



2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS
ENDED DECEMBER 31, 2018 & 2017
INDIANAPOLIS, INDIANA



Indianapolis
Airport
Authority



2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal years ended December 31, 2018 and 2017

Indianapolis Airport Authority, Indianapolis, IN

Prepared by the Indianapolis Airport Authority

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1.0 introductory section



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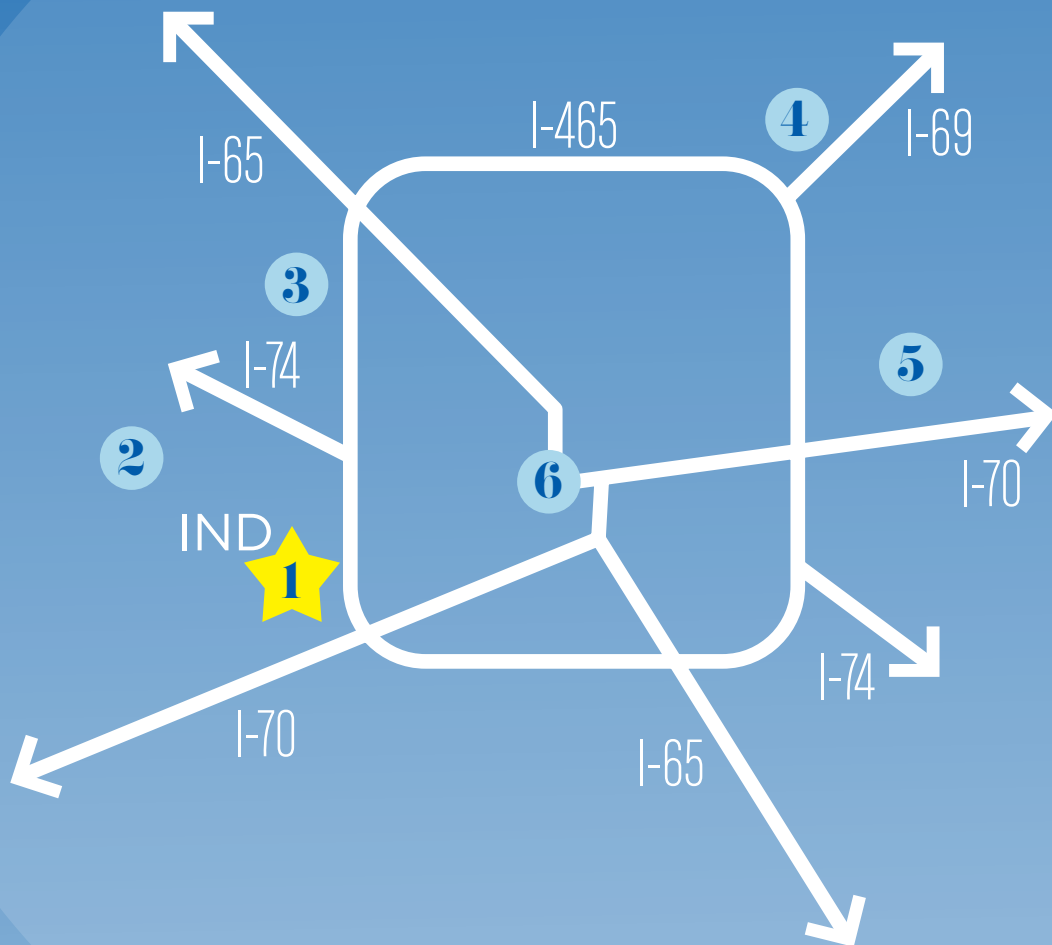
MISSION STATEMENT:

FOSTERING
**world-class
service**
TO ENHANCE
OUR COMMUNITY



INDIANAPOLIS AIRPORT AUTHORITY FACILITIES MAP

- 1** Indianapolis International Airport
- 2** Hendricks County Airport-Gordon Graham Field
- 3** Eagle Creek Airpark
- 4** Metropolitan Airport
- 5** Indianapolis Regional Airport
- 6** Indianapolis Downtown Heliport



INDIANAPOLIS AIRPORT AUTHORITY BOARD



**BARBARA GLASS,
PRESIDENT**

*Consultant,
Lilly Foundation
Years of service: 4*



**KURT SCHLETER,
MEMBER**

*Owner,
GridLock Traffic Systems
Years of service: 2*



**STEVEN DILLINGER,
VICE PRESIDENT**

*Owner, S.C. Dillinger &
Associates Insurance Agency
Years of service: 22
Hamilton County*



**TAMIKA CATCHINGS,
MEMBER**

*Owner,
Tea's Me Cafe
Years of service: 1*



**MAMON POWERS III,
SECRETARY**

*Executive Vice President,
President - Indianapolis office,
Powers & Sons Construction Co.
Years of service: 3*



**LYNN GORDON,
MEMBER**

*Retired, Banking Executive
Years of service: 14
Morgan County*



**BRETT VOORHIES,
MEMBER**

*President, Indiana AFL-CIO
Years of service: 5*



**KATHY DAVIS,
MEMBER**

*Owner,
Davis Design Group LLC
Years of service: 1*



**TOBY MCCLAMROCH,
MEMBER**

*Managing Partner,
Bingham Greenebaum Doll LLP
Years of service: 3*



**MATTHEW WHETSTONE,
MEMBER**

*Founding Member
1816, Inc.
Years of service: 1*



**JEFF GAITHER,
MEMBER**

*Managing Partner,
Bose McKinney & Evans
Years of service: 2*



**BRIAN TUOHY,
BOARD COUNSEL**

*Doninger Tuohy & Bailey LLP
Years of service: 3*



AIRPORTS COUNCIL INTERNATIONAL

IND BEST AIRPORT IN NORTH AMERICA

7 YEARS IN A ROW

WORLD-CLASS
CUSTOMER SERVICE



**BEST AIRPORT
in America**
2014, 2015, 2016,
2017, 2018
Condé Nast Traveler



**TOP 10 BEST
DOMESTIC
AIRPORT**
2016, 2017, 2018
Travel + Leisure



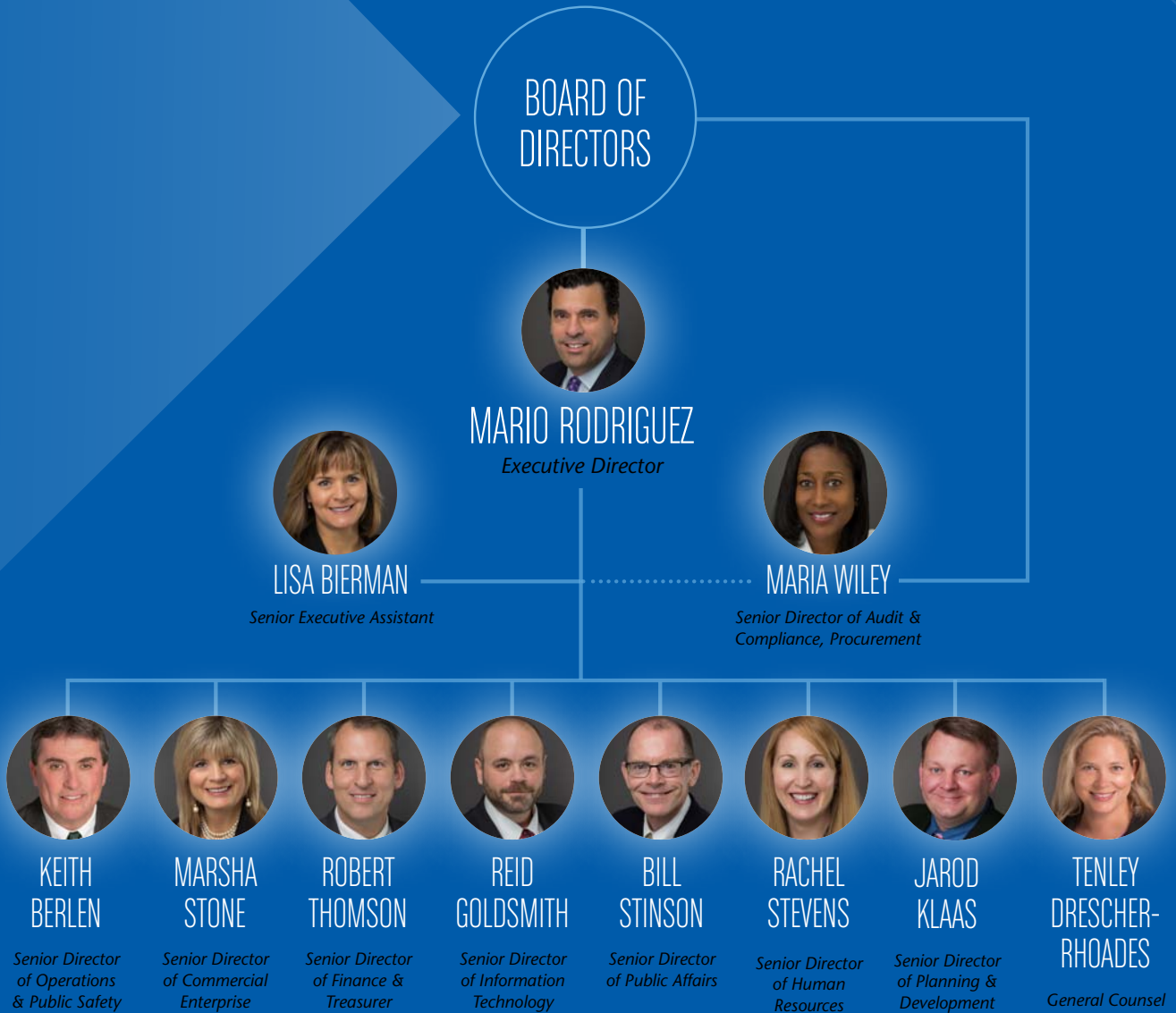
10,100

WORKERS AT IND
ON AN AVERAGE DAY

\$2.0
BILLION PAYROLL

22,500
AREA JOBS

ORGANIZATIONAL STRUCTURE



EXECUTIVE MANAGEMENT TEAM

MARIO RODRIGUEZ
Executive Director
31 years of experience

MARIA WILEY
Sr. Director of Audit & Compliance, Procurement
26 years of experience

KEITH BERLEN
Sr. Director of Operations & Public Safety
29 years of experience

MARSHA STONE
Sr. Director of Commercial Enterprise
25 years of experience

ROBERT THOMSON
Sr. Director of Finance & Treasurer
30 years of experience

REID GOLDSMITH
Sr. Director of Information Technology
13 years of experience

BILL STINSON
Sr. Director of Public Affairs
26 years of experience

RACHEL STEVENS
Sr. Director of Human Resources
22 years of experience

JAROD KLAAS
Sr. Director of Planning & Development
24 years of experience

TENLEY DRESCHER-RHOADES
General Counsel
20 years of experience

LETTER OF TRANSMITTAL



Indianapolis Airport Authority

7800 Col. H. Weir Cook Memorial Dr. Suite 100 • Indianapolis, Indiana 46241
office 317.487.9594 • fax 317.487.5034

June 30, 2019

To the Members of the Board:

The Comprehensive Annual Financial Report (CAFR) of the Indianapolis Airport Authority (Authority or IAA), for the fiscal years ended December 31, 2018 and 2017, is submitted herewith. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority and its management. To the best of our knowledge and belief, this report, in all material aspects, fairly presents and discloses the Authority's financial position, results of operations, and cash flows as of and for the year ended December 31, 2018 and 2017, in accordance with the requirements of the generally accepted accounting principles in the United States of America (GAAP).

GAAP requires that management provide a narrative overview and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This introductory letter should be read in conjunction with the MD&A, which can be found immediately following the Independent Auditor's Report on Financial Statements and Supplementary Information in the financial section of the CAFR.

This CAFR has been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). All financial and non-financial information included in this CAFR relates solely to the Authority unless specifically stated otherwise. It is our belief that the accompanying 2018 Comprehensive Annual Financial Report meets program standards and will be submitted to the Government Finance Officers Association for review.

INDEPENDENT AUDIT

At the close of each calendar year, an independent firm of certified public accountants audits the Authority's financial statements. In addition, the Indiana State Board of Accounts retains the right to audit the Authority. In connection with the Authority's federal financial assistance, a Single Audit (conducted in accordance with Uniform Guidance) is performed and reports are issued to the Indiana State Board of Accounts and filed with the Federal Audit Clearinghouse.

INTERNAL CONTROLS

The Authority's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management is required to use cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls. The Authority has established internal controls to fulfill these requirements and these controls are reviewed annually by an external audit firm for applicability, relevance, and effectiveness.

PROFILE OF THE AUTHORITY

ORGANIZATIONAL STRUCTURE AND GOVERNANCE

The Authority is a municipal corporation that was established on January 1, 1962, to own and operate airports in and around Indianapolis, Indiana. More information is included in the Management's Discussion and Analysis - Authority Powers and Purposes. The Authority administers an airport system comprised of the Indianapolis International Airport (IND), three general aviation reliever airports, one general aviation airport and one general aviation reliever heliport located in downtown Indianapolis. The Authority is a separate reporting entity and is not a component of the consolidated City of Indianapolis-Marion County (Unigov) or any other government. You may also refer to Note 1 of the financial statements for more information regarding the financial reporting entity determination under the Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 61.

The Authority's Board consists of eleven voting members. Each member is appointed to a four-year term.

ACCOUNTING / BUDGETARY CONTROL

The Authority consists of a single enterprise fund and its financial statements are presented on the accrual basis of accounting using the economic resources measurement focus. This CAFR, and each of the Authority's monthly financial statements, use the accrual method preferred for enterprise funds. Annual budgets and monthly budget reports are also prepared using the accrual basis of accounting. The Authority's annual operating budget is prepared by the IAA Finance Department in concert with management and is ultimately adopted by ordinance upon approval of the Authority Board. It is submitted to the Indianapolis/Marion County City-County Council as part of the review process. The State of Indiana Department of Local Government Finance reviews the budget in the same manner. Public hearings are held at each step of the review process and a notice of said hearings is published in accordance with Indiana law. In addition, a long-term Capital Improvement Plan is prepared annually utilizing estimates of future capital improvements and their financial impact. Budgetary control is maintained at the fund, function and department level.

ECONOMIC CONDITIONS AND OUTLOOK

STATE OF THE AIRLINE INDUSTRY

The U.S. airline industry remained strong through 2018. Airline operating costs were down due to lower fuel prices, translating to higher operating margins. As the economy continued to strengthen, so did business travel. This up-tick in the economy has not only supported increased business travel but has increased the purchasing power of the middle-class and has allowed for more leisure travel. This combination of lower fuel prices and increased leisure travel has provided a strong position for "low-cost" carriers such as Southwest, Allegiant, Frontier, and Spirit to succeed.

In 2018, U.S. airlines carried 4.9 percent more passengers on domestic flights and 3.1 percent more passengers on international flights in 2018 than in 2017 for a system wide increase of 4.7 percent. Scheduled airline passenger capacity (measured in Airline Seat Miles) increased 4.6 percent over 2017.

STATE OF INDIANAPOLIS AIRPORT AUTHORITY

Passenger and Cargo Volume

Total passenger volume at IND increased 7.0 percent from 2017 to 9.4 million passengers in 2018. This is a new record for the most passengers served in one year at IND. IND averaged 145 daily departures in 2018, higher than the previous year. Seven of the airport's passenger airlines saw an increase in enplanements compared to 2017 including: Air Canada (8.8%), Allegiant (40.6%), American (5.8%), Delta (11.6%), Frontier (13.0%), Southwest (0.3%), and United (0.8%).

Overall cargo volume at IND showed a slight increase in 2018 at 1.05 million tons, increasing 1.6 percent compared to the previous year. FedEx remained the largest contributor of cargo volume at 98 percent, followed by Cargolux at 0.7 percent.

MAJOR INITIATIVES & DEVELOPMENT

Airline Use Agreement

Subsequent to December 31, 2018, the Authority completed negotiations for a new five-year Airline Agreement between IAA and passenger/cargo carriers. Airlines that sign the Airline Agreement are subject to favorable signatory rates, as opposed to the Authority's non-signatory rates.

Economic Impact

In 2018, IAA continued to honor its promise to enhance the communities that surround IND and our reliever airports by putting land, not needed for aviation purposes, back into productive use, returning the property to private ownership and on those community's property tax rolls.

During 2018, the Authority sold nearly 2,000 acres of conservation land to the Town of Plainfield for approximately \$1.5 million. The conservation land includes protected wetland areas that provide critical habitat for the endangered Indiana bat plus many other species of animal and plant life. The land also includes Sodalis Nature Park. The Town of Plainfield is working collaboratively with Hendricks County Parks to explore creating an even better opportunity for residents to enjoy this natural environment.

Awards and Acknowledgements

In pursuit of the IAA's mission to enhance the community through engagement and service, and continually drive a world-class experience to create public value, IND was recognized by the local community and industry organizations as top in its class; 2018 continued to be yet another award-winning year for IND.

Continued Excellence in the Industry

IND has been named the best airport in North America seven years in a row, or eight out of the last nine years (2018, 2017, 2016, 2015, 2014, 2013, 2012, and 2010) in the Airport Service Quality (ASQ) awards given by Airports Council International (ACI). The ASQ program has become the world's leading airport passenger satisfaction benchmark, with over 300 airports participating. The ASQ Awards recognize and reward airports based on ACI's ASQ passenger satisfaction surveys and their commitment to continuous improvement of the passenger experience.

Passengers continue to choose IND as a top airport with high marks for fast check-in time, ease of finding their way through the terminal, and the courtesy and efficiency of airport staff.

Best Airport in America, Again

Readers of the popular luxury travel magazine, Condé Nast Traveler, named IND as the best airport in America for the fifth year in a row (2018, 2017, 2016, 2015, 2014). More than 300,000 people took part in the Condé Nast Readers' Choice survey. IND's efficient terminal design allows passengers to breeze through TSA screening, and enjoy their time experiencing the airport's local favorites and offerings.

For three years in a row (2018, 2017, 2016), Travel + Leisure named IND in their top ten list of best domestic airports in their World's Best Awards category. Indy was described as an airport that ticked all the boxes with art and culture, cleanliness, safety, and accessibility.

Airport Concessions Program

IND's world-class service touches every facet of the airport experience. IND was recognized by Airports Council International (ACI) for having the best food and beverage management team among medium airports in 2018.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Indianapolis Airport Authority for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. This was the 36th consecutive year that the IAA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

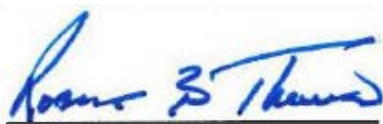
A Certificate of Achievement is valid for a period of one year only. Management believes this Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The timely completion of this report could not be accomplished without the assistance and dedication of many individuals. The IAA acknowledges the assistance of BKD, LLP, Certified Public Accountants, and the IAA staff for their assistance in making this financial presentation possible.

Appreciation is also expressed to the Authority Board members for their continued support of accounting and reporting in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robert B. Thomson". The signature is written in a cursive style and is positioned above a horizontal line.

Robert B. Thomson
Senior Director of Finance & Treasurer

2018

9.4
MILLION PASSENGERS

AVERAGING

145 DAILY
DEPARTURES



FOCUS ON
LONG-TERM
SUSTABILITY



IND
HAS THE
largest
SOLAR FARM
ON AIRPORT PROPERTY
IN THE WORLD

AND THE **largest**
ELECTRIC SHUTTLE
BUS FLEET AT A
U.S. AIRPORT

POSITIVE⁺
ENERGY





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Indianapolis Airport Authority
Indiana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO



2.0 financial section

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Indianapolis Airport Authority (Authority), which are comprised of statements of net position as of December 31, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indianapolis Airport Authority as of December 31, 2018 and 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information and the Introductory and Statistical Sections, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Indianapolis, Indiana
April 5, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

(Unaudited)

The following discussion and analysis of the financial performance and activity of the Indianapolis Airport Authority (Authority) is to provide an introduction and overview that users need to interpret the financial statements of the Authority as of and for the years ended December 31, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Authority Powers and Purposes

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

The operations of the Authority depend heavily on revenues received from airlines serving Indianapolis International Airport. Airlines are given the option to sign an Agreement and Lease of Premises (Airline Agreement), which sets forth rates and charges for use of Authority assets and which utilizes a residual rate-making methodology. The residual nature of the Airline Agreement essentially requires the airlines to assume certain financial risks to guarantee the Airport has sufficient revenue to cover all operating and capital borrowing costs. In return, the Authority has less autonomy over capital asset development decisions in that the airlines must approve certain proposed capital improvement projects at the Airport. As of December 31, 2018, six passenger carriers and two cargo carriers represent the Signatory Airlines.

The Authority and the Signatory Airlines negotiated a new Airline Agreement in 2015. This new Airline Agreement was approved by the Authority Board and is effective from January 1, 2016 through December 31, 2018. The Authority entered into negotiations for a new Airline Agreement in 2018 with intent to finalize negotiations in 2019. 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

	2018	2017	Variance
Enplaned passengers ⁽¹⁾	4,695,040	4,387,532	7.0%
Landed weight (1,000 lb. units)			
Passenger airlines	5,496,460	5,150,053	6.7%
Cargo airlines	5,282,874	5,139,115	2.8%
	<u>10,779,334</u>	<u>10,289,168</u>	<u>4.8%</u>
Total landed weights			
Aircraft operations	168,133	160,049	5.1%

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

Airport Operations Activity

In 2018, the number of enplaned passengers was 7.0% higher than 2017. The increase from 2017 is attributed to the continued strength of the local and domestic economy, low fuel prices, and increased capacity to new markets from both new and existing carriers. As in 2017, the robust job market and competitive airfares continued to increase air travel demand in both the business and leisure markets; meanwhile, fuel prices remained low allowing carriers to sustain low fares and consider new routes from medium sized airports.

New nonstop destinations that were announced, reinstated or started in 2018 at Indianapolis International Airport (IND) include:

- March 10, 2018 - Inaugural Southwest IND – CUN (Cancun, Mexico)
- April 6, 2018 - Inaugural Allegiant IND – CHS (Charleston, South Carolina)
- April 8, 2018 - Inaugural Southwest IND – AUS (Austin, Texas)
- April 9, 2018 - Reinstated Frontier IND – PHL (Philadelphia, Pennsylvania)
- April 10, 2018 - Inaugural Frontier IND – AUS (Austin, Texas)
- April 11, 2018 - Inaugural Allegiant IND – SRQ (Sarasota, Florida)
- May 24, 2018 - Inaugural Delta IND – CDG (Paris, France)
- June 18, 2018 - Inaugural Delta IND – SEA (Seattle, Washington)
- July 15, 2018 - Inaugural Southwest IND – OAK (Oakland, California)
- August 13, 2018 - Inaugural Frontier IND – SAN (San Diego, California)
- November 15, 2018 - Reinstated Frontier IND – RSW (Fort Myers, Florida)
- December 11, 2018 - Spirit announced IND – LAS (Las Vegas, Nevada)
- December 11, 2018 - Spirit announced IND – MCO (Orlando, Florida)
- December 11, 2018 - Spirit announced IND – MYR (Myrtle Beach, South Carolina)

Passenger airlines accounted for approximately 51% of total landed weight at Indianapolis International Airport (IND) in 2018, 50% in prior year; cargo airlines accounted for the other 49% during 2018 and 50% in 2017. Passenger airline landed weights increased by 6.7% in 2018 from prior year; cargo airline landed weight increased 2.8% from prior year. The increase in passenger landed weights is a result of the mentioned market factors and is explained further in the Economic Factors section. FedEx continued to represent the majority of the cargo landed weights in 2018. The increase in cargo landed weights can be attributed to increased FedEx activity and larger aircraft.

Aircraft operations represent landings and takeoffs for air carrier (passenger and cargo), air taxi and commuter, general aviation and military operations. This activity increased 5.1% over the prior year due mainly to a year over year increase in passenger and cargo flights.

