INDIANAPOLIS AIRPORT AUTHORITY

INDIANAPOLIS, INDIANA

Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2005

BAA Indianapolis

INDIANAPOLIS AIRPORT AUTHORITY

INDIANAPOLIS, INDIANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2005

PREPARED BY: FINANCE AND ACCOUNTING DEPARTMENTS, BAA INDIANAPOLIS LLC
N. STUART GRAUEL, TREASURER, INDIANAPOLIS AIRPORT AUTHORITY

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INTRODUCTORY SECTION

MISSION STATEMENT

Our vision is to be a world-class, globally competitive transportation center. Our mission is to operate the transportation center to provide safe, efficient, attractive facilities and excellent services. We recognize our responsibilities for:

1. Being responsive to the needs of our customers and communities.

2. Providing superior value for our customers.

3. Anticipating change and planning for the future, measuring our progress, meeting our commitments, and maintaining the public trust.

4. Providing prudent management of our assets and financial resources.

5. Promoting and marketing domestic and international transportation services for both passengers and cargo.

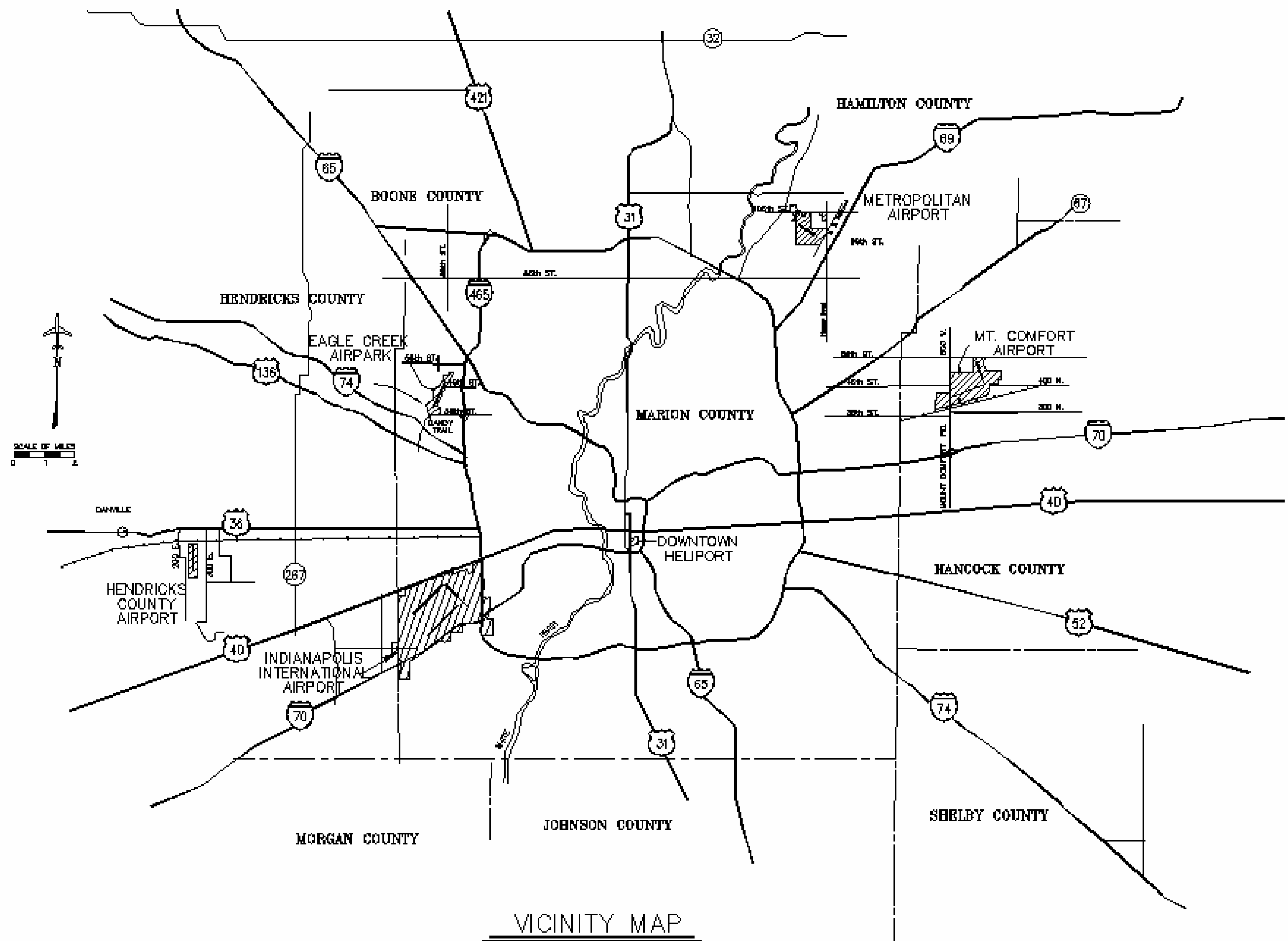
6. Working in cooperation with private and public entities to enhance the region's economic vitality.

7. Ensuring cultural diversity in all entities that do business with the Authority.

8. Providing a positive, culturally diverse, and productive working environment.

9. Operating in an environmentally safe and compatible manner.

INDIANAPOLIS AIRPORT AUTHORITY FACILITIES



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Board of Directors

As of December 31, 2005

Lacy M. Johnson
President
6 years of service

H. Patrick Callahan
Vice President
8 years of service

Alfred R. Bennett
Secretary
1 year of service

N. Stuart Grauel
Treasurer
6 years of service

Kelly J. Flynn
Member
1 year of service

Shirley M. Haflich
Member
2 years of service

Robert H. Voorhies
Member
6 years of service

Michael W. Wells
Member
15 years of service

Advisory Members

Jack Morton
4 years of service

Lynn T. Gordon
2 years of service

Photo not Available

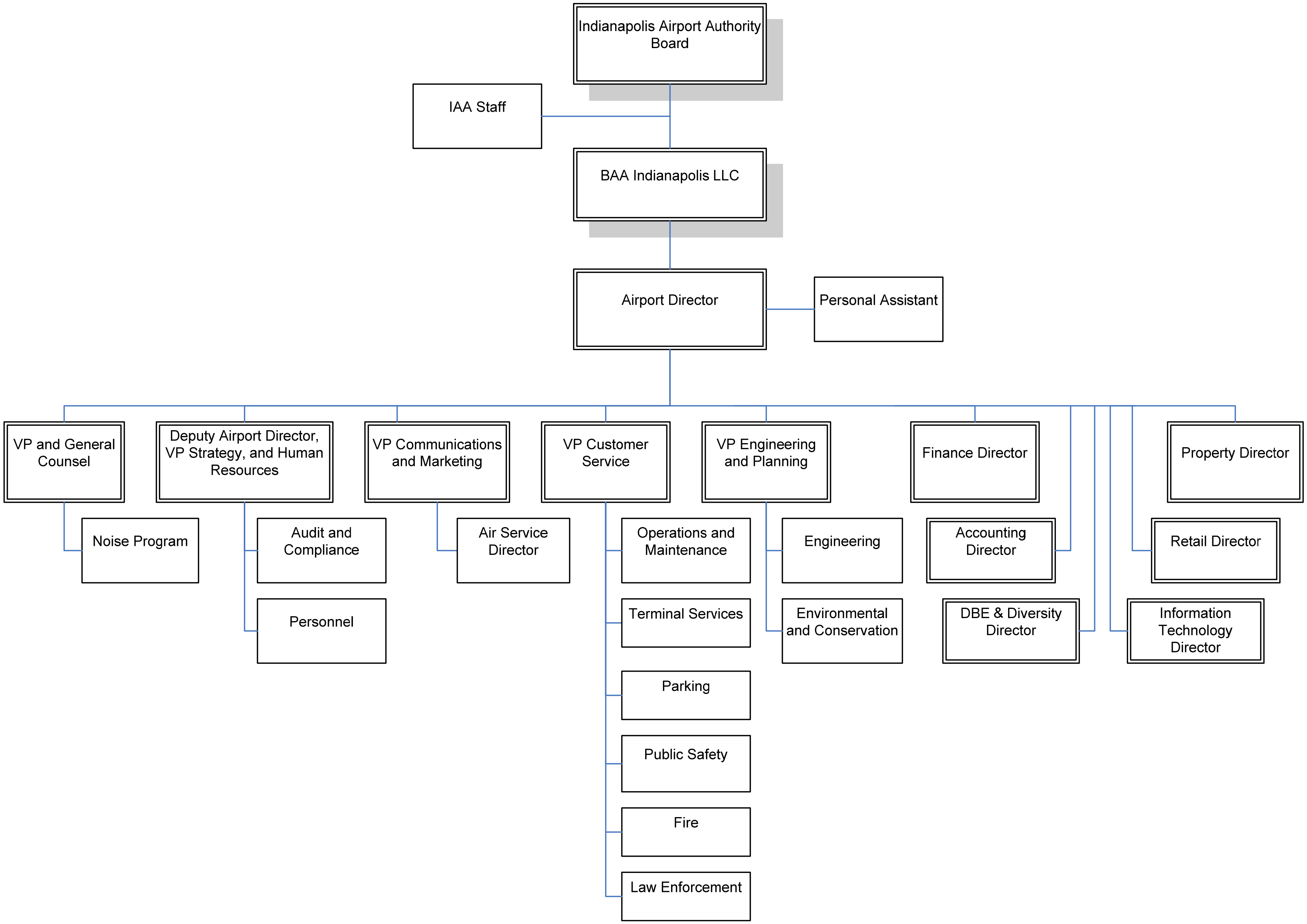
Steven C. Dillinger
9 years of service

Senior Management

Indianapolis Airport Authority Staff		
John J. Kish	Midfield Project Director	5 years of service
James W. Mooney	Oversight Manager	3 years of service
Jeremiah Wise	Assistant Treasurer	1 year of service
BAA Indianapolis LLC Staff		
Patrick F. Dooley	Airport Director	9 years of service
Catherine D. Scionti	Deputy Airport Director, VP Strategy and Human Resources	10 years of service
Robert A. Duncan, A.A.E.	VP and General Counsel	33 years of service
Stewart MacVicar	VP Customer Service	2 years of service
Wayne Reynolds	VP Planning and Engineering	1 year of service
Mary Ann Falatic	Retail Director	8 years of service
Timothy Konopinski	IT Director	8 years of service
Marsha A. Stone	Finance Director	12 years of service
Robert B. Thomson, CPA	Accounting Director	2 years of service
Patzetta Trice	VP Communications and Marketing	1 year of service
Jeannie A. Weiss	Property Director	17 years of service
Maria D. Wiley	Audit Director	8 years of service
James Duke	Diversity Director	5 years of service
Wiliam Reardon	Chief of Police	3 years of service
Rick Gentry	Chief of Fire	25 years of service
Board Attorney	Rex M. Joseph, Jr.	16 years of service

- Service years include the combination of time served with the Authority and/or BAA.

INDIANAPOLIS AIRPORT AUTHORITY ORGANIZATIONAL STRUCTURE
As of December 31, 2005



INDIANAPOLIS AIRPORT AUTHORITY • Indianapolis International Airport
Managed by **BAA Indianapolis LLC**

Suite 100
2500 S. High School Road
Indianapolis, IN 46241-4941
(317) 487-9594

June 22, 2006

To the Members of the Board:

The Comprehensive Annual Financial Report of the Indianapolis Airport Authority (the "Authority" or "IAA"), for the fiscal year ended December 31, 2005, is submitted herewith. This report was prepared jointly by the Indianapolis Airport Authority and BAA Indianapolis LLC (BAA). 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. We believe the data, as presented, is accurate in all material aspects, that the information is presented in a manner designed to fairly set forth the financial condition of the Authority, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial affairs have been included.

This report has been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awards Certificates of Achievement to those governments whose annual financial reports are judged to conform substantially to the high standards of public financial reporting, including generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). It is our belief that the accompanying 2005 Comprehensive Annual Financial Report (CAFR) meets program standards, and will be submitted to the Government Finance Officers Association for review.

The CAFR is presented in three sections: the introductory, financial, and statistical. The introductory section includes this transmittal letter, an organizational chart, and a copy of the Certificate of Achievement for Excellence in Financial Reporting awarded to the Authority by the Government Finance Officers Association for the year ended December 31, 2004. The financial section includes Management's discussion and analysis (MD&A), the independent accountant's report, and the Authority's audited financial statements. The statistical section, which is unaudited, contains tables of data depicting the financial history of the Authority for the past ten years as well as demographic and other information.

PROFILE OF THE AUTHORITY

Reporting Entity

The Authority is a municipal corporation established January 1, 1962, to own and operate airports in and around Indianapolis, Indiana, which is more fully discussed in the MD&A – Authority Powers and Purposes. The Authority administers an airport system comprised of Indianapolis International Airport (IND), four general aviation reliever airports, and a general aviation heliport located in downtown Indianapolis.

The Authority contracted with BAA Indianapolis LLC in October 1995 to operate and manage the Authority's airport system. The Authority and BAA are separate legal entities. BAA is considered an independent contractor, bound by a management agreement with the Airport Authority. Note 1 to the financial statements discusses this contract between the Authority and BAA Indianapolis LLC and outlines changes to the contract which resulted from an amendment approved by the Authority Board on March 19, 2004. BAA completed its 10th year of the contract in 2005, which extends through December 2008.

All financial and non-financial information included in this CAFR relates solely to the Authority unless specifically stated otherwise. You may also refer to Note 1 of the financial statements for more information regarding the financial reporting entity determination under GASB Statement No. 14.

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 Comprehensive Annual Financial Report 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 budget is prepared by the BAA Finance and Accounting Departments and IAA Oversight staff and adopted by ordinance upon approval of the Authority Board. It is submitted to the Indianapolis/Marion County City-County Council as part of a 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 notice of said hearings is published in accordance with Indiana law. In addition, a ten year Capital Improvement plan is prepared annually with estimates of future capital improvements and their financial impact. Budgetary control is maintained at the department, object, and character level.

Internal Controls

In developing and evaluating the Authority's accounting system, consideration has been given to the adequacy of the internal control structure so that it provides reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of implementing and utilizing a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The Authority's internal controls are reviewed annually by the Authority and BAA Finance and Accounting Departments for applicability, relevance, and effectiveness.

Audit Function

At the close of each calendar year, an independent firm of certified public accountants audits the Authority's books and records. 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 is performed and reports are issued to the U.S. Department of Transportation (the federal oversight agency), the Federal Aviation Administration, the U.S. Department of Homeland Security, the Transportation Security Administration, and the Indiana State Board of Accounts by independent certified public accountants under contract to the Authority.

INFORMATION USEFUL IN ASSESSING THE FINANCIAL CONDITION OF THE AUTHORITY

THE STATE AND LOCAL ECONOMY[1]

Economic Conditions and Outlook for 2006

The Indianapolis International Airport serves as the primary airport for not only the Indianapolis metropolitan area (MSA) but also much of Indiana. Consequently, this section examines the economies of the MSA and the state in the context of the national economy.

Population

Indiana's population in 2005 was estimated to be 6,271,973, and the Indianapolis MSA population was 1,640,591, or more than a quarter of the state total. The metro area has significantly higher percentages of its population in the school-age (5-17) and younger adult (25-44) ranges than either the state or the nation. While the state's population growth of 3.1% from 2000 to 2005 lags both the national average (5.3%) and 29 other states, the MSA grew 7.6% during this period, more than double the Indiana rate. Much of this growth is occurring in the rapidly growing counties surrounding Indianapolis. Two counties in the metro area, Hamilton and Hendricks, are among the fastest growing of the nation's 3,141 counties according to the latest Census estimates, ranking 20th and 118th, respectively, for population growth between 1990 and 2005.

Educational Attainment

While Indiana ranks fairly low nationally in the proportion of adults whose highest level of education is a bachelor's or higher degree, attainment of these degrees is significantly higher in the Indianapolis metro area (26.5%) than in the state (19.4%) or the nation (24.4%). Indeed, Hamilton County ranks 5th in the nation in the percent of adults with a bachelor's degree.

Incomes

Per capita personal income (PCPI) is a broad measure of income from earnings and other sources for individuals in a given region. Indiana's PCPI years ago was fairly close behind the national average, but though rising in absolute terms, the state's PCPI has been slipping in relative terms for many years. At $30,204, Indiana's PCPI in 2004 ranked 33rd in the nation; this was 91.4% of the national PCPI. The PCPI in the Indianapolis MSA, however, was 16.8% above the state average and ranks 57th out of 362 metro areas nationwide. Hamilton County has one of the highest PCPI's in the nation at $43,600, ranking it 57th out of 3,141 counties.

Median household incomes are another common indicator of the relative earning power of an area. Though recent figures are not available for the metro area, in 2003 the median household income of Indiana ($43,323) was virtually identical to the national median ($43,318). Since the cost of living in much of Indiana is quite moderate, such incomes tend to stretch farther in Indiana than in more expensive parts of the country where costs of living may be much higher.

Employment and Average Wages

The Indianapolis MSA labor force (i.e., people who are working plus people looking for work) averaged 867,103 individuals in 2004, up 6.9% from five years earlier. That growth rate surpassed both Indiana's (1.1%) and the national growth rate (5.8%) during this period.

[1] The State and Local Economy section was prepared with significant input from the Indiana Business Research Center at Indiana University's Kelley School of Business.

The state's tepid labor force growth may reflect the large downsizing of the manufacturing workforce during the past several years—more than 100,000 Indiana manufacturing jobs have been lost since 1999 due largely to a combination of outsourcing and improved productivity. To the extent that some of the workers laid off chose early retirement, took jobs in other states, or became discouraged from finding a new job, they may have reduced the number of employed workers while also not adding to the number of unemployed.

Interestingly, total output from Indiana's manufacturing sector continues to grow even as manufacturing employment shrinks, thanks to more productive factory operations. Manufacturing remains the state's largest employment sector, accounting for 19.8% of all jobs and 26.8% of total payrolls in Indiana. The corresponding manufacturing shares of total jobs and payroll are 12.0% and 17.4% for the Indianapolis MSA, and 10.8% and 13.1% for the nation as a whole.

Employment and average annual wages/salary for major economic sectors are shown in the following table separately for Indiana, the Indianapolis metro area, and the United States. On the whole, average wages in both Indiana and the Indianapolis MSA lag behind the nation, but metro area wages lead the U.S. in several of the sectors, most notably manufacturing, agriculture, and management of companies and enterprises.

Employment & Average Annual Wages by Major Sector, 2005-Q2

	Indiana		Indianapolis MSA		U.S.	
	employment	avg wage	employment	avg wage	employment	avg wage
Total	2,890,890	$34,532	843,794	$38,326	132,143,894	$39,050
Manufacturing	573,448	$46,636	101,061	$55,530	14,257,700	$47,526
Health Care & Social Services	345,760	$35,051	87,005	$38,840	16,082,547	$37,168
Retail Trade	331,070	$21,402	93,406	$23,668	15,180,172	$24,668
Educational Services	241,149	$35,692	7,818	$30,186	11,937,351	$38,484
Accommodation & Food Services	239,633	$11,596	72,831	$13,448	11,092,921	$14,899
Admin, Supp, Waste Mgt & Remed Svcs	158,644	$22,879	61,548	$25,371	8,174,347	$27,390
Construction	150,647	$39,123	49,916	$41,578	7,468,546	$40,208
Public Administration	129,954	$34,583	39,321	$40,523	7,172,618	$45,637
Transportation & Warehousing	127,024	$36,421	48,524	$36,811	5,197,174	$41,646
Wholesale Trade	121,948	$45,115	41,963	$49,495	5,751,511	$52,247
Finance & Insurance	99,968	$47,917	43,731	$58,535	5,910,135	$63,340
Prof'l, Scientific & Technical Services	90,282	$45,680	37,435	$53,492	7,123,462	$61,747
Other Services (except Public Admin)	84,718	$22,634	26,785	$27,380	4,409,761	$25,480
Arts, Entertainment, & Recreation	47,871	$22,186	14,785	$25,804	2,356,724	$24,987
Information	47,426	$38,092	17,524	$47,794	3,198,064	$57,670
Real Estate & Rental & Leasing	36,575	$28,629	15,371	$34,428	2,178,748	$36,921
Mgt of Companies & Enterprises	26,340	$71,656	10,905	$83,189	1,740,939	$79,714
Utilities	14,713	$60,985	4,999	$63,648	808,077	$65,053
Agriculture, Forestry, Fishing & Hunting	12,057	$25,165	1,406	$31,188	1,222,774	$22,481
Mining	6,582	$50,442	739	$51,117	555,883	$66,587
Unallocated	712	$31,127	56	$25,475	322,956	$34,118

Source: Indiana Business Research Center, using data from the Bureau of Labor Statistics

Residential Construction

Construction has been strong in the Indianapolis metro area, with a 9.9% increase in housing units from 2000 to 2004 compared to 6.3% for Indiana and 5.8% for the nation. Building permits were filed in 2004 for 15,355 privately owned residential units in the metro area, 80% of which were single-family homes with an average value of $151,236, which is well above state and national averages. Construction recently has continued at a strong pace, with numerous large developments breaking ground and under way in the area surrounding Indianapolis, as well as in other pockets of activity throughout Indiana.

