – Investment Derivative Instruments**

The Authority is a party to two 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.

**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, 2022
\$ 51,645,000	October 14, 2004	July 1, 2008	January 1, 2036	4.0325%	75% One Month LIBOR	\$ (5,911,191)
31,440,000	October 14, 2004	July 1, 2008	January 1, 2037	4.1500%	75% One Month LIBOR	(4,009,434)
<u>\$ 83,085,000</u>						<u>\$ (9,920,625)</u>

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.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

**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 statement of net position as of December 31, 2022. As the Swap Agreements are ineffective hedging instruments, the changes in fair value of the Swap Agreements of \$24,305,243 for the year ended December 31, 2022, 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, 2022. 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, 2022, 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 Aa2 by Moody's Investors Service or A+ 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.

The ratings of the counterparty at December 31, 2022 is 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+

**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, 2022, the interest rate on the Authority's 2010C Revenue Bonds is 3.624%, (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 3.294%.

**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.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

**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, 2022, 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 Swaps, Net	Total Interest
	Principal	Interest		
2023	\$ -	\$ 3,075,470	\$ 638,126	\$ 3,713,596
2024	-	3,146,092	638,126	3,784,218
2025	-	3,151,977	638,126	3,790,103
2026	-	3,151,977	638,126	3,790,103
2027	-	3,151,977	638,126	3,790,103
2028 - 2032	31,125,000	13,535,794	2,739,815	16,275,609
2033 - 2037	51,960,000	3,477,654	701,791	4,179,445
	\$ 83,085,000	\$ 32,690,941	\$ 6,632,236	\$ 39,323,177

### Note 11: Net Investment in Capital Assets

The Authority's net investment in capital assets is comprised of the following components at December 31, 2022:

	<b>2022</b>
Capital assets, net of accumulated depreciation	\$ 2,044,405,302
Long-term debt	(1,045,837,056)
Other reconciling items	
Restricted accounts payable related to capital assets	(28,191,198)
Derivate instruments - interest rate swap agreements	(9,920,625)
Deferred loss on refunding of debt	14,625,930
Arbitrage rebate liability	(299,969)
Unspent bond proceeds - construction and State revolving fund	181,676,634
Revenue bond reserve fund financed by bond proceeds	56,988,224
Net investment in capital assets	\$ 1,213,447,242

# Indianapolis Airport Authority

## Notes to Financial Statements December 31, 2022

### Note 12: 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 statement 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, 2022:

	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)
<b>December 31, 2022</b>				
Investments				
U.S. Treasury Security Bills	\$ 88,353,706	\$ 88,353,706	\$ -	\$ -
U.S. Government-sponsored enterprise securities				
Federal Home Loan Mortgage Corporation	19,521,000	-	19,521,000	-
Indiana municipal securities	9,572,410	-	9,572,410	-
External investment pools	38,537,993	-	38,537,993	-
Derivative Financial Instruments				
Forward delivery purchase agreements	3,904,073	-	-	3,904,073
Interest rate swap agreements	(9,920,625)	-	(9,920,625)	-

# Indianapolis Airport Authority

## Notes to Financial Statements December 31, 2022

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 statement 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, 2022.

### ***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 13: 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, 2022. 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, 2022

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 year ended December 31, 2022, the Authority incurred approximately \$7.5 million of costs for the IMC. The Authority has received reimbursements for these costs under the Settlement Agreement aggregating approximately \$5.4 million for 2022. In addition, as of December 31, 2022, the Authority has accrued approximately \$1.4 million in reimbursements from the Trustee for allowable costs incurred.

### **Note 14: 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.

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 2022 calendar year.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

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 \$5,266,840 on overall health care program aggregate claims. The estimated self-insurance liability is based on claim trend. There is no significant incremental claim adjustment expense, salvage or subrogation attributable to this liability.

### **Note 15: 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 \$1,186,246 for 2022.

### **Note 16: 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, 2022, 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.

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, 2022, 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, 2022, 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.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2022

The Sales Assistance program is the third and only active program at December 31, 2022 and applied to approximately 487 homes, of which 416 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, 2022, 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 \$4.7 million as of December 31, 2022.