Financial Highlights

- The Authority experienced a decrease in total assets and deferred outflows of resources of \$54.4 million during 2018. This decrease can be attributed to a number of changes in the statement of net position, including the normal decrease in capital assets due to depreciation, a decrease in investments and a decrease in deferred outflows related to the fair value change of the Authority's derivative instruments.
- Total liabilities decreased \$25.6 million in 2018. This change is primarily attributable to the reduction of bonds payable and other debt.
- The 2018 decrease in net position was \$25.3 million compared to a decrease of \$0.9 million for 2017. This \$24.5 million decrease can be primarily attributed to the 2018 \$47.3 million loss on disposal of assets which increased the loss on disposal of assets by \$43.6 million due to the 2018 one-time strategic sale of heavily deed restricted land offset by increases in capital contributions and grants of \$17.8 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, 2018, 2017 and 2016 follows:

	2018	2017	2016
	(Table Amounts in Thousands)		
Current assets - unrestricted	\$ 32,580	\$ 27,006	\$ 34,760
Current assets - restricted	48,217	50,078	43,001
Noncurrent assets			
Capital assets, net	1,734,709	1,757,719	1,821,200
Other noncurrent assets	221,850	242,192	231,965
Total assets	<u>2,037,356</u>	<u>2,076,995</u>	<u>2,130,926</u>
Deferred outflows of resources	<u>31,435</u>	<u>46,196</u>	<u>56,270</u>
Total assets and deferred outflows of resources	<u>\$ 2,068,791</u>	<u>\$ 2,123,191</u>	<u>\$ 2,187,196</u>
Current liabilities - payable from unrestricted	\$ 14,090	\$ 12,043	\$ 10,028
Current liabilities - payable from restricted	66,518	91,155	75,384
Noncurrent liabilities - payable from restricted	943,648	946,707	1,027,055
Total liabilities	<u>1,024,256</u>	<u>1,049,905</u>	<u>1,112,467</u>
Deferred inflows of resources	<u>11,163</u>	<u>14,593</u>	<u>15,172</u>
Net position			
Net investment in capital assets	825,210	835,366	845,491
Restricted	140,516	160,085	143,563
Unrestricted	67,646	63,242	70,503
Total net position	<u>1,033,372</u>	<u>1,058,693</u>	<u>1,059,557</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,068,791</u>	<u>\$ 2,123,191</u>	<u>\$ 2,187,196</u>

2018 to 2017 Comparative Statements of Net Position

Unrestricted current assets increased \$5.6 million, which is attributable to increases in cash and cash equivalents of \$5.2 million and grants receivable of \$2.2 million, offset by a decrease in unbilled revenues of \$1.1 million.

Total noncurrent assets decreased by \$43.4 million. This change is primarily attributable to a \$37.0 million decrease in depreciable capital assets, a \$13.9 million increase in non-depreciable capital assets and a \$20.3 million decrease in cash and cash equivalents, investment securities and derivative instruments.

Total deferred outflows of resources decreased by \$14.8 million, the result of a decrease in the amortization of deferred losses on the refunding of bonds of \$2.4 million and a decrease in the accumulated changes in fair values of hedging derivative instruments of \$12.4 million.

Total current liabilities decreased by \$22.6 million primarily driven by a decrease of \$35.6 million in the current portion of debt and an increase of \$11.4 million in accounts payable.

2017 to 2016 Comparative Statements of Net Position

Unrestricted current assets decreased \$7.8 million, which is attributable to decreases in cash and cash equivalents of \$2.2 million and grants receivable of \$5.7 million. The increase in restricted current assets of \$7.1 million reflects a \$7.9 million increase in restricted cash and cash equivalents.

Total noncurrent assets decreased by \$53.3 million. This change is primarily attributable to a \$54.0 million decrease in depreciable capital assets, a \$9.5 million decrease in non-depreciable capital assets and a \$10.9 million increase in cash and cash equivalents and investment securities.

Total deferred outflows of resources decreased by \$10.1 million, the result of a decrease in the amortization of deferred losses on the refunding of bonds of \$2.5 million and a decrease in the accumulated changes in fair values of hedging derivative instruments of \$7.6 million.

Total current liabilities increased by \$17.8 million primarily driven by an increase of \$16.0 million in the current portion of debt. Total noncurrent liabilities decreased \$80.3 million, attributable to a \$72.6 million decrease in bonds payable and other debt.

2018 to 2017 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, 2018 and 2017 was a decrease of \$25.3 million and \$0.9 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for 2018 and 2017.

	2018	2017	\$ Variance	% Variance
	(Table Amounts in Thousands)			
Total operating revenues	\$ 160,672	\$ 153,260	\$ 7,412	4.8%
Total nonoperating revenues	46,312	46,997	(685)	-1.5%
Total revenues	<u>206,984</u>	<u>200,257</u>	<u>6,727</u>	<u>3.4%</u>
Total operating expenses	173,206	167,609	5,597	3.3%
Net nonoperating expenses	85,205	41,838	43,367	103.7%
Total expenses	<u>258,411</u>	<u>209,447</u>	<u>48,964</u>	<u>23.4%</u>
Loss Before Capital Contributions and Grants	(51,427)	(9,190)	(42,237)	459.6%
Capital Contributions and Grants	<u>26,106</u>	<u>8,326</u>	<u>17,780</u>	<u>213.5%</u>
Increase (Decrease) in Net Position	(25,321)	(864)	(24,457)	2830.7%
Net Position, Beginning of Year	<u>1,058,693</u>	<u>1,059,557</u>	<u>(864)</u>	<u>-0.1%</u>
Net Position, End of Year	<u>\$ 1,033,372</u>	<u>\$ 1,058,693</u>	<u>\$ (25,321)</u>	<u>-2.4%</u>

Operating revenue in 2018 increased \$7.4 million, or 4.8% from prior year attributable to the following components:

- *Airfield revenue* in 2018 of \$24.3 million increased from prior year by \$2.5 million or 11.7%. Total landed weights increased 4.8% from prior year as passenger carriers increased 6.7% and cargo carriers increased 2.8%. The 2018 Signatory landing fee rate increased to \$1.85 from \$1.70 in 2017. The 2018 Non-signatory landing fee rate increased to \$2.78, as compared to the 2017 rate of \$2.55.
- *Terminal complex revenues* of \$54.1 million increased \$1.0 million or 1.8% from prior year. Airline terminal rental rates decreased in 2018 to \$92.78 per square foot compared to the prior year rate of \$98.22 per square foot. This is offset by an increase in Concessionaire revenues of \$0.3 million or 4.2% and an increase in Automobile rental commissions of \$0.5 million or 5.1% driven by an increase in enplaned passengers of 7.0%.
- *Parking revenues* increased from prior year by \$3.8 million or 7.4%, resulting in \$54.6 million in 2018 parking revenue. Current year includes incremental revenue of \$0.7 million relating to the new valet operator and recording gross revenue vs. the net revenue amount reported in the prior year. The enplaned passenger increases of 7.0% is the main contributor to the variance.
- *Revenues from Indianapolis Maintenance Center (IMC)* of \$8.2 million increased by \$0.2 million or 2.1%. This represents revenues due the Authority for reimbursement of eligible expenditures under the terms of the Settlement Agreement reached between the Authority and the trustee for the special facility revenue bonds the Authority had previously issued on behalf of United Airlines. The increase from prior year relates to higher hangar bay utilization.

Nonoperating revenues in 2018 of \$46.3 million decreased from prior year by \$0.7 million or 1.5% attributable to the following components:

- *State and local appropriations* of \$13.2 million decreased \$3.6 million or 21.4%. This relates to capital leases with the State of Indiana and the City of Indianapolis for the IMC and the remaining bonds matured in 2018.
- *Passenger facility charges (PFC) income* of \$19.0 million increased \$1.3 million or 7.1%. This increase is due to an increase in passenger numbers and ticket sales as PFC revenues are earned when tickets are sold.
- *Customer facility charges (rental cars) income* of \$7.4 million increased \$0.2 million or 2.8%. This increase is due to an increase in passenger numbers and an increased number of transactions.
- *Investment income* of \$6.1 million increased \$1.4 million or 30.7%. Increase was primarily attributable to higher earnings on securities in the Authority's investment portfolio.

Operating expenses (before depreciation) for the years ended December 31, 2018 and 2017 totaled \$81.0 million and \$73.5 million, respectively, an increase of \$7.5 million or 10.2%. The following analysis provides material operating expense changes by both operating expense class and operating expense business area.

- *Operating expenses by class* (before depreciation): Total *personal services expense* increased 9.2% or \$2.9 million to \$33.9 million attributable to annual merit increases, higher health insurance expense claims, increased full-time staff in the Tech Shop, Audit, Legal and Procurement departments and lower staff vacancies in Parking, Fire, Police and other Administrative departments. Total *contractual services expense* increased 2.1% or \$0.5 million to \$25.6 million primarily due to the new valet operator expense incurred vs. being recorded as an offset of revenue in the prior year. Total *utilities expense* of \$11.4 million increased by \$2.7 million or 31.3% primarily driven by higher sewer charges relating to glycol processing. Total *supplies expense* of \$5.2 million increased \$1.1 million or 26.2% relating to LED lighting replacement program in terminal and garage and increased snow/ice chemical due to severe winter weather in 2018. Total *materials expense* decreased by \$0.1 million or 4.5% to \$3.1 million reflecting lower communication equipment replacements and signage than in prior year. Total *general expense* of \$1.8 million increased from prior year by \$0.4 million or 31.3% primarily due to an increase in bad debt expense and higher insurance premium costs.
- *Airfield expenses* (before depreciation) of \$12.0 million increased \$2.9 million, or 32.3% from the prior year. Current year expenses include annual merit increases; increased health insurance and greater snow and ice chemical and sewage costs for glycol processing due to severe winter weather.
- *Terminal complex expenses* (before depreciation) of \$17.9 million increased \$0.6 million, or 3.6% from the prior year. Increase is attributable to annual merit increases; increased health insurance; increased full-time staff in the Tech Shop and LED lighting replacements in terminal.
- *Parking expenses* (before depreciation) of \$9.7 million increased \$1.3 million, or 15.7% from the prior year. Increase is due to annual merit increases; increased health insurance; lower staff vacancies; the new valet operator expense incurred vs. being recorded as an offset of revenue in the prior year; LED lighting replacement program in garage; drainage repairs in garage and ground transportation center and contracted snow removal fees.
- *Rented buildings and other expenses* (before depreciation) of \$2.7 increased \$0.6 million, or 26.0% from prior year. Current year reflects an increase in the environmental remediation accrual and greater on-call environmental professional fees related to compliance audits and tree removal and vegetation control.
- *Indianapolis Maintenance Center (IMC) expenses* (before depreciation) of \$7.6 million increased \$0.5 million, or 6.4%, primarily due to higher utilities; roof repairs; Central Energy Plant steam/boiler repairs; various other building repairs and greater contracted snow removal costs.
- *Reliever airports expenses* (before depreciation) of \$1.6 million decreased \$1.1 million, or 39.4% from prior year. Prior year expenses included pavement repairs; storm drain repairs; material storage building and fuel farm repairs that were not incurred in 2018.
- *Public safety expenses* (before depreciation) of \$12.0 million increased \$0.4 million, or 3.6% from prior year. Variance primarily attributable to annual merit increases; increased health insurance and lower staff vacancies in the Fire and Police departments.
- *Administration costs* (before depreciation) of \$17.5 million increased by \$2.2 million, or 14.6% from prior year. Variance the result of annual merit increases; increased health insurance; increased full-time staff in Audit, Legal and Procurement departments; lower staff vacancies in Information Technology, Communications/Marketing and Human Resource departments; an increase in professional fees related to staff augmentation in Planning and Development.

Net Nonoperating expenses for the years ended December 31, 2018 and 2017 totaled \$85.2 million and \$41.8 million, respectively, an increase of \$43.4 million or 103.7% attributable to the following components:

- *Interest expense* of \$37.9 million decreased \$0.2 million over the prior year, or 0.5%; a net effect of various increases and decreases of interest expense over the year and the amortization of principal outstanding and the corresponding reduction in interest expense.
- *Loss on disposals of capital assets and other* of \$47.3 million increased \$43.6 million over the prior year. The current year net loss is comprised of \$43.2 million loss on land sales; \$4.6 million for loss on fixed assets and offset by \$0.6 million for insurance claim reimbursements.

Capital contributions and grants of \$26.1 million increased \$17.8 million compared to prior year. Current year represents greater contributions from leased property tenant improvements and an increase in federal and state grant revenues due to timing of completion of projects and related funding received.

2017 to 2016 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, 2017 and 2016 was a decrease of \$.9 million and an increase \$10.7 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Position for 2017 and 2016.

	2017	2016	\$ Variance	% Variance
	(Table Amounts in Thousands)			
Total operating revenues	\$ 153,260	\$ 158,248	\$ (4,988)	-3.2%
Total nonoperating revenues	46,997	56,787	(9,790)	-17.2%
Total revenues	<u>200,257</u>	<u>215,035</u>	<u>(14,778)</u>	<u>-6.9%</u>
Total operating expenses	167,609	161,037	6,572	4.1%
Net nonoperating expenses	41,838	58,541	(16,703)	-28.5%
Total expenses	<u>209,447</u>	<u>219,578</u>	<u>(10,131)</u>	<u>-4.6%</u>
Loss Before Capital Contributions and Grants	(9,190)	(4,543)	(4,647)	102.3%
Capital Contributions and Grants	<u>8,326</u>	<u>15,235</u>	<u>(6,909)</u>	<u>-45.3%</u>
Increase (Decrease) in Net Position	(864)	10,692	(11,556)	-108.1%
Net Position, Beginning of Year	<u>1,059,557</u>	<u>1,048,865</u>	<u>10,692</u>	<u>1.0%</u>
Net Position, End of Year	<u>\$ 1,058,693</u>	<u>\$ 1,059,557</u>	<u>\$ (864)</u>	<u>-0.1%</u>

Operating revenue in 2017 decreased \$5.0 million, or 3.2% from prior year attributable to the following components:

- *Airfield revenue* in 2017 of \$21.7 million decreased from prior year by \$2.0 million or 8.4%. Total landed weights decreased a net 1.4% from prior year as passenger carriers increased 0.9% and cargo carriers decreased 3.7%. The 2017 Signatory landing fee rate decreased to \$1.70 from \$1.95 in 2016. The 2017 Non-signatory landing fee rate decreased to \$2.55, as compared to the 2016 rate of \$2.93.
- *Terminal complex revenues* of \$53.2 million decreased \$4.3 million or 7.4% from prior year. Airline terminal rental rates decreased in 2017 to \$98.22 per square foot compared to the prior year rate of \$114.09 per square foot. Automobile rental commissions were higher than prior year by \$0.2 million or 1.9% driven by an increase in enplaned passengers of 3.2%.
- *Parking revenues* increased from prior year by \$0.2 million or 0.4%, resulting in \$50.8 million in 2017 parking revenue. Even though enplaned passengers increased 3.2%, this was offset by product mix differences and an increase in the transportation network company (TNC) market share.
- *Revenues from rented buildings and other* of \$16.6 million increased by \$0.2 million or 1.1%. The increase is attributable to various new and renegotiated building rentals.
- *Revenues from Indianapolis Maintenance Center (IMC)* of \$8.1 million increased by \$0.9 million or 12.0%. This represents revenues due the Authority for reimbursement of eligible expenditures under the terms of the Settlement Agreement reached between the Authority and the trustee for the special facility revenue bonds the Authority had previously issued on behalf of United Airlines. The increase from prior year relates to higher hangar bay utilization.

Nonoperating revenues in 2017 of \$47.0 million decreased from prior year by \$9.8 million or 17.2% attributable to the following components:

- *State and local appropriations* of \$16.8 million decreased \$10.6 million or 38.8%. This relates to capital leases with the State of Indiana and the City of Indianapolis for the IMC and one of the related bonds matured on December 31, 2016.
- *Passenger facility charges (PFC) income* of \$17.7 million increased \$0.5 million or 3.0%. This increase is due to an increase in passenger numbers and ticket sales as PFC revenues are earned when tickets are sold.
- *Investment income* of \$4.7 million increased \$0.5 million or 11%. Increase was primarily attributable to higher earnings on securities in the Authority's investment portfolio.

Operating expenses (before depreciation) for the years ended December 31, 2017 and 2016 totaled \$73.5 million and \$67.2 million, respectively, an increase of \$6.3 million or 9.4%. The following analysis provides material operating expense changes by both operating expense class and operating expense business area.

- *Operating expenses by class* (before depreciation): Total *personal services expense* increased 10.0% or \$2.8 million to \$31.1 million attributable to annual merit increases, salary market rate adjustments and higher health insurance expense claims. Total *contractual services expense* increased 13.9% or \$3.1 million to \$25.1 million due to various strategic initiatives to maintain and preserve the Authority's assets including baggage system and pavement repairs; grounds maintenance/tree removal; LED lighting upgrades in terminal, garage and on airfields; material storage building and fuel farm repairs at reliever airports. Total *utilities expense* of \$8.7 million decreased by \$0.5 million or 5.6% primarily driven by lower sewer charges relating to glycol processing. Total *supplies expense* of \$4.1 million increased \$0.8 million or 22.8% relating to LED lighting replacement program in terminal and garage, airfield motor/garage supply parts and uniform safety upgrades. Total *materials expense* increased by \$0.4 million or 14.5% to \$3.2 million reflecting higher building materials, communication equipment replacements and signage. Total *general expense* of \$1.4 million decreased from prior year by \$0.2 million or 13.3% primarily due to the recovery of previously recognized bad debt expense in the prior year and lower insurance deductible costs.
- *Airfield expenses* (before depreciation) of \$9.1 million was flat with prior year. Current year expenses include annual merit and salary market rate adjustments and increased health insurance; higher pavement repairs, grounds maintenance, motor/garage supply parts, signage, and LED lighting replacements; offset by a decrease in professional fees related to environmental testing and audits, and lower snow & ice chemical and sewage costs for glycol processing due to milder weather.
- *Terminal complex expenses* (before depreciation) of \$17.2 million increased \$1.7 million, or 10.8% from the prior year. Increase is attributable to annual merit and salary market rate adjustments and increased health insurance; grounds maintenance; baggage system maintenance expenses; LED lighting replacements in terminal; tandem sling chairs in concourses; terminal door automatic operators; accessibility upgrades; uniform safety upgrades; and administrative office remodels.
- *Parking expenses* (before depreciation) of \$8.4 million increased \$0.5 million, or 6.1% from the prior year. Increase is due to annual merit and salary market rate adjustments and increased health insurance; grounds maintenance; LED lighting replacement program in garage; and motor/garage supply parts for buses; offset by a decrease in elevator/escalator repairs and contracted snow removal fees.
- *Rented buildings and other expenses* (before depreciation) of \$2.1 increased \$0.1 million, or 6.1% from prior year. Current year reflects an increase in grounds maintenance/tree removal costs and pavement repairs; offset by lower professional fees related to the implementation of a land use and sale program as well as insurance deductible costs for roof repairs in prior year.
- *Indianapolis Maintenance Center (IMC) expenses* (before depreciation) of \$7.1 million increased \$0.3 million, or 4.0%, primarily due to pavement repairs; grounds maintenance; Central Energy Plant chilled water system repairs; and an increase in software/hardware maintenance; offset by lower roof and door repairs than prior year.
- *Reliever airports expenses* (before depreciation) of \$2.7 million increased \$1.2 million, or 77.4% from prior year. Current year expenses included pavement repairs; storm drain repairs; LED lighting upgrades; material storage building and fuel farm repairs.

- *Public safety expenses* (before depreciation) of \$11.6 million increased \$1.0 million, or 9.0% from prior year. Variance includes annual merit and salary market rate adjustments and increased health insurance; LED lighting replacements, building and pavement repairs at both fire stations; fire and police uniform safety upgrades; and security communication equipment upgrades and replacements.
- *Administration costs* (before depreciation) of \$15.3 million increased by \$1.7 million, or 12.3% from prior year. Variance of the result of annual merit increases and increased health insurance, and an increase in professional fees related to staff augmentation.

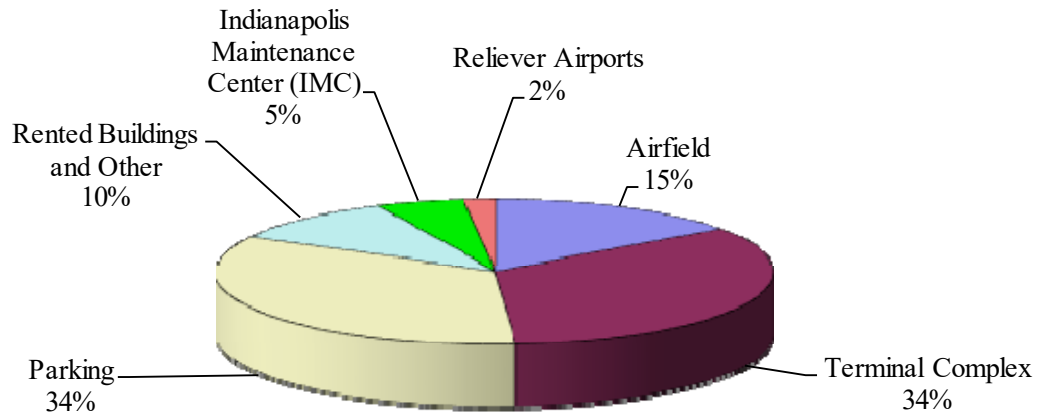
Net Nonoperating expenses for the years ended December 31, 2017 and 2016 totaled \$41.8 million and \$58.5 million, respectively, a decrease of \$16.7 million or 28.5%. The current year activity includes a decrease in interest expense and in loss on disposals of capital assets and other.

- *Interest expense* of \$38.1 million decreased \$7.7 million over the prior year, or 16.9%; a net effect of various increases and decreases of interest expense over the year. There was interest expense savings of \$3.1 million from the 2016A-1 and A-2 Bonds refunding transaction savings of \$0.3 million on pass-through debt-related interest expense, savings of \$1.8 million from lower interest costs on the 2010C Bonds, and a reduction of \$1.3 million in bond-related costs. The remaining decline is due to the amortization of principal outstanding and the corresponding reduction in interest expense.
- *Loss on disposals of capital assets and other* of \$(3.7) million decreased \$9.0 million over the prior year. The current year net loss is comprised of \$(4.2) million loss on land sales, \$(1.4) million for demolition costs on various projects, \$1.5 million insurance claim reimbursements, \$0.2 million proceeds from public auction, and \$0.2 million proceeds from a municipal derivatives settlement payment.

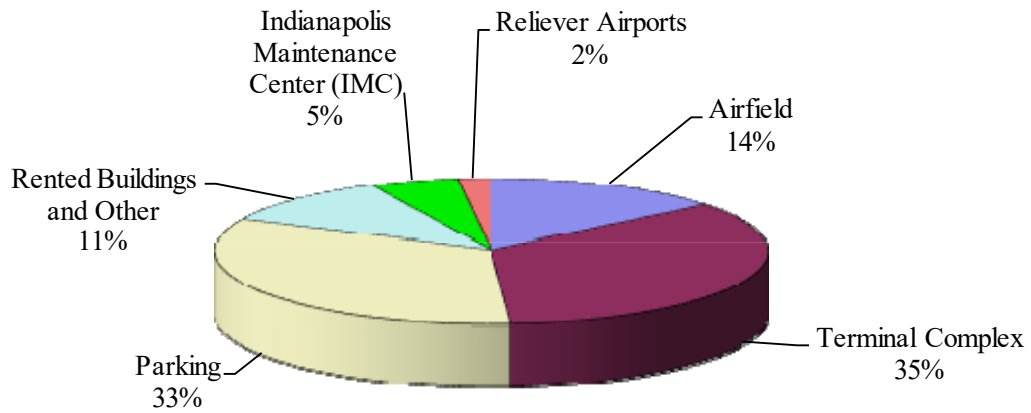
Capital contributions and grants of \$8.3 million decreased \$6.9 million compared to prior year. Current year represents lower contributions from leased property tenant improvements and a decrease in federal and state grant revenues due to timing of completion of projects and related funding received.