Commercial and Industrial Development

Indiana has long been known as "the crossroads of America" because of its central location and the many major highways, railroads and airline routes that pass through the state. In line with one of the state's major strategic emphases, there recently has been much construction of new distribution facilities for the logistics industry, both in the Indianapolis area and in other parts of the state. FedEx has begun construction on a major expansion of its facility at the Indianapolis airport, already the firm's second-largest facility worldwide. Large new shopping centers have sprouted up in response to population growth in the suburban Indianapolis area, and several major medical centers have been built recently or are in the works in these fast-growing areas and in other parts of Indiana. Perhaps the most significant construction development is Indiana's planned "Major Moves" transportation construction program in which several billion dollars will be invested over ten years to build and improve highways and bridges throughout the state.

2006 Outlook for Indiana's Economy

Real personal income in Indiana is forecast to grow at an annual rate of about 4.5% during the early part of 2006, slowing to about 2.3% by the end of the year. Payroll employment is projected to grow by about 25,000 jobs during the year, with somewhat faster job growth earlier in the year and slower growth the year continues. Employment growth in Indiana will be led by non-manufacturing jobs (increasing 1.5%) while manufacturing employment should decline by about 0.8%. Among Indiana's metropolitan areas, growth in both employment and income over the coming year should be fastest in the Evansville MSA, followed by the Indianapolis, Fort Wayne, and Elkhart-Goshen areas (Indiana Business Research Center).

STATE OF THE AIRLINE INDUSTRY

The nation's airline industry continues to face financial hardships and challenges. In 2005, airline capacity was at an all-time high and competition among carriers was intense, resulting in near record-low airfares. These low fares led to higher passenger demand which resulted in higher passenger enplanements than ever before. This was fortunate news for consumers, but tragic news for airlines which continued to face escalating operating costs. Skyrocketing jet fuel[2] prices and higher overall operating costs amounted to huge annual losses for the nation's airlines.

In 2005, available seat miles[3] (ASM) were at an all-time high; 3.2 percent higher than in 2004, 4.8 percent higher than in 2000 and 172 percent higher than in 1978[4]. Record ASM's created additional competition within the industry. Last year, airfares on many segments were at all time lows and the airlines found themselves battling each other to fill aircraft with passengers. Increased ASM's and lower airfares also led to the United States aviation industry posting record passenger enplanements in 2005. National enplanements reached 738,568,000 in 2005; 5 percent more than in 2004. Despite record ASM's and record enplanements, the industry was experiencing huge financial losses.

In 2005, jet fuel prices ranged in cost from $48.82 per barrel on Jan. 3, 2005 to $109.06 per barrel on Sept. 29, 2005 and finally to $75.29 per barrel on Dec. 30, 2005. Overall, the average cost per barrel in 2005 was $84. This is especially troubling since fuel represents a large portion of the airlines' operating costs. John Heimlich, vice president and chief economist of Air Transport Association of America, Inc. (ATA), has stated that for "every penny increase in the price of a gallon of jet fuel drives an additional $199 million in annual fuel costs for U.S. airlines. So if the price were a dollar higher over the course of a year, we're talking about a $19.9 billion increase in expenses."

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[2] The term includes kerosene-type jet fuel and naphtha-type jet fuel. Kerosene-type jet fuel is used primarily for commercial turbojet and turboprop aircraft engines. Naphtha-type jet fuel is used primarily for military turbojet and turboprop aircraft engines.
[3] ASM - One seat transported one mile; the most common measure of airline seating capacity or supply
[4] Airline Deregulation Act of 1978, which ended U.S. government regulation of airline routes and rates
***Jet fuel prices, profitability stats, ASM's sourced from the United States Department of Transportation (USDOT)

In 2000, the airlines recorded a $2.5 billion net profit, good for a 1.9 percent margin. Since that time, the nation's aviation industry has not posted a profit. In fact, in 2005, the industry reported a net loss of $5,611,594,000. As of Sept. 30, 2005, U.S. airlines were carrying about $100 billion in debt.

In an attempt to reduce costs and increase profitability, carriers are simplifying their business plans and shrinking their fleets. According to ATA, legacy carriers have cut 22 percent of their fleet, or 759 airplanes compared to June 30, 2001. Airlines continue to enter/exit bankruptcy protection. While under this protection, carriers are drastically reducing labor costs, closing facilities and restructuring route networks.

INDIANAPOLIS AIRPORT AUTHORITY

Passenger and Cargo Volume

In 2005, IND experienced a combination of new air service, new markets, route frequency, and capacity growth and reduction. In March 2005, ATA Airlines averaged 54 daily departures, the following month they averaged 4 daily departures and continued at this low level for the remainder of the year. In April 2005, AirTran Airways (IND's newest low-cost carrier) introduced air service at IND, starting with four daily departures. As of December 2005, AirTran's average daily departures grew to 11. Throughout the year, Northwest Airlines added new routes to its large schedule at IND, while carriers with a smaller presence at IND added additional daily departures and new routes sporadically. Competition between market pairs at IND increased, benefiting the consumer.

Cargo volume[5] at IND increased 7.4 percent in 2005 over previous year. At the same time, cargo volume by passenger carriers decreased about 14 percent last year and volume by all-cargo carriers increased by 7.2 percent when compared year-over-year. The large decrease by passenger carriers was a result of smaller aircraft, more passenger luggage due to higher passenger[6] load factors and tighter cargo security restrictions for passenger aircraft. FedEx, IND's largest all-cargo operator, increased volume by approximately 8 percent over the previous year.

Enplaned Passenger Trend

IND experienced strong passenger growth in 2005. Passenger enplanements were up 5.9 percent over 2004. American Airlines, AirTran Airways, Continental Airlines, Frontier Airlines, Independence Air, Midwest, Northwest Airlines and Southwest all experienced enplanement growth over the previous year.

Additionally, the six low-cost carriers operating at IND helped keep the average airfare low which drove passenger demand higher. Passengers at IND continue to have a great choice of carriers, a great selection of NONSTOP markets at high frequency and low fares.

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[5] Volume represents on-board freight for all airlines at IND

[6] Load Factor - The percentage of seating or freight capacity that is utilized. Average is computed as the ratio of RPMs to ASMs or, in the case of cargo services, RTMs to ATMs.

***Passenger and Cargo Volume data sourced from IND Airline Activity Report

INITIATIVES AND DEVELOPMENT

Safety and Security remains a priority for BAA and the Authority. Several initiatives and accomplishments that occurred in 2005 are listed below:

- Under BAA Indianapolis management, Indianapolis International Airport completed its sixth consecutive annual Part 139 inspection by the FAA with “no discrepancies” in operating a safe airport. In the FAA’s Great Lakes Region that covers eight states and includes 71 air carrier airports, Indianapolis International now has the most consecutive perfect inspections along with Madison, WI.

- All four reliever airports and the heliport received “no discrepancy” reports following their Indiana Department of Transportation (INDOT) annual inspection audits.

- BAA worked with TSA to introduce explosive detection equipment into the passenger checkpoints becoming the first airport to have such equipment available at all checkpoints.

- The Airport Fire Department completed 100% certification in the National Incident Management System (NIMS). This federally sponsored course is designed for large scale incident command and control including terrorist incidents, activities involving large scale destruction and mass casualty events.

- The first Airport Health and Safety Fair was held providing employees and tenants a wide variety of information about services, policies, procedures and recommended practices. The event was held over a two day period and provided information to both day and night shifts.

- The Airport Fire Department applied for and received a grant for a supply vehicle to pull the Marion County Decontamination trailer and to haul hazardous material containment equipment and decontamination supplies. The box truck and decontamination trailer are housed, maintained and responded by the airport.

- The Airport Fire and Police Departments played major roles at the 2005 Air Show at Mt. Comfort Airport. The two departments attended planning meetings for months leading up to the event and provided on site safety and security during the show.

Significant 2005 capital improvement projects included the following:

- The Authority continued implementation of the approved measures within its Part 150 Noise Compatibility Program (NCP), which included Guaranteed Purchase, Purchase Assurance, Sound Insulation, and Sales Assistance programs. Refer to Note 13 of the financial statements for more information regarding the Authority’s Noise Program. In support of the NCP the Authority acquired an aircraft tracking computer system, Noise and Operations Management System (NOMS), which accurately tracks aircraft arrivals and departures in addition to compliance with the Airport’s NCP arrival and departure procedures. Flight tracking data can be viewed from the Airport Authority’s website, www.indianapolisairport.com.

- The Mount Comfort Airport Runway 7-25 was overlaid in order to reduce the Foreign Object Damage (FOD) issue caused by deteriorating concrete pavement that had exceeded its useful life. In addition, a new high intensity lighting system was installed which should reduce overall maintenance and provide better reliability.

- Reconstruction of two critical taxiways (Hotel “H” and Mike “M”) at Indianapolis International was completed in 2005.

- A facility was built at the Downtown Heliport in order to provide for minor maintenance and storage of the snow removal equipment.

- The first corporate hangar was completed at Gordon Graham Field by an individual utilizing a taxiway built as part of the overall airport development.

Outstanding Customer Service continues as a primary goal for the Airport. BAA and the Authority collaborated in 2005 to continue to expand the options available to travelers at IND. In addition to increasing the diversity in available services and products, these new ventures have succeeded in providing additional non-airline revenue for the Airport.

- The Retail department successfully reached eight new agreements during 2005 which led to three retail options, one ATM, one vending, one Wifi and two additional advertising and promotions agreements which contributed to a retail space occupancy rate of 99.21% at December 31, 2005, an increase from 2004.

- In the year ended December 31, 2005, dollars spent per enplaned passenger in food and beverage, news and gift, and specialty retail shops was $7.22.

The Information Technology department has completed several projects throughout the terminal to help protect the computer network, to increase non-airline revenue and improve customer service.

- Network Security Enhancements: Through several projects in 2005, the Authority was able to enhance the security and robustness of its computer network. These enhancements included network and security upgrades to add system redundancy, increase internet security and simplify the management of the network.

- WiFi comes alive in 2005: In a partnership with AT&T, the Authority installed a wireless network to delight our wired community and travelers. The AT&T network is a fee based wireless service that is available throughout the entire IND terminal complex and the administration building.

- FIDS: The Authority completed an upgrade to the Flight Information Display Systems (FIDS), which improved the clarity, frequency, and methodology of flight data presented at the airport. LCD monitors were introduced as replacements for older monitors, which enhances the overall terminal aesthetics and provides a means to advertise local, regional, and national events or businesses.

The central tasks of the Environment, Conservation, and Wildlife segment of the Facility Planning and Engineering Department include the protection, conservation and enhancement of our area's natural environment as responsible corporate citizens.

- In 2005, the department exceeded 4,000 visitors since the Environmental Mitigation project was launched in 1992. Those visitors included education related elementary, high school and university school groups, kids-at-risk, and world science based professional groups. Public education and outreach information is tracked as a condition of our agency permitting requirements.

These initiatives and developments have been instrumental in furthering our purpose of promoting the responsible and profitable growth of air travel and our vision to ensure the safety and security of the Authority's airports to the delight of the traveler.

The New Indianapolis Airport

Since 1975, the Indianapolis Airport Authority has included the concept of a midfield terminal in its master planning. In 2001, the Authority confirmed its intent to build a new passenger terminal, which together with airfield improvements, ground transportation, and related infrastructure is known as the New Indianapolis Airport (formerly referred to as the "Midfield Terminal Program"). Since that time, the terminal building segment of the project has been in design and is now in the construction phase, while site work, such as excavation, grading and utilities has been ongoing.

During 2001, the airlines and the Authority executed an Airline Use Agreement in which the Midfield Terminal Program was approved in the amount of $808,000,000 (measured in year 2000 dollars). As an acknowledgment of the airlines' concern regarding costs per passenger and landing fees, the Authority agreed to use its best efforts to achieve "Targeted Limits" for the four year period beginning January 1, 2007 through December 31, 2010. Those targets are $9.65 for costs per passenger and $1.89 landing fees per 1,000 pounds of landed weight. In order to monitor the Authority's progress against the Targeted Limits, a recalculated 10 year financial model is prepared on an annual basis, and reviewed with the airlines. If the model indicates that the targets are not being achieved, the Airport Board is required to consult with the airlines and address the issue.

In response to Airline requests, in December 2003 the Authority announced that it would defer the opening of the New Indianapolis Airport to mid-to-late 2008. Under this revised schedule, work has been completed on the I-70 connector ramps to the midfield site, and on the Air Traffic Control Tower (ATCT) and continues on the terminal, roads, apron and site utilities. Work on the I-70 relocation project was substantially complete in 2004 and the new ATCT was commissioned in April 2006. The expected date of beneficial occupancy for the new terminal is in late 2008.

Indianapolis Maintenance Center

In 2003, United Airlines (UAL) was granted the right to reject its lease with the Authority for the Indianapolis Maintenance Center (IMC) through bankruptcy proceedings. Due to rejection of the lease, the IMC reverted to the Authority as did its maintenance and operations. Through May of 2006, the Authority has entered into a total of seven leases for portions of the IMC. The Authority has continued to incur expenses to operate and maintain the facility and has recognized reimbursement revenues for a portion of these expenses as a result of a settlement agreement signed between the Authority and Trustee for the UAL Bondholders in February of 2004. See Note 9 of the financial statements for more information on the IMC and its financial impact on the Authority.

FINANCIAL SUMMARY

Financial Results

Total operating revenue in 2005 was $90,885,382, an increase of $3,099,962, or 3.5% from 2004. Increased aviation activity and enplaned passenger traffic resulted in elevated activity based revenues consisting primarily of airfield landing fees, terminal complex rentals and parking revenues. Total operating expense, which includes $42,742,883 of depreciation expense, decreased in 2005 by $1,252,062, or 1.3%, to $91,796,027.

The resulting loss from operations of $910,645 represents an increase in net revenue from 2004 of $4,352,024 or 82.7%. This net increase was primarily due to an increase in parking revenue ($2.5 million) and a decrease in airfield expenses ($1.7 million). Net non-operating loss was $6,840,336 in 2005, a decrease in revenue of $13,920,188 or 197% from 2004. This net decrease was primarily due to a decline in state and local appropriations ($14 million).

A more detailed analysis of the financial results of the Authority is contained in the Management's Discussion and Analysis – Statements of Revenues, Expenses, and Changes in Net Assets.

Debt Administration

The Indianapolis Airport Authority issued its Series 2005A bonds totaling $197,385,000 in November 2005. The outstanding long-term debt of the Authority on December 31, 2005, aggregated $867,072,045. Bond maturities range from 2006 through 2034 and related interest rates range from 4.0% to 6.0%. All principal and interest is paid from airport revenues. Details of all debt are shown in Note 5 to the financial statements.

The general obligation debt limit for the Authority is 2% of the assessed valuation of Marion County. The Authority has no outstanding general obligation debt.

In conjunction with the Authority's November 2005 bond issuance, (see Note 5 to the financial statements), the following ratings were provided in reliance upon bond insurance: "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch.

The Authority's commercial paper limit and corresponding letter of credit are authorized to $125 million, the proceeds of which are being used as an interim financing source for various capital projects included in the Authority's Capital Improvement Program. At December 31, 2005, the Authority had $15,000,000 of commercial paper outstanding with interest rates ranging from 3.19% to 3.25%.

Cash Management

Cash temporarily idle during the year was invested by the Authority's Assistant Treasurer and the trustee in short-term investments. Indiana statute authorizes the Authority to invest in United States obligations and issues of federal agencies, secured repurchase agreements fully collateralized by U.S. Government agency securities, certificates of deposit, and open-end money market mutual funds. Interest rates for the investments during 2005 varied depending on the amounts invested and maturities. Details are shown in Note 2 to the financial statements.

Risk Management

It is the policy of the Authority to measure, manage and monitor risk at its airport operations. As a business practice, certain risks are transferred by way of insurance instruments and others are self-assumed, with minimization and management being key elements. Risks involving lease operations are typically managed by way of enforcement of minimum insurance requirements to be maintained by lessors, as well as inclusion of "hold harmless" and indemnification wording in favor of the Authority. Additional vendors, service providers, concessionaires, retailers and other outside parties are managed similarly. Use of contractors for construction or professional services is closely monitored to ensure that financial responsibility (insurance) is adequate and that the appropriate coverage is afforded to the Authority.

The Authority itself, in conjunction with BAA, carries liability insurance coverage in excess of $250 million. A further discussion of risk management is contained in Note 10 to the financial statements. A schedule of insurance in force at December 31, 2005 can be found in Table VI in the statistical section of this report

AWARDS AND ACKNOWLEDGEMENTS

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, 2004. This was the 23rd consecutive year that the Authority 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. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements, and we are submitting it 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. We acknowledge the assistance of BKD, LLP, Certified Public Accountants, the Airport Authority, and the BAA Indianapolis LLC staff for their assistance in making this financial presentation possible.

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

Respectfully submitted,

N. Stuart Grauel
Treasurer
Indianapolis Airport Authority

Marsha A. Stone
Finance Director
BAA Indianapolis LLC

Robert B. Thomson, CPA
Accounting Director
BAA Indianapolis LLC

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, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

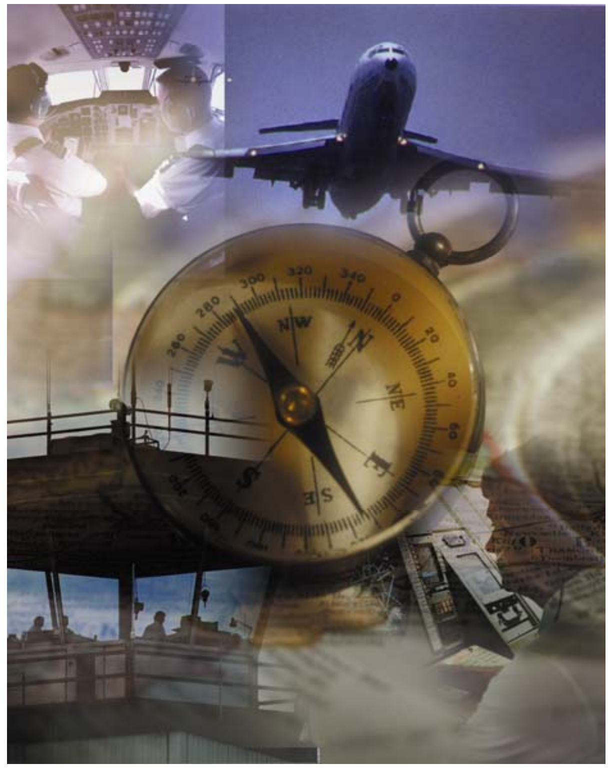
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

INDIANAPOLIS AIRPORT AUTHORITY

FINANCIAL SECTION



Independent Accountants' Report

Management's Discussion and Analysis

Audited Financial Statements

Supplementary Information

INDIANAPOLIS AIRPORT AUTHORITY

Independent Accountants' Report on Financial Statements and Supplementary Information

To Members of the Board of
Indianapolis Airport Authority

We have audited the accompanying basic financial statements of Indianapolis Airport Authority (Authority) as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Airport Authority as of December 31, 2005 and 2004, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying information in the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

March 1, 2006

201 N. Illinois Street, Suite 700 P.O. Box 44998 Indianapolis, IN 46244-0998 317 383-4000 Fax 317 383-4200

INDIANAPOLIS AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005
(Unaudited)

The following discussion and analysis of the financial performance and activity of the Indianapolis Airport Authority (Authority) is to provide an introduction and overview that users need to interpret the financial statements of the Authority for the years ended December 31, 2005 and 2004. 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 (the Airline Agreement), which sets forth rates and charges for use of Authority assets and which utilizes a residual rate-making methodology. The residual nature of the Airline Agreement essentially requires the airlines to assume certain financial risks to guarantee the Airport has sufficient revenue to cover all operating and capital borrowing costs. In return, the Authority has less autonomy over capital asset development decisions in that the airlines have the ability to delay and, in some instances, veto certain proposed capital improvement projects at the Airport. The current Airline Agreements were entered into as of March 15, 2001, and expire December 31, 2010. Airlines that sign the Airline Agreement are subject to favorable Signatory rates, as opposed to the Authority's Non-Signatory rates. As of December 31, 2005, twelve carriers and one cargo carrier represent the Signatory Airlines.

The Authority Board has retained staff to assist it and has contracted with BAA Indianapolis LLC (BAA) for the management of primarily all of the Authority's assets. Further information regarding the BAA Management Contract is included in Note 1 to the financial statements.