### ***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 and polyfluoroalkyl substance mitigation. 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, 2022

The amount of the estimated liability as of December 31, 2022 was \$1,642,000, which represents the approximate present value of the amounts the Authority expects to pay for future remediation activities. This estimate was generated using input and guidance from internal management and professional consultants and represents a wide array of remediation activities ranging from one-time events to longer 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, 2022, the Authority had outstanding commitments for certain airport improvements aggregating \$208,704,145.

### ***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, 2022, 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, 2022. The Authority was also aware of several incidents for which legal action against the Authority might be threatened or possible in the future.

## **Supplementary Information**

# Indianapolis Airport Authority

## Schedule of Governmental Awards

### Year Ended December 31, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title/ Grant Name	Federal Assistance Listing 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 Commerce Economic Development Adjustment Assistance	11.307	COVID-19: 06-79-06328		\$ 3,830,498	\$ -	\$ -	\$ 31,923	\$ 31,923
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	-	(44,044)	(44,044)	-
	20.106	3-18-0038-156		262,500	27,301	-	-	27,301
	20.106	3-18-0038-157		12,112,321	605,617	2,422,465	1,816,848	-
	20.106	3-18-0038-158		12,112,321	-	112,500	112,500	-
	20.106	3-18-0038-159		464,427	51,087	95,131	44,044	-
	20.106	3-18-0038-160		934,779	114,252	114,252	-	-
	20.106	3-18-0038-162		2,725,894	105,737	105,737	-	-
	20.106	3-18-0038-163		300,000	13,025	-	10,009	23,034
	20.106	3-18-0038-164		2,091,219	209,122	209,122	-	-
	20.106	3-18-0038-165		9,654,846	975,030	975,030	-	-
	20.106	3-18-0038-167		8,517,837	647,191	1,562,014	2,224,039	1,309,216
	20.106	3-18-0038-168		13,333,333	5,666,725	5,112,995	206,094	759,824
	20.106	3-18-0038-169		4,250,000	-	32,062	447,495	415,433
	20.106	3-18-0038-170		4,250,000	1,806,268	1,619,940	65,692	252,020
	20.106	COVID-19: 3-18-0038-171		11,135,307	-	1,288,138	1,288,138	-
	20.106	3-18-0038-173		56,345,957	85,236	30,480,794	53,658,114	23,262,556
	20.106	COVID-19: 3-18-0038-175		37,613,088	-	19,350,945	19,350,945	-
	20.106	3-18-0038-176		9,500,000	14,370	5,139,100	9,046,827	3,922,097
	20.106	COVID-19: 3-18-0038-177		4,034,337	-	4,034,337	4,034,337	-
	21.106	*		-	(7,145,650)	3,150,251	5,588,856	(4,707,045)
Indianapolis Regional Airport	20.106	3-18-0037-20		360,000	22,950	23,422	31,972	31,500
	20.106	COVID-19: 3-18-0037-23		23,000	-	23,000	23,000	-
	20.106	COVID-19: 3-18-0037-24		59,000	-	59,000	59,000	-
Eagle Creek Airpark	20.106	3-18-0039-24		2,825,000	312,889	629,100	316,211	-
	20.106	3-18-0039-25		150,000	16,061	16,061	-	-
	20.106	3-18-0039-26		1,339,354	121,809	119,916	(1,893)	-
	20.106	COVID-19: 3-18-0039-28		23,000	-	23,000	23,000	-
	20.106	3-18-0039-29		149,562	42,821	45,235	12,414	10,000
	20.106	COVID-19: 3-18-0039-30		59,000	-	59,000	59,000	-
	20.106	3-18-0039-31		165,394	-	-	165,394	165,394
Indianapolis Metropolitan Airport	20.106	3-18-0040-26		600,000	60,632	-	-	60,632
	20.106	COVID-19: 3-18-0040-28		23,000	-	23,000	23,000	-
	20.106	COVID-19: 3-18-0040-29		59,000	-	59,000	59,000	-
	20.106	3-18-0040-30		109,058	-	-	105,974	105,974