The following is a graphic illustration of operating revenues by source for the years ended December 31, 2018 and 2017:

Operating Revenues - 2018

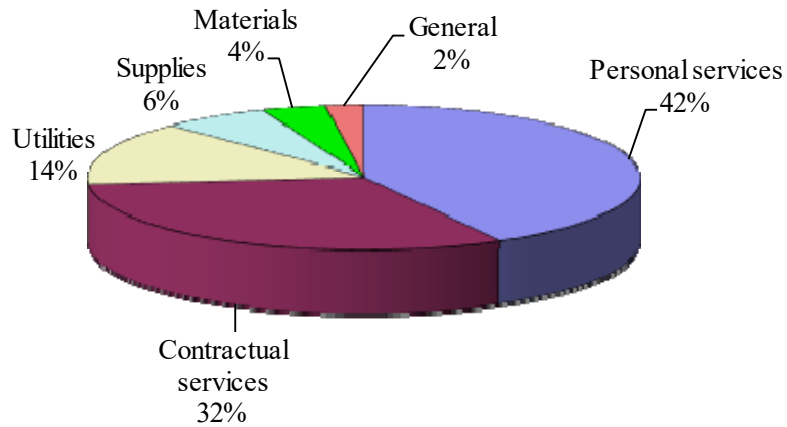


Operating Revenues - 2017

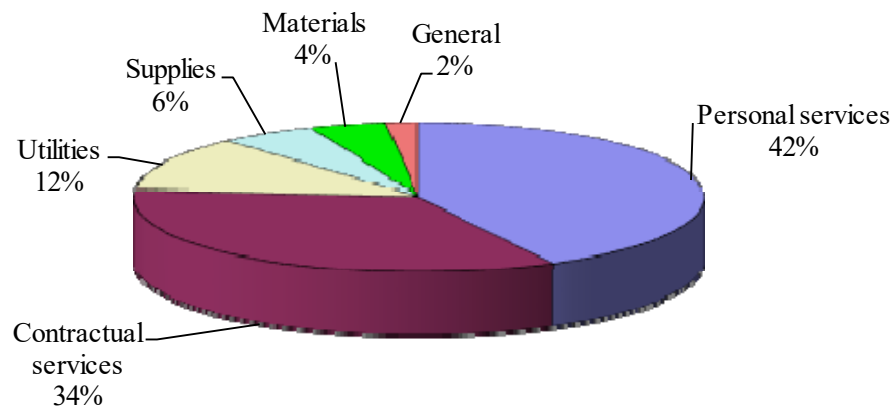


The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2018 and 2017 (excluding depreciation):

Operating Expenses (Excluding Depreciation) - 2018



Operating Expenses (Excluding Depreciation) - 2017



Capital Asset and Debt Administration

Capital Assets

During 2018, the Authority expended approximately \$103.7 million on capital assets. The capital expenditures related to multiple construction and equipment acquisition projects, the Seerley Creek Basin stormwater and deicing, parking garage maintenance, high speed exits, rehabilitate Taxiway C and LED lighting, and rehabilitate Taxiway H and lighting.

During 2018, completed projects totaling \$54.1 million were closed from construction-in-progress to their respective capital asset accounts. The more significant of these completed projects are as follows:

High Speed Exits, Taxiway C Rehabilitation & LEDs	\$15.2 million
Parking Garage Maintenance	\$11.4 million
Rehabilitation Taxiway H - H1 and H2 and Replace Lighting	\$5.2 million
Rehabilitation Airport Asphalt Lots and Roads	\$4.7 million

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

Long-Term Debt

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

The Authority's Master Bond Ordinance enables it to adopt an ordinance or resolution irrevocably designating certain revenues as Dedicated Revenues (which may include, without limitation, PFC & CFC revenues, state and/or federal grants, or other identified revenues) to be used to pay debt service on Authority revenue bonds. Note 5 of the financial statements explains the details of ordinances adopted in 2017 and 2018.

As of December 31, 2018, the Authority had \$874.6 million in outstanding senior lien bonds and \$45.8 million in outstanding subordinate securities. The Authority, through its Master Bond Ordinance, has a covenant to maintain a debt service coverage ratio of not less than 1.25 for senior lien debt. Debt service coverage is calculated based on a formula included in the Master Ordinance and the Airline Agreements. Historically, the Authority has maintained a coverage ratio higher than its requirement. During 2018 and 2017, respectively, the Authority's debt service coverage was 1.47 and 1.77 for senior lien debt.

Notes 5, 6, 7, 8 and 10 to the financial statements provide additional information regarding the Authority's debt activities.

Economic Factors

As noted earlier, IND experienced a 7.0% increase in the number of passenger enplanements over last year, resulting in total 2018 enplanements of 4,695,040. This is a record-breaking number that represents the most passenger enplanements in the history of IND. A strong economy, increased airline competition, low fuel prices, and competitive airfare pricing continue to support growth of IND's passenger traffic.

Because of this passenger growth and the strength of the Indianapolis economy, carriers continue to invest in Indianapolis. Overall, IND added over 300,000 seats to the market while airline seat miles (ASMs) increased over 14%, suggesting bigger aircrafts are flying to further destinations.

Additional capacity resulted from increased frequency on existing routes, bigger aircraft, and new routes. In total, IND launched, announced or reinstated 14 new flights in 2018. New flights were added by Allegiant, Southwest, Frontier, Spirit and Delta.

Spirit Airlines announced IND market entry at the end of 2018 and will begin operations in March 2019 with daily nonstop service to Orlando (MCO), Las Vegas (LAS) and seasonal service to Myrtle Beach (MYR) beginning in May 2019. Spirit is an Ultra Low-Cost Carrier (ULCC) with an expansive airline network. March will mark Spirit's first operations at IND and the third ULCC in the IND market.

IND is served by both major and national airlines operating at many of the domestic hubs. In addition, point-to-point service is provided to major business and leisure destinations, mainly in the Eastern and Central U.S., and improved coverage on the West coast. At year end, IND offered 50 nonstop destinations including more international and West Coast access than ever before.

As a result of the strength of the Indianapolis passenger market, Allegiant Air opened the Indianapolis airplane and crew base in Q1 2018. The original two-plane base was increased to a three-plane base in the summer. As a result of the base, Allegiant added over 500 flights out of IND, an increase of more than 41% over 2017.

Additionally, on May 24, 2018, Delta launched Indiana's first scheduled transatlantic flight from IND airport to Paris - Charles De Gaulle (CDG). The new nonstop has an estimated \$50 million annual impact on Indiana's economy. Nonstop service to CDG is year-round, with daily frequency in the summer and reduced frequency in the heavy winter months.

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 allows the airport to maintain high cargo landed weight levels.

Looking Forward

At the end of 2018, the IAA staff completed the five-year Air Service Strategy. In Q4, the strategy was presented to and approved by the Air Service Task Force Executive Committee. The Committee includes representatives from IEDC, Visit Indy and the Indy Chamber. The strategy considers a myriad of factors including passenger demand, costs, airline strategy, industry trends, local and global economies amongst others.

The strategy identifies two-year and five-year targets including both domestic and international markets as well as domestic and international airlines. Short term market goals include Mexico, Canada, West Coast U.S. markets, short haul drive markets and domestic airlines. Long term markets include Asia, Europe and international airlines. The strategy outlines opportunities of implementation with emphasis on data collection and airline engagement. Action items include working with local partners to continue market research, visiting airline headquarters, hosting airlines in Indianapolis, and attending and hosting networking planning conferences.

The world's most prominent network planning conference, Routes Americas, recently selected Indianapolis as the host of the February 2020 conference after a highly competitive bid process. Routes Americas will bring 1,000+ airport and airline decision makers to Indianapolis, providing unparalleled exposure of Central Indiana to key airline decision makers. The successful bid for Routes Americas 2020 is one example of the elevated and focused approach by which IAA aims to execute the five-year strategy. In addition to bringing air service influencers to Indy in 2020 through Routes Americas, there are approximately 14 different major sporting events that will occur in Indiana over the next 5 years providing great opportunity to host airline decision makers in Indianapolis.

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

Future passenger traffic may be impacted by the following:

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

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

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

Indianapolis Airport Authority

Statements of Net Position

December 31, 2018 and 2017

	2018	2017
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 21,102,629	\$ 15,879,279
Accounts receivable, net of allowance of \$152,000 and \$79,000, respectively	2,631,406	3,303,001
Unbilled revenues	3,047,016	4,129,580
Grants receivable	2,154,206	-
Supplies and materials inventories	2,152,097	1,734,328
Other	1,493,001	1,960,258
Total unrestricted current assets	32,580,355	27,006,446
Restricted Assets		
Cash and cash equivalents	43,020,128	42,577,741
Cash and cash equivalents - customer deposits	748,633	738,585
Receivable - passenger facility charges	1,113,813	1,949,993
Receivable - governments and other	174,085	3,745,292
Receivable - reimbursable IMC expenses	3,159,946	1,066,155
Total restricted current assets	48,216,605	50,077,766
Total current assets	80,796,960	77,084,212
Noncurrent Assets		
Cash and cash equivalents, restricted	73,783,357	74,482,934
Investment securities, unrestricted	48,335,166	47,357,550
Investment securities, restricted	87,747,811	104,837,509
Rent receivable	820,600	920,361
Derivative instruments - forward delivery purchase agreements	11,162,567	14,593,303
Nondepreciable capital assets	321,013,560	307,066,829
Depreciable capital assets, net	1,413,695,793	1,450,652,003
Total noncurrent assets	1,956,558,854	1,999,910,489
Total assets	2,037,355,814	2,076,994,701
Deferred Outflows of Resources		
Deferred loss on refunding of debt	24,787,991	27,186,832
Accumulated decrease in fair value of hedging derivatives	6,647,496	19,009,027
Total deferred outflows of resources	31,435,487	46,195,859
Total assets and deferred outflows of resources	\$ 2,068,791,301	\$ 2,123,190,560

	2018	2017
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	\$ 7,294,510	\$ 5,535,360
Accrued and withheld items (including compensated absences)	6,795,924	5,707,045
Grants payable	-	800,322
Total current liabilities payable from unrestricted assets	<u>14,090,434</u>	<u>12,042,727</u>
Payable From Restricted Assets		
Accounts payable	21,161,447	9,728,508
Customer deposits payable	749,633	739,585
Current portion of debt	31,045,000	66,623,442
Accrued interest on debt	13,561,596	14,063,395
Total current liabilities payable from restricted assets	<u>66,517,676</u>	<u>91,154,930</u>
Total current liabilities	<u>80,608,110</u>	<u>103,197,657</u>
Noncurrent Liabilities		
Derivative instruments - interest rate swap agreements	54,291,244	66,652,775
Bonds payable and other debt, payable from restricted assets	889,356,922	880,054,408
Total noncurrent liabilities	<u>943,648,166</u>	<u>946,707,183</u>
Total liabilities	<u>1,024,256,276</u>	<u>1,049,904,840</u>
Deferred Inflows of Resources		
Accumulated increase in fair value of hedging derivatives	<u>11,162,567</u>	<u>14,593,303</u>
Net Position		
Net investment in capital assets	<u>825,210,435</u>	<u>835,365,921</u>
Restricted for		
Capital projects	70,631,302	77,711,116
Debt service	66,769,075	81,222,279
Other	3,115,959	1,151,471
Total restricted net position	<u>140,516,336</u>	<u>160,084,866</u>
Unrestricted	<u>67,645,687</u>	<u>63,241,630</u>
Total net position	<u>1,033,372,458</u>	<u>1,058,692,417</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,068,791,301</u>	<u>\$ 2,123,190,560</u>

Indianapolis Airport Authority

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Airfield	\$ 24,287,898	\$ 21,745,673
Terminal complex	54,137,541	53,182,950
Parking	54,550,555	50,775,972
Rented buildings and other	16,522,830	16,567,445
Indianapolis Maintenance Center (IMC)	8,239,177	8,067,899
Reliever airports	2,934,461	2,919,794
Total operating revenues	<u>160,672,462</u>	<u>153,259,733</u>
Operating Expenses		
Personal services	33,910,211	31,055,972
Contractual services	25,620,353	25,086,231
Utilities	11,448,531	8,722,246
Supplies	5,180,710	4,104,131
Materials	3,052,886	3,196,458
General	1,797,054	1,369,000
Total operating expenses	<u>81,009,745</u>	<u>73,534,038</u>
Income From Operations Before Depreciation	79,662,717	79,725,695
Depreciation expense	<u>92,196,205</u>	<u>94,074,607</u>
Loss From Operations	<u>(12,533,488)</u>	<u>(14,348,912)</u>
Nonoperating Revenues (Expenses)		
State and local appropriations	13,162,521	16,751,310
Federal operating grants	598,580	595,315
Passenger facility charges	19,014,107	17,753,293
Customer facility charges (rental cars)	7,421,524	7,218,100
Investment income	6,115,216	4,678,810
Interest expense, net of \$0 and \$329,919 interest capitalized in 2018 and 2017, respectively	(37,949,911)	(38,137,899)
Loss on disposals of capital assets and other	(47,254,775)	(3,699,660)
	<u>(38,892,738)</u>	<u>5,159,269</u>
Decrease in Net Position Before Capital Contributions and Grants	<u>(51,426,226)</u>	<u>(9,189,643)</u>
Capital Contributions and Grants		
Federal, state and local grants	21,751,594	6,206,260
Contributions from lessees and other	4,354,673	2,120,100
	<u>26,106,267</u>	<u>8,326,360</u>
Increase (Decrease) in Net Position	(25,319,959)	(863,283)
Net Position, Beginning of Year	<u>1,058,692,417</u>	<u>1,059,555,700</u>
Net Position, End of Year	<u>\$ 1,033,372,458</u>	<u>\$ 1,058,692,417</u>

Indianapolis Airport Authority
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Cash receipts from customers and users	\$ 161,457,455	\$ 155,793,971
Cash payments to vendors for goods and services	(45,412,063)	(42,184,498)
Cash payments for employees services	(33,836,007)	(30,518,728)
Net cash provided by operating activities	<u>82,209,385</u>	<u>83,090,745</u>
Cash Flows From Noncapital Financing Activities		
Operating grants received	525,098	592,785
Customer facility charges received	7,421,524	7,218,100
Insurance recoveries	590,406	224,537
Net cash provided by noncapital financing activities	<u>8,537,028</u>	<u>8,035,422</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of subordinate note	45,840,000	-
Principal paid on bonds	(53,895,000)	(34,845,000)
Bond issue costs paid	(119,180)	(282,869)
Interest paid	(40,905,280)	(40,911,029)
Acquisition and construction of capital assets	(99,714,931)	(34,643,185)
Demolition costs related to capital assets	(540)	(364,634)
Proceeds from sale of capital assets	1,971,586	4,348,834
Passenger facility charges received	19,850,287	17,552,735
Capital grants received	18,870,548	10,136,361
Net cash used in capital and related financing activities	<u>(108,102,510)</u>	<u>(79,008,787)</u>
Cash Flows From Investing Activities		
Purchase of investment securities	(236,886,581)	(334,758,662)
Proceeds from sales and maturities of investment securities	255,939,500	321,318,000
Interest received on investments and cash equivalents	3,279,386	2,628,383
Net cash provided by (used in) investing activities	<u>22,332,305</u>	<u>(10,812,279)</u>
Net Increase in Cash and Cash Equivalents	4,976,208	1,305,101
Cash and Cash Equivalents, Beginning of Year	<u>133,678,539</u>	<u>132,373,438</u>
Cash and Cash Equivalents, End of Year	<u>\$ 138,654,747</u>	<u>\$ 133,678,539</u>

Indianapolis Airport Authority
Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities		
Loss from operations	\$ (12,533,488)	\$ (14,348,912)
Item not requiring cash		
Depreciation of capital assets	92,196,205	94,074,607
Change in assets and liabilities		
Accounts receivable and unbilled revenues	784,993	2,534,238
Supplies and materials inventories	(417,769)	(218,270)
Other assets	467,257	(184,388)
Accounts payable	1,637,983	696,226
Accrued and withheld items	74,204	537,244
Net cash provided by operating activities	\$ 82,209,385	\$ 83,090,745
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	\$ 20,887,937	\$ 4,852,511
Capital assets contributed by lessees and other governments	4,354,673	2,120,100
State and local appropriations used to fund capital lease obligations and interest	3,900,138	17,062,403

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Reporting Entity

The definition of the reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, is based primarily on the concept of financial accountability. Although the Mayor appoints a voting majority of the Authority's governing body, neither of the other two tests of financial accountability are met. Unigov is unable to impose its will on the Authority. Also, the Authority does not impose a financial burden or provide a financial benefit to Unigov. Careful review of these criteria, therefore, has resulted in the conclusion that the Authority is a separate reporting entity and is not a component of Unigov or any other government.

Basis of Accounting and Financial Reporting

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

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2018 and 2017

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, 2018 and 2017, cash equivalents consisted primarily of money market accounts with brokers.

Investment Securities

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

Investment income consists of interest and dividend income.

Unbilled Revenues

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

Inventories

Inventories consist of parts, supplies and materials. Inventories are stated 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, 2018 and 2017

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

Interest incurred during construction periods prior to December 31, 2017, was capitalized and included in the cost of property and equipment. Effective January 1, 2018, the Authority implemented the provisions of GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. In accordance with this Statement, the Authority recognized all interest costs incurred before the end of the construction period as an expense in the period in which the cost was incurred. GASB Statement No. 89 was implemented prospectively and had no effect on the prior period financial statements.

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 of Resources

The Authority reports increases in net position that related to future periods as deferred outflows of resources in a separate section of its statements of net position.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

Deferred Inflows of Resources

The Authority reports decreases in net position that related to future periods as deferred inflows of resources in a separate section of its statements of net position.

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 No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state and local appropriations, 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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

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

Revenue and Expense and Net Position Recognition

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

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

Passenger Facility Charges

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

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

PFC's, which are recognized as earned, are included in nonoperating revenues and amounted to \$19,014,107 and \$17,753,293 for 2018 and 2017, respectively.

Customer Facility Charges (Rental Cars)

The Authority collects a customer facility charge (CFC) from all rental car concessionaires that operate facilities on the airport. The CFC, which started in 2007, was \$3.00 per rental car transaction per day, up to 14 days. The Authority increased this charge to \$4.00 per transaction in May 2010. 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 \$7,421,524 and \$7,218,100 for 2018 and 2017, respectively.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2018 and 2017

Rental Income

All leases wherein the Authority is the lessor are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms. The Authority has some leases which provide for waived rent during the initial period of the lease term and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, the related rental income for leases in which the rental income stream is not systematic, if significant, is reported using the straight-line method rather than using the terms of the lease agreements. Accordingly, the Authority has recorded a receivable of \$820,600 and \$920,361 at December 31, 2018 and 2017, respectively. The current receivable will be recognized in full in 2034.

Income Taxes

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

Note 2: Cash, Cash Equivalents and Investment Securities

Deposits

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

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

Investments

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

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

At December 31, 2018 and 2017, the Authority had the following investment securities and maturities:

	Rating	Total	December 31, 2018	
			Less Than 1 Year	1 - 5 Years
U.S. Treasury Security Notes	AA+/Aa1	\$ 141,578,174	\$ 64,918,927	\$ 76,659,247
U.S. Treasury Security Bills	A-1+/P-1	3,669,227	3,669,227	-
Indiana municipal securities	AAA/Aaa	100,258	100,258	-
	AA+/Aa1	1,991,629	1,888,483	103,146
	AA/Aa2	709,416	501,830	207,586
	AA-/Aa3	301,638	301,638	-
Total Indiana municipal securities		3,102,941	2,792,209	310,732
Money market mutual funds	AAA/Aaa	75,316,834	75,316,834	-
	Not Rated	33,370,240	33,370,240	-
Total money market mutual funds		108,687,074	108,687,074	-
External investment pools	Not Rated	52,173	52,173	-
		<u>\$ 257,089,589</u>	<u>\$ 180,119,610</u>	<u>\$ 76,969,979</u>
			December 31, 2017	
	Rating	Total	Less Than 1 Year	1 - 5 Years
U.S. Treasury Security Notes	AA+/Aa1	\$ 130,797,979	\$ 49,445,583	\$ 81,352,396
U.S. Treasury Security Bills	A-1+/P-1	15,800,336	15,800,336	-
U.S. Government-sponsored enterprise securities				
Federal National Mortgage Association	AA+/Aa1	5,475,398	5,475,398	-
Federal Home Loan Mortgage Corporation	AA+/Aa1	1,348,839	1,348,839	-
Total U.S. Government- sponsored enterprise securities		6,824,237	6,824,237	-
Indiana municipal securities	AAA/Aaa	1,402,146	1,298,364	103,782
	AA+/Aa1	9,818,150	7,775,319	2,042,831
	AA/Aa2	1,893,382	1,168,292	725,090
	AA-/Aa3	559,382	251,240	308,142
	A+/A1	165,045	165,045	-
	A/A2	300,801	300,801	-
	BBB	511,586	511,586	-
Total Indiana municipal securities		14,650,492	11,470,647	3,179,845
Money market mutual funds	AAA/Aaa	84,240,286	84,240,286	-
	Not Rated	21,173,715	21,173,715	-
Total money market mutual funds		105,414,001	105,414,001	-
External investment pools	Not Rated	51,212	51,212	-
		<u>\$ 273,538,257</u>	<u>\$ 189,006,016</u>	<u>\$ 84,532,241</u>

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority is limited to investing in municipal securities of Indiana issuers that have not defaulted within the previous 20 years and other securities with a stated maturity of not more than five years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Authority’s investment policy for interest rate risk requires compliance with the provisions of Indiana statutes. The money market mutual funds and external investment pools are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority’s investment policy for credit risk requires compliance with the provisions of Indiana statutes, and Indiana Code Section 5-13-9-2.5 requires that the Authority only invest in money market mutual funds that are rated AAAm by Standard and Poor’s or Aaa by Moody’s Investors Service. Other securities, including municipal securities, may be rated lower than AAAm/Aaa or may be unrated. The Authority’s investment policy restricts investments in unrated or below investment grade Indiana municipal securities to five percent of its total investment portfolio.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2018 and 2017, the Authority’s investments were not exposed to custodial credit risk. The Authority’s investments in Indiana municipal securities and U.S. agency obligations are held by the pledging financial institution’s trust department or agent in the Authority’s name. Likewise, investments in repurchase agreements (which are secured by U.S. Government and U.S. Government agency obligations) are not subject to custodial credit risk as the underlying collateral was held in the Authority’s name. The existence of the Authority’s investment in money market mutual funds and external investment pools is not evidenced by securities that exist in physical or book entry form. The Authority’s investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

Concentration of Credit Risk - The Authority places the following limits on the amount that may be invested in any one issuer: (1) no more than 50% of total investments with any one governmental agency; (2) no more than 25% in any one money market mutual fund, investment pool or certificate of deposit; and (3) no more than 15% with any one Indiana municipal issuer. No single issuer of the Indiana municipal securities in which the Authority has invested exceeded 5% of total investments. The following governmental agency investments held by the Authority are not explicitly guaranteed by the U.S. Government and are subject to concentration of credit risk:

	2018	2017
Federal National Mortgage Association	\$ -	\$ 5,475,398
Freddie Mac	-	1,348,839
	\$ -	\$ 6,824,237

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2018 and 2017

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.