Airport Operations Activity and Financial Highlights

	2005	2004	Variance
Enplaned passengers [1]	4,258,054	4,021,749	5.9%
Landed weight (1000 lb. units)			
Passenger airlines	5,937,307	5,897,071	0.7%
Cargo airlines	5,105,088	4,648,586	9.8%
Total landed weight	11,042,395	10,545,657	4.7%
Aircraft operations	222,275	212,558	4.6%

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

Airport Operations Activity:

- In 2005, the number of enplaned passengers was 5.9% higher than in 2004. This growth was attributable to new service to target markets or underserved markets, increased number of available nonstop markets, high frequency to popular destinations and lower air fares.
- Passenger airlines accounted for approximately 54% of total landed weight at the Airport in 2005 compared to the prior year of 56%; cargo airlines accounted for the remainder. Passenger airline landed weight increased 0.7% in 2005 from prior year; cargo airline landed weight increased 9.8% from prior year.
- Aircraft operations represent landings and takeoffs for air carrier, air taxi and commuter, general aviation and military operations. This activity increased 4.6% over the prior year.

Authority Financial Highlights:

- The Authority experienced an increase in total assets of approximately $221.2 million during 2005. This increase is due to the issuance of approximately $200.9 million in new revenue bonds in November 2005. This resulted in an increase in restricted cash and cash equivalents of $107.3 million. In addition, capital assets increased by approximately $89.8 million, mostly due to the construction of the new Midfield Terminal, which is discussed later in the management's discussion and analysis.
- Total liabilities increased $161.1 million in 2005. This increase is primarily attributable to the net increase in bonds payable and other debt of $152.8 million due to the issuance of new revenue bonds in 2005.
- The increase in net assets for 2005 was $60.1 million, a 20.5% increase compared to 2004. The loss from operations changed from $5.3 million in 2004 to $0.9 million in 2005, an 82.7% improvement. Net non-operating revenue (expense) reflected increased net expenses of $13.9 million due to the $7.4 million loss on the sale of capital assets, a reduction of State and local appropriations of $14.0 million, a $1.9 million increase in interest expense, and an increase in interest income of $9.2 million. Capital contributions, grants and charges increased $19.8 million, a 41.2% increase, primarily due to capital contributions of $21.6 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 Balance Sheets, Statements of Revenues, Expenses and Changes in Net Assets and Statements of Cash Flows. Also included are notes to the financial statements that provide more detailed data. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The net assets of the Authority are comprised of these categories:

- *Invested in capital assets, net of related debt* - reflects the Authority's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.
- *Restricted net assets* - represent resources that are subject to external restrictions on how they may be used.
- *Unrestricted net assets* - represent resources that may be used to meet the Authority's ongoing obligations to the public and creditors.

Balance Sheets

The Balance Sheets present the financial position of the Authority at the end of the fiscal year and include all assets and liabilities of the Authority. The net assets of the Authority represent the difference between total assets and total liabilities and are an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net assets at December 31, 2005, 2004 and 2003 follows.

	2005	2004	2003
	(Table Amounts in Thousands)		
Current assets - unrestricted	$ 45,976	$ 27,115	$ 24,473
Current assets - restricted	38,009	26,321	23,945
Noncurrent assets:			
Capital assets, net	1,174,325	1,084,480	1,043,844
Other noncurrent assets	417,999	317,167	110,164
Total assets	$ 1,676,309	$ 1,455,083	$ 1,202,426
Current liabilities - payable from unrestricted	$ 5,118	$ 7,505	$ 4,912
Current liabilities - payable from restricted	76,891	85,512	84,604
Noncurrent liabilities	823,410	651,294	452,030
Total liabilities	905,419	744,311	541,546
Net assets			
Invested in capital assets, net of related debt	612,581	626,727	582,707
Restricted	111,310	61,253	55,738
Unrestricted	46,999	22,792	22,435
Total net assets	770,890	710,772	660,880
Total liabilities and net assets	$ 1,676,309	$ 1,455,083	$ 1,202,426

2005 to 2004 Comparative Balance Sheets

The increase in *unrestricted current assets* of $18.9 million primarily reflects an increase in cash and cash equivalents of $5.3 million from airport operations, and a $10.8 million increase in grants receivable.

Restricted current assets have increased $11.7 million, which is primarily due to a $13.7 million increase in cash and cash equivalents restricted for anticipated 2006 revenue bond interest and principal payments and a $2.0 million reduction in various receivables.

Total *noncurrent assets* increased by $190.7 million. Restricted cash and cash equivalents, investment securities and bond issue costs increased by $98.0 million, primarily due to the issuance of the Series 2005A revenue bonds in November 2005. Long-term receivables increased $1.4 million for costs that will be reimbursed by another Government for improvements to the wastewater infrastructure that will service the Midfield Terminal. Total depreciable and non-depreciable capital assets increased $89.8 million. Construction in progress relating to the Midfield Terminal Program, along with other construction in progress activity and land acquisitions by the Authority increased net capital assets by $149.3 million. Depreciation and land dispositions decreased total capital assets by $59.5 million.

Total *current liabilities* decreased by $11.0 million. Current liabilities payable from unrestricted assets decreased $2.4 million due to a decrease in accounts payable for operating activities of $1.6 million and a decrease of $0.7 million in accrued and withheld items. The current portion of debt and accrued interest on debt decreased $14.9 million while accounts payable from restricted assets increased $6.3 million.

Non-current liabilities increased $172.1 million primarily due to the issuance of the Authority's Series 2005A Revenue Bonds in November 2005 combined with the continued paydown of the Authority's Series 2004A, 2003A, and 1996A Revenue Bonds and the payoff of the Series 1998A Revenue Bonds.

2004 to 2003 Comparative Balance Sheets

The increase in *unrestricted current assets* of $2.6 million primarily reflects an increase in cash and cash equivalents of $4.8 million from airport operations and a reduction of receivables and unbilled revenues of $2.1 million.

Restricted current assets have increased $2.4 million, which is primarily an increase in cash and cash equivalents from the issuance of the 2004 revenue bonds in November 2004. Cash and cash equivalents increased by $2.9 million while restricted receivables decreased $0.5 million.

Total *noncurrent assets* increased by $247.6 million. Restricted cash and cash equivalents, investment securities and bond issue costs increased by $206.7 million primarily due to the issuance of the Series 2004A revenue bonds in November 2004. Total depreciable and non-depreciable capital assets increased as a result of $87.6 million of additions to construction in progress relating to the Midfield Terminal Program, along with other construction in progress activity and land acquisitions by the Authority. Depreciation and land dispositions decreased total capital assets $47.0 million, resulting in the net increase in depreciable and non-depreciable capital assets of $40.6 million.

Total *current liabilities* increased by $3.5 million. Current liabilities payable from unrestricted assets increased $2.6 million due to an increase in accounts payable for operating activities of $1.7 million and an increase of $0.9 million in accrued and withheld items. The current portion of debt and accrued interest on debt decreased $0.3 million while accounts payable from restricted assets increased $1.2 million.

Non-current liabilities increased $199.3 million primarily due to the issuance of the Authority's Series 2004A Revenue Bonds in November 2004 combined with the continued paydown of the Authority's Series 2003A, 1998A and 1996A Revenue Bonds.

2005 to 2004 Comparative Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets reflect the operating activity of the Authority for the year using the accrual basis of accounting, similar to private sector companies. The change in net assets is an indicator of whether the overall fiscal condition of the Authority has improved or worsened during the year. The change in net assets for the years ended December 31, 2005 and 2004 was $60.1 million and $49.9 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Assets for 2005 and 2004.

	2005	2004	$ Variance	% Variance
	(Table Amounts in Thousands)			
Operating Revenues				
Airfield	$ 22,597	$ 21,691	$ 906	4.2%
Terminal complex	27,862	27,566	296	1.1%
Parking	25,701	23,202	2,499	10.8%
Rented buildings and other	9,384	8,849	535	6.0%
Indianapolis Maintenance Center (IMC)	3,313	4,469	(1,156)	(25.9)%
Reliever airports	2,028	2,008	20	1.0%
Total operating revenues	90,885	87,785	3,100	3.5%
Nonoperating Revenues				
State and local appropriations	17,575	31,547	(13,972)	(44.3)%
Federal operating grants	1,136	1,381	(245)	(17.8)%
Investment income	11,007	1,765	9,242	523.6%
Total nonoperating revenues	29,718	34,693	(4,975)	(14.3)%
Total revenues	120,603	122,478	(1,875)	(1.5)%
Operating Expenses				
Airfield	15,472	17,209	(1,737)	(10.1)%
Terminal complex	14,843	13,972	871	6.2%
Parking	6,622	6,295	327	5.2%
Rented buildings and other	6,606	7,436	(830)	(11.2)%
Indianapolis Maintenance Center (IMC)	24,364	24,615	(251)	(1.0)%
Reliever airports	3,410	3,189	221	6.9%
Public safety	8,722	9,239	(517)	(5.6)%
Administration	11,757	11,093	664	6.0%
Total operating expenses	91,796	93,048	(1,252)	(1.3)%
Nonoperating Expenses				
Interest expense, net of interest capitalized	29,173	27,264	1,909	7.0%
Loss on disposals of capital assets and other	7,385	349	7,036	2013.9%
Net nonoperating expenses	36,558	27,613	8,945	32.4%
Total expenses	128,354	120,661	7,693	6.4%
Income (Loss) Before Capital Contributions, Grants and Charges	(7,751)	1,817	(9,568)	(526.6)%
Capital Contributions, Grants, and Charges	67,868	48,075	19,793	41.2%
Increase in Net Assets	$ 60,117	$ 49,892	$ 10,225	20.5%

Operating revenue in 2005 increased $3.1 million, or 3.5% from prior year. Increased enplaned passenger traffic, along with applicable rental rate adjustments, resulted in increased activity-based revenues consisting primarily of airfield landing fees, terminal complex rentals and parking revenue. Reimbursements recorded in 2005 for expenses incurred under the terms of the Settlement Agreement executed in February 2004 between the Authority and the trustee for the special facility revenue bonds the Authority issued on behalf of United Air Lines reduced operating revenue by $1.2 million, or 26%. This amount is reflected as a separate operating revenue line in the Statements of Revenues, Expenses and Changes in Net Assets entitled *Indianapolis Maintenance Center (IMC)*.

Airfield revenue in 2005 of $22.6 million was higher than 2004 by $0.9 million or 4.2%. Landed weights increased overall by 4.7% over the prior year as passenger carrier landings increased 0.7% and cargo carrier landings increased 9.8%. The 2005 landing fee signatory rate was $1.95 though June 30, and a mid-year rate adjustment was implemented effective July 1 through December 31 of $1.68, as compared to the 2004 rate of $1.61. The 2005 Non-Signatory landing fee rate increased to $2.81 through June 30 and adjusted to $2.42 effective July 1 through December 31 as compared to $2.24 in 2004. The increased landing fee revenues were offset by a decrease in apron rent as the 2005 rental rate was $0.91 per square foot as compared to $3.32 in 2004.

Terminal complex revenues exceeded prior year by $0.3 million, or 1.1%. Airline terminal rental rates decreased in 2005 as the basic average rental rate in 2005 was $53.45 per square foot compared to an average rental rate in 2004 of $56.97 per square foot. Increased passenger enplanements contributed to increased concession revenues within the terminal (Food & Beverage, Specialty Shops, and News & Gifts) of $0.1 million and increased car rentals of $0.4 million, offsetting the lower revenue resulting from the terminal rate decrease.

Parking revenues increased from prior year by $2.5 million or 10.8%. An increase in enplaned passengers from 2004 to 2005 of 5.9% contributed to the increase. The remaining increase is primarily attributable to the rate increase implemented in January 2005 for the Economy lot ($6.00/day from $5.50/day) and Corporate Connection lot ($8.00/day from $6.50/day).

Revenues from Rented Buildings and Other increased by $0.5 million or 6.0% attributable to reduced revenues in 2004 for the non-cash revenue adjustment for the US Airways Reservation Center of $0.4 million, which results from the application of GASB 13. Current year increases were also experienced due to favorable lease negotiations and increased percentage rental revenues.

Revenues from Indianapolis Maintenance Center (IMC) decreased by $1.2 million or 26.0%. This represents revenues due the Authority as 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 issued on behalf of United Airlines. Reimbursements are lower than the prior year due to fewer available funds.

Operating expense for the years ended December 31, 2005 and 2004 totaled $91.8 million and $93.0 million, respectively.

Airfield expenses decreased $1.7 million, or 10.1%, primarily due to a decrease in depreciation expense for the De-icing Control structure (Seerly Creek). This is offset by an increase of 19.0% or $0.2 million directly related to higher fuel and utility costs experienced in 2005.

Terminal complex expenses increased $0.9 million, or 6.2% from prior year. This increase is due to increased cleaning staff costs of $0.2 million, additional carpet cleaning and contracted cleaning services of $0.4 million, and an increase in utility costs of $0.1 million.

Rented buildings and other expenses decreased $0.8 million, or 11.2% from prior year, primarily related to a decrease in environmental costs to remediate certain contaminated sites in 2005.

Public Safety expenses decreased $0.5 million, or 5.6% from prior year. As a result of continuous improvement efforts and refined security procedures, a $0.4 million cost reduction was realized by a 12.7% reduction in the average number of public safety officers.

Administration costs increased $0.7 million, or 6.0%. The increase is attributable to staffing open positions, particularly in Engineering, as well as an increase in professional fees.

In 2005, *net nonoperating expenses* were $6.8 million, a decrease of approximately $13.9 million, or 196.6% over 2004. State and local appropriations decreased $14 million or 44.3% related to the refunding of the Indiana Transportation Finance Authority (ITFA) 1992/1996 and 1995 bonds issued in connection with the construction of the IMC. Investment income increased $9.2 million due to higher investment balances from the unspent 2004 and 2005 bond proceeds and the composition of investments. Interest expense increased $1.9 million over the prior year driven by an increase in debt service costs offset by an increase in capitalized interest of $1.3 million that was primarily related to increased expenditures for Midfield Terminal program activities. The loss on disposals of capital assets and other increased $7.4 million related to current year land sale transactions, purchase assurance program home sales and the disposal of various assets.

Capital contributions, grants and charges of $67.9 million increased $19.8 million compared to the prior year primarily due to an increase in contributions from lessees of $13.4 million for tenant improvements to leased properties during 2005. Contributions from other governments increased $7.6 million primarily due to payments from the State of Indiana for certain operating expenses and capital improvements at the IMC. During 2005, the Authority received federal grants from the Federal Aviation Administration (FAA) under the Airport Improvement Program (AIP) for the Midfield Terminal Program, Noise and Land Use Compatibility Program, security enhancements and improvements at the Authority's reliever airports. Additionally, State grants were received for the Reliever Airports. Total Federal and State grants decreased $1.9 million from 2004. Passenger Facility Charges (PFC) also increased from prior year by $0.7 million as a result of the increased passenger traffic of 5.9% in 2005.

2004 to 2003 Comparative Statements of Revenues, Expenses and Changes in Net Assets

The change in net assets for the years ended December 31, 2004 and 2003 was $49.9 million and $38.6 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Assets for 2004 and 2003.

	2004	**2003**	**$ Variance**	**% Variance**
	(Table Amounts in Thousands)			
Operating Revenues				
Airfield	$ 21,691	$ 20,808	$ 883	4.2%
Terminal complex	27,566	25,128	2,438	9.7
Parking	23,202	20,704	2,498	12.1
Rented buildings and other	8,849	9,401	(552)	(5.9)
Indianapolis Maintenance Center (IMC)	4,469	2,185	2,284	104.5
Reliever airports	2,008	1,947	61	3.1
Total operating revenues	87,785	80,173	7,612	9.5
Nonoperating Revenues				
State and local appropriations	31,547	31,133	414	1.3
Federal operating grants	1,381	840	541	64.4
Investment income	1,765	1,439	326	22.7
Total nonoperating revenues	34,693	33,412	1,281	3.8
Total revenues	122,478	113,585	8,893	7.8
Operating Expenses				
Airfield	17,209	16,646	563	3.4
Terminal complex	13,972	13,281	691	5.2
Parking	6,295	6,443	(148)	(2.3)
Rented buildings and other	7,436	7,779	(343)	(4.4)
Indianapolis Maintenance Center (IMC)	24,615	19,322	5,293	27.4
Reliever airports	3,189	2,900	289	10.0
Public safety	9,239	10,136	(897)	(8.8)
Administration	11,093	9,639	1,454	15.1
Total operating expenses	93,048	86,146	6,902	8.0
Nonoperating Expenses				
Interest expense, net of interest capitalized	27,264	28,894	(1,630)	(5.6(
Loss on disposals of capital assets and other	349	389	(40)	(10.3)
Net nonoperating revenues	27,613	29,283	(1,670)	(5.7)
Total expenses	120,661	115,429	5,232	4.5
Income (Loss) Before Capital Contributions, Grants, and Charges	1,817	(1,844)	3,661	(198.5)
Capital Contributions, Grants, and Charges	48,075	40,485	7,590	18.7
Increase in Net Assets	$ 49,892	$ 38,641	$ 11,251	29.1

Operating revenue in 2004 increased $7.6 million, or 9.5% from prior year. Increased aviation activity and enplaned passenger traffic, along with applicable rental rate adjustments, resulted in increased activity-based revenues consisting primarily of airfield landing fees, terminal complex rentals and parking revenue. Additionally, $4.5 million in reimbursements were recorded in 2004 for expenses incurred under the terms of the Settlement Agreement executed in February 2004, between the Authority and the trustee for the special facility revenue bonds the Authority issued on behalf of United Air Lines. This amount is reflected as a separate operating revenue line in the Statements of Revenues, Expenses and Changes in Net Assets entitled *Indianapolis Maintenance Center (IMC)*.

Airfield revenue in 2004 of $21.7 million was higher than 2003 by $0.9 million or 4.2%. Landed weights increased overall by 4.2% over the prior year as passenger carriers increased 6.4% and cargo carriers increased 1.5%. The 2004 landing fee signatory rate was maintained at the 2003 rate of $1.61. The Non-Signatory landing fee rate increased to $2.24 in 2004 compared to $1.89 in 2003.

Terminal complex revenues exceeded prior year by $2.4 million, or 9.7%, due to an increase in airline terminal rental rates. The basic average rental rate in 2004 was $56.97 per square foot compared to an average rental rate in 2003 of $50.55 per square foot. The revenue resulting from the rate increase is partially offset by a slight reduction in leased space in various terminal concourse areas during 2004. Increased passenger enplanements also contributed to increased concession revenues within the terminal (Food & Beverage, Specialty Shops, News & Gifts, etc.) of $.6 million.

Parking revenues increased from prior year by $2.5 million or 12.1%. An increase in enplaned passengers from 2003 to 2004 of 9.4% contributed to the increase. Higher yields were experienced in the higher priced Tiger Lot as a result of increased marketing and incentives established in 2004. Overage revenues from the Premier Business Lot were also greater than prior year by $0.3 million. Additionally, the off-airport operator rates were increased from 7% to 10% of gross sales in 2004, which also contributed to the increase.

Revenues from Rented Buildings and Other decreased by $0.6 million or 5.9%, primarily due to the loss of ground rental as a result of United Airlines rejecting its lease of the Indianapolis Maintenance Center and filing Chapter 11 bankruptcy in May 2003.

Operating expense for the years ended December 31, 2004 and 2003 totaled $93 million and $86.1 million, respectively.

Airfield expenses increased $0.6 million, or 3.4%, primarily due to inclusion in 2004 of environmental audit and professional fees of $0.4 million that were included in the Administration (Engineering) cost center previously.

Terminal complex expenses increased $0.7 million, or 5.2% from prior year. This increase is primarily attributable to additional carpet cleaning services, contracted food court cleaning services, and an increase in electricity costs.

Indianapolis Maintenance Center (IMC) costs of $24.6 million in 2004 exceeded prior year costs by $5.3 million, or 27.4%. The increase is partially due to start-up costs related to new tenants for the IMC. Additionally, there were $2.2 million in environmental costs incurred in conjunction with re-letting the facility.

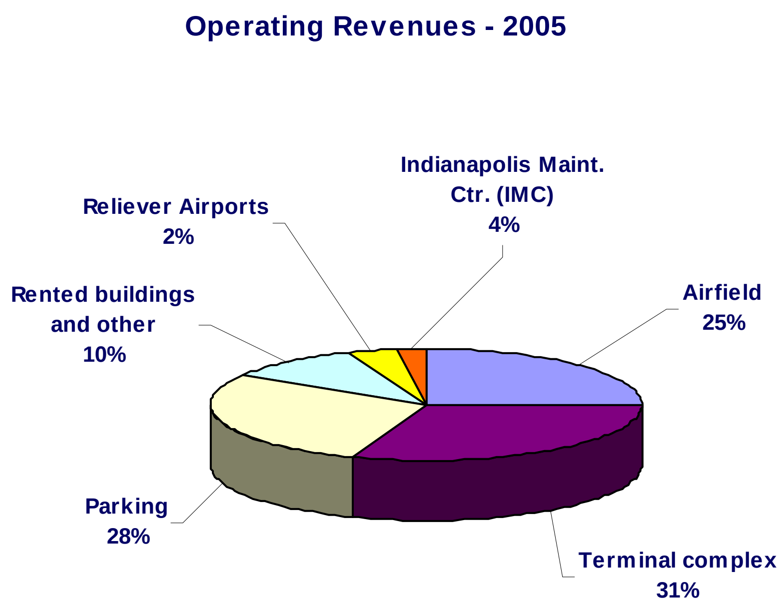
Public Safety expenses decreased $0.9 million, or 8.9% from prior year. This decrease related to a reduction in public safety officers as BAA improved efficiencies and managed the right-sizing of the security organization. The variance also reflects a reduction in overtime required in 2004, which resulted from a fewer number of days being designated at elevated security alert levels nationally than in 2003, as well as reduced War/Risk insurance premiums as the insurance market stabilized in 2004.