# Indianapolis Airport Authority

## Schedule of Governmental Awards (Continued)

### Year Ended December 31, 2022

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
Hendricks County	20.106	3-18-0093-20		316,606	92,928	127,115	136,911	102,724
	20.106	COVID-19: 3-18-0093-21		13,000	-	13,000	13,000	-
	20.106	COVID-19: 3-18-0093-22		32,000	-	32,000	32,000	-
	20.106	3-18-0093-23		150,000	-	-	44,925	44,925
State of Indiana - Department of Transportation, Aeronautics Section								
Indianapolis Regional Airport			2037020	20,000	5,527	4,252	1,776	3,051
Eagle Creek Airpark			1939024	156,944	17,383	17,383	-	-
			2039025	8,333	1,048	1,048	-	-
			68057	9,189	-	-	9,189	9,189
Indianapolis Metropolitan Airport			2040026	33,333	22,682	14,064	-	8,618
			68058	6,059	-	-	5,888	5,888
Hendricks County			67843	8,333	-	-	2,496	2,496
					<u>\$ 3,892,041</u>	<u>\$ 77,049,365</u>	<u>\$ 99,004,074</u>	<u>\$ 25,846,750</u>

\* Amounts represent Authority land sale proceeds due back to the FAA and related expenditures associated with the Sustainability Management Plan & Resiliency Management Plan Project and Remote Overnight Apron Parking Project approved by the FAA as of July 29, 2021 and September 16, 2021, respectively.

#### 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 year ended December 31, 2022 totaled \$5,588,856.

**Indianapolis Airport Authority**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

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 Commerce				
Economic Development Adjustment Assistance				
Indianapolis International Airport	11.307	COVID-19: 06-79-06328	\$ -	\$ 31,923
U.S. Department of Transportation - Federal Aviation Administration (FAA)				
Airport Improvement Program (AIP)				
Indianapolis International Airport	20.106	3-18-0038-152	-	(44,044)
	20.106	3-18-0038-157	-	1,816,848
	20.106	3-18-0038-158	-	112,500
	20.106	3-18-0038-159	-	44,044
	20.106	3-18-0038-163	-	10,009
	20.106	3-18-0038-167	-	2,224,039
	20.106	3-18-0038-168	-	206,094
	20.106	3-18-0038-169	-	447,495
	21.106	3-18-0038-170	-	65,692
	20.106	COVID-19: 3-18-0038-171	-	1,288,138
	20.106	3-18-0038-173	-	53,658,114
	20.106	COVID-19: 3-18-0038-175	-	19,350,945
	20.106	3-18-0038-176	-	9,046,827
	20.106	COVID-19: 3-18-0038-177	-	4,034,337
	20.106	*	-	5,588,856
Indianapolis Regional Airport	20.106	3-18-0037-20	-	31,972
	20.106	COVID-19: 3-18-0037-23	-	23,000
	20.106	COVID-19: 3-18-0037-24	-	59,000
Eagle Creek Airpark	20.106	3-18-0039-24	-	316,211
	20.106	3-18-0039-26	-	(1,893)
	20.106	COVID-19: 3-18-0039-28	-	23,000
	20.106	COVID-19: 3-18-0039-30	-	59,000
	20.106	3-18-0039-31	-	165,394
	20.106	3-18-0039-29	-	12,414
Indianapolis Metropolitan Airport	20.106	COVID-19: 3-18-0040-28	-	23,000
	20.106	COVID-19: 3-18-0040-29	-	59,000
	20.106	3-18-0040-30	-	105,974
Hendricks County	20.106	3-18-0093-20	-	136,911
	20.106	COVID-19: 3-18-0093-21	-	13,000
	20.106	COVID-19: 3-18-0093-22	-	32,000
	20.106	3-18-0093-23	-	44,925
Total U.S. Department of Transportation - Federal Aviation Administration			-	98,952,802
Grand Total			\$ -	\$ 98,984,725

\*Amounts represent Authority land sale proceeds due back to the FAA and related expenditures associated with the Sustainability Management Plan & Resiliency Management Plan Project and Remote Overnight Apron Parking Project approved by the FAA as of July 29, 2021 and September 16, 2021, respectively.