Summary of Carrying Values

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

	2018	2017
Cash and cash equivalents		
Current - unrestricted	\$ 21,102,629	\$ 15,879,279
Current - restricted	43,768,761	43,316,326
Noncurrent - restricted	73,783,357	74,482,934
Total cash and cash equivalents	<u>138,654,747</u>	<u>133,678,539</u>
Investment securities		
Noncurrent - unrestricted	48,335,166	47,357,550
Noncurrent - restricted	87,747,811	104,837,509
Total investment securities	<u>136,082,977</u>	<u>152,195,059</u>
	<u>\$ 274,737,724</u>	<u>\$ 285,873,598</u>

The carrying value of deposits and investments are as follows:

	2018	2017
Carrying value		
Deposits	\$ 17,648,135	\$ 12,335,341
Investments	257,089,589	273,538,257
	<u>\$ 274,737,724</u>	<u>\$ 285,873,598</u>

Investment Income

Investment income for the years ended December 31, 2018 and 2017 consisted of:

	2018	2017
Interest and dividend income	<u>\$ 6,115,216</u>	<u>\$ 4,678,810</u>

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

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

	<u>2018</u>	<u>2017</u>
Revenue Bond Interest and Principal Fund	\$ 46,664,644	\$ 58,171,808
Revenue Bond Reserve Fund	54,646,698	54,145,329
Operation and Maintenance Reserve Fund	13,529,686	13,348,743
Renewal and Replacement Fund	2,724,513	2,840,566
Capital Improvement Fund	53,482,793	62,798,947
Passenger Facility Charge Fund	16,034,696	12,962,176
Debt Service Coverage Fund	17,211,818	17,179,265
Subordinate Securities Fund	25,925	-
Customer deposits	748,633	738,585
Air Service Task Force and other	230,523	451,350
	<u>\$ 205,299,929</u>	<u>\$ 222,636,769</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.

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

Indianapolis Airport Authority

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Funds not used for these purposes are transferred into a Prepaid Airline Revenue Fund. Balances included in the Airport System Fund and Prepaid Airline Revenue Fund are classified in current unrestricted assets in the accompanying statements of net position.

The Authority has established a Customer Facility Charge Fund, which provides for a segregated account for receipt of CFC revenue. Such revenue is expended for reimbursement of capital and operating expenditures related to rental car operations on airport property, as well as to service debt associated with the financing of such capital projects. Balances in the CFC Fund are classified in current unrestricted assets in the accompanying statements of net position.

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

Note 3: Grants Receivable (Payable)

Grants receivable from government agencies represent reimbursements due from the federal government and/or the State of Indiana for allowable costs incurred on federal and state award programs. Grants receivable (payable) at December 31, 2018 and 2017 consist of:

	<u>2018</u>	<u>2017</u>
State of Indiana	\$ 113,539	\$ 46,856
Federal Aviation Administration	1,868,305	(946,058)
U.S. Department of Homeland Security	<u>172,362</u>	<u>98,880</u>
	<u>\$ 2,154,206</u>	<u>\$ (800,322)</u>

The maximum amount of federal and state participation available for 2018 totaled \$59,507,846. At December 31, 2018, a cumulative total of \$35,102,941 has been received on these grant commitments.

Indianapolis Airport Authority

Notes to Financial Statements

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Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2018 and 2017 is as follows:

	Beginning Balance	Transfers and Additions	Transfers and Disposals	Ending Balance
December 31, 2018				
Capital assets, not being depreciated:				
Land	\$ 281,413,319	\$ 6,044,334	\$ (44,604,987)	\$ 242,852,666
Construction in progress	25,653,510	111,389,390	(58,882,006)	78,160,894
Total capital assets, not being depreciated	<u>307,066,829</u>	<u>117,433,724</u>	<u>(103,486,993)</u>	<u>321,013,560</u>
Capital assets, being depreciated:				
Buildings	1,646,056,822	17,887,914	(4,529,819)	1,659,414,917
Runways and other airport infrastructure	1,018,402,081	33,453,452	(7,100,732)	1,044,754,801
Equipment, furniture and fixtures and other	248,475,869	9,707,102	(1,397,373)	256,785,598
Total capital assets, being depreciated	<u>2,912,934,772</u>	<u>61,048,468</u>	<u>(13,027,924)</u>	<u>2,960,955,316</u>
Less accumulated depreciation for:				
Buildings	(664,607,417)	(47,879,521)	2,626,979	(709,859,959)
Runways and other airport infrastructure	(609,314,240)	(34,378,567)	3,216,986	(640,475,821)
Equipment, furniture and fixtures and other	(188,361,112)	(9,938,117)	1,375,486	(196,923,743)
Total accumulated depreciation	<u>(1,462,282,769)</u>	<u>(92,196,205)</u>	<u>7,219,451</u>	<u>(1,547,259,523)</u>
Total capital assets, being depreciated, net	<u>1,450,652,003</u>	<u>(31,147,737)</u>	<u>(5,808,473)</u>	<u>1,413,695,793</u>
Capital assets, net	<u>\$ 1,757,718,832</u>	<u>\$ 86,285,987</u>	<u>\$ (109,295,466)</u>	<u>\$ 1,734,709,353</u>
December 31, 2017				
Capital assets, not being depreciated:				
Land	\$ 286,717,378	\$ 231,922	\$ (5,535,981)	\$ 281,413,319
Construction in progress	29,860,962	38,020,802	(42,228,254)	25,653,510
Total capital assets, not being depreciated	<u>316,578,340</u>	<u>38,252,724</u>	<u>(47,764,235)</u>	<u>307,066,829</u>
Capital assets, being depreciated:				
Buildings	1,632,425,477	13,853,035	(221,690)	1,646,056,822
Runways and other airport infrastructure	1,001,910,236	17,569,825	(1,077,980)	1,018,402,081
Equipment, furniture and fixtures and other	246,585,219	9,679,775	(7,789,125)	248,475,869
Total capital assets, being depreciated	<u>2,880,920,932</u>	<u>41,102,635</u>	<u>(9,088,795)</u>	<u>2,912,934,772</u>
Less accumulated depreciation for:				
Buildings	(614,836,285)	(49,925,693)	154,561	(664,607,417)
Runways and other airport infrastructure	(575,665,863)	(33,829,354)	180,977	(609,314,240)
Equipment, furniture and fixtures and other	(185,797,030)	(10,319,560)	7,755,478	(188,361,112)
Total accumulated depreciation	<u>(1,376,299,178)</u>	<u>(94,074,607)</u>	<u>8,091,016</u>	<u>(1,462,282,769)</u>
Total capital assets, being depreciated, net	<u>1,504,621,754</u>	<u>(52,971,972)</u>	<u>(997,779)</u>	<u>1,450,652,003</u>
Capital assets, net	<u>\$ 1,821,200,094</u>	<u>\$ (14,719,248)</u>	<u>\$ (48,762,014)</u>	<u>\$ 1,757,718,832</u>

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Notes to Financial Statements

December 31, 2018 and 2017

Note 5: Bonds Payable and Other Debt

Bonds and other debt outstanding at December 31, 2018 and 2017 consist of:

	2018	2017
Revenue Bonds, Series 2016A-1		
Serial bonds, maturing January 1, 2019 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	\$ 130,655,000	\$ 146,105,000
Unamortized premium	13,313,469	15,817,987
	<u>143,968,469</u>	<u>161,922,987</u>
Revenue Bonds, Series 2016A-2		
Serial bonds, maturing January 1, 2019 to January 1, 2023 in payments from \$2,260,000 to \$3,370,000. Interest at 1.651% to 2.561%, due semiannually on January 1 and July 1	15,325,000	18,450,000
Term bonds, maturing January 1, 2024 to January 1, 2027 in payments from \$85,000 to \$95,000. Interest is fixed at 3.195%, due semiannually on January 1 and July 1	365,000	365,000
Term bonds, maturing January 1, 2035 and January 1, 2036 in payments of \$1,520,000 and \$1,615,000, respectively. Interest is fixed at 3.894%, due semiannually on January 1 and July 1	3,135,000	3,135,000
	<u>18,825,000</u>	<u>21,950,000</u>
Revenue Bonds, Series 2015A		
Serial bonds, maturing January 1, 2023 to January 1, 2033 in payments from \$6,770,000 to \$19,875,000. Interest at 4.00% to 5.00%, due semiannually on January 1 and July 1	178,690,000	178,690,000
Unamortized premium	15,189,854	16,761,115
	<u>193,879,854</u>	<u>195,451,115</u>
Revenue Bonds, Series 2014A		
Serial bonds, maturing January 1, 2020 to January 1, 2034 in payments from \$6,205,000 to \$17,075,000. Interest at 4.00% to 5.00%, due semiannually on January 1 and July 1	163,850,000	163,850,000
Unamortized premium	13,334,746	14,772,570
	<u>177,184,746</u>	<u>178,622,570</u>
Revenue Bonds, Series 2013A		
Term bonds, maturing July 1, 2018. Interest is fixed at 1.800%, due semiannually on January 1 and July 1	-	11,240,000
	<u>-</u>	<u>11,240,000</u>
Revenue Bonds, Series 2013B		
Term bonds, maturing July 1, 2018. Interest is fixed at 1.610%, due semiannually on January 1 and July 1	-	9,825,000
	<u>-</u>	<u>9,825,000</u>

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Notes to Financial Statements

December 31, 2018 and 2017

(Continued)

	2018	2017
Revenue Bonds, Series 2012A		
Term bonds, maturing July 1, 2019. Interest is fixed at 1.253%, due semiannually on January 1 and July 1	\$ 5,370,000	\$ 13,500,000
Unamortized discount	(770)	(9,753)
	5,369,230	13,490,247
Revenue Bonds, Series 2010C		
Term bonds, maturing January 1, 2033, 2036 and 2037. Interest is variable (75% of the one-month LIBOR plus 0.620% (2.497%) at December 31, 2018), due monthly on the first business day	314,600,000	320,030,000
Revenue Bonds, Series 2010A		
Serial bonds, maturing January 1, 2019 to January 1, 2027 in payments from \$725,000 to \$1,005,000. Interest at 4.00% to 4.50%, due semiannually on January 1 and July 1	7,710,000	8,405,000
Term bonds, maturing January 1, 2030 and 2037. Interest at 4.75% and 5.00%, respectively, due semiannually on January 1 and July 1	13,155,000	13,155,000
	20,865,000	21,560,000
Unamortized discount	(130,377)	(142,511)
	20,734,623	21,417,489
Total revenue bonds	874,561,922	933,949,408
Other debt		
Subordinate Securities, Series 2018A		
Principal due March 1, 2023 in an amount not to exceed \$175,000,000. Interest is variable at the highest of (a) the Prime Rate in effect at such time plus 1.00%; (b) the Federal Funds Rate in effect at such time plus 2.00%; (c) and 7.00%, due monthly	45,840,000	-
Obligations under capital lease	-	12,728,442
	45,840,000	12,728,442
Total bonds payable and other debt	920,401,922	946,677,850
Current portion	(31,045,000)	(66,623,442)
Long-term portion	\$ 889,356,922	\$ 880,054,408

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Notes to Financial Statements

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Revenue Bonds

The Authority's Series 2010A, 2014A, 2015A, 2016A-1 and 2016A-2 Revenue Bonds are subject to optional redemption by the Authority at various dates in the future. The 2010C Revenue Bonds are subject to optional redemption by the Authority upon notification of the bondholders.

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

The Series 2010C Revenue Bonds, maturing January 1, 2033, 2036 and 2037, are subject to redemption from mandatory sinking fund payments during 2019 to 2037.

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

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.

2018A Subordinate Securities

In March 2018, the Authority issued the Indianapolis Airport Authority Subordinate Securities, Series 2018A (2018A Subordinate Securities) in an amount not to exceed \$175,000,000. The 2018A Subordinate Securities will be used to fund the Authority's stormwater enhancement and baggage system modification projects. In conjunction with the issuance of the 2018A Subordinate Securities, the Authority covenants that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it may legally do so, revise the same as may be necessary or appropriate, in order that upon measurement in each year, the net revenues, together with moneys in the Coverage Fund, will at all times be at least sufficient to equal an amount not less than one hundred ten percent (110%) of the sum of the Debt Service Requirement plus the Subordinate Securities Debt Service Requirement for such year.

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 2018 and 2017 was approximately \$17.1 million and \$20.7 million, respectively. The customer facility charge revenue designation was \$6.0 million for 2018 and 2017.

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Notes to Financial Statements

December 31, 2018 and 2017

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

Debt Service Requirements

Debt service requirements to maturity for all debt of the Authority, excluding any unamortized discount or premium and its capital lease agreements, are as follows at December 31, 2018:

Years Ending December 31	Revenue Bonds		Subordinate Securities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 31,045,000	\$ 31,697,464	\$ -	\$ 1,492,183	\$ 64,234,647
2020	33,075,000	30,736,700	-	1,492,183	65,303,883
2021	34,645,000	29,729,743	-	1,492,183	65,866,926
2022	36,300,000	28,530,063	-	1,492,183	66,322,246
2023	37,520,000	27,332,885	45,840,000	241,201	110,934,086
2024 - 2028	252,880,000	107,491,091	-	-	360,371,091
2029 - 2033	319,340,000	48,453,774	-	-	367,793,774
2034 - 2037	88,050,000	3,882,186	-	-	91,932,186
	<u>\$ 832,855,000</u>	<u>\$ 307,853,906</u>	<u>\$ 45,840,000</u>	<u>\$ 6,209,933</u>	<u>\$ 1,192,758,839</u>

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2018 and 2017:

	Beginning Balance	2018		Ending Balance	Current Portion
		Additions	Deductions		
Long-term obligations					
Revenue bonds payable	\$ 886,750,000	\$ -	\$ (53,895,000)	\$ 832,855,000	\$ 31,045,000
Bond (discounts)/premium	47,199,408	-	(5,492,486)	41,706,922	-
Total revenue bonds payable	933,949,408	-	(59,387,486)	874,561,922	31,045,000
Subordinate securities	-	45,840,000	-	45,840,000	-
Obligations under capital lease	12,728,442	-	(12,728,442)	-	-
Total long-term obligations	<u>\$ 946,677,850</u>	<u>\$ 45,840,000</u>	<u>\$ (72,115,928)</u>	<u>\$ 920,401,922</u>	<u>\$ 31,045,000</u>

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	Beginning Balance	2017		Ending Balance	Current Portion
		Additions	Deductions		
Long-term obligations					
Revenue bonds payable	\$ 921,595,000	\$ -	\$ (34,845,000)	\$ 886,750,000	\$ 53,895,000
Bond (discounts)/premium	52,928,714	-	(5,729,306)	47,199,408	-
Total revenue bonds payable	974,523,714	-	(40,574,306)	933,949,408	53,895,000
Obligations under capital lease	28,696,082	-	(15,967,640)	12,728,442	12,728,442
Total long-term obligations	\$ 1,003,219,796	\$ -	\$ (56,541,946)	\$ 946,677,850	\$ 66,623,442

On March 28, 2019, the Authority entered into a loan with the Indiana State Revolving Loan Fund (“SRF”), the source of which is a subsidized direct loan from the SRF Clean Water Program in the amount of \$30.0 million. The proceeds of this transaction are to fund specific components of the stormwater enhancement project. Of the \$45.8 million 2018A Subordinate Securities outstanding as of December 31, 2018, there was approximately \$10.8 million refunded by the SRF loan.

Note 6: Special Facility Revenue Bonds

To provide for the construction of the Indianapolis Maintenance Center (IMC) (formerly leased to United Air Lines, Inc.), the Authority issued special facility revenue bonds (conduit debt obligations). These bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of lease rentals to be received by the Authority. The bonds do not constitute a debt or pledge of the faith and credit of the Authority, the County, the City or the State and are, therefore, not reported in the accompanying financial statements. At December 31, 2018, the Special Facility Revenue Bonds, Series 1995 (Indianapolis Maintenance Center), outstanding were \$165,988,327.

Note 7: Derivative Financial Instruments

Forward Delivery Purchase Agreements - Hedging Derivative Instruments

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

Indianapolis Airport Authority

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

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

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

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

Debt Service Fund	Date of Agreement	Termination Date	Scheduled Reserve Amount	Guaranteed Rate	Fair Value at December 31, 2018	Fair Value at December 31, 2017
Series 2014A	December 1, 2004	December 30, 2033	\$ 16,534,000	4.962%	\$ 2,851,440	\$ 4,498,712
Series 2015A	December 28, 2005	December 31, 2032	15,000,000	4.820%	4,820,915	3,822,394
Series 2016A	August 1, 2006	January 1, 2036	17,321,400	5.311%	3,490,212	6,272,197
					<u>\$ 11,162,567</u>	<u>\$ 14,593,303</u>

The forward delivery agreement associated with the Series 2004A Debt Service Reserve Fund was amended when the 2004A Bonds were refunded by the 2014A Bonds. The amended agreement now provides for the delivery of the securities into debt service reserve fund of the 2014A Bonds.

The forward delivery agreement associated with the Series 2005A Debt Service Reserve Fund was amended when the 2005A Bonds were refunded by the 2015A Bonds. The amended agreement now provides for the delivery of the securities into debt service reserve fund of the 2015A Bonds. The notional amount associated with the Series 2005A Debt Service Fund Agreement was reduced by \$4,532,425 during 2015, the result of the refunding with the 2015A Bonds.

The forward delivery agreement associated with the Series 2006A Debt Service Reserve Fund was amended when the 2006A Bonds were refunded by the 2016A-1 and 2016A-2 Bonds. The amended agreement now provides for the delivery of the securities into the debt service reserve funds of the 2016A-1 and 2016A-2 Bonds.

Fair Value - The fair values of the Forward Delivery Agreements are based on the value of the future discounted cash flows expected to be received over the life of the agreement relative to an estimate of discounted cash flows that could be received over the same term based on current market conditions. The fair values of the Forward Delivery Agreements are classified as a noncurrent asset on the statements of net position as of December 31, 2018 and 2017. As the Forward Delivery Agreements are effective hedging instruments, the changes in fair value of the Forward Delivery Agreements of \$(3,430,736) and \$(579,058) for the years ended December 31, 2018 and 2017, respectively, are shown as an adjustment to the carrying amount of the related deferred inflows of resources on the statements of net position.

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

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

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

Interest Rate Swap Agreements - Hedging Derivative Instruments

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

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.

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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, 2018	Fair Value at December 31, 2017
\$ 103,900,000	October 14, 2004	July 1, 2008	January 1, 2036	4.0325%	75% One Month LIBOR	\$ (18,268,644)	\$ (22,491,720)
60,700,000	October 14, 2004	July 1, 2008	January 1, 2037	4.1500%	75% One Month LIBOR	(11,589,922)	(14,165,152)
50,000,000	October 7, 2005	July 1, 2008	January 1, 2033	3.7800%	75% One Month LIBOR	(8,158,933)	(9,928,761)
100,000,000	July 2, 2015 *	July 1, 2015 *	January 1, 2033	3.7775%	75% One Month LIBOR	(16,273,745)	(20,067,142)
<u>\$ 314,600,000</u>						<u>\$ (54,291,244)</u>	<u>\$ (66,652,775)</u>

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

Payments due under the Swap Agreements (excluding any termination payments) and payments on any repayment obligation will be payable from net revenues of the airport system on a parity with the Revenue Bonds. Under the Swap Agreements, the Authority pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The Swap Agreements resulted in no initial cash receipts or payments to be made by the Authority.

Fair Value - The fair values of the Swap Agreements are based on estimated discounted future cash flows determined using the counterparties' proprietary models based upon financial principles and estimates about relevant future market conditions. The fair values of the Swap Agreements are classified as a noncurrent liability on the statements of net position as of December 31, 2018 and 2017. As the Swap Agreements are effective hedging instruments, the changes in fair value of the Swap Agreements of \$12,361,531 and \$7,589,203 for the years ended December 31, 2018 and 2017, respectively, are shown as an adjustment to the carrying amount of the related deferred outflows of resources on the statements of net position.

Credit Risk - The fair value of each of the Swap Agreements represents the Authority's credit exposure to the counterparties as of December 31, 2018. 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, 2018, the Authority was not exposed to credit risk because each of the swaps had a negative fair value. In order to mitigate the potential for credit risk, if any of the counterparties' credit quality rating falls below a rating threshold of Aa3 by Moody's Investors Service or AA- by Standard & Poor's, the fair value of that counterparty's swap or swaps is to be fully collateralized by the counterparty with eligible securities (as defined in the Schedule to the Master Agreement) to be held by a third-party custodian on behalf of the Authority.

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Notes to Financial Statements December 31, 2018 and 2017

The ratings of the various counterparties at December 31, 2018 are as follows:

	Ratings of the Counterparty	
	Moody's Investors Service	Standard & Poor's
JPMorgan Chase Bank, N.A., counterparty of the interest rate swaps with notional amounts of \$103,900,000 and \$60,700,000	Aa2	A+
Merrill Lynch Capital Services, Inc., counterparty of the interest rate swap with the notional amount of \$50,000,000	A3	A-
Wells Fargo Bank, N.A., counterparty of the interest rate swap with the notional amount of \$100,000,000 and both basis swap agreements	Aa2	A+

¹ – The swaps are guaranteed by both Merrill Lynch & Company and Merrill Lynch Derivative Products AG. Merrill Lynch Derivative Products AG has ratings of Aa3 and AA.

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, 2018, the interest rate on the Authority's 2010C Revenue Bonds is 2.497%, (calculated at 75% of the one-month LIBOR plus 0.6200% times the margin rate factor for applicable series), while the Authority receives payments under the Swap Agreements equal to 75% of the one-month LIBOR, or 1.877%.

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

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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, 2018, 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		
2019	\$ 5,710,000	\$ 7,721,508	\$ 6,337,337	\$ 14,058,845
2020	6,000,000	7,869,009	6,206,733	14,075,742
2021	6,305,000	8,145,155	6,069,487	14,214,642
2022	6,630,000	8,298,892	5,925,174	14,224,066
2023	6,965,000	8,529,401	5,773,546	14,302,947
2024 - 2028	105,540,000	33,780,788	22,832,564	56,613,352
2029 - 2033	136,940,000	15,174,370	10,444,628	25,618,998
2034 - 2038	40,510,000	1,507,910	1,094,958	2,602,868
	<u>\$ 314,600,000</u>	<u>\$ 91,027,033</u>	<u>\$ 64,684,427</u>	<u>\$ 155,711,460</u>

Note 8: Obligations Under Capital Leases

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

The State, the City and Hendricks County, Indiana provided the initial funding for the IMC. The State provided \$184.5 million from the proceeds of tax-exempt lease revenue bonds and a \$15.2 million grant. The City provided approximately \$111.0 million from the proceeds of tax-exempt current interest and capital appreciation bonds. Hendricks County provided \$8.0 million in the form of a grant, from the proceeds of an economic development income tax revenue bond issue.

Concurrently with the execution of the MOC-II Agreement in 1991, the Authority entered into a tenancy in common agreement and various lease agreements, which created certain leasehold interests in the IMC site and facilities and provided the framework for financing the costs of its construction. Accordingly, the Authority's leases with the State and the City for the IMC and its lease with the State for a building and related equipment ancillary to IMC, the Aviation Technology Center (ATC), have been reflected as capital lease obligations in these financial statements. In 2017, the ATC lease expired as the related bonds were paid-off in advance of their 2018 maturity. The IMC lease expired in 2018. At December 31, 2017, the gross amounts of capital assets and related accumulated depreciation recorded under these capital leases was \$323,463,530 and (\$176,452,742), respectively.

Indianapolis Airport Authority

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The Authority's capital lease payments to the State were payable solely from monies to be appropriated by the Indiana General Assembly, the governing body for the State. There is no requirement that these amounts be appropriated. However, the Authority could not be held liable, should an appropriation not be made, for the State's debt obligations relative to the IMC facility.

The Authority's capital lease payments to the City were secured by an irrevocable pledge of a distributive share of Marion County Option Income Taxes (the Pledged Revenues). The City-County Council covenanted not to repeal or rescind that tax as long as such rentals remained due. The Authority was not obligated for the debt incurred by the City with regard to the IMC facilities. The bonds related to the City's capital lease obligation were paid off during 2016 and therefore, there are no future pledged revenues.