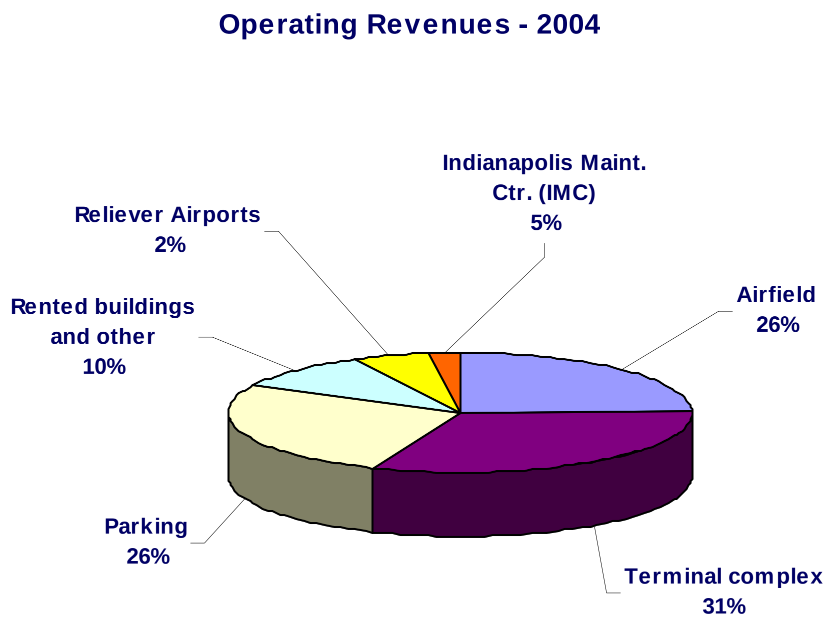
Administration costs increased $1.5 million, or 15.1%. The current year includes an adjustment to the bad debt allowance of $0.4 million related to a recent airline bankruptcy. The increase is also attributable to staffing open positions, particularly in Information Technology, as well as an increase in training, hardware/software maintenance and equipment for information technology system enhancements.

In 2004, *net nonoperating revenue* was $7.1 million, an increase of approximately $3.0 million, or 71.5% over 2003. Interest expense decreased $1.6 million over the prior year. This was driven by an increase in capitalized interest of $1.8 million that was primarily attributable to increased expenditures for Midfield Terminal program activities. Federal operating grants increased $.5 million over the prior year related to additional monies from the Department of Defense to reimburse a portion of incremental security costs incurred during the period September 2001 through May 2002. Investment income increased $0.3 million, or 22.7% due to changes in interest rates and the composition of investments.

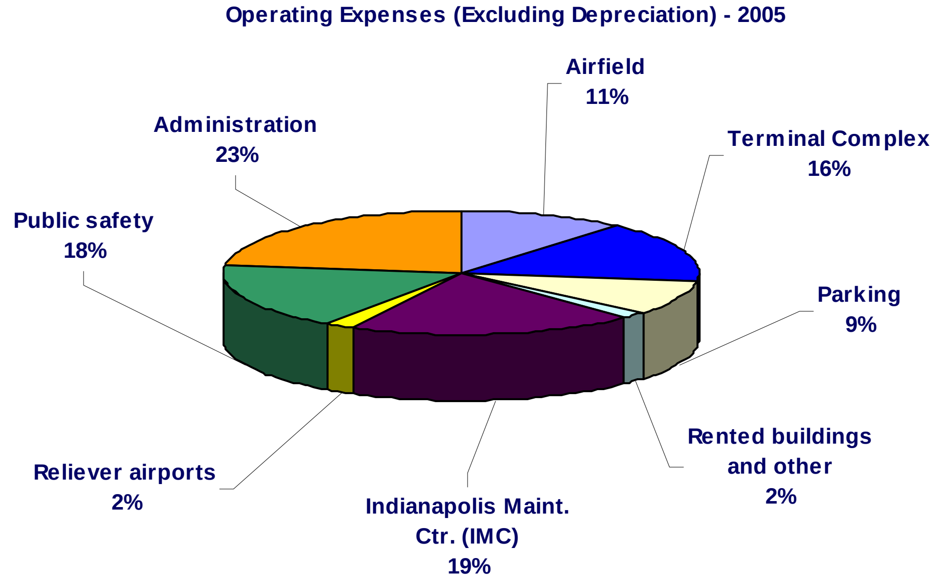
Capital contributions, grants and charges of $48.1 million increased $7.6 million compared to the prior year primarily due to an increase in federal grant revenues. During 2004, the Authority received federal grants from the Federal Aviation Administration (FAA) under the Airport Improvement Program (AIP) for the Midfield Terminal Program, Noise and Land Use Compatibility Program, security enhancements and improvements at the Authority's reliever airports. Additionally, State grants were received for the Reliever Airports. Passenger Facility Charges (PFC) also increased from prior year by $1.1 million as a result of the increased passenger traffic of 9.4% in 2004. These increases are partially offset by a decrease in contributions from lessees of $1.2 million as tenants made fewer improvements to leased properties during 2004.

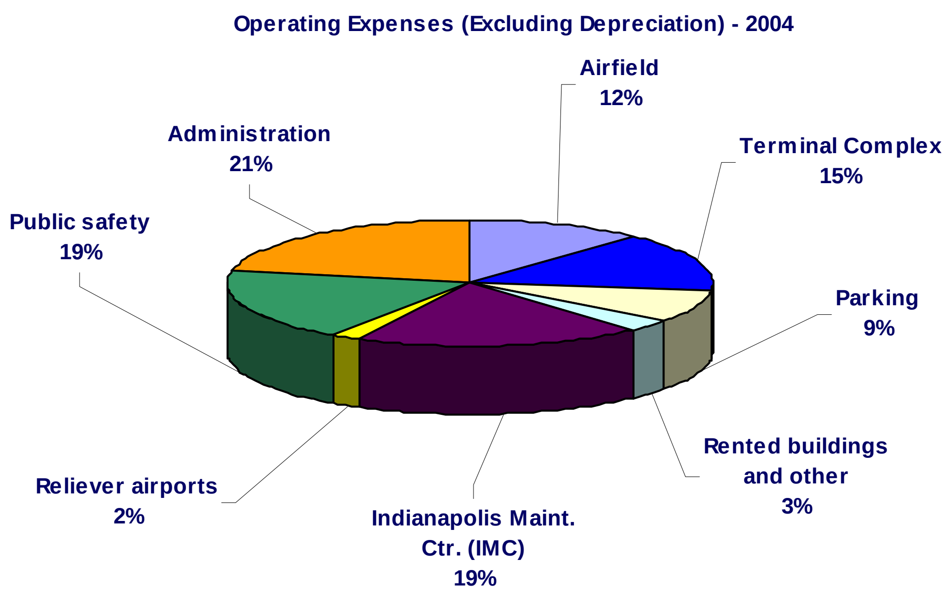
The following is a graphic illustration of operating revenues by source for the years ended December 31, 2005 and 2004:





The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2005 and 2004 (excluding depreciation):





Capital Asset and Debt Administration

Capital Assets

During 2005, the Authority expended approximately $149.3 million on capital activities. This included $7.1 million for land acquisition and sound insulation costs in conjunction with the Authority's approved Part 150 Noise Compatibility Program. The balance of capital expenditures related to multiple construction and acquisition projects, including the Authority's Midfield Terminal Program, Extend Taxiway "R", Environmental Mitigation (HCP Monitoring) and continued development of Airport Safety and Security Enhancements and various other projects.

During 2005, completed projects totaling $19.8 million were closed from construction-in-progress to their respective capital accounts. These major completed projects included:

Physical Security and Screening Access Control	$ 5.6 million
Taxiway "M" & Connectors, Taxiway "N-3" Reconstruction	$ 3.7 million
Existing Terminal Interim Capacity	$ 2.9 million
Reconstruct Runway 7-25 and Blast Pads	$ 1.9 million
Shuttle Bus Replacement	$ 1.0 million

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

Midfield Terminal

The 2001-2010 Capital Improvement Program contemplates $1.5 billion (in inflated dollars) in capital improvements, including the acquisition, development, construction and implementation of a new Midfield Terminal at the Airport and related infrastructure projects (the "Midfield Terminal Program"). These capital improvements are necessary to expand, develop and maintain the Airport System. During 2005, approximately $108.9 million was expended on capital activities for the Midfield Terminal Program. A significant portion of the 2005 costs related to design, site development, apron and terminal construction, and construction of the Federal Aviation Administration's new control tower.

Long-Term Debt

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

On November 3, 2005, the Authority issued $200.9 million of revenue bonds (the Series 2005A Revenue Bonds) as part of its financing program related to the Midfield Terminal, as well as other capital projects. In conjunction with the 2005 bond issuance, insured ratings were provided: "Aaa" by Moody's, "AAA" by S&P, and "AAA" by Fitch. In addition, the Authority received the following underlying ratings: "A1" by Moody's, "A" by S&P, and "A+" by Fitch. Approximately $83.2 million of the proceeds of the 2005 Revenue Bonds remains available for construction purposes as of December 31, 2005.

On November 16, 2004, the Authority issued $221.7 million of revenue bonds (the Series 2004A Revenue Bonds) as part of its financing program related to capital improvements. In conjunction with the 2004 bond issuance, insured ratings were provided: "Aaa" by Moody's, "AAA" by S&P, and "AAA" by Fitch. In addition, the Authority received the following underlying ratings: "A1" by Moody's, "A" by S&P, and "A+" by Fitch. Approximately $174.7 million of the proceeds of the 2004 Revenue Bonds remains available for construction purposes as of December 31, 2005.

The Authority's Master Bond Ordinance enables it to adopt an ordinance or resolution irrevocably designating certain revenues as Dedicated Revenues (which may include, without limitation, PFC revenues, state and/or federal grants, or other identified revenues) to be used to pay debt service on Authority revenue bonds. Pursuant to the ordinance, the Authority adopted a resolution irrevocably designating approximately $1,100,000 per year from 2003 through 2010 in PFC revenues as Dedicated Revenues to be used exclusively to pay debt service on the Authority's Revenue Bonds. Additionally, the Authority adopted a resolution, in 2004, irrevocably designating approximately $1,150,000 in 2004 and $12,160,000 per year from 2005 through 2010 in PFC revenues as Dedicated Revenues to be used exclusively to pay debt service on the Authority's Revenue Bonds.

As of December 31, 2005, the Authority had $593.7 million in outstanding senior bonds and $15 million in outstanding subordinate securities. The Authority, through its Master Bond Ordinance, has covenanted to maintain a debt service coverage ratio of not less than 1.25 for senior lien debt. Debt service coverage is calculated based on a formula included in the Master Ordinance and the Airline Agreements. Historically, the Authority has maintained a coverage ratio higher than its requirement. During 2005 and 2004, respectively, the Authority's debt service coverage was 2.36 and 1.67 for senior lien debt.

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

<u>Economic Factors and Next Year's Rates and Charges</u>

The Authority experienced a 5.9% increase in passenger enplanements during 2005, resulting in total 2005 enplanements of 4,258,054, which sets a record for the largest number of passengers flying from Indianapolis International in any year in the airport's history. The airport's strong passenger growth during 2005 was attributable to new service to target markets or underserved markets, increased seat capacity along with an increased number of available nonstop markets, high frequency to popular destinations, and low air fares.

Indianapolis International is served by most major and several national airlines operating to their mid-continent and East Coast hubs. In addition, point-to-point service is provided to major business destinations on the East and West coasts. The Authority remains significantly an Origination and Destination (O&D) airport, with approximately 90% of its traffic being generated by the population and economy of the region, rather than the schedule of service or hub operations by an airline. The Authority's passenger profile continues to be dominated by leisure travel, with approximately 52% leisure and 48% business travel. Passenger airlines represent 54% of total landed weight at the airport, which approximated 5.9 billion pounds in 2005, a 0.7% increase over 2004.

In addition to passenger activity, the Airport continues to benefit from the strength and growth of cargo operations, significantly dominated by FedEx. In 2005, Cargo carriers represented 46% of the landed weight at the Airport, and experienced a 9.8% increase in cargo landed weight in 2005 above 2004, for a total of approximately 5.1 billion pounds.

Future increases in passenger traffic at the Airport will be influenced by several key factors, which include, but are not limited to, the following:

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

As of December 31, 2005, three major airlines operating at the Airport, UAL Corporation ("UAL"), the parent of United Air Lines, Northwest Airlines Corporation (Northwest), and Delta Air Lines (Delta), had filed for chapter 11 bankruptcy protection. The Authority cannot predict how future air travel may be impacted by various economic or other factors, or the extent of any adverse impact on net revenues (gross operating revenues less operating and maintenance expenses), passenger facility charge collections, passenger enplanements, operations or the financial condition of the Authority. All airlines, including United Air Lines, Northwest and Delta have remitted all material post-petition payments due the Authority under the Airline Agreements. From time to time certain airlines may have balances as much as 60 days past due, but as of December 31, 2005, substantially all airlines are current on their payment obligations to the Authority. Pre-petition bankruptcy amounts and other potential uncollectible customer balances are included in the Authority's $1,107,000 and $695,000 allowance for doubtful accounts at December 31, 2005 and 2004, respectively.

The Authority anticipates continued passenger growth in 2006, but does not expect to achieve the same level of enplanement growth (5.9%) experienced in 2005. The restructuring or liquidation of one or more of the large network airlines could drastically affect airline service at many connecting hub airports, present business opportunities for the remaining airlines, and change travel patterns throughout the U. S. aviation system. Moderate growth assumptions were incorporated into the Airport's 2006 Budget, resulting in the following airline rates and charges:

	2005 Signatory Rates	2006 Signatory Rates
Landing fees*	$ 1.95/1.68	$ 1.74
Terminal Rental Rate		
Concourse C	$ 64.87	$ 73.65
Concourse D Expansion US Airways Space	48.33	58.02
All other	53.45	62.67
Apron rental rate	$ 0.91	$ 0.72

* - Rates effective January 1, 2005 through June 30, 2005 and July 1, 2005 through December 31, 2005.

The Authority estimates that additional operating costs required to meet security requirements enacted subsequent to September 11, 2001 were $3.0 million and $3.4 million for 2005 and 2004, respectively, and these costs are budgeted at $3.3 million in 2006. Operating grants in the amount of $0.9 million are anticipated to be received to help offset a portion of the costs in 2006. The ability to reduce these incremental operating costs within the current terminal facility will be driven by technological or other solutions deemed acceptable by the TSA and cannot be quantified or determined at the present time.

Request for Information This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Accounting Director, BAA Indianapolis LLC, 2500 S. High School Rd., Ste. 100, Indianapolis, IN 46241 or via the Contact Us area at the Airport's website www.indianapolisairport.com.

INDIANAPOLIS AIRPORT AUTHORITY

Indianapolis Airport Authority
Balance Sheets
December 31, 2005 and 2004

Assets

	2005	2004
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	$ 17,947,848	$ 12,677,102
Receivable from BAAI	1,218,218	—
Accounts receivable, net of allowance of $1,107,000 and $695,000, respectively	1,645,517	1,727,905
Unbilled revenues	3,661,862	3,190,265
Grants receivable	17,376,922	7,410,972
Receivable - other governments	1,626,070	—
Supplies and materials inventories	1,704,879	1,705,634
Other	794,290	402,828
Total unrestricted current assets	45,975,606	27,114,706
Restricted Assets		
Cash and cash equivalents	32,674,776	18,969,480
Cash and cash equivalents - customer deposits	293,457	280,496
Receivable - passenger facility charges	1,776,705	2,216,639
Receivable - State of Indiana	2,268,801	3,638,147
Receivable - reimbursable IMC expenses	995,397	1,216,313
Total restricted current assets	38,009,136	26,321,075
Total current assets	83,984,742	53,435,781
Noncurrent Assets		
Cash and cash equivalents, restricted	391,505,534	297,934,287
Investment securities, restricted	8,681,036	8,855,418
Rent receivable	2,867,059	2,685,545
Receivable - other governments	1,443,370	—
Deferred lease costs	1,830,606	496,110
Bond issue and loan administration costs, net	11,671,699	7,196,152
Non-depreciable capital assets	528,258,828	430,662,703
Depreciable capital assets, net	646,065,956	653,817,069
Total noncurrent assets	1,592,324,088	1,401,647,284
Total assets	$ 1,676,308,830	$ 1,455,083,065

Liabilities and Net Assets

	2005	2004
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	$ 1,352,133	$ 2,562,448
Accounts payable - BAAI	447,733	899,295
Accrued and withheld items (including compensated absences)	3,318,133	4,043,097
Total current liabilities payable from unrestricted assets	5,117,999	7,504,840
Payable From Restricted Assets		
Accounts payable	20,191,713	13,899,881
Customer deposits payable	293,457	280,496
Current portion of debt	43,661,655	62,952,872
Accrued interest on debt	12,743,856	8,378,403
Total current liabilities payable from restricted assets	76,890,681	85,511,652
Total current liabilities	82,008,680	93,016,492
Noncurrent Liabilities		
Payable From Restricted Assets		
Bonds payable and other debt	823,410,390	651,294,279
Total liabilities	905,419,070	744,310,771
Net Assets		
Invested in capital assets, net of related debt	612,581,258	626,727,451
Restricted for		
Capital projects	38,445,539	28,864,831
Debt service	72,591,589	31,463,633
Other	272,733	924,858
Total restricted net assets	111,309,861	61,253,322
Unrestricted	46,998,641	22,791,521
Total net assets	770,889,760	710,772,294
Total liabilities and net assets	$ 1,676,308,830	$ 1,455,083,065

Indianapolis Airport Authority

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2005 and 2004

	2005	2004
Operating Revenues		
Airfield	$ 22,597,017	$ 21,690,817
Terminal complex	27,861,804	27,565,939
Parking	25,700,989	23,202,459
Rented buildings and other	9,383,960	8,849,440
Indianapolis Maintenance Center (IMC)	3,313,305	4,468,590
Reliever airports	2,028,307	2,008,175
Total operating revenues	90,885,382	87,785,420
Operating Expenses (includes depreciation of $42,742,883 and $45,112,467 in 2005 and 2004, respectively)		
Airfield	15,471,351	17,208,770
Terminal complex	14,842,448	13,971,948
Parking	6,622,285	6,294,681
Rented buildings and other	6,606,391	7,435,736
Indianapolis Maintenance Center (IMC) (includes depreciation of $14,794,225 and $15,476,732 in 2005 and 2004, respectively)	24,363,793	24,615,491
Reliever airports	3,410,062	3,188,901
Public safety	8,722,396	9,239,066
Administration	11,757,301	11,093,496
Total operating expenses	91,796,027	93,048,089
Loss From Operations	(910,645)	(5,262,669)
Nonoperating Revenues (Expenses)		
State and local appropriations	17,575,077	31,547,272
Federal operating grants	1,135,661	1,381,131
Investment income	11,006,724	1,764,989
Interest expense, net of $5,123,824 and $3,808,506 interest capitalized in 2005 and 2004, respectively	(29,172,465)	(27,264,175)
Loss on disposals of capital assets and other	(7,385,333)	(349,365)
	(6,840,336)	7,079,852
Increase (Decrease) in Net Assets Before Capital Contributions, Grants and Charges	(7,750,981)	1,817,183
Capital Contributions, Grants and Charges		
Passenger facility charges	17,460,359	16,722,939
Federal, state and local grants	28,791,022	30,704,700
Contributions from lessees	14,062,887	647,372
Contributions from other governments	7,554,179	—
	67,868,447	48,075,011
Increase in Net Assets	60,117,466	49,892,194
Net Assets, Beginning of Year	710,772,294	660,880,100
Net Assets, End of Year	$ 770,889,760	$ 710,772,294

Indianapolis Airport Authority
Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	2005	2004
Cash Flows From Operating Activities		
Cash receipts from customers and users	$ 88,583,930	$ 88,824,983
Cash payments to vendors for goods and services	(27,864,228)	(23,246,229)
Cash payments for employees services	(22,704,366)	(21,929,536)
Net cash provided by operating activities	38,015,336	43,649,218
Cash Flows From Noncapital and Related Financing Activities		
Operating grants received	1,066,417	1,440,297
Net cash provided by noncapital and related financing activities	1,066,417	1,440,297
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of commercial paper	40,000,000	35,000,000
Proceeds from issuance of revenue bonds	200,901,482	226,105,460
Principal paid on bonds and commercial paper	(81,140,000)	(49,220,000)
Deferred lease costs paid	(1,482,320)	(517,680)
Bond issue and commercial paper costs paid	(4,767,736)	(5,057,709)
Interest paid	(13,086,733)	(7,870,157)
Acquisition and construction of capital assets	(128,729,125)	(88,159,835)
Proceeds from sale of capital assets	8,934,112	3,203,640
Passenger facility charges received	17,900,293	16,318,824
Capital grants received	18,894,319	33,435,709
Contributions from other governments	5,004,739	—
Net cash provided by capital and related financing activities	62,429,031	163,238,252
Cash Flows From Investing Activities		
Purchase of investment securities	(106,286,711)	(46,788,245)
Proceeds from sales and maturities of investment securities	108,246,000	48,482,000
Interest received on investments and cash equivalents	9,090,177	1,038,295
Net cash provided by investing activities	11,049,466	2,732,050
Net Increase in Cash and Cash Equivalents	112,560,250	211,059,817
Cash and Cash Equivalents, Beginning of Year	329,861,365	118,801,548
Cash and Cash Equivalents, End of Year	$ 442,421,615	$ 329,861,365
Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities		
Loss from operations	$ (910,645)	$ (5,262,669)
Item not requiring cash		
Depreciation of capital assets	42,742,883	45,112,467
Change in assets and liabilities		
Accounts receivable and unbilled revenues	(2,301,452)	1,039,563
Supplies and materials inventories	755	(111,383)
Other assets	(243,638)	194,009
Accounts payable	(1,362,242)	2,359,491
Accrued and withheld items	89,675	317,740
Net cash provided by operating activities	$ 38,015,336	$ 43,649,218
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	$ 17,746,303	$ 11,546,477
Capital assets contributed by lessees	13,947,557	647,372
State and local appropriations used to fund capital lease obligations	17,575,077	31,547,272

See Notes to Financial Statements

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

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

The Authority's Board consists of eight members, six of which are appointed by the Mayor of the Consolidated City of Indianapolis-Marion County (a unified form of government commonly referred to as Unigov), one by the Marion County Board of Commissioners and one by the Hendricks County Board of Commissioners. Each member is appointed to a four-year term. Also, the Board has two non-voting, advisory board members.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management Contract

On October 1, 1995, the Authority entered into an Agreement for the Operation and Maintenance of the Indianapolis International Airport Facilities (BAA Management Contract) with BAA Indianapolis, LLC and BAA USA Holdings, Inc. (collectively, BAA), both of which are subsidiaries of BAA plc, a United Kingdom public corporation. The BAA Management Contract, which is currently set to expire on December 31, 2008, does not transfer ownership of airport facilities to BAA. Rather, it grants BAA all necessary rights and powers to operate, maintain and manage the above mentioned airport system. The scope of BAA's services includes terminal, airfield and administrative management. BAA may also provide planning services for an additional fee.