**Indianapolis Airport Authority**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

**Note 1: Basis of Presentation**

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, 2022. 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 assets or cash flows of the Authority.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following 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.

**Note 3: Indirect Cost Rate**

The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4: Federal Loan Programs**

The Authority administered no federal loans during the year ended December 31, 2022.

**Note 5: Sale of Land Acquired with Federal Funds**

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 year ended December 31, 2022 totaled \$5,588,856.

# Indianapolis Airport Authority

## Schedule of Passenger Facility Charge Revenues and Expenditures

### Year Ended December 31, 2022

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - December 31, 2021	Quarter Ended				Year Ended December 31, 2022	Cumulative Total - December 31, 2022
				March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022		
Passenger facility charge revenues received			\$ 402,297,655	\$ 4,938,554	\$ 4,734,355	\$ 4,315,397	\$ 3,315,240	\$ 17,303,546	\$ 419,601,201
Interest earned			6,479,505	(35,354)	78,621	26,061	149,741	219,069	6,698,574
Total passenger facility charge revenue received			<u>\$ 408,777,160</u>	<u>\$ 4,903,200</u>	<u>\$ 4,812,976</u>	<u>\$ 4,341,458</u>	<u>\$ 3,464,981</u>	<u>\$ 17,522,615</u>	<u>\$ 426,299,775</u>
<b>Expenditures</b>									
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	111,120,207	-	-	9,000,000	-	2,372,917	11,372,917	11,372,917
Application 03-04	August 25, 2003	443,929,000	314,392,021	-	-	-	-	-	314,392,021
Total passenger facility charge revenue expended		<u>\$ 635,875,106</u>	<u>\$ 395,217,920</u>	<u>\$ -</u>	<u>\$ 9,000,000</u>	<u>\$ -</u>	<u>\$ 2,372,917</u>	<u>\$ 11,372,917</u>	<u>\$ 406,590,837</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. On February 11, 2022, the Authority received an additional Use Approval of \$110,967,500 on Applications 01-03 and 03-04.
3. Applications 93-01 and 96-02 have been closed out.

## **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 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 financial position as of December 31, 2022, and the related statements of activities, 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 11, 2023, which contained an emphasis of matter paragraph regarding a change in accounting principle.

#### ***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.

**FORVIS,LLP**

Indianapolis, Indiana  
April 11, 2023

## 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, 2022. 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, 2022.

##### *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.

**FORVIS,LLP**

Indianapolis, Indiana  
April 11, 2023

## 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 Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration that could have a direct and material effect on the Authority's passenger facility charge program for the year ended December 31, 2022.

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, 2022.

##### *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 passenger facility charge 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 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 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.

**FORVIS,LLP**

Indianapolis, Indiana  
April 11, 2023

**Indianapolis Airport Authority**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2022**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

- Unmodified**       **Qualified**       **Adverse**       **Disclaimer**

2. Internal control over financial reporting:

Significant deficiency(ies) identified?       **Yes**       **None Reported**

Material weakness(es) identified?       **Yes**       **No**

3. Noncompliance material to the financial statements noted?       **Yes**       **No**

**Federal Awards**

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified?       **Yes**       **None Reported**

Material weakness(es) identified?       **Yes**       **No**

5. Type of auditor’s report issued on compliance for major federal award program(s):

- Unmodified**       **Qualified**       **Adverse**       **Disclaimer**

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?       **Yes**       **No**

7. Identification of major federal programs:

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
20.106	Airport Improvement Program

8. Dollar threshold used to distinguish between Type A and Type B programs: \$2,969,542.

9. Auditee qualified as a low-risk auditee?       **Yes**       **No**

**Indianapolis Airport Authority**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
No matters are reportable.	

**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>Finding</b>
No matters are reportable.	

**Indianapolis Airport Authority**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2022**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
No matters are reportable.		

**Indianapolis Airport Authority**  
**Passenger Facility Charge Audit Summary**  
**Year Ended December 31, 2022**

**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 |