Note 9: 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

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Investments				
U.S. Treasury Security Notes	\$ 141,578,174	\$ 141,578,174	\$ -	\$ -
U.S. Treasury Security Bills	3,669,227	3,669,227	-	-
Indiana municipal securities	3,102,941	-	3,102,941	-
External investment pools	52,173	-	52,173	-
Derivative Financial Instruments				
Forward delivery purchase agreements	11,162,567	-	-	11,162,567
Interest rate swap agreements	(54,291,244)	-	(54,291,244)	-
December 31, 2017				
Investments				
U.S. Treasury Security Notes	\$ 130,797,979	\$ 130,797,979	\$ -	\$ -
U.S. Treasury Security Bills	15,800,336	15,800,336	-	-
U.S. Government-sponsored enterprise securities				
Federal National Mortgage Association	5,475,398	-	5,475,398	-
Federal Home Loan Mortgage Corporation	1,348,839	-	1,348,839	-
Indiana municipal securities	14,650,492	-	14,650,492	-
External investment pools	51,212	-	51,212	-
Derivative Financial Instruments				
Forward delivery purchase agreements	14,593,303	-	-	14,593,303
Interest rate swap agreements	(66,652,775)	-	(66,652,775)	-

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

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 10: 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, 2018. The Authority had, and continues to have, no obligation to make interest and principal payments on these special facility bonds. Revenues from the IMC are reserved for expense reimbursement to the Authority for operational expenses incurred. Once all on-going expenses have been reimbursed to the Authority, revenue in excess of expenses are shared between the bondholders and the Authority on a percentage basis bound by the Settlement Agreement. Previously, the interest and principal payments for the Series 1995 Special Facility Revenue Bonds were funded by rentals paid by United under its lease agreement with the Authority. On December 9, 2002, United filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. On May 9, 2003, the Bankruptcy Court made effective United's rejection of its lease of the IMC and United abandoned the IMC facilities, whereby all of the IMC assets reverted to the Authority's control.

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Notes to Financial Statements

December 31, 2018 and 2017

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 are being used primarily for the maintenance, repair and overhaul of commercial aircraft) and certain warehouse and office space for non-aviation related use. A new ten-year lease was entered into in December 2014 with the IMC's main tenant, AAR Aircraft Services (AAR), while a lease extension was granted to Shuttle America and Express Scripts. AAR and Shuttle America make up the leasing of all hangar space. As a part of the Settlement Agreement, rentals collected for the IMC are not considered revenue to the Authority, but instead are required to be deposited into a trust held on behalf of the United bondholders. The monies held in trust are to be used to pay ongoing operating and maintenance costs of the IMC and must be applied in a manner prescribed by the terms of the Settlement Agreement.

For the years ended December 31, 2018 and 2017, the Authority incurred approximately \$7.6 million and \$7.1 million of costs for the IMC, respectively. The Authority has received reimbursements for these costs under the Settlement Agreement aggregating approximately \$6.4 million and \$8.9 million for 2018 and 2017, respectively. In addition, as of December 31, 2018 and 2017, the Authority has accrued approximately \$3.2 million and \$1.1 million, respectively, in reimbursements from the Trustee for allowable costs incurred.

The aforementioned lease agreements historically contained a number of incentives to be provided by the Authority in the form of grants and rent credits over the terms of these leases, which currently range from six months to ten years. These grants and rental credits were designed to assist the tenants with start-up costs and the acquisition of certain capital assets, including leasehold improvements, and to encourage them to expand their operations and/or increase the amount of space they lease. Grants for start-up costs are recorded as unamortized lease costs by the Authority and amortized over the respective lease term, while grants for capital improvements result in new depreciable assets of the Authority. Success payments (for expanding operations) and other similar grants were expensed as they were earned by AAR. Currently, rental credits are being utilized in the AAR Agreement for leasehold improvements. All existing IMC capital assets, as well as those acquired by the tenants through Authority grants or otherwise, remain the property of the Authority, subject only to the tenants' rights to use such assets during their respective lease terms. As of December 31, 2018, the Authority has provided \$7.5 million in grants and \$9.6 million in rental credits to the lessees of the IMC.

Indianapolis Airport Authority

Notes to Financial Statements December 31, 2018 and 2017

Note 11: Risk Management

Risk management is the responsibility of the Authority. Operationally, the Authority is exposed to various risks of loss related to the theft of, damage to and destruction of assets, natural disasters as well as certain tort liabilities for which commercial insurance is carried. The commercial insurance policies carry deductibles ranging from \$0 to \$100,000. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of coverage for certain war casualty and acts of terrorism. Coverage terms, limits, and deductibles have each been benchmarked in comparison with those maintained at other mid-size airports and found to be within the range of our peers. Although coverage limits are significant, no assurance can be given that such coverage will continue to be available at such amounts and/or at a reasonable cost. Claim settlements have not exceeded insurance coverage for the previous three years and no situation exists presently, to the best of the Authority's knowledge, which has the potential of doing so for the 2018 calendar year.

The Authority has a self-insured arrangement for health care benefits provided to Authority employees and has established a self-insured liability for employee medical claims. The Authority utilizes a third-party company to provide individual stop loss coverage of \$100,000 on each covered individual's health claims and \$6,046,106 on overall health care program aggregate claims. The estimated self-insurance liability is based on claim trend and consultation with an actuary. There is no significant incremental claim adjustment expense, salvage or subrogation attributable to this liability.

Note 12: 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 \$947,417 for 2018 and \$796,930 for 2017.

Note 13: Rental Income From Operating Leases

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

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter as of December 31, 2018 are as follows:

2019	\$ 23,036,192
2020	19,839,923
2021	16,294,163
2022	16,028,215
2023	14,358,872
Thereafter	<u>73,665,506</u>
	<u>\$ 163,222,871</u>

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

Contingent rentals and fees aggregated approximately \$48.5 million in 2018 and \$45.1 million in 2017, and are accrued in arrears.

Note 14: 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, 2018, the Authority has spent approximately \$102.6 million (including relocation costs) under this inactive program (Phase II), substantially all of which was eligible for 80% reimbursement from the FAA. The owners of an estimated 30 homes did not participate in Phase II when it was an active program.

A five-year review and update of the Authority's noise compatibility program (Phase III) began in 1996. Final recommendations were adopted by the Authority Board in February 1998, followed by FAA approval in October 1998. The recommendations included continuation of the Guaranteed Purchase Program with respect to approximately 132 additional homes, of which 127 were acquired by the Authority when the program was active.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

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, 2018, 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, 2018, 118 homeowners participated in the Purchase Assurance Program. Participation in either the Sound Insulation or Purchase Assurance programs required the homeowner to grant an aviation easement in favor of the Authority.

The Sales Assistance program is the third and only active program at December 31, 2018 and applied to approximately 487 homes, of which 402 requests have been completed. Sales Assistance consists of a benefit payment to homeowners adjacent to the 65DNL noise contour. The benefit payment is equal to 10% of the contract sales price between the homeowner and third-party buyer, in exchange for the inclusion of a Noise Disclosure Statement in the deed of conveyance. The estimated cost of the Phase III programs approximate \$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, 2018, 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 9,000 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. After an extensive review of its land holdings in 2014, the Authority developed this land use initiative under which more than 30 parcels of land (approximately 743 acres) would be made available for sale, and an additional six large parcels of land (470 acres) would be made available for leasing opportunities. During 2018, the Authority sold approximately 2,038 acres under this land use initiative for a total sales price of \$1,953,514. During 2017, the Authority sold approximately 49 acres under this land use initiative for a total sales price of \$3,853,464.

With respect to the Authority's permanently protected bat and wetland habitat (containing approximately 2,000 acres), the Authority will pursue opportunities to divest itself of this land to a third party who has expertise in this area, such as a public or private conservation organization or governmental entity that has responsibility for environmental matters. As land is sold and proceeds received, the Authority will determine how those 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.

Indianapolis Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

Environmental Mitigation and Remediation

In order to comply with environmental laws, the Authority has implemented a natural resource mitigation program to create, monitor and maintain wetlands along with habitats for the endangered Indiana bat. The Authority had acquired approximately 2,000 acres in order to replace wetland and bat habitat areas that were removed by construction of the Indianapolis Maintenance Center and runway 5L-23R and the Midfield Terminal. The Authority continued to maintain and monitor bat habitats under this program pursuant to a permit with the U.S. Fish & Wildlife Service through the year 2017. In 2018, the Authority sold nearly 2,000 acres of this land for approximately \$1.5 million. The Authority retained permanently protected land in Hendricks and Marion Counties that no longer have monitoring requirements. Approximately \$22.9 million was spent under this program, of which approximately 28% was eligible for reimbursement from the FAA. The Authority's share of the costs for this conservation plan was originally estimated to be \$2.4 million, and as of December 31, 2018, the Authority incurred \$3.3 million in costs.

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

The amount of the estimated liability as of December 31, 2018 and 2017 was \$120,000 and \$40,000, respectively, which represents the approximate present value of the amounts the Authority expects to pay for future remediation activities. This estimate was generated using input and guidance from internal management and professional consultants, and represents a wide array of remediation activities ranging from one-time events to longer term sustained monitoring activity.

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

Capital Improvements

As of December 31, 2018, the Authority had outstanding commitments for certain airport improvements aggregating \$102,779,632.

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, 2018, there were six 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 were five worker's compensation claims pending as of December 31, 2018. The Authority was also aware of several claims for which legal action against the Authority might be threatened or possible in the future.

SUPPLEMENTARY
INFORMATION

Indianapolis Airport Authority

Schedule of Net Position Information

December 31, 2018

	2018		
	Authority	IMC	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Unrestricted Assets			
Cash and cash equivalents	\$ 21,102,629	\$ -	\$ 21,102,629
Accounts receivable, net	2,631,406	-	2,631,406
Unbilled revenues	3,047,016	-	3,047,016
Grants receivable	2,154,206	-	2,154,206
Supplies and materials inventories	2,152,097	-	2,152,097
Other	1,493,001	-	1,493,001
Total unrestricted current assets	<u>32,580,355</u>	<u>-</u>	<u>32,580,355</u>
Restricted Assets			
Cash and cash equivalents	43,020,128	-	43,020,128
Cash and cash equivalents - customer deposits	748,633	-	748,633
Receivable - passenger facility charges	1,113,813	-	1,113,813
Receivable - governments and other	174,085	-	174,085
Receivable - reimbursable IMC expenses	-	3,159,946	3,159,946
Total restricted current assets	<u>45,056,659</u>	<u>3,159,946</u>	<u>48,216,605</u>
Total current assets	<u>77,637,014</u>	<u>3,159,946</u>	<u>80,796,960</u>
Noncurrent Assets			
Cash and cash equivalents, restricted	73,783,357	-	73,783,357
Investment securities, unrestricted	48,335,166	-	48,335,166
Investment securities, restricted	87,747,811	-	87,747,811
Rent receivable	820,600	-	820,600
Derivative instruments - forward delivery purchase agreements	11,162,567	-	11,162,567
Capital assets, net	1,519,087,302	215,622,051	1,734,709,353
Total noncurrent assets	<u>1,740,936,803</u>	<u>215,622,051</u>	<u>1,956,558,854</u>
Total assets	<u>1,818,573,817</u>	<u>218,781,997</u>	<u>2,037,355,814</u>
Deferred Outflows of Resources			
Deferred loss on refunding of debt	24,787,991	-	24,787,991
Accumulated decrease in fair value of hedging derivatives	6,647,496	-	6,647,496
Total deferred outflows of resources	<u>31,435,487</u>	<u>-</u>	<u>31,435,487</u>
Total assets and deferred outflows of resources	<u>\$ 1,850,009,304</u>	<u>\$ 218,781,997</u>	<u>\$ 2,068,791,301</u>

	2018		
	Authority	IMC	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Payable From Unrestricted Assets			
Accounts payable	\$ 7,294,510	\$ -	\$ 7,294,510
Accrued and withheld items	6,795,924	-	6,795,924
Total current liabilities payable from unrestricted assets	<u>14,090,434</u>	<u>-</u>	<u>14,090,434</u>
Payable From Restricted Assets			
Accounts payable	20,887,937	273,510	21,161,447
Customer deposits payable	749,633	-	749,633
Current portion of debt	31,045,000	-	31,045,000
Accrued interest on debt	13,561,596	-	13,561,596
Total current liabilities payable from restricted assets	<u>66,244,166</u>	<u>273,510</u>	<u>66,517,676</u>
Total current liabilities	<u>80,334,600</u>	<u>273,510</u>	<u>80,608,110</u>
Noncurrent Liabilities			
Derivative instruments - interest rate swap agreements	54,291,244	-	54,291,244
Bonds payable and other debt, payable from restricted assets	889,356,922	-	889,356,922
Total noncurrent liabilities	<u>943,648,166</u>	<u>-</u>	<u>943,648,166</u>
Total liabilities	<u>1,023,982,766</u>	<u>273,510</u>	<u>1,024,256,276</u>
Deferred Inflows of Resources			
Accumulated increase in fair value of hedging derivatives	<u>11,162,567</u>	<u>-</u>	<u>11,162,567</u>
Net Position			
Net investment in capital assets	<u>609,588,384</u>	<u>215,622,051</u>	<u>825,210,435</u>
Restricted for			
Capital projects	70,631,302	-	70,631,302
Debt service	66,769,075	-	66,769,075
Other	229,523	2,886,436	3,115,959
Total restricted net position	<u>137,629,900</u>	<u>2,886,436</u>	<u>140,516,336</u>
Unrestricted	<u>67,645,687</u>	<u>-</u>	<u>67,645,687</u>
Total net position	<u>814,863,971</u>	<u>218,508,487</u>	<u>1,033,372,458</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,850,009,304</u>	<u>\$ 218,781,997</u>	<u>\$ 2,068,791,301</u>

Indianapolis Airport Authority

Schedule of Net Position Information

December 31, 2017

	2017		
	Authority	IMC	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Unrestricted Assets			
Cash and cash equivalents	\$ 15,879,279	\$ -	\$ 15,879,279
Accounts receivable, net	3,303,001	-	3,303,001
Unbilled revenues	4,129,580	-	4,129,580
Grants receivable	-	-	-
Supplies and materials inventories	1,734,328	-	1,734,328
Other	1,960,258	-	1,960,258
Total unrestricted current assets	<u>27,006,446</u>	<u>-</u>	<u>27,006,446</u>
Restricted Assets			
Cash and cash equivalents	42,577,741	-	42,577,741
Cash and cash equivalents - customer deposits	738,585	-	738,585
Receivable - passenger facility charges	1,949,993	-	1,949,993
Receivable - governments and other	279,233	3,466,059	3,745,292
Receivable - reimbursable IMC expenses	-	1,066,155	1,066,155
Total restricted current assets	<u>45,545,552</u>	<u>4,532,214</u>	<u>50,077,766</u>
Total current assets	<u>72,551,998</u>	<u>4,532,214</u>	<u>77,084,212</u>
Noncurrent Assets			
Cash and cash equivalents, restricted	74,482,934	-	74,482,934
Investment securities, unrestricted	47,357,550	-	47,357,550
Investment securities, restricted	104,837,509	-	104,837,509
Rent receivable	920,361	-	920,361
Derivative instruments - forward delivery purchase agreements	14,593,303	-	14,593,303
Capital assets, net	1,529,236,073	228,482,759	1,757,718,832
Total noncurrent assets	<u>1,771,427,730</u>	<u>228,482,759</u>	<u>1,999,910,489</u>
Total assets	<u>1,843,979,728</u>	<u>233,014,973</u>	<u>2,076,994,701</u>
Deferred Outflows of Resources			
Deferred loss on refunding of debt	27,186,832	-	27,186,832
Accumulated decrease in fair value of hedging derivatives	19,009,027	-	19,009,027
Total deferred outflows of resources	<u>46,195,859</u>	<u>-</u>	<u>46,195,859</u>
Total assets and deferred outflows of resources	<u>\$ 1,890,175,587</u>	<u>\$ 233,014,973</u>	<u>\$ 2,123,190,560</u>

Liabilities, Deferred Inflows of Resources and Net Position**Current Liabilities****Payable From Unrestricted Assets**

	2017		
	Authority	IMC	Total
Accounts payable	\$ 5,535,360	\$ -	\$ 5,535,360
Accrued and withheld items	5,707,045	-	5,707,045
Grants payable	800,322	-	800,322
Total current liabilities payable from unrestricted assets	<u>12,042,727</u>	<u>-</u>	<u>12,042,727</u>

Payable From Restricted Assets

Accounts payable	5,984,231	3,744,277	9,728,508
Customer deposits payable	739,585	-	739,585
Current portion of debt	53,895,000	12,728,442	66,623,442
Accrued interest on debt	13,976,579	86,816	14,063,395
Total current liabilities payable from restricted assets	<u>74,595,395</u>	<u>16,559,535</u>	<u>91,154,930</u>
Total current liabilities	<u>86,638,122</u>	<u>16,559,535</u>	<u>103,197,657</u>

Noncurrent Liabilities

Derivative instruments - interest rate swap agreements	66,652,775	-	66,652,775
Bonds payable and other debt, payable from restricted assets	880,054,408	-	880,054,408
Total noncurrent liabilities	<u>946,707,183</u>	<u>-</u>	<u>946,707,183</u>
Total liabilities	<u>1,033,345,305</u>	<u>16,559,535</u>	<u>1,049,904,840</u>

Deferred Inflows of Resources

Accumulated increase in fair value of hedging derivatives	<u>14,593,303</u>	<u>-</u>	<u>14,593,303</u>
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Net Position

Net investment in capital assets	<u>622,990,847</u>	<u>212,375,074</u>	<u>835,365,921</u>
Restricted for			
Capital projects	77,711,116	-	77,711,116
Debt service	77,843,036	3,379,243	81,222,279
Other	450,350	701,121	1,151,471
Total restricted net position	<u>156,004,502</u>	<u>4,080,364</u>	<u>160,084,866</u>
Unrestricted	<u>63,241,630</u>	<u>-</u>	<u>63,241,630</u>
Total net position	<u>842,236,979</u>	<u>216,455,438</u>	<u>1,058,692,417</u>

Total liabilities, deferred inflows of resources and net position

\$ 1,890,175,587	\$ 233,014,973	\$ 2,123,190,560
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Indianapolis Airport Authority

Schedules of Revenues, Expenses and Changes in Net Position Information

Years Ended December 31, 2018 and 2017

	2018		
	Authority	IMC	Total
Operating Revenues			
Airfield	\$ 24,287,898	\$ -	\$ 24,287,898
Terminal complex	54,137,541	-	54,137,541
Parking	54,550,555	-	54,550,555
Rented buildings and other	16,522,830	-	16,522,830
Indianapolis Maintenance Center (IMC)	-	8,239,177	8,239,177
Reliever airports	2,934,461	-	2,934,461
Total operating revenues	<u>152,433,285</u>	<u>8,239,177</u>	<u>160,672,462</u>
Operating Expenses			
Personal services	33,511,609	398,602	33,910,211
Contractual services	21,695,723	3,924,630	25,620,353
Utilities	8,407,420	3,041,111	11,448,531
Supplies	5,011,039	169,671	5,180,710
Materials	3,145,099	(92,213)	3,052,886
General	1,651,463	145,591	1,797,054
Total operating expenses before depreciation	<u>73,422,353</u>	<u>7,587,392</u>	<u>81,009,745</u>
Income From Operations Before Depreciation Expense	79,010,932	651,785	79,662,717
Depreciation expense	78,599,299	13,596,906	92,196,205
Income (Loss) From Operations	<u>411,633</u>	<u>(12,945,121)</u>	<u>(12,533,488)</u>
Nonoperating Revenues (Expenses)			
State and local appropriations	-	13,162,521	13,162,521
Federal operating grants	598,580	-	598,580
Passenger facility charges	19,014,107	-	19,014,107
Customer facility charge (rental cars)	7,421,524	-	7,421,524
Investment income	6,115,216	-	6,115,216
Interest expense, net of capitalized interest	(37,515,832)	(434,079)	(37,949,911)
Loss on disposals of capital assets and other	(47,254,775)	-	(47,254,775)
	<u>(51,621,180)</u>	<u>12,728,442</u>	<u>(38,892,738)</u>
Increase (Decrease) in Net Position Before Capital Contributions and Grants	<u>(51,209,547)</u>	<u>(216,679)</u>	<u>(51,426,226)</u>
Capital Contributions and Grants			
Federal, state and local grants	21,751,594	-	21,751,594
Contributions from lessees and other	4,354,673	-	4,354,673
	<u>26,106,267</u>	<u>-</u>	<u>26,106,267</u>
Increase (Decrease) in Net Position	(25,103,280)	(216,679)	(25,319,959)
Transfers	(2,269,728)	2,269,728	-
Net Position, Beginning of Year	<u>842,236,979</u>	<u>216,455,438</u>	<u>1,058,692,417</u>
Net Position, End of Year	<u>\$ 814,863,971</u>	<u>\$ 218,508,487</u>	<u>\$ 1,033,372,458</u>

2017		
Authority	IMC	Total
\$ 21,745,673	\$ -	\$ 21,745,673
53,182,950	-	53,182,950
50,775,972	-	50,775,972
16,567,445	-	16,567,445
-	8,067,899	8,067,899
2,919,794	-	2,919,794
<u>145,191,834</u>	<u>8,067,899</u>	<u>153,259,733</u>
30,650,890	405,082	31,055,972
21,390,964	3,695,267	25,086,231
6,034,410	2,687,836	8,722,246
3,879,783	224,348	4,104,131
3,211,166	(14,708)	3,196,458
<u>1,236,571</u>	<u>132,429</u>	<u>1,369,000</u>
<u>66,403,784</u>	<u>7,130,254</u>	<u>73,534,038</u>
78,788,050	937,645	79,725,695
<u>79,109,087</u>	<u>14,965,520</u>	<u>94,074,607</u>
<u>(321,037)</u>	<u>(14,027,875)</u>	<u>(14,348,912)</u>
963,132	15,788,178	16,751,310
595,315	-	595,315
17,753,293	-	17,753,293
7,218,100	-	7,218,100
4,678,810	-	4,678,810
(37,312,593)	(825,306)	(38,137,899)
<u>(3,699,660)</u>	<u>-</u>	<u>(3,699,660)</u>
<u>(9,803,603)</u>	<u>14,962,872</u>	<u>5,159,269</u>
<u>(10,124,640)</u>	<u>934,997</u>	<u>(9,189,643)</u>
6,206,260	-	6,206,260
<u>2,120,100</u>	<u>-</u>	<u>2,120,100</u>
<u>8,326,360</u>	<u>-</u>	<u>8,326,360</u>
(1,798,280)	934,997	(863,283)
1,092,169	(1,092,169)	-
<u>842,943,090</u>	<u>216,612,610</u>	<u>1,059,555,700</u>
<u>\$ 842,236,979</u>	<u>\$ 216,455,438</u>	<u>\$ 1,058,692,417</u>

Indianapolis Airport Authority
Schedules of Operating Revenues
Years Ended December 31, 2018 and 2017