On March 19, 2004, an amendment to the BAA Management Contract was formally approved by the Authority Board. Among other things, this amendment eliminates a management fee based solely on financial measures. The BAA Management Contract now provides for payment of a management fee to BAA in the form of a fixed annual fee as well as a variable fee to be earned based on actual performance each year. The fixed annual fee is equal to $555,000 per year (adjusted annually for inflation) and the variable performance fee can range up to a maximum of $1,295,000 per year. BAA's 2005 and 2004 management fees were calculated using the new compensation provisions.

In accordance with the BAA Management Contract, BAA is required to collect all revenues on behalf of the Authority, deposit all revenues into the Authority's accounts and pay all of the Authority's operating expenses. However, BAA may not obligate the Authority for expenditures beyond budgetary limits adopted by the Authority's Board. While BAA serves as the Authority's administrative agent, all billings of the Authority and all remittances due the Authority are in the name of and made payable to the Authority. All revenues collected are directly deposited into the Airport System Fund, which is maintained by the Authority in the Authority's official depository bank. Withdrawals or transfers from the Airport System Fund can only be made by the Authority.

Under the current Management Contract, the Authority is responsible for making all its debt service payments and for approving and making payments on all capital improvement projects. Additionally, the Authority retains various other powers and responsibilities, including:

a. compliance with airline use agreements;
b. Federal Aviation Administration (FAA)/Airport Improvement Program (AIP) grant assurances compliance;
c. passenger and cargo air service development policy formulation and implementation;
d. issuance of debt in the Authority's name (or which would encumber the Authority's assets);
e. aviation rates and charges regulation;
f. long-range planning;
g. land acquisition and development policy formulation and implementation planning;
h. airport industrial and economic development policy formulation and implementation planning;
i. wetlands and environmental policy;
j. capital expenditure policy;
k. all other statutory powers not delegated to BAA, including compliance with bond ordinance and loan covenants.

BAA receives monthly advances from the Authority for all operating expenses to be paid on the Authority's behalf, as well as reimbursements for certain capital expenditures and rent-free office space. From these advances, BAA pays expenses for the operation and maintenance of the Airport System. Each month, BAA provides the Authority with an itemized statement of operating expenses incurred. Accordingly, these financial statements reflect the Authority's operating expenses as if they had been paid directly by the Authority.

The payable to BAA of $447,733 and $899,295 at December 31, 2005 and 2004, respectively, represents accrued management fees and amounts estimated to be due for operations and maintenance charges. The receivable from BAA at December 31, 2005 of $1,218,218 represents advances to BAA for the operation and maintenance of the airport.

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 is met. Unigov is unable to impose its will on the Authority. Also, the Authority does not impose a financial burden or provide a financial benefit to Unigov.

The following criteria were considered:

I. Imposition of will criteria

A. Remove appointed members of Authority Board at will

The appointed members of the Authority Board cannot be removed by the Mayor without cause, and removal must be through an impeachment procedure.

B. Modify or approve the Authority's budget

The Authority Board is responsible for reviewing, approving, and modifying its budget. The City-County Council (the governing body for Unigov) holds public budget hearings, and may review and modify the budget. Since a tax levy is not currently required to finance the budget of the Authority, the Council's review is considered a routine administrative approval.

C. Modify or approve changes in fees and charges

The Authority establishes all fees and charges and negotiates contracts with commercial enterprises.

D. Veto, overrule or modify decisions of the Authority Board

Decisions of the Board are not subject to change by Unigov.

E. Appoint, hire, reassign or dismiss management of the Authority

Unigov has no control over the employment of Authority personnel.

II. Financial benefit/burden criteria

A. Legally entitled to or can otherwise access the Authority's resources

The Authority's resources cannot be accessed by Unigov. Legislation was enacted in 1992 which authorized the City-County Council to impose a payment in lieu of taxes (PILOT) from various municipal corporations, including the Authority, to recover the cost of providing governmental services to public entities that operate as private enterprises and are exempt from property taxes. However, under the Airport and Airway Improvement Act of 1982, as amended, PILOTs may not be imposed without the risk of loss of all federal funding, unless there exists adequate documentation of services actually provided. Purchases of services are considered exchange transactions, which are not manifestations of a financial benefit relationship.

B. Legally obligated to finance the deficits of, or provide financial support to, the Authority

The Authority is solely responsible for financing its deficits. The Authority may levy taxes on property within Marion County. It does not currently, and has no future plans to, levy such taxes.

C. Obligated in some manner for the debt of the Authority

The Authority is empowered to issue revenue bonds payable solely from revenue derived from the operation of the airport system and special facility revenue bonds payable exclusively from lease-rental payments. The Authority is also empowered to issue general obligation bonds. These bonds are not general obligations of Unigov, and neither the faith and credit nor the taxing power of Unigov is pledged to their payment.

Careful review of these criteria, therefore, has resulted in the conclusion that the Authority is a separate reporting entity and is not a component of Unigov or any other government.

Basis of Accounting and Financial Reporting

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

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Changes in Accounting Principles

During 2005, the Authority adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes accounting and financial reporting standards for impairment of capital assets. This statement also clarifies and establishes accounting requirements for insurance recoveries. Under this pronouncement, governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Under this statement, a capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. No capital assets of the Authority were determined to be impaired. Therefore, the adoption of GASB Statement No. 42 had no effect on the Authority's financial position and changes therein.

In 2004, the Authority adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, by retroactively restating prior year's financial statements. This new standard revised the existing requirements regarding disclosure of custodial credit risk and established requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on the net assets and change in net assets in the prior or current year.

Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investment Securities

Investment securities are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

Unbilled Revenues

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

Inventories

Inventories of supplies and materials are valued at average cost. The Authority has relinquished management control over its inventories to BAA. However, the Authority retains ownership of the inventories.

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 in 2001, the Authority began recognizing lessee-financed improvements at cost or estimated cost upon completion of construction, or upon the asset being placed in service, whichever occurs first. However, lessee-financed improvements placed in service prior to the adoption of GASB Statement No. 33 continue to be recognized only upon leasehold reversion or lease termination.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500. Capital assets purchased by the Authority are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

	Years
Buildings, including parking garage	20 to 40
Sewers	25
Runways, taxiways and aprons	15 to 25
Roads, ramps, parking areas, runway and apron lighting, etc.	15
Heavy equipment, furniture and fixtures and fencing	10
Vehicles, office equipment and other	3 to 5

Interest incurred during construction periods is capitalized and included in the cost of property and equipment. Maintenance and repairs are expensed as incurred. Runways, taxiways, parking areas, sewers and other similar assets are written off when fully depreciated unless clearly identified as still being in use. Environmental mitigation costs incurred to establish wetlands are capitalized, while costs related to maintaining wetlands and habitats are generally charged to expense as incurred. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

Issue Costs

Bond issue costs are deferred and amortized over the life of the respective bond issue using the interest method. Commercial paper issuance costs are being amortized on a straight-line basis over five years, which is equal to the original term of the letter of credit that secures the debt issuance.

Original Issue Discount

Original issue discounts on bonds are amortized using the interest method over the lives of the bonds to which they relate.

Employee Health Benefits

Upon commencement of the BAA Management Contract, the Authority's health plans were effectively terminated and all claims incurred by Authority employees prior to September 30, 1995 were submitted to these plans for settlement. The employees of BAA can elect to be covered under a self-insured plan or a plan provided by a Health Maintenance Organization. The costs associated with these plans are paid by the Authority in accordance with the BAA Management Contract.

Compensated Absences

Through September 30, 1995, all Authority employees received compensation for vacations, holidays, illness and certain other qualifying absences. Former Authority personnel and all others hired by BAA continue to accrue benefits for compensated absences under similar policies. All payments for compensated absences are paid to BAA by the Authority as stipulated in the BAA Management Contract.

Accumulated unused sick leave benefits for BAA employees are nonvesting until retirement. At retirement, any accumulated sick leave in excess of 160 hours (224 hours for fire department personnel) is to be paid to the employee at a rate of one hour for every two excess hours. The maximum number of sick leave hours that can be paid to any Authority or BAA employee is 96.

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences,* accumulated unused sick leave pay has been accrued based on assumptions concerning the probability that certain BAA employees will become eligible to receive these benefits in the future.

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Indiana. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

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

Revenue and Expense and Net Assets Recognition

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

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

Passenger Facility Charges

Under a Record of Decision, the Federal Aviation Administration (FAA) grants the Authority approval to impose and use a passenger facility charge (PFC) of either $3.00 or $4.50 per enplaned passenger on flights originating from Indianapolis. 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. PFC's, which are recognized as earned, are included in capital contributions, grants and charges and amounted to $17,460,359 and $16,722,939 for 2005 and 2004, respectively.

During 2001, the Authority's Record of Decision was amended to increase the Authority's collection level from $3.00 to $4.50 per enplaned passenger and to allow the Authority to impose and collect up to $524,513,829 in PFC's beginning in April 2002. On August 25, 2003, the Record of Decision was further amended providing for the use of such amount 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 Midfield Terminal and associated program construction.

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 these leases, if significant, is reported using the straight-line method rather than using the terms of the lease agreements.

Reclassifications

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 presentation. The reclassifications had no effect on the change in net assets.

Note 2: Cash, Cash Equivalents and Investment Securities

Deposits

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

The Authority's cash deposits are insured up to $100,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the $100,000 FDIC limits are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund (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, secured repurchase agreements fully collateralized by U. S. Government or U. S. Government agency securities, certificates of deposit, open end money market mutual funds.

At December 31, 2005 and 2004, the Authority had the following investment securities, all of which mature within one year:

	2005	2004
Repurchase agreements	$ 34,182,657	$ 28,787,974
U. S. Treasury obligations	—	15,905,122
U. S. agency obligations	233,654,765	199,217,866
Money market mutual funds	191,525,966	94,818,244
	$ 459,363,388	$ 338,729,206

***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 securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Authority's investment policy for interest rate risk requires compliance with the provisions of Indiana statutes. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

***Credit Risk* -** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy for credit risk requires compliance with the provisions of Indiana statutes, and Indiana Code Section 5-13-9-2.5 requires that the Authority only invest in securities that are rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service. At December 31, 2005 and 2004, the Authority's investments in money market mutual funds and U. S. Agency obligations not directly guaranteed by the U. S. Government were rated AAA by Standard & Poor's.

***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, 2005 and 2004, all of the Authority's investments in repurchase agreements (which are secured by U. S. Government and U. S. Government agency obligations), as well as U. S. Treasury and agency obligations, were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent in other than the Authority's name. The Authority's investment in money market mutual funds was not subject to custodial credit risk at December 31, 2005 and 2004, as their existence 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 no limit on the amunt tht may be invested in any one issuer. The following investments held by the Authority are not explicitly guaranteed by the U. S. Government and are subject to concentration of credit risk:

	2005	2004
Federal National Mortgage Association discount notes	$ 125,065,133	$ 170,156,852
Federal Home Loan Mortgage Corporation discount notes	81,552,139	29,061,014
Federal Home Loan Bank discount notes	27,037,493	—
	$ 233,654,765	$ 199,217,866

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

Summary of Carrying Values

Cash, cash equivalents and investment securities included in the balance sheets are classified as follows:

	2005	2004
Cash and cash equivalents		
Current - unrestricted	$ 17,947,848	$ 12,677,102
Current - restricted	32,968,233	19,249,976
Noncurrent - restricted	391,505,534	297,934,287
	442,421,615	329,861,365
Investment securities - restricted	8,681,036	8,855,418
	$ 451,102,651	$ 338,716,783

Investment Income

Investment income for the years ended December 31, 2005 and 2004, consisted of:

	2005	2004
Interest and dividend income	$ 11,112,170	$ 1,659,476
Net increase (decrease) in fair value of investments	(105,446)	105,513
	$ 11,006,724	$ 1,764,989

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

	2005	2004
Revenue Bond Interest and Principal Fund	$ 32,674,776	$ 18,969,480
Revenue Bond Reserve Fund	53,710,980	49,154,715
Operation and Maintenance Reserve Fund	10,640,468	10,574,832
Renewal and Replacement Fund	2,259,683	2,245,979
Capital Improvement Fund	15,239,764	10,515,712
Passenger Facility Charge Fund	21,428,070	16,132,480
Debt Service Coverage Fund	3,754,820	—
Capitalized Interest Account - 2003A Revenue Bonds	840,149	1,658,980
Construction Fund - 2003A Revenue Bonds	—	4,750,041
Capitalized Interest Account 2004A Revenue Bonds	1,871,001	2,754,618
Construction Fund - 2004A Revenue Bonds	174,659,050	198,932,239
Capitalized Interest Account 2005A Revenue Bonds	31,025,746	—
Construction Fund - 2005A Revenue Bonds	83,186,593	—
Construction Fund - Commercial Paper Issuance	1,354,443	9,749,611
Customer deposits	293,457	280,496
Air Service Task Force and other	215,803	320,498
	$ 433,154,803	$ 326,039,681

The Authority's Revenue Bonds have been issued pursuant to General Ordinance No. 6-1985, as amended and restated by the Revised Master Bond Ordinance, General Ordinance No. 4-2002, General Ordinance No. 4-2004 and General Ordinance No. 8-2005. The Master 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 operation and maintenance expenses. Such deposits are also used to replenish balances in other funds to their required levels under the Master Ordinance. Amounts in the Airport System Fund are pledged to secure the Authority Revenue Bonds, but all current operation and maintenance expenses of the Airport System are paid prior to debt service on the Authority Revenue Bonds.

Assets included in the Bond Interest and Principal Funds and the 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 Subordinate Securities Interest and Principal Fund and Subordinate Securities Reserve Fund are used to pay principal, interest, and redemption premiums on any securities secured in whole or in part by liens on the Net Revenues of the Authority that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds and to pay amounts due under certain derivative agreements. The Operation and Maintenance Reserve Fund must be maintained at a balance at least equal to one-sixth of the Authority's current operating budget as a reserve for payment of operation and maintenance expenses. Assets of the Renewal and Replacement Fund are used to pay extraordinary costs of replacing depreciable property and equipment and/or making extraordinary repairs, replacements, or renovations to the airport system. The Capital Improvement Fund can be used for any lawful airport system purpose, including payment for capital improvements and land acquisition. The Construction Funds are used to pay the project costs for each respective debt issuance. Finally, amounts in the Coverage Fund are used for the purposes of establishing future coverage on outstanding Revenue Bonds.

Funds not used for these purposes are transferred into a Prepaid Airline Revenue Fund and used as a credit against the rentals and fees to be paid by Signatory Airlines (as defined later in these notes) in subsequent years. Balances included in the Airport System Fund and Prepaid Airline Revenue Fund are classified in current unrestricted assets in the accompanying balance sheets.

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

Note 3: Grants Receivable

Grants receivable from government agencies represent reimbursements due from the federal government and/or the State of Indiana for allowable costs incurred on federal and state award programs. Grants receivable at December 31, 2005 and 2004 consist of:

	2005	2004
State of Indiana	$ 68,622	$ 82,336
Federal Aviation Administration	17,100,750	7,190,333
U. S. Department of Homeland Security	207,550	138,303
	$ 17,376,922	$ 7,410,972

The maximum amount of federal and state participation available for eligible continuing projects during 2005 totaled $82,169,259. At December 31, 2005, a cumulative total of $65,278,897 has been earned against these grant commitments.

Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2005 and 2004 is as follows:

	2005			
	Beginning Balance January 1, 2005	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2005
Capital assets, not being depreciated:				
Land	$ 270,163,186	$ 7,112,975	$ (16,523,086)	$ 260,753,075
Construction in progress	160,499,517	126,787,842	(19,781,606)	267,505,753
Total capital assets, not being depreciated	430,662,703	133,900,817	(36,304,692)	528,258,828
Capital assets, being depreciated:				
Buildings	714,959,173	17,019,026	(746,492)	731,231,707
Runways and other airport infrastructure	393,127,773	13,593,814	(5,179)	406,716,408
Equipment, furniture and fixtures and other	109,975,568	4,613,622	(7,049,736)	107,539,454
Total capital assets, being depreciated	1,218,062,514	35,226,462	(7,801,407)	1,245,487,569
Less accumulated depreciation for:				
Buildings	(227,366,289)	(21,582,190)	619,256	(248,329,223)
Runways and other airport infrastructure	(249,849,835)	(14,700,005)	4,507	(264,545,333)
Equipment, furniture and fixtures and other	(87,029,321)	(6,460,688)	6,942,952	(86,547,057)
Total accumulated depreciation	(564,245,445)	(42,742,883)	7,566,715	(599,421,613)
Total capital assets, being depreciated, net	653,817,069	(7,516,421)	(234,692)	646,065,956
Capital assets, net	$ 1,084,479,772	$ 126,384,396	$ (36,539,384)	$ 1,174,324,784

Indianapolis Airport Authority

Notes to Financial Statements
December 31, 2005 and 2004

	2004			
	Beginning Balance January 1, 2004	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2004
Capital assets, not being depreciated:				
Land	$ 261,690,481	$ 12,141,770	$ (3,669,065)	$ 270,163,186
Construction in progress	121,003,007	75,435,224	(35,938,714)	160,499,517
Total capital assets, not being depreciated	382,693,488	87,576,994	(39,607,779)	430,662,703
Capital assets, being depreciated:				
Buildings	712,867,245	2,091,928	—	714,959,173
Runways and other airport infrastructure	362,105,374	31,022,399	—	393,127,773
Equipment, furniture and fixtures and other	105,822,528	4,614,796	(461,756)	109,975,568
Total capital assets, being depreciated	1,180,795,147	37,729,123	(461,756)	1,218,062,514
Less accumulated depreciation for:				
Buildings	(206,219,147)	(21,147,142)	—	(227,366,289)
Runways and other airport infrastructure	(235,188,502)	(14,661,333)	—	(249,849,835)
Equipment, furniture and fixtures and other	(78,236,633)	(9,254,444)	461,756	(87,029,321)
Total accumulated depreciation	(519,644,282)	(45,062,919)	461,756	(564,245,445)
Total capital assets, being depreciated, net	661,150,865	(7,333,796)	—	653,817,069
Capital assets, net	$ 1,043,844,353	$ 80,243,198	$ (39,607,779)	$ 1,084,479,772

Note 5: Bonds Payable and Other Debt

Bonds and other debt outstanding at December 31, 2005 and 2004 consist of:

	2005	2004
Revenue Bonds, Series 2005A		
Serial bonds, maturing January 1, 2023 to January 1, 2030 in payments from $7,735,000 to $20,470,000. Interest at 5.125% to 5.25%, due semiannually on January 1 and July 1	$ 133,970,000	$ —
Term bonds, maturing January 1, 2033. Interest at 4.75%, due semiannually on January 1 and July 1	63,415,000	—
	197,385,000	—
Unamortized premium	3,491,443	—
	200,876,443	—
Revenue Bonds, Series 2004A		
Serial bonds, maturing January 1, 2006 to January 1, 2024 in payments from $2,945,000 to $11,075,000. Interest at 4.00% to 5.25%, due semiannually on January 1 and July 1	96,350,000	96,350,000
Term bonds, maturing January 1, 2026 to January 1, 2034. Interest at 4.75% to 5.00%, due semiannually on January 1 and July 1	125,330,000	125,330,000
	221,680,000	221,680,000
Unamortized premium	4,149,321	4,394,779
	225,829,321	226,074,779
Revenue Bonds, Series 2003A		
Serial bonds, maturing January 1, 2006 to January 1, 2023 in payments from $2,855,000 to $15,395,000. Interest at 4.625% to 5.625%, due semiannually on January 1 and July 1	95,885,000	98,655,000
Term bonds, maturing January 1, 2027 and January 1, 2033. Interest at 5.00%, due semiannually on January 1 and July 1	36,660,000	36,660,000
	132,545,000	135,315,000
Deferred loss on refunding	(1,852,387)	(1,960,819)
Unamortized premium	2,823,935	3,061,745
	133,516,548	136,415,926
Refunding Revenue Bonds, Series 1998A		
Serial bonds, maturing July 1, 2005 with a payment of $15,285,000 in 2005. Interest at 5.00%, due July 1	—	15,285,000
Deferred loss on refunding	—	(239,338)
Unamortized premium	—	32,874
	—	15,078,536

(Continued)	2005	2004
Refunding Revenue Bonds, Series 1996A		
Serial bonds, maturing July 1, 2006 to July 1, 2009 in payments from $3,265,000 to $3,835,000. Interest at 5.25% to 6.00%, due semiannually on January 1 and July 1	$ 14,195,000	$ 17,280,000
Term bonds, maturing July 1, 2015. Interest at 5.60%, due semiannually on January 1 and July 1	27,865,000	27,865,000
	42,060,000	45,145,000
Deferred loss on refunding	(4,139,500)	(4,674,328)
Unamortized discount	(292,867)	(333,083)
	37,627,633	40,137,589
Total revenue bonds	597,849,945	417,706,830
Other Debt		
Obligations under capital lease	254,222,100	261,540,321
Commercial paper	15,000,000	35,000,000
	269,222,100	296,540,321
Total bonds payable and other debt	867,072,045	714,247,151
Current portion	(43,661,655)	(62,952,872)
Long-term portion	$ 823,410,390	$ 651,294,279

Revenue Bonds and Commercial Paper

In November 2005, the Authority issued $197,385,000 of revenue bonds (the 2005 Revenue Bonds) at an average interest rate of 5.10%. The 2005 Revenue Bonds represent the Authority's third long-term financing package to fund the costs of its 2001-2010 Capital Improvement Program, which includes the construction of the new Midfield terminal.