	2018	2017	Increase (Decrease)
Airfield			
Landing fees - scheduled airlines	\$ 9,811,961	\$ 8,562,288	\$ 1,249,673
Landing fees - freight and other	9,998,530	8,912,244	1,086,286
Apron fees	2,002,360	1,892,080	110,280
Commissions - aviation fuel sales	324,383	300,193	24,190
Other	2,150,664	2,078,868	71,796
	<u>24,287,898</u>	<u>21,745,673</u>	<u>2,542,225</u>
Terminal Complex			
Space rental			
Airlines	27,011,058	27,004,991	6,067
Concessionaires	8,574,746	8,230,172	344,574
Other space rental	1,715,755	1,804,167	(88,412)
Automobile rental commissions	11,260,643	10,716,586	544,057
Other commissions, fees, etc.	5,575,339	5,427,034	148,305
	<u>54,137,541</u>	<u>53,182,950</u>	<u>954,591</u>
Parking - parking operations	<u>54,550,555</u>	<u>50,775,972</u>	<u>3,774,583</u>
Rented Buildings and Other			
Space rental - freight buildings	1,262,452	1,032,945	229,507
Space rental - hangars	696,130	675,173	20,957
Space rental - other buildings	7,923,177	8,107,249	(184,072)
Ground leases	5,894,056	5,999,486	(105,430)
Farm income	29,835	28,531	1,304
International building	400	14,800	(14,400)
Other	716,780	709,261	7,519
	<u>16,522,830</u>	<u>16,567,445</u>	<u>(44,615)</u>
Indianapolis Maintenance Center (IMC)	<u>8,239,177</u>	<u>8,067,899</u>	<u>171,278</u>
Reliever Airports	<u>2,934,461</u>	<u>2,919,794</u>	<u>14,667</u>
	<u>\$ 160,672,462</u>	<u>\$ 153,259,733</u>	<u>\$ 7,412,729</u>



Indianapolis Airport Authority

Schedule of Operating Expenses

Year Ended December 31, 2018

(With Comparative Totals for 2017)

	Airfield	Terminal Complex	Parking	Rented Buildings and Other	Indianapolis Maintenance Center (IMC)
Personal Services					
Salaries and wages	\$ 2,496,310	\$ 4,500,974	\$ 3,113,309	\$ 203,132	\$ 315,864
Employee insurance	625,245	1,266,259	721,753	42,000	48,607
Retirement and social security	269,002	425,135	253,225	20,327	34,131
	<u>3,390,557</u>	<u>6,192,368</u>	<u>4,088,287</u>	<u>265,459</u>	<u>398,602</u>
Contractual Services					
Transportation and communication	104,372	62,746	30,962	16,450	29,972
Professional fees	370,549	359,830	67,436	1,190,876	83,742
Printing and advertising	569	33,337	41,561	1,598	425
Repairs and maintenance	545,080	2,529,358	731,328	213,974	551,870
Facilities maintenance and security	43,232	2,584,454	185,115	1,570	3,145,164
Other contractual services	117,923	665,303	2,370,550	464,944	113,457
	<u>1,181,725</u>	<u>6,235,028</u>	<u>3,426,952</u>	<u>1,889,412</u>	<u>3,924,630</u>
Utilities	<u>3,683,533</u>	<u>3,307,208</u>	<u>511,634</u>	<u>453,431</u>	<u>3,041,111</u>
Supplies					
Fuel	356,967	-	250,401	-	53,298
Garage and motor	320,423	73,484	119,857	189	1,062
Institutional and medical	46,937	768,540	309,433	21,216	14,836
Office supplies	15,888	10,326	13,969	1,584	1,590
Snow and ice chemicals	1,080,498	20,441	152,126	9,550	11,724
Other	98,104	247,867	169,248	1,847	87,161
	<u>1,918,817</u>	<u>1,120,658</u>	<u>1,015,034</u>	<u>34,386</u>	<u>169,671</u>
Materials					
Building	27,130	152,403	16,393	2,756	(128,016)
Pavement and grounds	353,733	2,806	673	-	-
Repair parts	1,079,561	375,880	432,028	9,846	887
Small equipment and tools	75,743	49,403	6,679	-	524
Other	67,718	9,023	3,122	28,083	34,392
	<u>1,603,885</u>	<u>589,515</u>	<u>458,895</u>	<u>40,685</u>	<u>(92,213)</u>
General					
Insurance	234,671	422,341	202,190	9,283	123,667
Equipment rental	230	-	-	-	21,549
Other (including bad debts)	2,200	840	674	194	375
	<u>237,101</u>	<u>423,181</u>	<u>202,864</u>	<u>9,477</u>	<u>145,591</u>
Subtotal	<u>12,015,618</u>	<u>17,867,958</u>	<u>9,703,666</u>	<u>2,692,850</u>	<u>7,587,392</u>
Depreciation	<u>28,582,575</u>	<u>21,060,226</u>	<u>4,365,561</u>	<u>19,733,890</u>	<u>13,596,906</u>
Total	<u>\$ 40,598,193</u>	<u>\$ 38,928,184</u>	<u>\$ 14,069,227</u>	<u>\$ 22,426,740</u>	<u>\$ 21,184,298</u>
Year Ended December 31, 2017	\$ 37,333,003	\$ 39,035,821	\$ 12,594,346	\$ 22,091,654	\$ 22,095,774
Increase (Decrease)	\$ 3,265,190	\$ (107,637)	\$ 1,474,881	\$ 335,086	\$ (911,476)

2018

				Year Ended	
Reliever	Public			December 31,	Increase
Airports	Safety	Administration	Total	2017	(Decrease)
\$ 311,423	\$ 7,064,523	\$ 7,297,958	\$ 25,303,493	\$ 23,344,684	\$ 1,958,809
49,662	1,716,724	1,391,662	5,861,912	5,216,436	645,476
38,231	980,140	724,615	2,744,806	2,494,852	249,954
<u>399,316</u>	<u>9,761,387</u>	<u>9,414,235</u>	<u>33,910,211</u>	<u>31,055,972</u>	<u>2,854,239</u>
22,931	105,992	1,570,986	1,944,411	1,716,940	227,471
59,037	77,130	3,958,719	6,167,319	5,264,361	902,958
-	4,689	263,111	345,290	207,620	137,670
32,878	159,136	1,251,258	6,014,882	6,926,301	(911,419)
6,973	120	25,516	5,992,144	5,931,217	60,927
41,270	956,256	426,604	5,156,307	5,039,792	116,515
<u>163,089</u>	<u>1,303,323</u>	<u>7,496,194</u>	<u>25,620,353</u>	<u>25,086,231</u>	<u>534,122</u>
<u>277,459</u>	<u>174,155</u>	<u>-</u>	<u>11,448,531</u>	<u>8,722,246</u>	<u>2,726,285</u>
368,986	-	-	1,029,652	881,434	148,218
24,441	55,691	11,973	607,120	491,983	115,137
25,515	38,819	1,020	1,226,316	981,291	245,025
631	34,127	39,574	117,689	176,682	(58,993)
111,382	118	-	1,385,839	581,749	804,090
6,240	167,379	36,248	814,094	990,992	(176,898)
<u>537,195</u>	<u>296,134</u>	<u>88,815</u>	<u>5,180,710</u>	<u>4,104,131</u>	<u>1,076,579</u>
11,595	8,558	662	91,481	153,030	(61,549)
77,852	4,705	-	439,769	480,152	(40,383)
75,044	197,961	41,777	2,212,984	2,139,723	73,261
4,153	14,528	1,072	152,102	152,713	(611)
4,178	6,779	3,255	156,550	270,840	(114,290)
<u>172,822</u>	<u>232,531</u>	<u>46,766</u>	<u>3,052,886</u>	<u>3,196,458</u>	<u>(143,572)</u>
78,961	175,491	48,219	1,294,823	1,232,002	62,821
-	450	74,162	96,391	60,238	36,153
-	41,387	360,170	405,840	76,760	329,080
<u>78,961</u>	<u>217,328</u>	<u>482,551</u>	<u>1,797,054</u>	<u>1,369,000</u>	<u>428,054</u>
1,628,842	11,984,858	17,528,561	81,009,745	73,534,038	7,475,707
<u>2,856,280</u>	<u>352,771</u>	<u>1,647,996</u>	<u>92,196,205</u>	<u>94,074,607</u>	<u>(1,878,402)</u>
\$ 4,485,122	\$ 12,337,629	\$ 19,176,557	\$ 173,205,950		
\$ 5,643,548	\$ 11,905,515	\$ 16,908,984		\$ 167,608,645	
\$ (1,158,426)	\$ 432,114	\$ 2,267,573			\$ 5,597,305

Indianapolis Airport Authority

Schedule of Operating Expenses

Year Ended December 31, 2017

(With Comparative Totals for 2016)

	Airfield	Terminal Complex	Parking	Rented Buildings and Other	Indianapolis Maintenance Center (IMC)
Personal Services					
Salaries and wages	\$ 2,236,662	\$ 4,170,126	\$ 2,975,845	\$ 234,101	\$ 318,575
Employee insurance	540,640	1,180,874	678,205	49,905	51,654
Retirement and social security	216,891	379,671	249,695	20,452	34,853
	<u>2,994,193</u>	<u>5,730,671</u>	<u>3,903,745</u>	<u>304,458</u>	<u>405,082</u>
Contractual Services					
Transportation and communication	106,860	49,494	23,553	10,865	30,719
Professional fees	558,594	300,793	47,066	582,858	56,665
Printing and advertising	295	5,279	51,132	38,784	58
Repairs and maintenance	730,881	2,543,586	765,905	417,638	542,915
Facilities maintenance and security	39,495	2,840,300	97,852	21,009	2,925,856
Other contractual services	231,790	749,274	1,457,580	390,238	139,054
	<u>1,667,915</u>	<u>6,488,726</u>	<u>2,443,088</u>	<u>1,461,392</u>	<u>3,695,267</u>
Utilities	<u>1,376,313</u>	<u>3,364,688</u>	<u>510,940</u>	<u>346,404</u>	<u>2,687,836</u>
Supplies					
Fuel	222,020	-	278,652	-	58,477
Garage and motor	264,301	22,136	110,056	-	1,541
Institutional and medical	140,309	504,122	246,790	7,999	37,135
Office supplies	11,071	7,067	12,470	6,052	578
Snow and ice chemicals	438,457	9,342	97,873	1,600	18,220
Other	86,643	274,246	186,751	-	108,397
	<u>1,162,801</u>	<u>816,913</u>	<u>932,592</u>	<u>15,651</u>	<u>224,348</u>
Materials					
Building	31,930	94,495	43,519	407	(54,012)
Pavement and grounds	395,613	1,506	29,488	-	-
Repair parts	1,028,111	309,824	314,391	3,533	1,481
Small equipment and tools	83,218	30,626	4,744	-	468
Other	133,808	33,620	28,337	53	37,355
	<u>1,672,680</u>	<u>470,071</u>	<u>420,479</u>	<u>3,993</u>	<u>(14,708)</u>
General					
Insurance	207,811	371,265	173,236	4,189	124,347
Equipment rental	-	-	-	-	7,807
Other (including bad debts)	2,647	-	678	948	275
	<u>210,458</u>	<u>371,265</u>	<u>173,914</u>	<u>5,137</u>	<u>132,429</u>
Subtotal	<u>9,084,360</u>	<u>17,242,334</u>	<u>8,384,758</u>	<u>2,137,035</u>	<u>7,130,254</u>
Depreciation	<u>28,248,643</u>	<u>21,793,487</u>	<u>4,209,588</u>	<u>19,954,619</u>	<u>14,965,520</u>
Total	<u>\$ 37,333,003</u>	<u>\$ 39,035,821</u>	<u>\$ 12,594,346</u>	<u>\$ 22,091,654</u>	<u>\$ 22,095,774</u>
Year Ended December 31, 2016	\$ 36,976,016	\$ 37,050,170	\$ 11,904,595	\$ 22,750,221	\$ 22,503,066
Increase (Decrease)	\$ 356,987	\$ 1,985,651	\$ 689,751	\$ (658,567)	\$ (407,292)

2017				Year Ended	Increase
Reliever	Public	Administration	Total	December 31,	(Decrease)
Airports	Safety			2016	
\$ 279,089	\$ 6,535,982	\$ 6,594,304	\$ 23,344,684	\$ 21,506,591	\$ 1,838,093
39,894	1,531,442	1,143,822	5,216,436	4,424,897	791,539
31,571	923,631	638,088	2,494,852	2,312,634	182,218
<u>350,554</u>	<u>8,991,055</u>	<u>8,376,214</u>	<u>31,055,972</u>	<u>28,244,122</u>	<u>2,811,850</u>
20,184	113,877	1,361,388	1,716,940	1,414,327	302,613
362,970	86,930	3,268,485	5,264,361	4,785,433	478,928
-	3,900	108,172	207,620	221,097	(13,477)
328,237	265,748	1,331,391	6,926,301	5,979,114	947,187
5,520	600	585	5,931,217	5,561,395	369,822
766,671	925,117	380,068	5,039,792	4,057,057	982,735
<u>1,483,582</u>	<u>1,396,172</u>	<u>6,450,089</u>	<u>25,086,231</u>	<u>22,018,423</u>	<u>3,067,808</u>
260,661	175,404	-	8,722,246	9,242,901	(520,655)
322,285	-	-	881,434	811,102	70,332
31,976	52,866	9,107	491,983	292,673	199,310
13,021	31,144	771	981,291	639,487	341,804
489	79,042	59,913	176,682	156,855	19,827
16,257	-	-	581,749	827,488	(245,739)
10,283	226,918	97,754	990,992	615,723	375,269
<u>394,311</u>	<u>389,970</u>	<u>167,545</u>	<u>4,104,131</u>	<u>3,343,328</u>	<u>760,803</u>
11,022	25,268	401	153,030	(26,789)	179,819
53,044	501	-	480,152	463,884	16,268
54,366	342,025	85,992	2,139,723	2,032,532	107,191
7,035	20,121	6,501	152,713	154,723	(2,010)
2,064	29,978	5,625	270,840	167,778	103,062
<u>127,531</u>	<u>417,893</u>	<u>98,519</u>	<u>3,196,458</u>	<u>2,792,128</u>	<u>404,330</u>
70,075	170,988	110,091	1,232,002	1,296,305	(64,303)
-	278	52,153	60,238	66,179	(5,941)
-	26,940	45,272	76,760	216,387	(139,627)
<u>70,075</u>	<u>198,206</u>	<u>207,516</u>	<u>1,369,000</u>	<u>1,578,871</u>	<u>(209,871)</u>
2,686,714	11,568,700	15,299,883	73,534,038	67,219,773	6,314,265
<u>2,956,834</u>	<u>336,815</u>	<u>1,609,101</u>	<u>94,074,607</u>	<u>93,817,692</u>	<u>256,915</u>
\$ 5,643,548	\$ 11,905,515	\$ 16,908,984	\$ 167,608,645		
\$ 4,213,466	\$ 10,786,190	\$ 14,853,720		\$ 161,037,465	
\$ 1,430,082	\$ 1,119,325	\$ 2,055,264			\$ 6,571,180

Indianapolis Airport Authority

Schedule of Bond Debt Service Requirements to Maturity December 31, 2018

	2018A Subordinate Securities		2016A-1 Revenue Bonds		2016A-2 Revenue Bonds		2015A Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ -	\$ 1,492,183	\$ 16,070,000	\$ 5,864,800	\$ 3,170,000	\$ 436,143	\$ -	\$ 8,649,600
2020	-	1,492,183	16,885,000	5,040,925	3,230,000	378,078	-	8,649,600
2021	-	1,492,183	17,745,000	4,175,175	3,295,000	309,525	-	8,649,600
2022	-	1,492,183	18,645,000	3,265,425	3,370,000	232,243	-	8,649,600
2023	45,840,000	241,201	13,490,000	2,462,050	2,260,000	162,678	6,770,000	8,480,350
2024	-	-	2,775,000	2,055,425	85,000	132,381	12,240,000	8,066,300
2025	-	-	2,910,000	1,913,300	90,000	129,585	16,250,000	7,496,500
2026	-	-	3,055,000	1,764,175	95,000	126,630	16,925,000	6,748,375
2027	-	-	3,210,000	1,607,550	95,000	123,595	17,800,000	5,880,250
2028	-	-	2,145,000	1,473,675	-	122,077	18,720,000	4,967,250
2029	-	-	2,255,000	1,363,675	-	122,077	16,215,000	4,093,875
2030	-	-	2,365,000	1,248,175	-	122,077	17,055,000	3,262,125
2031	-	-	2,485,000	1,126,925	-	122,077	17,955,000	2,386,875
2032	-	-	2,610,000	1,012,600	-	122,077	18,885,000	1,465,875
2033	-	-	2,715,000	906,100	-	122,077	19,875,000	496,875
2034	-	-	2,820,000	795,400	-	122,077	-	-
2035	-	-	18,475,000	369,500	1,520,000	92,483	-	-
2036	-	-	-	-	1,615,000	31,441	-	-
2037	-	-	-	-	-	-	-	-
	<u>\$ 45,840,000</u>	<u>\$ 6,209,933</u>	<u>\$ 130,655,000</u>	<u>\$ 36,444,875</u>	<u>\$ 18,825,000</u>	<u>\$ 3,009,321</u>	<u>\$ 178,690,000</u>	<u>\$ 87,943,050</u>

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

2014A Revenue Bonds		2012A Revenue Bonds		2010C Revenue Bonds ¹		2010A Revenue Bonds		Total Debt Service
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
\$ -	\$ 8,021,750	\$ 5,370,000	\$ 41,600	\$ 5,710,000	\$ 7,721,508	\$ 725,000	\$ 962,063	\$ 64,234,647
6,205,000	7,866,625	-	-	6,000,000	7,869,009	755,000	932,463	65,303,883
6,515,000	7,548,625	-	-	6,305,000	8,145,155	785,000	901,663	65,866,926
6,840,000	7,214,750	-	-	6,630,000	8,298,892	815,000	869,153	66,322,246
7,185,000	6,864,125	-	-	6,965,000	8,529,401	850,000	834,281	110,934,086
11,070,000	6,407,750	-	-	18,965,000	8,024,162	885,000	797,413	71,503,431
8,130,000	5,927,750	-	-	19,980,000	7,423,220	925,000	758,372	71,933,727
8,535,000	5,511,125	-	-	21,050,000	6,790,114	965,000	716,425	72,281,844
8,965,000	5,073,625	-	-	22,180,000	6,123,023	1,005,000	672,100	72,735,143
9,415,000	4,614,125	-	-	23,365,000	5,420,269	1,050,000	624,550	71,916,946
13,375,000	4,044,375	-	-	24,610,000	4,680,085	1,100,000	573,488	72,432,575
14,045,000	3,358,875	-	-	25,930,000	3,900,228	1,155,000	519,931	72,961,411
14,750,000	2,639,000	-	-	27,310,000	3,078,852	1,210,000	462,250	73,525,979
15,485,000	1,883,125	-	-	28,775,000	2,213,454	1,270,000	400,250	74,122,381
16,260,000	1,089,500	-	-	30,315,000	1,301,751	1,335,000	335,125	74,751,428
17,075,000	341,500	-	-	12,035,000	890,121	1,400,000	266,750	35,745,848
-	-	-	-	12,650,000	507,177	1,470,000	195,000	35,279,160
-	-	-	-	13,295,000	104,694	1,545,000	119,625	16,710,760
-	-	-	-	2,530,000	5,918	1,620,000	40,500	4,196,418
<u>\$ 163,850,000</u>	<u>\$ 78,406,625</u>	<u>\$ 5,370,000</u>	<u>\$ 41,600</u>	<u>\$ 314,600,000</u>	<u>\$ 91,027,033</u>	<u>\$ 20,865,000</u>	<u>\$ 10,981,402</u>	<u>\$ 1,192,758,839</u>

3.0 statistical information

(UNAUDITED) FISCAL YEAR ENDED DECEMBER 31, 2018

THE STATISTICAL SECTION provides information with up to ten years of comparable data, when available, and differs from the audited financial statements as some non-accounting data is presented.

90 FINANCIAL TREND DATA

These schedules depict the financial position of the IAA over the past several years. The trend information provided allows for an understanding of how revenues and expenses have changed over the years as well as how cash has been utilized.

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows

96 REVENUE CAPACITY DATA

These schedules identify the significant sources of IND's Operating Revenues and the airline rates and charges associated with generating these revenues.

- Operating Revenues
- Signatory Airline Rates and Charges

100 DEBT CAPACITY DATA

The data in these schedules reveals the trends in outstanding debt that the airport has carried over the past ten years, related debt service ratios, as well as the airport's ability to repay the outstanding debt.

- Outstanding Debt by Type and Revenue Bond Debt Service Ratios
- Revenue Bond Debt Service Coverage

101 OPERATING INFORMATION

These schedules provide information on the distribution of IND's carriers, passenger traffic, and airport personnel over the past ten years as well as how the airport is insured against material risk.

- Airline Landing Weight Statistics
- Enplaned Passenger Statistics
- Number of Airport Employees by Identifiable Activity
- Schedule of Insurance in Force

111 DEMOGRAPHIC AND ECONOMIC DATA

The data in these schedules illustrates the current demographic and economic status of the Indianapolis Metropolitan Statistical Area (MSA) as well as trends over the past ten years.

The Indianapolis MSA supports the majority of the traffic passing through IND.

- Indianapolis MSA Demographic and Economic Statistics
- Principal Employers In Indianapolis - Carmel - Anderson MSA
- Capital Asset and Other Airport Information

STATEMENTS OF NET POSITION

for the last 10 years ended December 31 (in thousands)

	2018	2017	2016	2015
Assets				
Current Assets - Unrestricted	\$ 32,580	\$ 27,006	\$ 34,760	\$ 28,660
Current Assets - Restricted	48,217	50,078	43,001	53,855
Noncurrent Assets:				
Capital Assets, Net	1,734,709	1,757,719	1,821,200	1,889,782
Other Noncurrent Assets	221,850	242,192	231,965	220,663
Total Assets	<u>2,037,356</u>	<u>2,076,995</u>	<u>2,130,926</u>	<u>2,192,960</u>
Deferred Outflows of Resources	<u>31,435</u>	<u>46,196</u>	<u>56,270</u>	<u>71,988</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,068,791</u>	<u>\$ 2,123,191</u>	<u>\$ 2,187,196</u>	<u>\$ 2,264,948</u>
Liabilities				
Current Liabilities - payable from unrestricted assets	\$ 14,090	\$ 12,043	\$ 10,028	\$ 11,319
Current Liabilities - payable from restricted assets	66,518	91,155	75,384	82,086
Noncurrent Liabilities - payable from unrestricted	-	-	-	-
Noncurrent Liabilities - payable from restricted	943,648	946,707	1,027,055	1,105,607
Total Liabilities	<u>1,024,256</u>	<u>1,049,905</u>	<u>1,112,467</u>	<u>1,199,012</u>
Deferred Inflows of Resources	<u>11,163</u>	<u>14,593</u>	<u>15,173</u>	<u>17,071</u>
Net Position				
Net Investment in Capital Assets	825,210	835,366	845,490	850,120
Restricted	140,516	160,085	143,563	121,423
Unrestricted	67,646	63,242	70,503	77,322
Total Net Position	<u>1,033,372</u>	<u>1,058,693</u>	<u>1,059,556</u>	<u>1,048,865</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 2,068,791</u>	<u>\$ 2,123,191</u>	<u>\$ 2,187,196</u>	<u>\$ 2,264,948</u>

(1) The Authority adopted GASB Statement No. 65 in FY 2013, resulting in changes to the financial statements for the year ended December 31, 2012. The Statistical Section of the CAFR has also been adjusted accordingly.

(2) The Authority adopted GASB Statement No. 53 in FY 2010, resulting in changes to the financial statements for the years ended December 31, 2009 and December 31, 2008 (in the Management's Discussion and Analysis). The Statistical Section of the CAFR has also been adjusted accordingly.

	2014	2013 ⁽¹⁾	2012 ⁽¹⁾	2011	2010 ⁽²⁾	2009 ⁽²⁾
\$	34,045	\$ 31,260	\$ 30,562	\$ 32,238	\$ 61,369	\$ 62,851
	55,220	63,511	51,009	67,476	61,744	54,300
	1,958,582	2,024,932	2,077,729	2,122,516	2,208,994	2,140,139
	192,446	173,187	208,089	235,711	177,070	212,050
	<u>2,240,293</u>	<u>2,292,890</u>	<u>2,367,389</u>	<u>2,457,941</u>	<u>2,509,177</u>	<u>2,469,340</u>
	76,997	47,476	80,796	34,108	-	36,627
\$	<u>2,317,290</u>	<u>2,340,366</u>	<u>2,448,185</u>	<u>2,492,049</u>	<u>2,509,177</u>	<u>2,505,967</u>
\$	8,169	\$ 7,956	\$ 8,130	\$ 8,042	\$ 10,217	\$ 10,335
	80,670	86,434	78,986	77,688	72,412	94,601
	-	-	-	-	443	1,328
	1,164,718	1,196,537	1,309,616	1,352,169	1,343,608	1,440,493
	<u>1,253,557</u>	<u>1,290,927</u>	<u>1,396,732</u>	<u>1,437,899</u>	<u>1,426,680</u>	<u>1,546,757</u>
	19,545	-	-	-	1,168	-
	868,463	883,951	884,123	869,618	915,229	798,088
	113,374	107,822	97,267	122,822	102,197	106,055
	62,351	57,666	70,063	61,710	63,903	55,067
	<u>1,044,188</u>	<u>1,049,439</u>	<u>1,051,453</u>	<u>1,054,150</u>	<u>1,081,329</u>	<u>959,210</u>
\$	<u>2,317,290</u>	<u>2,340,366</u>	<u>2,448,185</u>	<u>2,492,049</u>	<u>2,509,177</u>	<u>2,505,967</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

for the last 10 years ended December 31 (in thousands)

	2018	2017	2016	2015
Operating Revenues				
Airfield	\$ 24,288	\$ 21,746	\$ 23,749	\$ 22,546
Terminal complex	54,138	53,183	57,451	50,768
Parking	54,551	50,776	50,562	47,056
Rented buildings and other	16,523	16,567	16,382	16,016
Indianapolis Maintenance Center (IMC)	8,239	8,068	7,206	8,643
Reliever airports	2,934	2,920	2,897	2,928
Total operating revenues	<u>160,672</u>	<u>153,260</u>	<u>158,247</u>	<u>147,957</u>
Operating Expenses				
Personal services	33,910	31,056	28,244	27,446
Contractual services	25,620	25,086	22,018	19,034
Utilities	11,449	8,722	9,243	8,874
Supplies	5,181	4,104	3,343	3,311
Materials	3,053	3,196	2,792	2,509
General	1,797	1,369	1,579	1,205
Total operating expenses	<u>81,010</u>	<u>73,533</u>	<u>67,219</u>	<u>62,379</u>
Income From Operations Before Depreciation	79,663	79,727	91,028	85,578
Depreciation expense	92,196	94,075	93,818	94,113
Loss From Operations	<u>(12,533)</u>	<u>(14,348)</u>	<u>(2,790)</u>	<u>(8,535)</u>
Nonoperating Revenues (Expenses)				
State and local appropriations	13,162	16,751	27,376	26,754
Federal operating grants	599	595	675	804
Passenger facility charges	19,014	17,753	17,238	15,916
Customer facility charges (rental cars)	7,422	7,218	7,285	6,702
Investment income	6,115	4,679	4,214	6,663
Interest expense	(37,950)	(38,138)	(45,883)	(54,589)
Gain (Loss) on disposals of capital assets and other	(47,255)	(3,700)	(12,659)	(7,879)
	<u>(38,893)</u>	<u>5,158</u>	<u>(1,754)</u>	<u>(5,629)</u>
Decrease in Net Position Before Capital Contributions and Grants	<u>(51,426)</u>	<u>(9,190)</u>	<u>(4,544)</u>	<u>(14,164)</u>
Capital Contributions and Grants				
Federal, state and local grants	21,752	6,206	11,891	16,441
Contributions from lessees and other	4,355	2,120	3,344	2,400
	<u>26,107</u>	<u>8,326</u>	<u>15,235</u>	<u>18,841</u>
Increase (Decrease) in Net Position	<u>(25,320)</u>	<u>(864)</u>	<u>10,691</u>	<u>4,677</u>
Net Position, Beginning of Year, as previously reported	1,058,692	1,059,556	1,048,865	1,044,188
Cumulative Effect of Change in Acct. Principle	-	-	-	-
Net Position, Beginning of Year, as restated	<u>1,058,692</u>	<u>1,059,556</u>	<u>1,048,865</u>	<u>1,044,188</u>
Net Position, End of Year	<u>\$ 1,033,372</u>	<u>\$ 1,058,692</u>	<u>\$ 1,059,556</u>	<u>\$ 1,048,865</u>

(1) The Authority adopted GASB Statement No. 65 in FY 2013, resulting in changes to the financial statements for the year ended December 31, 2012. The Statistical Section of the CAFR has also been adjusted accordingly.

(2) The Authority adopted GASB Statement No. 53 in FY 2010, resulting in changes to the financial statements for the years ended December 31, 2009 and December 31, 2008 (in the Management's Discussion and Analysis). The Statistical Section of the CAFR has also been adjusted accordingly.

2014	2013 ⁽¹⁾	2012 ⁽¹⁾	2011	2010 ⁽²⁾	2009 ⁽²⁾
\$ 21,674	\$ 21,468	\$ 21,101	\$ 22,191	\$ 23,379	\$ 22,742
49,436	49,458	50,312	50,257	51,178	49,960
43,469	40,718	38,435	38,764	38,284	34,660
15,948	15,659	16,611	13,436	12,972	13,099
9,200	9,395	8,779	9,200	8,803	6,852
3,105	2,961	3,019	2,649	2,474	2,414
<u>142,832</u>	<u>139,659</u>	<u>138,257</u>	<u>136,497</u>	<u>137,090</u>	<u>129,727</u>
26,261	26,533	29,218	27,985	27,398	30,340
18,185	17,228	16,035	17,462	16,661	18,225
9,431	8,480	7,977	8,776	8,391	10,572
3,987	3,904	3,678	3,567	3,121	3,157
2,423	1,932	1,944	1,440	1,453	1,498
2,089	2,125	1,835	2,313	2,222	2,585
<u>62,376</u>	<u>60,202</u>	<u>60,687</u>	<u>61,543</u>	<u>59,246</u>	<u>66,377</u>
80,456	79,457	77,570	74,954	77,844	63,350
94,127	95,821	95,336	106,271	102,589	100,953
<u>(13,671)</u>	<u>(16,364)</u>	<u>(17,766)</u>	<u>(31,317)</u>	<u>(24,745)</u>	<u>(37,603)</u>
26,785	26,818	26,856	26,826	26,771	27,130
1,036	869	711	1,210	1,008	1,032
14,645	14,474	14,606	15,418	15,654	15,430
6,442	6,098	6,316	6,065	5,365	4,208
2,678	5,237	5,678	7,816	6,211	9,531
(57,935)	(58,192)	(64,532)	(69,327)	(70,151)	(73,564)
621	(2,447)	3,781	1,163	4,721	1,919
<u>(5,728)</u>	<u>(7,143)</u>	<u>(6,584)</u>	<u>(10,829)</u>	<u>(10,421)</u>	<u>(14,314)</u>
<u>(19,399)</u>	<u>(23,507)</u>	<u>(24,350)</u>	<u>(42,146)</u>	<u>(35,166)</u>	<u>(51,917)</u>
12,327	10,322	5,551	11,457	11,014	18,097
1,821	11,171	28,020	3,510	146,271	25,329
<u>14,148</u>	<u>21,493</u>	<u>33,571</u>	<u>14,967</u>	<u>157,285</u>	<u>43,426</u>
<u>(5,251)</u>	<u>(2,014)</u>	<u>9,221</u>	<u>(27,179)</u>	<u>122,119</u>	<u>(8,491)</u>
1,049,439	1,051,453	1,054,150	1,081,329	959,210	967,701
-	-	(11,918)	-	-	-
<u>1,049,439</u>	<u>1,051,453</u>	<u>1,042,232</u>	<u>1,081,329</u>	<u>959,210</u>	<u>967,701</u>
\$ 1,044,188	\$ 1,049,439	\$ 1,051,453	\$ 1,054,150	\$ 1,081,329	\$ 959,210

STATEMENTS OF CASH FLOWS

for the last 10 years ended December 31 (in thousands)

	2018	2017	2016	2015
Cash Flows From Operating Activities				
Cash receipts from customers and users	\$ 161,457	\$ 155,794	\$ 158,753	\$ 145,901
Cash payments to vendors for goods and services	(45,412)	(42,184)	(37,686)	(32,397)
Cash payments for employees services	(33,836)	(30,519)	(27,796)	(27,276)
Net cash provided by operating activities	<u>82,209</u>	<u>83,091</u>	<u>93,271</u>	<u>86,228</u>
Cash Flows From Noncapital Financing Activities				
Operating grants received	525	593	647	697
Customer facility charges received	7,422	7,218	7,285	6,702
Insurance recoveries	590	225	291	48
Net cash provided by noncapital financing activities	<u>8,537</u>	<u>8,036</u>	<u>8,223</u>	<u>7,447</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from issuance of subordinate note	45,840	-	-	-
Proceeds from issuance of commercial paper	-	-	-	-
Proceeds from issuance of revenue bonds	-	-	196,895	198,965
Principal paid on bonds and commercial paper	(53,895)	(34,845)	(237,700)	(226,630)
Bond issue costs paid	(119)	(283)	(1,202)	(1,583)
Interest paid	(40,905)	(40,911)	(44,637)	(51,816)
Proceeds from novation of derivative financial instrument - basis swap	-	-	-	-
Acquisition and construction of capital assets	(99,715)	(34,643)	(40,119)	(32,021)
Demolition costs related to capital assets	(2)	(365)	(8)	(141)
Proceeds from sale of capital assets	1,972	4,349	796	2,259
Passenger facility charges received	19,850	17,553	17,104	15,459
Capital grants received	18,871	10,136	12,057	20,689
Contributions from other government	-	-	-	-
Net cash used in capital and related financing activities	<u>(108,103)</u>	<u>(79,009)</u>	<u>(96,814)</u>	<u>(74,818)</u>
Cash Flows from Investing Activities				
Purchase of investment securities	(236,887)	(334,759)	(294,556)	(61,495)
Proceeds from sales and maturities of investment securities	255,940	321,318	287,149	28,321
Interest received on investments and cash equivalents	3,279	2,628	3,603	7,022
Cash received from monetization of investment derivative	-	-	-	-
Net cash provided by (used in) investing activities	<u>22,332</u>	<u>(10,812)</u>	<u>(3,805)</u>	<u>(26,152)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,976	1,306	875	(7,294)
Cash and Cash Equivalents, Beginning of Year	<u>133,679</u>	<u>132,373</u>	<u>131,499</u>	<u>138,793</u>
Cash and Cash Equivalents, End of Year	<u>\$ 138,655</u>	<u>\$ 133,679</u>	<u>\$ 132,373</u>	<u>\$ 131,499</u>

	2014	2013	2012	2011	2010	2009
\$	143,993	\$ 143,537	\$ 137,982	\$ 134,248	\$ 135,291	\$ 130,966
	(36,513)	(32,908)	(29,614)	(35,080)	(31,849)	(38,527)
	(26,176)	(27,097)	(29,962)	(27,725)	(28,496)	(29,955)
	81,304	83,532	78,406	71,443	74,946	62,484
	1,000	964	998	1,096	1,032	1,041
	6,442	6,097	6,316	6,065	5,365	4,208
	393	2,668	3,973	2,724	347	1,663
	7,835	9,731	11,287	9,885	6,744	6,912
	-	-	-	-	-	-
	-	-	-	-	-	50,000
	184,775	37,845	46,650	-	375,511	-
	(221,800)	(73,410)	(115,130)	(21,850)	(421,657)	(35,830)
	(1,236)	(420)	(666)	(45)	(684)	(489)
	(54,875)	(52,729)	(60,153)	(60,031)	(62,904)	(65,655)
	-	-	-	3,500	-	-
	(25,993)	(31,945)	(20,358)	(17,079)	(35,358)	(96,386)
	(136)	(5,315)	-	-	-	-
	192	41	178	204	2,982	1,487
	14,715	14,494	14,937	15,463	15,491	15,404
	9,560	9,204	321	18,791	11,830	26,272
	-	-	-	-	-	1,021
	(94,797)	(102,235)	(134,221)	(61,047)	(114,791)	(104,176)
	(188,139)	(118,087)	(121,837)	(130,596)	(118,528)	(134,297)
	163,553	129,377	89,570	95,166	116,307	126,660
	2,216	4,072	3,896	5,264	1,892	1,650
	3,117	-	-	-	-	-
	(19,253)	15,362	(28,371)	(30,166)	(329)	(5,987)
	(24,910)	6,391	(72,899)	(9,885)	(33,428)	(40,767)
	163,704	157,313	230,212	240,097	273,524	314,291
\$	138,793	\$ 163,704	\$ 157,313	\$ 230,212	\$ 240,096	\$ 273,524

OPERATING REVENUES

for the last 10 years ended December 31 (in thousands)

	2018	2017	2016	2015
Airfield				
Landing fees - scheduled airlines	\$ 9,812	\$ 8,562	\$ 9,615	\$ 8,645
Landing fees - freight and other	9,999	8,912	10,601	10,375
Apron fees	2,002	1,892	1,894	2,011
Commissions - aviation fuel sales	324	300	308	310
Other	2,151	2,080	1,331	1,206
Total Airfield	<u>24,288</u>	<u>21,746</u>	<u>23,749</u>	<u>22,546</u>
Terminal Complex				
Space rental				
Airlines	27,011	27,005	31,359	26,309
Concessionaires	8,575	8,230	8,182	7,620
Administration Building	-	-	-	-
Other space rental	1,716	1,804	2,022	1,565
Automobile rental commissions	11,261	10,717	10,518	10,085
Security Fees	-	-	-	-
Other commissions, fees, etc.	5,575	5,427	5,370	5,189
Total Terminal Complex	<u>54,138</u>	<u>53,183</u>	<u>57,451</u>	<u>50,768</u>
Parking - parking operations	<u>54,551</u>	<u>50,776</u>	<u>50,562</u>	<u>47,055</u>
Rented Buildings and Other				
Space rental - freight buildings	1,262	1,033	985	931
Space rental - hangars	696	675	622	598
Space rental - other buildings	7,923	8,107	8,035	7,708
Ground leases	5,894	5,999	6,091	6,171
Farm income	30	29	150	155
International building	1	15	17	18
Other	717	709	483	435
Total Rented Buildings and Other	<u>16,523</u>	<u>16,567</u>	<u>16,382</u>	<u>16,016</u>
Indianapolis Maintenance Center (IMC)	<u>8,239</u>	<u>8,068</u>	<u>7,206</u>	<u>8,643</u>
Reliever Airports	<u>2,934</u>	<u>2,920</u>	<u>2,897</u>	<u>2,928</u>
Total Operating Revenues	<u>\$ 160,672</u>	<u>\$ 153,260</u>	<u>\$ 158,247</u>	<u>\$ 147,957</u>

Signatory Airline Rates and Charges

Landing Fee (Per 1,000 lbs.)	\$ 1.85	\$ 1.70	\$ 1.95	\$ 1.92
Average Terminal Building Rate (Per Sq. Ft.)	\$ 92.78	\$ 98.22	\$ 114.09	\$ 95.11
Apron Rate (Per Sq. Ft.)	\$ 0.53	\$ 0.48	\$ 0.71	\$ 0.27

2014	2013	2012	2011	2010	2009
7,768	\$ 7,875	\$ 8,282	\$ 8,552	\$ 8,721	\$ 8,970
10,306	10,171	9,722	9,685	9,472	9,166
1,994	2,085	2,796	3,692	4,911	4,386
281	243	294	259	274	219
1,325	1,092	7	3	1	1
<u>21,674</u>	<u>21,468</u>	<u>21,101</u>	<u>22,191</u>	<u>23,379</u>	<u>22,742</u>
26,102	26,429	26,635	27,121	28,774	28,646
7,382	7,480	7,491	7,118	7,142	6,752
-	-	-	-	-	22
1,395	1,321	1,281	1,185	637	550
9,439	9,146	9,335	9,211	8,715	8,353
-	-	-	-	375	372
5,117	5,081	5,570	5,622	5,535	5,265
<u>49,435</u>	<u>49,458</u>	<u>50,312</u>	<u>50,257</u>	<u>51,178</u>	<u>49,960</u>
43,469	40,718	38,435	38,764	38,284	34,660
928	930	771	810	618	1,061
649	663	660	527	208	40
7,660	7,641	6,945	5,857	5,616	5,869
6,149	5,790	6,512	5,289	5,659	5,363
149	162	71	70	67	44
24	25	65	43	64	45
389	449	1,587	840	740	677
<u>15,948</u>	<u>15,659</u>	<u>16,611</u>	<u>13,436</u>	<u>12,972</u>	<u>13,099</u>
9,200	9,395	8,779	9,200	8,803	6,852
3,105	2,961	3,019	2,649	2,474	2,414
<u>142,831</u>	<u>\$ 139,659</u>	<u>\$ 138,257</u>	<u>\$ 136,497</u>	<u>\$ 137,090</u>	<u>\$ 129,727</u>
1.88	\$ 1.88	\$ 1.90	\$ 1.95	\$ 1.95	\$ 1.95
91.68	\$ 91.68	\$ 92.80	\$ 95.00	\$ 95.00	\$ 95.00
0.34	\$ 0.34	\$ 0.57	\$ 1.86	\$ 2.62	\$ 2.62

SIGNATORY AIRLINE RATES AND CHARGES

for the last 10 years ended December 31

Year	Signatory Landing Fees (Per 1,000 lbs.)	Average Terminal Building Rates (Per Sq. Ft.)	Apron Rates (Per Sq. Ft.)
2018	\$ 1.85	\$ 92.78	\$ 0.53
2017	1.70	98.22	0.48
2016	1.95	114.09	0.71
2015	1.92	95.11	0.27
2014	1.88	91.68	0.34
2013	1.88	91.68	0.34
2012	1.90	92.80	0.57
2011	1.95	95.00	1.86
2010	1.95	95.00	2.62
2009	1.95	95.00	2.62

- (1) The revenue bases to which the rates are applied and lists of principal payors can be found in other schedules.
- (2) The Authority uses a residual rate-making methodology for its Airline Agreements. This provides for the review and adjustment of Signatory Airline Terminal Complex rental rates, Apron Area rents, and Landing Fees each Fiscal Year to ensure that the Gross Revenues of the Airport System are sufficient to meet the Operation and Maintenance Expenses of the Airport System, the Debt Service Requirements of the Authority's Outstanding Revenue Bonds and Subordinate Securities, and other funding requirements established by the Bond Ordinance.



OUTSTANDING DEBT BY TYPE AND REVENUE BOND DEBT SERVICE RATIOS

for the last 10 years ended December 31

	2018	2017	2016	2015
Outstanding Debt				
Revenue Bonds	\$ 874,561,922	\$ 933,949,408	\$ 974,523,714	\$ 1,022,725,052
Commercial Paper, Subordinate Securities & Credit Facility Agreements	45,840,000			-
Obligations under Capital Lease	-	12,728,442	28,696,082	54,878,039
Total Outstanding Debt	\$ 920,401,922	\$ 946,677,850	\$ 1,003,219,796	\$ 1,077,603,091
Outstanding Debt Per Capita	\$ 449.26	\$ 467.10	\$ 500.26	\$ 542.64
Total Enplaned Passengers	4,695,040	4,387,532	4,239,828	4,008,256
Outstanding Debt / Enplaned Passenger	\$ 196.04	\$ 215.77	\$ 236.62	\$ 268.85
Outstanding Debt as % of Personal Income	Data Not Available	0.41%	0.47%	0.55%
Revenue Bond Debt Service				
Principal	\$ 53,895,000	\$ 34,845,000	\$ 32,850,000	\$ 29,245,000
Interest	40,174,647	40,565,126	42,970,440	44,258,956
Total Revenue Bond Debt Service ⁽¹⁾	\$ 94,069,647	\$ 75,410,126	\$ 75,820,440	\$ 73,503,956
Total Expenses (Less Depreciation)	\$ 166,214,431	\$ 115,371,597	\$ 125,760,383	\$ 124,848,572
Revenue Bond Debt Service ⁽¹⁾ / Total Expenses	56.60%	65.36%	60.29%	58.87%
Revenue Bond Debt Service ⁽¹⁾ / Enplaned Passenger	\$ 20.04	\$ 17.19	\$ 17.88	\$ 18.34

(1) These Revenue Bond Debt Service figures are gross debt service requirements on a cash basis, they are not net of Capitalized Interest.

2014	2013	2012	2011	2010	2009
\$ 1,054,556,120	\$ 1,094,668,006	\$ 1,082,664,813	\$ 1,149,569,629	\$ 1,168,856,378	\$ 1,250,769,922
-	-	-	-	-	25,000,000
<u>79,942,322</u>	<u>103,844,418</u>	<u>126,647,808</u>	<u>148,415,051</u>	<u>169,134,580</u>	<u>188,835,590</u>
<u>\$ 1,134,498,442</u>	<u>\$ 1,198,512,424</u>	<u>\$ 1,209,312,621</u>	<u>\$ 1,297,984,680</u>	<u>\$ 1,337,990,957</u>	<u>\$ 1,464,605,512</u>
\$ 575.65	\$ 613.63	\$ 626.70	\$ 679.34	\$ 708.65	\$ 781.77
3,686,245	3,598,718	3,687,742	3,770,469	3,770,383	3,740,873
\$ 307.77	\$ 333.04	\$ 327.93	\$ 344.25	\$ 354.87	\$ 391.51
0.65%	0.73%	0.72%	0.78%	0.86%	0.99%
\$ 32,400,000	\$ 24,625,000	\$ 25,110,000	\$ 21,850,000	\$ 11,390,000	\$ 10,830,000
<u>50,046,187</u>	<u>52,706,166</u>	<u>58,290,969</u>	<u>58,230,465</u>	<u>60,137,740</u>	<u>54,368,589</u>
<u>\$ 82,446,187</u>	<u>\$ 77,331,166</u>	<u>\$ 83,400,969</u>	<u>\$ 80,080,465</u>	<u>\$ 71,527,740</u>	<u>\$ 65,198,589</u>
\$ 119,690,767	\$ 120,842,636	\$ 121,439,037	\$ 129,706,035	\$ 124,676,237	\$ 138,021,318
68.88%	63.99%	68.68%	61.74%	57.37%	47.24%
\$ 22.37	\$ 21.49	\$ 22.62	\$ 21.24	\$ 18.97	\$ 17.43

REVENUE BOND DEBT SERVICE COVERAGE

for the last 10 years ended December 31 (in thousands)

	2018	2017	2016	2015
Gross Revenues				
Total Operating Revenues	\$ 160,672	\$ 153,260	\$ 158,247	\$ 147,957
Federal Operating Grants	599			
Other revenues not deemed Gross Revenues	-	-	-	-
Reduced (Excess) Rental Revenue Recognized Under GASB 13	99	109	306	306
Federal Payments	(505)	(908)	(762)	(536)
Total Gross Revenues	<u>160,865</u>	<u>152,461</u>	<u>157,791</u>	<u>147,727</u>
Operating and Maintenance Expenses				
Total Operating Expenses	173,206	167,609	161,038	156,493
Capital Assets Expensed Under Ordinance	1,441	1,175	1,318	930
Environmental Mitigation Costs	2	(50)	96	192
Depreciation	(92,196)	(94,075)	(93,818)	(94,113)
Total Operating & Maintenance Expenses	<u>82,452</u>	<u>74,659</u>	<u>68,634</u>	<u>63,502</u>
Net Revenues Available for Debt Service	<u>78,413</u>	<u>77,802</u>	<u>89,157</u>	<u>84,225</u>
Fund Transfers				
Transfers from Debt Service Coverage Fund ⁽¹⁾	17,212	17,179	17,380	17,171
Transfers from Prepaid Airline Revenue Fund ⁽²⁾	5,155	2,568	17,000	7,500
Total Funds Available for Debt Service	<u>\$ 100,780</u>	<u>\$ 97,549</u>	<u>\$ 123,537</u>	<u>\$ 108,896</u>
Debt Service Requirements				
Debt Service Requirements for Revenue Bonds	\$ 68,473	\$ 55,243	\$ 59,606	\$ 59,035
Debt Service Coverage				
Revenue Bond Debt Service Coverage	1.47	1.77	2.07	1.84

(1) Pursuant to the Authority's Master Bond Ordinance, amounts deposited into the Authority's Coverage Fund will be added to Net Revenues for purposes of determining the Authority's Revenue Bond Debt Service Coverage.