In November 2004, the Authority issued $221,680,000 of revenue bonds (the 2004 Revenue Bonds). The 2004 Revenue Bonds represent the Authority's second long-term financing for purposes of funding the costs of its 2001-2010 Capital Improvement Program. The 2004 Revenue Bonds were issued at an average interest rate of 4.9%.

During 2005, the Series 1998A Revenue Bonds were paid off in full.

The Revenue Bonds, Series 1996A, 2003A, 2004A and 2005A (collectively, the Revenue Bonds) are subject to optional redemption by the Authority at various dates beginning in July 2006 at amounts up to 102% of the principal amount and declining to par at various dates beginning in July 2008.

The 1996A Revenue Bonds, maturing on July 1, 2015 (the 2015 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2010 to 2015.

The 2003A Revenue Bonds, maturing on January 1, 2027 (the 2027 Term Bonds) and January 1, 2033 (the 2033 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2024 to 2027 and 2028 to 2033, respectively.

The 2004A Revenue Bonds, maturing January 1, 2026 (the 2026 Term Bonds), January 1, 2028 (the 2028 Term Bonds), January 1, 2031 (the 2031 Term Bonds), and January 2034 (the 2034 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2025 to 2026, 2027 to 2028, 2029 to 2031, and 2032 to 2034, respectively.

The 2005A Revenue Bonds, maturing January 1, 2033 (the 2033 Term Bonds), are subject to redemption from mandatory sinking fund payments during 2031 to 2033.

The Revenue Bonds are secured under the Master Ordinance (as referenced in a previous footnote) by a pledge of net revenues of the airport system. All of the Authority's Revenue Bonds are secured on parity with each other except with respect to their Revenue Bond Reserve Funds.

Pursuant to the Master Ordinance, the Authority adopted a resolution in 2003 irrevocably designating $1.1 million per year from 2003 through 2010 of passenger facility charges administered under Part 158 of the Federal Aviation Regulations to be collected by the airlines and remitted to the Authority to be used exclusively to pay debt service on the Authority's Revenue Bonds. The Authority adopted a similar resolution in 2004 irrevocably dedicating approximately $1,150,000 in 2004 and $12,160,000 per year from 2005 through 2010 in additional passenger facility charges as dedicated revenues. Also in 2004, the Authority dedicated approximately $15,675,000 held in the Authority's Debt Service Reserve Fund to be used to pay the final debt service payment due in 2005 for the Authority's 1998 Revenue Bonds. Additionally, in 2004, the Authority adopted a resolution to dedicate $8.5 million of revenue related to the IMC Settlement Agreement and the sale of capital assets at IMC to pay debt service. As of December 31, 2005, approximately $7.6 million has been received and used to pay debt service.

In accordance with the Rate Covenant contained in the Master 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 pursuant to the Master Ordinance and excludes from interest due on Authority Revenue Bonds any interest paid from bond proceeds. The Authority can exclude debt service to be paid from dedicated revenues from its Rate Covenant calculation.

Commercial Paper

From time to time, the Authority issues commercial paper, the proceeds of which are used to finance various capital projects included in the Authority's Capital Improvement Program. The commercial paper is a short-term promissory note that is sold in traunches with maturities ranging from 1 to 270 days. At maturity, interest is paid to the investor and the commercial paper is resold. To mitigate the risk of an unsuccessful remarketing, the commercial paper is backed by a commitment for a letter of credit in the amount of $126,016,439. The commercial paper is payable from and secured by a lien on net revenues of the airport system. This lien is junior and subordinate to the lien of the Revenue Bonds, and therefore, the commercial paper is considered to be a Subordinate Security as defined in the Master Ordinance. The Authority had $15,000,000 in commercial paper outstanding at December 31, 2005, with interest rates which ranged from 3.19% to 3.25%. At December 31, 2004, the Authority had $35,000,000 in commercial paper outstanding with interest rate of 1.83%. The Authority anticipates issuing additional commercial paper in 2006.

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, 2005:

	Revenue Bonds		Commercial Paper	
Years Ending December 31	**Principal**	**Interest**	**Principal**	**Total**
2006	$ 17,525,000	$ 26,418,095	$ 15,000,000	$ 58,943,095
2007	21,910,000	28,820,124	—	50,730,124
2008	9,710,000	28,022,160	—	37,732,160
2009	10,205,000	27,516,310	—	37,721,310
2010	10,735,000	26,976,238	—	37,711,238
2011-2015	63,040,000	125,333,038	—	188,373,038
2016-2020	51,995,000	109,128,286	—	161,123,286
2021-2025	101,765,000	91,852,605	—	193,617,605
2026-2030	167,440,000	55,939,927	—	223,379,927
2031-2034	139,345,000	12,076,926	—	151,421,926
	$ 593,670,000	$ 532,083,709	$ 15,000,000	$ 1,140,753,709

The following is a summary of long-term obligation transactions (excluding capital leases) for the Authority for the years ended December 31, 2005 and 2004:

	2005				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	$ 417,425,000	$ 197,385,000	$ (21,140,000)	$ 593,670,000	$ 17,525,000
Bond discounts/premium	7,156,315	3,516,484	(500,967)	10,171,832	—
Loss on refunding	(6,874,485)	—	882,598	(5,991,887)	—
Total revenue bonds payable	417,706,830	200,901,484	(20,758,369)	597,849,945	17,525,000
Commercial paper	35,000,000	40,000,000	(60,000,000)	15,000,000	15,000,000
Total long-term obligations	$ 452,706,830	$ 240,901,484	$ (80,758,369)	$ 612,849,945	$ 32,525,000

	2004				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	$ 214,965,000	$ 221,680,000	$ (19,220,000)	$ 417,425,000	$ 21,140,000
Bond discounts/premium	3,061,631	4,425,460	(330,776)	7,156,315	—
Loss on refunding	(8,317,109)	—	1,442,624	(6,874,485)	—
Total revenue bonds payable	209,709,522	226,105,460	(18,108,152)	417,706,830	21,140,000
Commercial paper	30,000,000	35,000,000	(30,000,000)	35,000,000	35,000,000
Total long-term obligations	$ 239,709,522	$ 261,105,460	$ (48,108,152)	$ 452,706,830	$ 56,140,000

Note 6: Special Facility Revenue Bonds

To provide for the construction of the FedEx Corporation Sort Facility, Indianapolis Maintenance Center (IMC) (formerly leased to United Air Lines, Inc.) and the FedEx Corporation Hangar Facility at the airport, the Authority issued three series of Special Facility Revenue Bonds (conduit debt obligations). These bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of lease rentals to be received by the Authority. The bonds do not constitute a debt or pledge of the faith and credit of the Authority, the County, the City or the State and are therefore not reported in the accompanying financial statements.

At December 31, 2005, the Special Facility Revenue Bonds outstanding were as follows:

Special Facility Revenue Bonds, Series 1998 (FedEx Corporation Hangar Facility)	$ 23,425,000
Special Facility Revenue Bonds, Series 1995 (Indianapolis Maintenance Center)	220,705,000
Special Facility Revenue Bonds, Series 2004 (FedEx Corporation Sort Facility)	237,755,000
	$ 481,885,000

Note 7: Forward Interest Rate Swap Agreements

Objective of the Interest Rate Swaps

During 2005 and 2004, the Authority entered into a total of four forward interest rate swap agreements to provide a hedge against future interest rate risk with regard to additional revenue bonds which the Authority intends to issue in 2006, 2007 and 2008. The intention of the swaps is to effectively change the Authority's variable interest rate on bonds that are to be issued in the future to synthetic fixed rates. The Authority is currently not exposed to basis risk, but it is reasonably possible that the Authority will be subject to basis risk upon issuance of the related revenue bonds in 2006, 2007 and 2008.

Terms

The agreements required no initial net cash receipt or payment by the Authority. The agreements provide for the Authority to receive interest from the counterparty at 75% of the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate on notional amounts as set forth in the table below:

Notional Amount	Trade Date	Effective Date of Swap Agreement	Termination Date	Fixed Rate Authority Pays	Variable Rate Authority Receives	Fair Value at December 31, 2005
$ 125,000,000	October 14, 2004	July 1, 2006	January 1, 2036	4.008%	75% LIBOR	$ (4,359,711)
75,000,000	October 14, 2004	July 1, 2007	January 1, 2037	4.120%	75% LIBOR	(3,288,826)
50,000,000	October 7, 2005	July 1, 2008	January 1, 2033	3.786%	75% LIBOR	(292,258)
100,000,000	October 11, 2005	July 1, 2008	January 1, 2033	3.778%	75% LIBOR	(484,343)
$ 350,000,000						$ (8,425,138)

Under the agreements, the Authority pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

Fair Value

The fair values of the agreements are based on estimated discounted future cash flows determined using the counterparty's proprietary models based upon financial principles and estimates about relevant future market conditions. The fair values of the agreements are not recognized in the Authority's financial statements.

Credit Risk

The fair value of each swap represents the Authority's credit exposure to the counterparty as of December 31, 2005. 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, 2005, the Authority was not exposed to credit risk because the swaps had a negative fair value. The swap counterparty for the swaps beginning in 2006 and 2007 was rated Aa2 by Moody's Investors Service and AA- by Standard & Poor's as of December 31, 2005. The swap counterparty for the $50 million swap beginning in 2008 was rated Aa3 by Moody's Investors Service and A+ by Standard & Poor's as of December 31, 2005. The swap counterparty for the $100 million swap beginning in 2008 was rated Aa2 by Moody's Investors Service and AA+ by Standard & Poor's as of December 31, 2005. To mitigate the potential for credit risk, if any of the counterparties' credit quality rating falls below a rating threshold of AA- or Aa3, 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.

Termination Risk

The Authority or the counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. In addition, the Authority has the unilateral option to terminate the swaps. If the swaps 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.

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 $184,500,000 from the proceeds of tax-exempt lease revenue bonds and a $15,200,000 grant. The City provided approximately $111,000,000 from the proceeds of tax-exempt current interest and capital appreciation bonds. Hendricks County provided $8,000,000, in the form of a grant, from the proceeds of an economic development income tax revenue bond issue.

Concurrently with the execution of the MOC-II Agreement in 1991, the Authority entered into a tenancy in common agreement and various lease agreements, which created certain leasehold interests in the IMC site and facilities and provided the framework for financing the costs of its construction. Accordingly, the Authority's leases with the State and the City for the IMC and its lease with the State for a building and related equipment ancillary to IMC, the Aviation Technology Center (ATC), have been reflected as capital lease obligations in these financial statements. The leases expire at various dates between 2016 and 2018. The gross amounts of capital assets and related accumulated depreciation recorded under these capital leases at December 31, 2005 and 2004 follow:

	2005	2004
Capital assets	$ 352,111,077	$ 352,111,077
Accumulated depreciation	(105,280,091)	(99,318,018)
	$ 246,830,986	$ 252,793,059

The present value of future minimum capital lease payments at December 31, 2005 follows:

2006	$ 21,206,755
2007	27,696,336
2008	27,863,042
2009	28,133,410
2010	27,855,798
2011 - 2015	140,821,745
2016 - 2018	61,030,354
Total minimum lease payments	334,607,440
Amounts representing interest	(80,385,340)
Present value of future minimum capital lease payments	$ 254,222,100

The Authority's capital lease payments to the State are payable solely from monies to be appropriated by the Indiana General Assembly, the governing body for the State. There is no requirement that these amounts be appropriated. However, the Authority cannot be held liable, should an appropriation not be made, for the State's debt obligations relative to the IMC and ATC facilities. Assuming appropriations from the General Assembly continue, the Authority expects to receive the following future amounts to fund its capital lease obligations with the State:

2006	$	12,231,098
2007		21,489,919
2008		21,521,807
2009		21,538,335
2010		21,567,495
2012 - 2015		107,832,108
2016 - 2018		65,042,439
	$	271,223,201

The Authority's capital lease payments to the City are secured by an irrevocable pledge of a distributive share of Marion County Option Income Taxes (the Pledged Revenues). The City-County Council has covenanted not to repeal or rescind this tax as long as such rentals remain due. The Authority is not obligated for the debt incurred by the City with regard to the IMC facilities. Future Pledged Revenues to be received by the Authority to fund its capital lease obligation with the City follow:

2006	$	14,275,958
2007		14,162,458
2008		14,154,468
2009		14,261,446
2010		14,218,310
2011 - 2015		71,091,873
2016 - 2018		14,211,750
	$	156,376,263

Note 9: Indianapolis Maintenance Center

As discussed previously in these footnotes, the Authority, the State of Indiana, the City of Indianapolis and United financed the construction and equipping of the IMC. As a part of the financing of these facilities, the Authority issued $220,705,000 in special facility revenue bonds. The Authority had, and continues to have, no obligation to make interest and principal payments on these special facility bonds other than from revenues derived from leasing the IMC facilities. Previously, the interest and principal payments for the Series 1995 Special Facility Revenue Bonds were funded by rentals paid by United under its lease agreement with the Authority. On December 9, 2002, United filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. On May 9, 2003, the Bankruptcy Court made effective United's rejection of its lease of the IMC and United abandoned the IMC facilities, whereby all of the IMC assets reverted to the Authority's control.

In 2004, the Authority and the Trustee bondholders entered into a Settlement Agreement which, among other things, provides for up to $7.5 million in reimbursements for certain costs incurred after May 2003. The Settlement Agreement also provides for reimbursement for up to $6.5 million of capital improvements, if certain conditions are met.

For the years ended December 31, 2005 and 2004, the Authority incurred approximately $9.6 million and $9.1 million of costs for the IMC, respectively. Some of these costs are not reimbursable and some are only partially reimbursable from the $7.5 million held pursuant to the Settlement Agreement. However, the majority of these costs may be recovered in future years, along with any costs incurred in excess of the aforementioned amounts from future revenues of the IMC. The Authority has received reimbursements under the Settlement Agreement aggregating $3.5 million and $3.2 million in 2005 and 2004, respectively. Also, as of December 31, 2005 and 2004, the Authority has accrued an additional $995,000 and $1.2 million in reimbursements for allowable costs incurred.

United emerged from bankruptcy effective February 1, 2006, however, the Settlement Agreement remains in effect for the life of the original special facility revenue bonds. Therefore, United’s emergence from bankruptcy will not affect the operations or financial impact of the IMC on the Authority’s financial statements.

The Authority has entered into five new leases for certain portions of the IMC. Those portions, which include hangar space, office areas and the backshops, will be used primarily for the maintenance, repair and overhaul of commercial aircraft. As a part of the Settlement Agreement, rentals collected for the IMC are not considered revenue to the Authority, but instead are required to be deposited into a trust held on behalf of the United bondholders. The monies held in trust are to be used to pay ongoing operating and maintenance costs of the IMC and must be applied in a manner prescribed by the terms of the Settlement Agreement, including reimbursement of past capital and operating costs, payment of ground rent and payment of debt service on the bonds.

The aforementioned lease agreements contain a number of incentives to be provided by the Authority in the form of grants and rent credits. These grants and rent credits are designed to assist the tenants with start-up costs and the acquisition of certain capital assets, including leasehold improvements, and to encourage them to expand their operations and/or increase the amount of space they lease. In total, the Authority may award up to $7.5 million and $4.3 million in grants and rent credits, respectively, over the terms of these leases which currently range from six months to ten years. Grants for start-up costs are recorded as deferred lease costs by the Authority and amortized over the respective lease term, while grants for capital improvements result in new depreciable assets of the Authority. Success payments (for expanding operations) and other similar grants are expensed as they are earned by the tenants. All existing IMC capital assets, as well as those acquired by the tenants through Authority grants or otherwise, remain the property of the Authority, subject only to the tenants' rights to use such assets during their respective lease terms. As of December 31, 2005, the Authority has provided $2.5 million in grants and $1.5 million in rental credits to the lessees of the IMC.

Note 10: Risk Management

Effective October 1, 1995, BAA assumed the responsibility of providing self-insured health care benefits for former Authority employees and all others it has hired. BAA continues to maintain substantially the same coverage as provided previously by the Authority. The health care plan provides for annual coverage over and above a pre-determined level, referred to as a "stop loss", set at $1,851,938 on an aggregate basis. This plan also contains a similar stop loss feature on individual claims at $75,000. As required by the BAA Management Contract, the Authority pays BAA for all costs associated with providing health care benefits to its employees.

Detail of the health insurance claims liability, based upon the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Issuance Issues*, is provided below. This Statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated. The liability is estimated based upon historical experience. There is no significant incremental claim adjustment expense, salvage or subrogation attributable to this liability.

	Balance Beginning of Year	Current Year Claims and Changes In Estimates	Claim Payments	Balance End of Year
2005	$ 218,695	$ 1,352,215	$ (1,300,910)	$ 270,000
2004	191,241	1,318,791	(1,291,337)	218,695

Risk management is the responsibility of BAA under the BAA Management Contract with the Authority. The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, torts and natural disasters for which commercial insurance is carried. The commercial insurance policies carry deductibles ranging from $0 to $250,000. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of coverage for certain war casualty and acts of terrorism. Although BAA put in place a $1 billion aviation liability policy in 2005, no assurance can be given that such insurance above the contractual requirement of $250 million will continue to be provided or be available at a reasonable cost and in meaningful amounts; or that, to the extent that the Authority is uninusured, it will be able to satisfy any claims in the event of a future war or terrorist act.

There were no reductions in insurance coverage during 2005 and settlements have not exceeded insurance coverage for the past three years.

Effective June 1, 2005, the Indianapolis Airport Authority secured separate insurance coverages that it will maintain and manage in conjunction with the construction operations related to the opening of the new Midfield terminal in late 2008. Coverages include Worker’s Compensation, Commercial General Liability and Excess Liability. The Worker’s Compensation and General Liability both utilize an Owner Controlled Insurance Program (OCIP) concept, typical with large construction projects. This type program was selected for its cost efficacy as well as increased supervision of construction firms performing work under contract. Enrolled contractors in the OCIP each pay a proportionate share of premium. Self-insured retention amounts under this program are $500,000 per occurrence for Worker’s Compensation and $500,000 per occurrence for General Liability. An aggregate deductible of $8,750,000 over the term of the project also applies. An initial letter of credit in the amount of $5,000,000 was a requirement of the OCIP insurer in support of the deductible amounts and loss payments contained therein.