(2) Reflects actual transfer versus calculated Prepaid Airline Credit as defined in the Authority's Master Bond Ordinance.

2014	2013	2012	2011	2010	2009
142,831	\$ 139,659	\$ 138,257	\$ 136,497	\$ 137,090	\$ 129,727
-	-	-	-	-	-
306	306	210	170	148	148
(522)	(478)	(816)	(742)	(700)	(658)
<u>142,615</u>	<u>139,487</u>	<u>137,651</u>	<u>135,925</u>	<u>136,538</u>	<u>129,217</u>
156,502	156,022	156,022	167,814	161,835	167,331
396	1,055	635	682	314	1,130
38	1,182	1,511	53	346	-
(94,127)	(95,821)	(95,336)	(106,271)	(102,589)	(100,954)
<u>62,810</u>	<u>62,438</u>	<u>62,833</u>	<u>62,278</u>	<u>59,906</u>	<u>67,507</u>
<u>79,806</u>	<u>77,048</u>	<u>74,819</u>	<u>73,648</u>	<u>76,632</u>	<u>61,710</u>
17,173	15,130	16,218	16,140	16,032	13,648
1,500	500	2,019	4,013	4,000	4,000
<u>98,478</u>	<u>\$ 92,678</u>	<u>\$ 93,055</u>	<u>\$ 93,800</u>	<u>\$ 96,665</u>	<u>\$ 79,357</u>
60,819	\$ 58,801	\$ 60,262	\$ 62,306	\$ 60,706	\$ 52,246
1.62	1.58	1.54	1.51	1.59	1.52

AIRLINE LANDING WEIGHT STATISTICS

for the last 10 years ended December 31

Listed by current rank

	2018		2017		2016		2015	
	Landing Wts. (000 lbs.)	% of Total	Landing Wts. (000 lbs.)	Landing Wts. (000 lbs.)	Landing Wts. (000 lbs.)	Landing Wts. (000 lbs.)	Landing Wts. (000 lbs.)	Landing Wts. (000 lbs.)
Scheduled Air Carrier:								
Southwest ⁽¹⁾	1,611,201	15%	1,660,810	1,605,178	1,387,432			
American ⁽¹⁾	1,283,779	12%	1,201,711	1,277,344	502,901			
Delta ⁽¹⁾	1,335,815	12%	1,176,262	1,136,286	1,133,755			
United ⁽¹⁾	683,717	6%	671,124	669,129	667,649			
Allegiant Air ⁽³⁾	267,444	2%	184,307	179,027	125,927			
Frontier Airlines ⁽¹⁾	129,409	1%	114,412	129,823	115,820			
Alaska Airlines ⁽⁴⁾	91,436	1%	48,895	-	-			
Indianapolis Aviation Partners ⁽²⁾	31,974	0%	27,697	30,910	17,141			
US Airways ⁽¹⁾	-	0%	-	-	672,034			
AirTran Airways ⁽¹⁾	-	0%	-	-	-			
Continental ⁽¹⁾	-	0%	-	-	-			
Expressjet ⁽¹⁾	-	0%	-	-	-			
American Eagle, et.al. ⁽¹⁾	-	0%	-	-	-			
Northwest ⁽¹⁾	-	0%	-	-	-			
ATA ⁽³⁾	-	0%	-	-	-			
Other	49,873	0%	53,351	47,957	42,539			
Subtotal	5,484,646	50.88%	5,138,569	5,075,654	4,665,198			
Net Change from Prior Year		8.1%			8.8%			9.3%
Freight and Charter:								
Federal Express	5,138,742	47.67%	4,997,397	5,190,106	5,186,724			
Cargolux Airlines International S.A.	101,806	0.94%	104,179	102,121	100,937			
Mountain Air Cargo	34,442	0.32%	31,826	33,232	26,564			
Eli Lilly International ⁽³⁾	11,814	0.11%	11,484	12,408	11,286			
Tradewinds Airlines ⁽¹⁾	-	0.00%	-	-	-			
Other	7,884	0.07%	5,713	9,211	21,363			
Subtotal	5,294,688	49.12%	5,150,599	5,347,078	5,346,874			
Net Change from Prior Year		-1.0%		-3.7%	0.0%			-0.4%
Total Airline Landing Weights	10,779,334	100.00%	10,289,168	10,422,732	10,012,072			
Net Change from Prior Year		4.8%		-1.3%	4.1%			3.9%

(1) Airline either merged with another airline, serves another airline, discontinued operations or no longer serves Indianapolis International Airport.

(2) Indianapolis Aviation Partners (dba Million Air) began operations in April 2009.

(3) Allegiant Air began operations in February 2015.

(4) Alaska Airlines began operation in May 2017.

2014	2013	2012	2011	2010	2009
947,356	723,664	814,156	816,604	766,466	802,206
474,639	410,592	397,707	403,328	318,983	319,129
1,153,816	1,190,901	1,229,200	1,174,008	1,130,081	898,375
623,969	637,841	543,286	327,948	315,647	352,956
-	-	-	-	-	-
120,871	126,538	144,204	166,963	152,247	146,720
-	-	-	-	-	-
48,576	65,667	77,332	57,888	57,011	26,153
653,730	635,757	605,967	573,319	584,823	647,061
211,352	434,352	441,008	546,035	681,256	577,152
-	-	94,211	282,262	89,598	92,660
-	-	37,324	50,668	187,580	151,621
-	-	-	-	66,787	115,760
-	-	-	-	-	373,213
-	-	-	-	-	-
35,156	33,670	49,388	37,417	97,557	49,164
4,269,465	4,258,982	4,433,783	4,436,440	4,448,036	4,552,170
0.2%	-3.9%	-2.6%	-0.3%	-2.3%	-12.3%
5,216,438	5,141,051	4,803,868	4,714,088	4,617,965	4,448,460
98,575	101,933	101,223	68,065	66,557	64,601
23,360	22,300	29,510	25,809	20,939	19,655
10,758	12,870	12,474	12,870	15,972	18,216
-	-	-	-	-	28,360
18,314	13,292	15,553	20,948	17,052	19,085
5,367,445	5,291,446	4,962,628	4,841,780	4,738,485	4,598,377
1.4%	6.6%	7.9%	2.2%	3.0%	-12.4%
9,636,910	9,550,428	9,396,411	9,278,220	9,186,521	9,150,547
0.9%	1.6%	1.3%	1.0%	0.4%	-12.4%

ENPLANED PASSENGER STATISTICS

for the last 10 years ended December 31

Listed by current rank

	2018		2017		2016	2015
	Number of Enplanements	% of Total	Number of Enplanements			
Scheduled Air Carrier:						
Southwest ⁽¹⁾	1,448,196	30.8%	1,443,262	1,382,870	1,193,458	
American ⁽¹⁾	1,026,854	21.9%	970,257	965,523	473,919	
Delta ⁽¹⁾	1,092,085	23.3%	978,384	942,983	958,781	
United ⁽¹⁾	599,596	12.8%	594,727	589,221	572,837	
Allegiant Air ⁽²⁾	265,353	5.7%	188,748	183,633	120,546	
Frontier Airlines ⁽¹⁾	138,809	3.0%	122,865	134,528	119,315	
Alaska Airlines ⁽⁶⁾	78,993	1.7%	42,977	-	-	
Indianapolis Aviation Partners ⁽³⁾	10,549	0.2%	10,934	11,406	7,014	
US Airways ⁽¹⁾		0.0%	-	-	537,973	
AirTran Airways ⁽¹⁾		0.0%	-	-	-	
Continental ⁽¹⁾		0.0%	-	-	-	
Expressjet ⁽¹⁾		0.0%	-	-	-	
American Eagle, et.al. ⁽¹⁾		0.0%	-	-	-	
ATA ⁽⁴⁾		0.0%	-	-	-	
Northwest ⁽¹⁾		0.0%	-	-	-	
Other	34,605	0.7%	35,378	29,664	24,413	
Total Enplanements	4,695,040	100.0%	4,387,532	4,239,828	4,008,256	
Net Change from Prior Year	7.0%		3.5%	5.8%	8.7%	
Airline Costs						
Air Carrier Landing Fees	\$ 19,810,491		\$ 17,474,532	\$ 20,216,506	\$ 19,018,664	
Terminal Apron Fees	2,002,360		1,892,080	1,894,273	2,011,024	
Airline Terminal Fees	27,011,058		27,004,991	31,358,509	26,309,293	
Security Fees	-		-	-	-	
Freight Landing Fees	(9,998,530)		(8,912,244)	(10,601,365)	(10,373,953)	
Total Costs	\$ 38,825,379		\$ 37,459,359	\$ 42,867,923	\$ 36,965,028	
Total Costs/Enplaned Passenger	\$ 8.27		\$ 8.54	\$ 10.11	\$ 9.22	
Net Change from Prior Year	-3.1%		-15.6%	9.6%	-5.2%	

(1) Airline either merged with another airline, serves another airline or no longer serves Indianapolis International Airport.

(2) Allegiant Air began operations in February 2015.

(3) Indianapolis Aviation Partners (dba Million Air) began operations in April 2009.

(4) Variance attributable to a decrease in apron fees and the elimination of security fees with the new airline use agreement along with an increase in cargo activity at IND.

(5) Variance attributable to an increase in terminal and apron fees due to a full year of operation in the New Indianapolis Airport terminal along with a decrease in the year's enplaned passenger count.

(6) Alaska Airlines began operation in May 2017

2014	2013	2012	2011	2010	2009
832,464	630,082	699,746	716,727	656,731	648,314
415,777	365,870	366,225	363,790	284,990	233,387
962,455	954,336	957,630	979,309	961,072	719,955
555,441	549,850	467,529	238,533	233,448	270,461
-	-	-	-	-	-
125,026	134,911	133,225	153,147	130,192	132,261
-	-	-	-	-	-
20,264	21,025	26,686	19,273	20,986	10,378
547,520	527,547	498,625	492,934	503,924	523,382
206,192	399,719	405,282	494,118	605,420	505,497
-	-	77,610	243,243	71,590	74,248
-	-	36,959	52,626	183,041	135,023
-	-	-	-	60,974	117,543
-	-	-	-	-	-
-	-	-	-	-	269,113
<u>21,106</u>	<u>15,378</u>	<u>18,225</u>	<u>16,769</u>	<u>58,015</u>	<u>101,311</u>
<u>3,686,245</u>	<u>3,598,718</u>	<u>3,687,742</u>	<u>3,770,469</u>	<u>3,770,383</u>	<u>3,740,873</u>
2.4%	-2.4%	-2.2%	0.0%	0.8%	-8.5%

\$ 18,073,410	\$ 18,048,151	\$ 18,004,897	\$ 18,237,382	\$ 18,193,453	\$ 18,136,229
1,993,759	2,085,167	2,017,343	2,934,327	3,806,095	3,388,955
26,102,447	26,428,972	26,634,747	27,120,577	28,773,865	28,645,741
-	-	-	12	375,189	372,048
<u>(10,304,967)</u>	<u>(10,172,021)</u>	<u>(9,722,167)</u>	<u>(9,684,646)</u>	<u>(9,472,048)</u>	<u>(9,166,294)</u>
<u>\$ 35,864,649</u>	<u>\$ 36,390,269</u>	<u>\$ 36,934,820</u>	<u>\$ 38,607,652</u>	<u>\$ 41,676,554</u>	<u>\$ 41,376,679</u>

\$ 9.73	\$ 10.11	\$ 10.02	\$ 10.24	\$ 11.05	\$ 11.06
-3.8%	1.0%	-2.2%	-7.4%	-0.1%	38.6%
			(4)		(5)

NUMBER OF AIRPORT EMPLOYEES BY IDENTIFIABLE ACTIVITY

for the last 10 years ended December 31

Listed by current rank

Department	2018		2017		2016	2015
	Number of Employees	% of Total	Number of Employees			
Parking	70	16.5%	69		69	70
Terminal Services	62	14.6%	61		61	62
Police	48	11.3%	47		47	47
Fire	43	10.1%	40		41	41
Airfield	39	9.2%	38		38	38
Building Maintenance	37	8.7%	35		33	33
Airport Security and Dispatch	24	5.6%	23		22	21
Information Technology	13	3.1%	12		13	13
Engineering	13	3.1%	14		13	12
Accounting and Finance	11	2.6%	11		9	10
Personnel	10	2.4%	9		9	8
Operations	8	1.9%	8		7	6
Guest Services	6	1.4%	6		6	6
Administration	6	1.4%	6		5	3
Reliever Airports	5	1.2%	5		5	5
Audit Services	5	1.2%	4		4	4
Properties	4	0.9%	4		3	4
Marketing	4	0.9%	3		3	3
Procurement	4	0.9%	3		3	3
Conservation Management	4	0.8%	4		3	3
Legal	3	0.7%	2		3	2
IMC	3	0.7%	3		3	4
Retail	1	0.2%	1		1	1
Risk Management	1	0.2%	1		1	1
Executive	1	0.2%	1		1	1
Diversity	1	0.2%	1		1	1
Public Safety Officers (1)	-	0.0%	-		-	-
Total Employees	426		411		404	402

Note: These figures include full and part time employees as of each year end.

1) The Public Safety Officer positions were outsourced during 2013.

2014	2013	2012	2011	2010	2009
66	72	72	76	85	90
66	78	85	83	83	82
45	47	47	47	47	50
40	40	40	40	41	40
35	38	38	39	40	42
32	33	33	34	39	40
21	23	23	23	23	24
13	13	13	15	14	13
12	11	11	10	10	10
12	14	14	15	15	15
8	7	7	6	5	5
6	7	7	8	8	9
6	7	5	5	5	14
3	3	3	3	4	8
5	5	6	6	6	6
3	3	3	3	3	3
5	5	4	3	4	4
2	2	3	5	5	5
2	2	2	2	1	1
4	6	6	6	6	6
2	3	3	3	1	1
5	5	5	5	5	5
2	2	2	3	3	3
1	1	1	1	1	1
2	1	2	2	2	4
1	1	1	1	1	2
-	-	34	49	50	55
399	429	470	493	507	538

SCHEDULE OF INSURANCE IN FORCE

as of December 31, 2018

Carrier Name	Policy Number	Policy Term	Abstract of Coverage	Limit of Liability	Premium
FM Global	1048061	11/30/2018 to 11/30/19	Property All Risk; Real/Personal; Blanket Boiler & Machinery, (incl. in Blanket) Business Interruption, (incl. in Blanket) Terrorism Risk Insurance Act	\$1,000,000,000 included included included	\$ 755,000 included included included
			IMC specific; Property All Risk; R&P; Blanket Boiler & Machinery, (incl. in Blanket) Loss or Rents (per finance req. as p/o Blanket) Terrorism Risk Insurance Act	incl. above incl. above incl. above incl. above	included included included included
Starr Indemnity & Liability Company	1000238094	11/30/2018 to 11/30/19	Airport and Aviation General Liability	250,000,000	144,344
			Aviation Non-Certified War & Terrorism	150,000,000	included
			Excess Liability - Auto; Excess Liability - Auto (off-prem)	50,000,000	included
			Excess Employers Liability Limit	50,000,000	included
State Automobile Mutual Insurance Co.	BAP2473972	11/30/2018 to 11/30/19	Automobile Liability and Physical Damage	1,000,000	111,872
Starr Indemnity & Liability Company	1000002517	11/30/2018 to 11/30/19	Workers Compensation and Employers Liability	Statutory 1,000,000	301,730 included
			Foreign Workers Compensation and Employers Liability	Statutory 1,000,000	included included
ACE American Insurance Co.	PFFD38413636003	11/30/2018 to 11/30/19	International Package/Foreign Liability	1,000,000	1,687
XL Catlin Insurance Co.	PPL0951524	11/30/2018 to 11/30/19	Law Enforcement Liability	2,000,000	49,183
Evanston Insurance Company	SM928527	11/30/2018 to 11/30/19	Medical Professional Liability	400,000/1,200,000	14,200
			Indiana Patient Compensation Fund		14,200
			Admin Fees & Surplus Lines Tax		365
AIG	36056990	11/30/2018 to 11/30/19	Employed Lawyers Professional Liability	2,000,000	5,110
Federal Insurance Company	8255-4636	11/30/2018 to 11/30/19	Comprehensive Crime	1,000,000	8,985
			Fiduciary Liability	3,000,000	included
Iron Shore Insurance Services	3893600	11/30/2018 to 11/30/19	IAA Board, Directors & Officers Liability	10,000,000	46,292
			Employment Practices Liability	3,000,000	included
Western Surety Company	Various Bond #'s	1/1/2018 to 12/31/18	Individual Public Official Bonds (board members)	100,000	4,200
			Individual Public Official Bonds (Treasurer)	500,000	1,650
QNE Insurance Corporation	MHH010303	7/1/2018 to 7/1/19	Volunteers Accident/Medical; excess N/O Auto	2,500/50,000 500,000	392 included
ACE American Insurance Co.	G24733932 007	11/30/2018 to 11/30/19	Underground Storage Tanks Liability	1,000,000	2,651
Beazley Insurance Company	W1D2F9180301	11/30/2018 to 11/30/19	Cyber/Network Liability	5,000,000	29,592
Annual Insurance Premiums; estimated as of December 31, 2018					<u>\$1,491,453</u>

INDIANAPOLIS MSA DEMOGRAPHIC AND ECONOMIC STATISTICS

for the last 10 years ended December 31

Year	Population ⁽¹⁾	Personal Income (in millions) ⁽¹⁾	Per Capita Personal Income ⁽¹⁾	Annual Average Unemployment Rate ⁽²⁾
2018	2,048,703	n/a	n/a	3.2%
2017	2,026,723	106,415	52,457	3.3%
2016	2,005,404	101,836	50,776	4.1%
2015	1,985,844	97,254	48,948	4.5%
2014	1,970,816	92,977	47,176	5.7%
2013	1,953,149	89,259	45,698	7.4%
2012	1,929,653	87,959	45,598	8.0%
2011	1,910,646	83,786	43,857	8.7%
2010	1,888,085	78,042	41,238	9.6%
2009	1,873,460	73,965	39,480	8.8%

(1) The data represents the Indianapolis-Carmel-Anderson Metropolitan Statistical Area (MSA).

(2) The data represents the Indianapolis-Carmel-Anderson Metropolitan Statistical Area (MSA) and is not Seasonally Adjusted.

n/a = Information is not available.

Note:

As defined by the U.S. Office of Management and Budget, the **Indianapolis-Carmel-Anderson Metropolitan Statistical Area (MSA)** includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan, Putnam and Shelby counties in Indiana.

Source:

Indiana Department of Workforce Development (www.hoosierdata.in.gov)

PRINCIPAL EMPLOYERS IN INDIANAPOLIS-CARMEL-ANDERSON MSA

as of December 31, 2018

Employer Name ⁽¹⁾	% of Total Employed in MSA 2018	# of Employees 2018
Indiana University Health	2.25%	23,187
Ascension St. Vincent	1.69%	17,398
Community Health Network	1.10%	11,328
Eli Lilly and Company	1.02%	10,511
Walmart	0.87%	8,926
Kroger Co	0.75%	7,675
Federal Express	0.49%	5,000
Anthem	0.47%	4,866
Eskenazi Health	0.45%	4,620
Meijer	0.45%	4,594
Total Employed by Principal Employers	<u>9.53%</u>	<u>98,105</u>
Total Employed in Indianapolis - Carmel - Anderson MSA	100.00%	1,029,275

Employer Name ⁽¹⁾	% of Total Employed in MSA 2009	# of Employees 2009
Clarian Health Partners Inc.	1.39%	12,763
Eli Lilly and Company	1.26%	11,550
St. Vincent Hospital and Health	1.16%	10,640
Federal Express	0.69%	6,311
Community Health Network	0.61%	5,641
Rolls-Royce Corporation	0.47%	4,300
St. Francis Hospital and Health	0.45%	4,152
WellPoint Inc.	0.43%	4,000
Allison Transmission/Div of GMC	0.41%	3,800
AT&T	0.33%	3,000
Total Employed by Principal Employers	<u>7.19%</u>	<u>66,157</u>
Total Employed in Indianapolis - Carmel - Anderson MSA	100.00%	920,197

(1) Principal employers for the Indianapolis - Carmel - Anderson MSA (Local, state and federal employers are excluded).

Source:
Indy Chamber (www.indychamber.com)

CAPITAL ASSET AND OTHER AIRPORT INFORMATION

as of December 31, 2018

ABOUT THE AIRPORT:

Indianapolis International Airport (IND) is managed by the Indianapolis Airport Authority (IAA). IAA was established as a municipal corporation by the Indiana General Assembly in 1962 and is responsible for developing, operating, and managing six aviation facilities in the greater metropolitan area.

In 2018, IND served about 9.4 million passengers on 8 major airlines and transported over one million tons of cargo. IND is ranked the eighth largest cargo facility in the nation; and 25th in the world. It is an important contributor to central Indiana's growing economy, especially in the life sciences, technology, and logistics sectors.

LOCATION:

Conveniently located sixteen miles southwest of downtown Indianapolis and within easy expressway access to all parts of the metro area.

COL. H. WEIR COOK TERMINAL:

The Col. H. Weir Cook Terminal has approximately 1.2 million square feet with 20 gates in Concourse A and 19 gates in Concourse B. TSA security checkpoints are situated before the entrance to each concourse and include separate lines dedicated for the expert traveler, the casual traveler, and for families, those with special needs, and those traveling with medicine or medical devices. Each checkpoint contains up to 12 screening lanes. Once past the checkpoints, a walkway is available for passengers to walk freely between the two concourses. For international arrivals, two gates on Concourse A have been configured to lead directly to a dedicated federal inspection area and baggage claim.

INTERNATIONAL FACILITIES:

INzone is Central Indiana's Foreign Trade Zone (FTZ) Grantee Administrator. The FTZ program is a national economic incentives program designed to stimulate foreign investment, facilitate global

competition and support American businesses and job growth. The FTZ program improves the competitive position of U.S.-based companies by allowing them to defer, reduce or even eliminate Customs duties on imported products. FTZs benefit the community via capital investment, the retention and expansion of jobs and increased local tax-base. According to the 79th Annual Report of the Foreign-Trade Zones Board to Congress, Indiana ranks 11th nationally for merchandise received and 7th nationally for merchandise exported, out of nearly 329 active zones in the United States. INzone currently serves 13 active firms and four subzones, employing more than 7,000 individuals at their FTZ sites.

RUNWAYS:

IND has two primary parallel runways and one crosswind runway:

- RUNWAY ONE: 5L/23R 11,200' L, 150' W; CAT III ILS (5L), CAT I II (SA) (23R)
- RUNWAY TWO: 5R/23L 10,000' L, 150' W; CAT III ILS (5R), CAT I ILS (23L)
- RUNWAY THREE: 14/32 7,280' L, 150' W; CAT I ILS

PARKING SPACES:

The airport's total parking capacity is approximately 14,500 vehicles.

- Parking Garage: 6,000 spaces
- Economy Lot: 7,950 spaces
- Park & Walk Lot: 541 spaces

CONCESSIONAIRES:

- Food and Beverage: 24
- Specialty Retail: 18
- News and Gift: 7
- Rental Car Companies: 8



Indianapolis Airport Authority