Casualty loss involving damage to or destruction of physical property in the course of construction is covered by a separately insured Builders Risk policy. This policy contains a $100,000 per occurrence deductible, applicable to all covered causes of loss including flood and earth movement.

Lastly, an Owner’s Protective Professional Indemnity policy is in place insuring IAA from financial loss or damage assessed stemming from claims involving contracted professional services such as architects or engineers. This policy contains a per claim self-insured retention amount of $1 million, however, contracted professional service firms participating in this project are required to provide evidence of coverage, naming IAA as Additional Insured, in amounts equal to or exceeding this retention, leaving the Authority minimally exposed.

Note 11: Benefit Plan

BAA maintains a 401(k) defined-contribution pension plan for the benefit of substantially all of its employees which allows for both employee and employer contributions. The plan was administered by MetLife until March 31, 2005, at which time administration responsibilities were transferred to Kushner & Company. Employer contributions can range up to eight and one half percent of eligible compensation. In accordance with the BAA Management Contract, these expenses are paid by the Authority. Plan provisions and contribution requirements are established and may be amended by BAA. Contributions to the plan were approximately $1,169,000 for 2005 and $1,095,000 for 2004.

Note 12: Rental Income From Operating Leases

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

Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter as of December 31, 2005 are as follows:

2006	$ 35,657,264
2007	28,338,360
2008	25,352,348
2009	23,995,516
2010	22,717,090
Thereafter	77,889,971
	$ 213,950,549

The Authority has entered into an Agreement and Lease of Premises (Airline Agreement) with certain passenger, charter, and cargo airlines serving the airport, which are collectively referred to as 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. All of the Airline Agreements expire on December 31, 2010. Rental rates under these agreements are determined annually. The table above reflects rental rates that were in effect as of January 2006.

Contingent rentals and fees aggregated approximately \$ 34,500,000 in 2005 and \$31,000,000 in 2004, and are accrued in arrears.

Subsequent to December 31, 2005, the Authority passed an ordinance providing for the assessment of a Customer Facility Charge (CFC). The charge is \$3 per rental car transaction per day and can be adjusted periodically by the Authority. The charge will become effective May 1, 2006, and will be collected by all rental car concessionaires and remitted to the Authority.

Note 13: Commitments and Contingencies

Land Acquisition

In 1991, the Authority updated its Noise and Land Use Compatibility Study and final recommendations were adopted by the Authority Board in April 1992. The recommendations included expanding the Guaranteed Purchase Program to add approximately 750 more homes at an estimated cost of \$100.9 million. As of December 31, 2005, the Authority has spent approximately \$98.4 million (including relocation costs) under this program (Phase II), substantially all of which was eligible for 80% reimbursement from the FAA. There are an estimated 51 homes remaining eligible for purchase under Phase II.

A second update and five-year review of the Authority's noise compatibility program (Phase III) began in 1996. Final recommendations were adopted by the Authority Board in February 1998, followed by FAA approval in October 1998. The recommendations include continuation of the Guaranteed Purchase Program with respect to approximately 132 homes. In addition, approximately 368 homes are eligible for the new Sound Insulation and Purchase Assurance Programs.

The Sound Insulation Program pays for a home within the impacted noise area to be sound insulated with respect to doors, window treatments, etc., with no further cash outlay required by the Authority. Under the Purchase Assurance Program, the Authority will purchase the property, sound insulate the home and then resell the property on the open market. Participation in either the Sound Insulation or Purchase Assurance programs requires the homeowner to grant an aviation easement in favor of the Authority. A third program, Sales Assistance, is available to approximately 963 homes. 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 $91.7 million. These programs, excluding Sales Assistance, are eligible for reimbursement from passenger facility charges and FAA noise grants (at 80% reimbursement). As of December 31, 2005, the Authority has spent approximately $67.5 million in conjunction with these programs.

In 2001, the Authority began development south of Interstate 70 (I-70). This land contains at least two parcels needed to facilitate additional airside development space and development of an Airport interchange off of I-70. Some of the parcels will protect land needed for the future development of a third parallel runway. As of December 31, 2005, the Authority has expended approximately $1.8 million for this project.

Environmental Mitigation

In order to comply with environmental laws, the Authority has implemented a natural resource mitigation program to create, monitor and maintain wetlands along with habitats for the endangered Indiana bat. As of December 31, 2005, the Authority has acquired approximately 1,645 acres in order to replace those wetland and bat habitat areas that were removed by construction of the Indianapolis Maintenance Center and runway 5L-23R. The Authority will continue to maintain and monitor interim bat habitats under this program through the year 2016 and approximately 2,000 acres of wetlands and certain associated summer bat habitats in perpetuity, or until control over such areas can be transferred to other responsible parties. Approximately $21.6 million has been spent under this program, of which 28% is eligible for reimbursement from the FAA. The Authority's share of the costs for this conservation plan is estimated to be $2,409,000, of which $875,933 has been incurred through December 31, 2005.

Capital Improvements

As of December 31, 2005, the Authority had outstanding commitments for certain airport improvements aggregating approximately $311.3 million, of which an estimated $44.8 million is eligible for partial reimbursement from the FAA.

The Authority continues its program to build a new passenger terminal (the Midfield Terminal Program), which will be located between the two parallel runways at Indianapolis International Airport. As of December 31, 2005, estimated costs for the Midfield Terminal Program are $1,065,827,000.

Litigation and Claims

The nature of the business of the airport generates certain litigation against the Authority arising in the ordinary course of business. However, the Authority believes that the ultimate outcome of these matters, in the aggregate or individually, should not have a materially adverse effect on its financial position or changes in financial position.

As of December 31, 2005, two contractors have filed extra work claims against the Authority asserting payment was not made for services rendered in excess of the original contract amounts. The plaintiffs have claimed actual damages of $491,000. Based on the advice of counsel, the Authority has accrued an amount, which in the opinion of counsel and management, is the best estimate of loss that will result from the claims. The amount accrued at December 31, 2005 was $250,000, but the amount of ultimate loss could differ materially. No suits have been filed under either of these claims.

Supplementary Information

Indianapolis Airport Authority

Schedule of Balance Sheet Information

December 31, 2005

Assets

	2005		
	Authority	IMC	Total
Current Assets			
Unrestricted Assets			
Cash and cash equivalents	$ 17,947,348	$ 500	$ 17,947,848
Receivable from BAA	1,218,218	—	1,218,218
Accounts receivable, net	1,645,517	—	1,645,517
Unbilled revenues	3,661,862	—	3,661,862
Grants receivable	17,376,922	—	17,376,922
Receivable - other government	748,250	877,820	1,626,070
Supplies and materials inventories	1,704,879	—	1,704,879
Other	794,290	—	794,290
Total unrestricted current assets	45,097,286	878,320	45,975,606
Restricted Assets			
Cash and cash equivalents	32,674,776	—	32,674,776
Cash and cash equivalents - customer deposits	288,457	5,000	293,457
Receivable - passenger facility charges	1,776,705	—	1,776,705
Receivable - State of Indiana	397,753	1,871,048	2,268,801
Receivable - reimbursable IMC expenses	—	995,397	995,397
Total restricted current assets	35,137,691	2,871,445	38,009,136
Total current assets	80,234,977	3,749,765	83,984,742
Noncurrent Assets			
Cash and cash equivalents, restricted	391,505,534	—	391,505,534
Investment securities, restricted	8,681,036	—	8,681,036
Rent receivable	2,867,059	—	2,867,059
Receivable - other governments	1,443,370	—	1,443,370
Deferred lease costs	—	1,830,606	1,830,606
Bond issue and loan administration costs, net	11,671,699	—	11,671,699
Capital assets, net	773,285,907	401,038,877	1,174,324,784
Total noncurrent assets	1,189,454,605	402,869,483	1,592,324,088
Total assets	$ 1,269,689,582	$ 406,619,248	$ 1,676,308,830

Liabilities and Net Assets

	2005		
	Authority	IMC	Total
Current Liabilities			
Payable From Unrestricted Assets			
Accounts payable	$ 1,352,133	$ —	$ 1,352,133
Accounts payable - BAA	447,733	—	447,733
Accrued and withheld items	3,318,133	—	3,318,133
Total current liabilities payable from unrestricted assets	5,117,999	—	5,117,999
Payable From Restricted Assets			
Accounts payable	17,666,623	2,525,090	20,191,713
Customer deposits payable	288,457	5,000	293,457
Current portion of debt	32,923,708	10,737,947	43,661,655
Accrued interest on debt	11,862,556	881,300	12,743,856
Total current liabilities payable from restricted assets	62,741,344	14,149,337	76,890,681
Total current liabilities	67,859,343	14,149,337	82,008,680
Noncurrent Liabilities			
Payable From Restricted Assets			
Bonds payable and other debt	587,053,905	236,356,485	823,410,390
Total liabilities	654,913,248	250,505,822	905,419,070
Net Assets			
Invested in capital assets, net of related debt	460,224,435	152,356,823	612,581,258
Restricted for			
Capital projects	38,445,539	—	38,445,539
Debt service	71,601,841	989,748	72,591,589
Other	214,803	57,930	272,733
Total restricted net assets	110,262,183	1,047,678	111,309,861
Unrestricted	44,289,716	2,708,925	46,998,641
Total net assets	614,776,334	156,113,426	770,889,760
Total liabilities and net assets	$ 1,269,689,582	$ 406,619,248	$ 1,676,308,830

Indianapolis Airport Authority

Schedule of Balance Sheet Information
December 31, 2004

Assets

	2004		
	Authority	IMC	Total
Current Assets			
Unrestricted Assets			
Cash and cash equivalents	$ 12,677,102	$ —	$ 12,677,102
Accounts receivable, net	1,727,905	—	1,727,905
Unbilled revenues	3,190,265	—	3,190,265
Grants receivable	7,410,972	—	7,410,972
Supplies and materials inventories	1,705,634	—	1,705,634
Other	402,828	—	402,828
Total unrestricted current assets	27,114,706	—	27,114,706
Restricted Assets			
Cash and cash equivalents	18,969,480	—	18,969,480
Cash and cash equivalents - customer deposits	280,496	—	280,496
Receivable - passenger facility charges	2,216,639	—	2,216,639
Receivable - State of Indiana	325,324	3,312,823	3,638,147
Receivable - reimbursable IMC expenses	—	1,216,313	1,216,313
Total restricted current assets	21,791,939	4,529,136	26,321,075
Total current assets	48,906,645	4,529,136	53,435,781
Noncurrent Assets			
Cash and cash equivalents, restricted	297,934,287	—	297,934,287
Investment securities, restricted	8,855,418	—	8,855,418
Rent receivable	2,685,545	—	2,685,545
Deferred lease costs	—	496,110	496,110
Bond issue and loan administration costs, net	7,196,152	—	7,196,152
Capital assets, net	670,159,774	414,319,998	1,084,479,772
Total noncurrent assets	986,831,176	414,816,108	1,401,647,284
Total assets	$ 1,035,737,821	$ 419,345,244	$ 1,455,083,065

Liabilities and Net Assets

	2004		
	Authority	**IMC**	**Total**
Current Liabilities			
Payable From Unrestricted Assets			
Accounts payable	$ 2,562,448	$ —	$ 2,562,448
Accounts payable - BAA	899,295	—	899,295
Accrued and withheld items	4,043,097	—	4,043,097
Total current liabilities payable from unrestricted assets	7,504,840	—	7,504,840
Payable From Restricted Assets			
Accounts payable	11,647,974	2,251,907	13,899,881
Customer deposits payable	280,496	—	280,496
Current portion of debt	56,852,013	6,100,859	62,952,872
Accrued interest on debt	6,675,467	1,702,936	8,378,403
Total current liabilities payable from restricted assets	75,455,950	10,055,702	85,511,652
Total current liabilities	82,960,790	10,055,702	93,016,492
Noncurrent Liabilities			
Payable From Restricted Assets			
Bonds payable and other debt	403,356,949	247,937,330	651,294,279
Total liabilities	486,317,739	257,993,032	744,310,771
Net Assets			
Invested in capital assets, net of related debt	468,085,596	158,641,855	626,727,451
Restricted for			
Capital projects	28,864,831	—	28,864,831
Debt service	29,853,746	1,609,887	31,463,633
Other	320,498	604,360	924,858
Total restricted net assets	59,039,075	2,214,247	61,253,322
Unrestricted	22,295,411	496,110	22,791,521
Total net assets	549,420,082	161,352,212	710,772,294
Total liabilities and net assets	$ 1,035,737,821	$ 419,345,244	$ 1,455,083,065

Indianapolis Airport Authority

Schedules of Revenues, Expenses and Changes in Net Assets Information Years Ended December 31, 2005 and 2004

	2005		
	Authority	IMC	Total
Operating Revenues			
Airfield	$ 22,597,017	$ —	$ 22,597,017
Terminal complex	27,861,804	—	27,861,804
Parking	25,700,989	—	25,700,989
Rented buildings and other	9,383,960	—	9,383,960
Indianapolis Maintenance Center (IMC)	—	3,313,305	3,313,305
Reliever airports	2,028,307	—	2,028,307
Total operating revenues	87,572,077	3,313,305	90,885,382
Operating Expenses (including depreciation)			
Airfield	15,471,351	—	15,471,351
Terminal complex	14,842,448	—	14,842,448
Parking	6,622,285	—	6,622,285
Rented buildings and other	6,606,391	—	6,606,391
Indianapolis Maintenance Center (IMC)	—	24,363,793	24,363,793
Reliever airports	3,410,062	—	3,410,062
Public safety	8,722,396	—	8,722,396
Administration	11,757,301	—	11,757,301
Total operating expenses	67,432,234	24,363,793	91,796,027
Income (Loss) From Operations	20,139,843	(21,050,488)	(910,645)
Nonoperating Revenues (Expenses)			
State and local appropriations	825,542	16,749,535	17,575,077
Federal operating grants	1,135,661	—	1,135,661
Investment income	11,003,026	3,698	11,006,724
Interest expense, net of capitalized interest	(19,366,686)	(9,805,779)	(29,172,465)
Loss on disposals of capital assets and other	(7,385,333)	—	(7,385,333)
	(13,787,790)	6,947,454	(6,840,336)
Increase (Decrease) in Net Assets Before Capital Contributions, Grants and Charges	6,352,053	(14,103,034)	(7,750,981)
Capital Contributions, Grants and Charges			
Passenger facility charges	17,460,359	—	17,460,359
Federal, state and local grants	28,791,022	—	28,791,022
Contributions from lessees	14,062,887	—	14,062,887
Contributions from other governments	2,191,620	5,362,559	7,554,179
	62,505,888	5,362,559	67,868,447
Increase (Decrease) in Net Assets	68,857,941	(8,740,475)	60,117,466
Net Assets, Beginning of Year	549,420,082	161,352,212	710,772,294
Transfer	(3,501,689)	3,501,689	—
Net Assets, End of Year	$ 614,776,334	$ 156,113,426	$ 770,889,760

2004		
Authority	IMC	Total
$ 21,690,817	$ —	$ 21,690,817
27,565,939	—	27,565,939
23,202,459	—	23,202,459
8,849,440	—	8,849,440
—	4,468,590	4,468,590
2,008,175	—	2,008,175
83,316,830	4,468,590	87,785,420
17,208,770	—	17,208,770
13,971,948	—	13,971,948
6,294,681	—	6,294,681
7,435,736	—	7,435,736
—	24,615,491	24,615,491
3,188,901	—	3,188,901
9,239,066	—	9,239,066
11,093,496	—	11,093,496
68,432,598	24,615,491	93,048,089
14,884,232	(20,146,901)	(5,262,669)
825,542	30,721,730	31,547,272
1,381,131	—	1,381,131
1,764,989	—	1,764,989
(11,046,716)	(16,217,459)	(27,264,175)
(349,365)	—	(349,365)
(7,424,419)	14,504,271	7,079,852
7,459,813	(5,642,630)	1,817,183
16,722,939	—	16,722,939
30,704,700	—	30,704,700
647,372	—	647,372
—	—	—
48,075,011	—	48,075,011
55,534,824	(5,642,630)	49,892,194
498,045,294	162,834,806	660,880,100
(4,160,036)	4,160,036	—
$ 549,420,082	$ 161,352,212	$ 710,772,294

INDIANAPOLIS AIRPORT AUTHORITY

Indianapolis Airport Authority

Schedules of Operating Revenues
Years Ended December 31, 2005 and 2004

	2005	2004	Increase (Decrease)
Airfield			
Landing fees - scheduled airlines	$ 10,832,543	$ 9,544,544	$ 1,287,999
Landing fees - freight and other	9,461,634	7,698,854	1,762,780
Apron fees	2,002,456	4,116,810	(2,114,354)
Commissions - aviation fuel sales	287,575	312,042	(24,467)
Other	12,809	18,567	(5,758)
	22,597,017	21,690,817	906,200
Terminal Complex			
Space rental			
Airlines	14,159,056	14,433,982	(274,926)
Concessionaires	4,971,098	4,834,206	136,892
Administration building	215,914	279,586	(63,672)
Other space rental	235,623	234,645	978
Automobile rental commissions	6,876,671	6,442,619	434,052
Security fees	427,192	401,707	25,485
Other commissions, fees, etc.	976,250	939,194	37,056
	27,861,804	27,565,939	295,865
Parking - parking operations	25,700,989	23,202,459	2,498,530
Rented Buildings and Other			
Space rental - freight buildings	630,362	613,845	16,517
Space rental - hangars	52,767	45,011	7,756
Space rental - other buildings	3,175,608	3,092,679	82,929
Ground leases	4,452,164	4,298,633	153,531
Farm income	32,169	34,433	(2,264)
International building	70,817	102,276	(31,459)
Other	970,073	662,563	307,510
	9,383,960	8,849,440	534,520
Indianapolis Maintenance Center (IMC)	3,313,305	4,468,590	(1,155,285)
Reliever Airports	2,028,307	2,008,175	20,132
	$ 90,885,382	$ 87,785,420	$ 3,099,962

Indianapolis Airport Authority

Schedule of Operating Expenses
Year Ended December 31, 2005
(With Comparative Totals for 2004)

	Airfield	Terminal Complex	Parking	Rented Buildings and Other	Indianapolis Maintenance Center (IMC)
Personal Services					
Salaries and wages	$ 1,609,696	$ 2,331,556	$ 2,094,271	$ 152,859	$ 196,492
Professional fees	561,776	61,807	10,013	37,760	128,896
Employee insurance	356,120	700,757	428,942	22,589	23,347
Retirement and social security	258,382	353,126	312,914	22,552	24,910
	2,785,974	3,447,246	2,846,140	235,760	373,645
Contractual Services					
Transportation and communication	65,374	37,240	19,059	16,590	12,691
Utilities	722,808	1,618,715	156,887	172,281	2,813,445
Printing and advertising	429	10,099	9,735	1,491	2,294
Repairs and maintenance	241,919	359,850	123,477	81,123	358,556
Facilities maintenance and security	—	—	—	—	2,823,909
Snow removal and other	157,331	1,457,301	688,181	126,812	742,864
BAA compensation	—	—	—	—	—
Environmental remediation	157,212	—	—	160,370	422,609
	1,345,073	3,483,205	997,339	558,667	7,176,368
Supplies					
Fuel	336,614	—	44,610	73	3,756
Garage and motor	40,912	1,198	27,324	112	—
Institutional and medical	17,473	282,949	39,042	3,871	29,905
Office supplies	1,554	4,349	57,774	4,292	2,510
Snow and ice chemicals	271,126	510	32,151	—	7,785
Other	43,134	119,279	42,023	13,448	146,840
	710,813	408,285	242,924	21,796	190,796
Materials					
Building	(1,803)	26,572	2,638	1,870	(2,123)
Pavement and grounds	164,322	406	751	—	—
Repair parts	274,801	103,475	164,845	720	12,375
Small equipment and tools	13,146	1,850	154	—	10,600
Other	41,208	21,006	11,360	1,344	145,498
	491,674	153,309	179,748	3,934	166,350
General					
Insurance	270,013	195,151	187,734	24,131	309,293
Equipment rental	5,569	—	1,080	—	5,292
Lease incentive	—	—	—	—	1,200,000
Other (including bad debts)	9,875	2,190	1,715	4,681	147,824
	285,457	197,341	190,529	28,812	1,662,409
Subtotal	5,618,991	7,689,386	4,456,680	848,969	9,569,568
Depreciation	9,852,360	7,153,062	2,165,605	5,757,422	14,794,225
	$ 15,471,351	$ 14,842,448	$ 6,622,285	$ 6,606,391	$ 24,363,793

2005					
Reliever Airports	Public Safety	Administration	Total	Year Ended December 31, 2004	Increase (Decrease)
$ 214,733	$ 5,548,403	$ 4,591,393	$ 16,739,403	$ 16,141,141	$ 598,262
26	33,321	1,498,778	2,332,377	2,748,425	(416,048)
58,649	1,328,464	650,545	3,569,413	3,732,995	(163,582)
33,477	847,476	632,387	2,485,224	2,373,140	112,084
306,885	7,757,664	7,373,103	25,126,417	24,995,701	130,716
7,737	82,763	709,656	951,110	1,035,744	(84,634)
147,504	35,514	62,634	5,729,788	4,413,861	1,315,927
—	10,981	64,609	99,638	99,388	250
21,324	19,127	307,142	1,512,518	1,352,548	159,970
—	—	—	2,823,909	2,891,798	(67,889)
45,544	96,502	187,417	3,501,952	3,210,916	291,036
—	—	1,779,865	1,779,865	1,480,000	299,865
—	—	—	740,191	3,183,951	(2,443,760)
222,109	244,887	3,111,323	17,138,971	17,668,206	(529,235)
226,135	—	—	611,188	464,169	147,019
2,267	21,018	1,425	94,256	70,944	23,312
8,794	19,690	1,463	403,187	410,572	(7,385)
658	12,481	61,602	145,220	163,933	(18,713)
5,255	19	—	316,846	320,947	(4,101)
7,348	151,257	67,007	590,336	479,206	111,130
250,457	204,465	131,497	2,161,033	1,909,771	251,262
3,565	1,426	398	32,543	33,280	(737)
27,103	—	—	192,582	222,104	(29,522)
36,016	92,548	52,872	737,652	783,982	(46,330)
793	7,456	—	33,999	119,869	(85,870)
6,513	2,411	5,747	235,087	97,069	138,018
73,990	103,841	59,017	1,231,863	1,256,304	(24,441)
77,378	279,068	35,646	1,378,414	1,430,299	(51,885)
—	3,740	65,956	81,637	122,061	(40,424)
—	—	—	1,200,000		1,200,000
15	13,050	555,459	734,809	553,280	181,529
77,393	295,858	657,061	3,394,860	2,105,640	1,289,220
930,834	8,606,715	11,332,001	49,053,144	47,935,622	1,117,522
2,479,228	115,681	425,300	42,742,883	45,112,467	(2,369,584)
$ 3,410,062	$ 8,722,396	$ 11,757,301	$ 91,796,027	$ 93,048,089	$ (1,252,062)

Indianapolis Airport Authority

Schedule of Bond Debt Service Requirements to Maturity
December 31, 2005

	Revenue Bonds of 2005A		Revenue Bonds of 2004A		Revenue Bonds of 2003A		Revenue Bonds of 1996A		Total Debt
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Service
2006	$ —	$ 6,634,890	$ 2,945,000	$ 10,971,348	$ 11,315,000	$ 6,478,237	$ 3,265,000	$ 2,333,620	$ 43,943,095
2007	—	10,035,969	3,060,000	10,835,948	15,395,000	5,810,487	3,455,000	2,137,720	50,730,124
2008	—	10,035,969	3,215,000	10,679,073	2,855,000	5,354,240	3,640,000	1,952,878	37,732,160
2009	—	10,035,969	3,375,000	10,514,323	2,995,000	5,204,244	3,835,000	1,761,774	37,721,310
2010	—	10,035,969	3,545,000	10,336,891	3,150,000	5,042,938	4,040,000	1,560,440	37,711,238
2011	—	10,035,969	3,730,000	10,145,923	3,320,000	4,873,100	4,255,000	1,334,200	37,694,192
2012	—	10,035,969	3,925,000	9,944,979	3,495,000	4,689,838	4,505,000	1,095,920	37,691,706
2013	—	10,035,969	4,135,000	9,733,404	3,685,000	4,492,388	4,750,000	843,640	37,675,401
2014	—	10,035,969	4,350,000	9,510,672	3,890,000	4,281,644	5,015,000	577,640	37,660,925
2015	—	10,035,969	4,580,000	9,276,260	4,105,000	4,056,785	5,300,000	296,800	37,650,814
2016	—	10,035,969	4,820,000	9,029,510	4,340,000	3,819,269	—	—	32,044,748
2017	—	10,035,969	5,325,000	8,763,204	4,580,000	3,568,394	—	—	32,272,567
2018	—	10,035,969	5,610,000	8,476,160	4,835,000	3,327,772	—	—	32,284,901
2019	—	10,035,969	5,895,000	8,174,154	5,065,000	3,089,337	—	—	32,259,460
2020	—	10,035,969	6,210,000	7,864,160	5,315,000	2,836,481	—	—	32,261,610
2021	—	10,035,969	6,520,000	7,545,910	5,565,000	2,571,125	—	—	32,238,004
2022	—	10,035,969	6,845,000	7,211,785	5,845,000	2,285,875	—	—	32,223,629
2023	7,735,000	9,837,759	7,190,000	6,860,910	6,135,000	1,986,375	—	—	39,745,044
2024	13,265,000	9,291,344	11,075,000	6,404,285	2,915,000	1,760,125	—	—	44,710,754
2025	17,480,000	8,484,288	8,135,000	5,930,136	3,060,000	1,610,750	—	—	44,700,174
2026	18,420,000	7,541,913	8,530,000	5,526,010	3,215,000	1,453,875	—	—	44,686,798
2027	19,420,000	6,548,613	8,945,000	5,097,769	3,375,000	1,289,125	—	—	44,675,507
2028	20,470,000	5,501,500	9,390,000	4,643,978	3,540,000	1,116,250	—	—	44,661,728
2029	18,100,000	4,489,038	13,345,000	4,094,631	3,725,000	934,625	—	—	44,688,294
2030	19,080,000	3,513,063	13,980,000	3,445,662	3,905,000	743,875	—	—	44,667,600
2031	20,130,000	2,534,125	14,645,000	2,765,819	4,100,000	543,750	—	—	44,718,694
2032	21,120,000	1,554,438	15,340,000	2,034,500	4,305,000	333,625	—	—	44,687,563
2033	22,165,000	526,419	16,105,000	1,248,375	4,520,000	113,000	—	—	44,677,794
2034	—	—	16,915,000	422,875	—	—	—	—	17,337,875
	$ 197,385,000	$ 227,032,894	$ 221,680,000	$ 207,488,654	$ 132,545,000	$ 83,667,529	$ 42,060,000	$ 13,894,632	$ 1,125,753,709

INDIANAPOLIS AIRPORT AUTHORITY

INDIANAPOLIS AIRPORT AUTHORITY

STATISTICAL SECTION

Revenues by Source and Expenses by Function

Financial Condition and Airport Activity

Schedules of Debt Service Coverage and Insurance

Airline Landing Weights and Enplaned Passengers

Airline Rate and Charges and Costs per Enplaned Passenger

Demographic Statistics

*** This section contains unaudited financial data not found in the audited financial statements.**

Revenues by Source

Last Ten Fiscal Years (Accrual Basis)

Table I

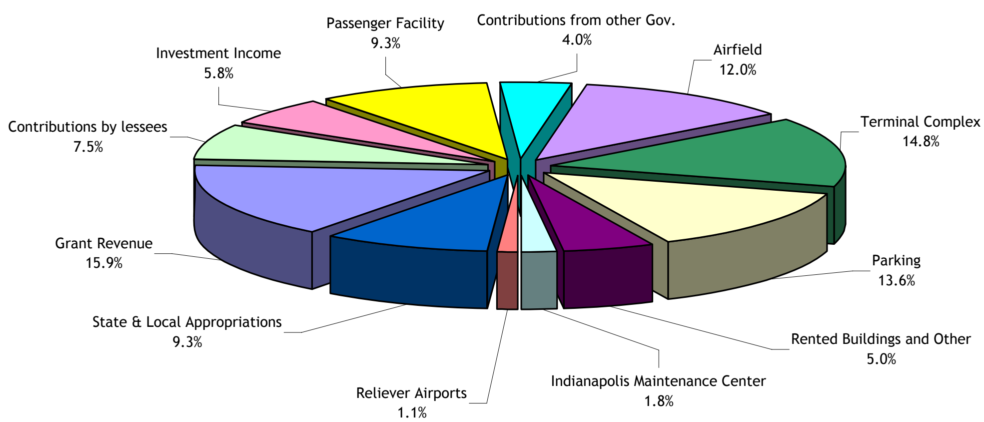
	2005 (2) (3)	2004 (2) (3)	2003 (2) (3)	2002 (2)	2001 (2)	2000 (2)	1999	1998	1997	1996
Airfield	$ 22,597,017	$ 21,690,817	$ 20,808,068	$ 15,326,036	$ 17,168,364	$ 14,931,279	$ 12,340,383	$ 7,187,926	$ 4,525,920	$ 5,507,553
Terminal Complex	27,861,804	27,565,939	25,127,768	23,747,114	24,490,418	23,347,368	21,837,063	18,946,130	18,650,668	17,035,737
Parking	25,700,989	23,202,459	20,704,266	19,798,417	22,230,909	22,652,691	20,532,511	19,578,887	19,035,121	18,101,021
Rented Buildings and Other	9,383,960	8,849,440	9,401,063	51,295,923	50,385,971	49,447,057	49,041,604	46,122,751	30,765,544	24,371,113
Indianapolis Maintenance Center	3,313,305	4,468,590	2,185,101	-	-	-	-	-	-	-
Reliever Airports	2,028,307	2,008,175	1,946,983	1,863,306	1,590,709	1,421,850	1,371,215	1,399,870	1,239,604	1,085,609
Total Operating Revenues	90,885,382	87,785,420	80,173,249	112,030,796	115,866,371	111,800,245	105,122,776	93,235,564	74,216,857	66,101,033
State & Local Appropriations	17,575,077	31,547,272	31,132,781	30,754,320	30,056,545	29,413,316	28,736,823	28,167,664	26,449,285	24,930,607
Grant Revenue, net	29,926,683	32,085,831	23,872,296	24,185,573	16,668,958	10,972,405	-	-	-	-
Contributions from lessees	14,062,887	647,372	1,846,047	13,198,690	4,859,986	13,059,173	-	-	-	-
Contributions from other Gov.	7,554,179	-	-	-	-	-	-	-	-	-
Investment Income (1)	11,006,724	1,764,989	1,438,762	2,241,629	5,194,270	8,097,725	5,105,075	6,957,043	12,408,496	20,131,258
Passenger Facility Charges	17,460,359	16,722,939	15,606,697	14,568,444	13,909,327	10,889,937	10,440,498	10,216,020	9,957,209	10,428,520
Pension Reversion	-	-	-	-	-	-	-	-	-	325,527
Revenues by Source	$ 188,471,291	$ 170,553,823	$ 154,069,832	$ 196,979,452	$ 186,555,457	$ 184,232,801	$ 149,405,172	$ 138,576,291	$ 123,031,847	$ 121,916,945

(1) Since 1997, unrealized gains are included in this number due to the implementation of GASB 31.

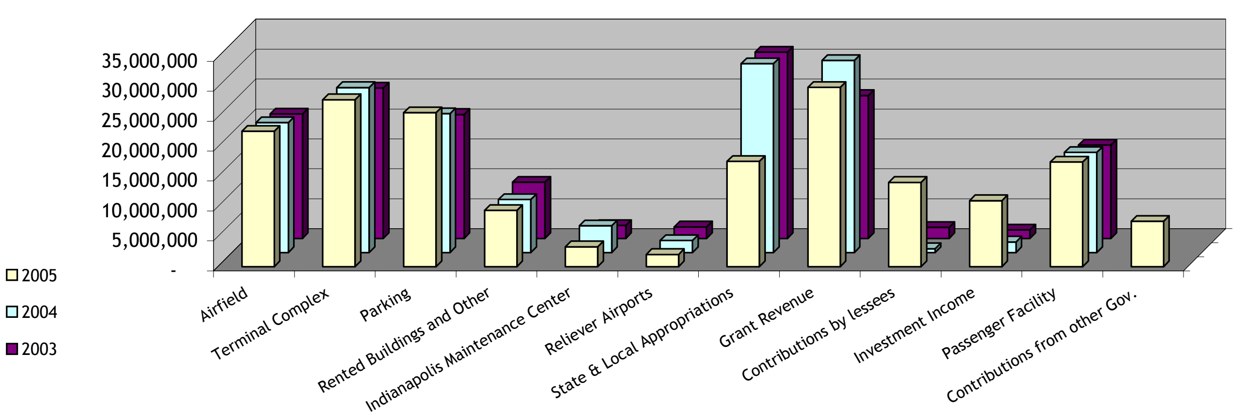
(2) Figures reflect the implementation of GASB 33 and GASB 34. Amounts prior to 2000 have not been restated.

(3) Reflects change in accounting for conduit debt and activity related to special facility debt obligations effective January 1, 2003. Amounts prior to 2003 have not been restated.

2005 Revenue Percentages



Revenues by Source (in Dollars)

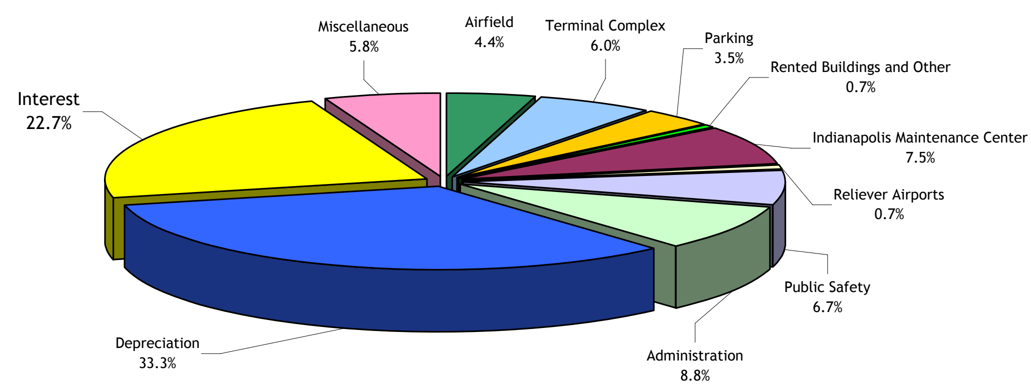


Expenses by Function and Net Assets
Last Ten Fiscal Years (Accrual Basis)
Table II

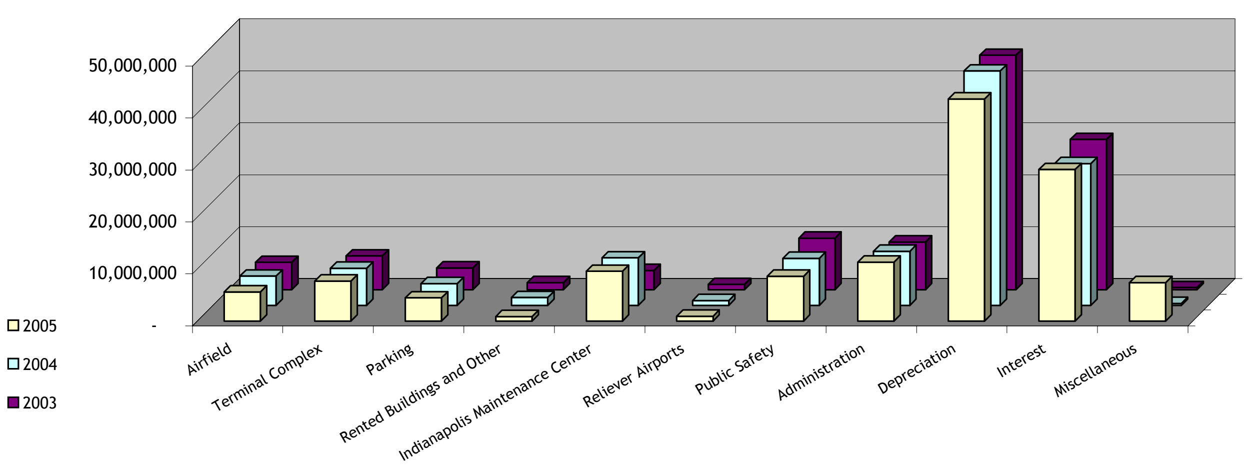
	2005 (1)	2004 (1)	2003 (1)	2002	2001	2000	1999	1998	1997	1996
Airfield	$ 5,618,991	$ 5,623,758	$ 5,251,446	$ 4,477,107	$ 3,961,551	$ 4,331,760	$ 4,061,014	$ 3,601,814	$ 3,984,954	$ 3,943,594
Terminal Complex	7,689,386	7,135,770	6,485,498	6,537,403	6,006,346	6,168,011	5,417,633	5,623,102	5,218,005	5,522,851
Parking	4,456,680	4,166,245	4,188,690	4,015,900	3,639,651	3,348,327	2,494,663	2,402,889	2,413,568	2,401,247
Rented Buildings and other	848,969	1,496,221	1,362,409	674,540	607,820	415,628	371,261	525,773	1,055,617	353,218
Indianapolis Maintenance Center	9,569,568	9,138,759	3,669,395	-	-	-	-	-	-	-
Reliever Airports	930,834	917,716	1,003,868	937,373	789,902	735,599	674,608	668,656	519,230	485,967
Public Safety	8,606,715	9,040,303	9,915,282	9,777,361	8,068,449	3,821,110	3,021,001	3,134,991	2,866,158	2,932,714
Administration	11,332,001	10,416,850	9,165,295	8,505,677	8,845,944	9,347,776	8,362,980	7,557,367	7,048,464	6,451,720
Depreciation	42,742,883	45,112,467	45,103,799	54,431,472	52,191,501	51,650,844	50,702,167	45,636,590	38,388,126	37,463,488
Total Operating Expenses	91,796,027	93,048,089	86,145,682	89,356,833	84,111,164	79,819,055	75,105,327	69,151,182	61,494,122	59,554,799
Interest	29,172,465	27,264,175	28,893,536	61,852,528	64,586,555	66,349,213	67,941,900	63,229,457	54,316,092	63,698,114
Miscellaneous	7,385,333	349,365	389,382	202,970	576,176	824,787	1,005,538	14,391	614,214	(17,525)
Expenses by Function	$ 128,353,825	$ 120,661,629	$ 115,428,600	$ 151,412,331	$ 149,273,895	$ 146,993,055	$ 144,052,765	$ 132,395,030	$ 116,424,428	$ 123,235,388
Increase (Decrease) in Net Assets	$ 60,117,466	$ 49,892,194	$ 38,641,232	$ 45,567,121	$ 37,281,562	$ 37,239,746	$ 5,352,407	$ 6,181,261	$ 6,607,419	$ (1,318,443)

(1) Reflects change in accounting for conduit debt and activity related to special facility debt obligations effective January 1, 2003. Amounts prior to 2003 have not been restated.

2005 Expense Percentages



Expenses by Function (in Dollars)



Financial Condition Data
Last Ten Fiscal Years
Table III

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Outstanding Debt at End of Year:										
Commercial Paper	$ 15,000,000	$ 35,000,000	$ 30,000,000	$ 65,000,000	$ 24,000,000	$ 24,000,000	$ 27,000,000	$ -	$ -	$ -
Revenue Bonds of 2005	200,876,443	-	-	-	-	-	-	-	-	-
Revenue Bonds of 2004	225,829,321	226,074,779	-	-	-	-	-	-	-	-
Refunding Revenue Bonds of 2003	133,516,548	136,415,926	138,261,016	-	-	-	-	-	-	-
Refunding Revenue Bonds of 1998	-	15,078,536	29,006,681	41,827,336	53,533,961	62,428,245	70,257,537	72,551,143	-	-
Refunding Revenue Bonds of 1996	37,627,633	40,137,589	42,441,825	45,769,097	47,832,876	49,717,472	51,430,736	52,964,400	54,301,453	55,366,343
Revenue Bonds of 1993 (refunded)	-	-	-	44,388,807	45,461,136	46,478,754	46,456,685	48,374,742	49,254,285	50,095,028
Revenue Bonds of 1988 (refunded)	-	-	-	-	-	-	-	-	63,188,085	64,334,094
Revenue Bonds of 1985 (Refunded)	-	-	-	-	-	-	-	-	-	-
General Obligation bond indebtedness	-	-	-	-	-	-	-	850,000	1,650,000	2,400,000
Obligations under Capital Lease	254,222,100	261,540,321	276,396,322	289,911,778	302,205,817	313,058,235	322,612,735	330,921,711	338,165,630	315,521,449
Credit Facilities	-	-	-	-	9,200,000	9,700,000	19,700,000	20,150,000	20,150,000	22,950,000
Federal Government grants	29,801,141	31,965,427	23,652,826	23,960,603	16,359,907	10,852,796	12,966,593	11,574,975	11,168,799	14,837,427
State Government grants	125,543	120,404	219,470	224,970	309,051	119,609	127,430	75,441	41,674	(2,500)
Contributions - lessees and other	21,617,066	647,372	1,846,047	13,198,690	4,859,986	13,059,173	1,804,686	2,545,698	10,526,186	2,762,628
Net Assets (1) (2) (3)	$ 770,889,760	$ 710,772,294	$ 660,880,100	$ 461,149,531	$ 415,582,410	$ 378,300,847	$ 329,348,986	$ 309,097,870	$ 288,720,495	$ 260,984,767

(1) 1997 amount has been retroactively restated upon the implementation of GASB Statement No. 31

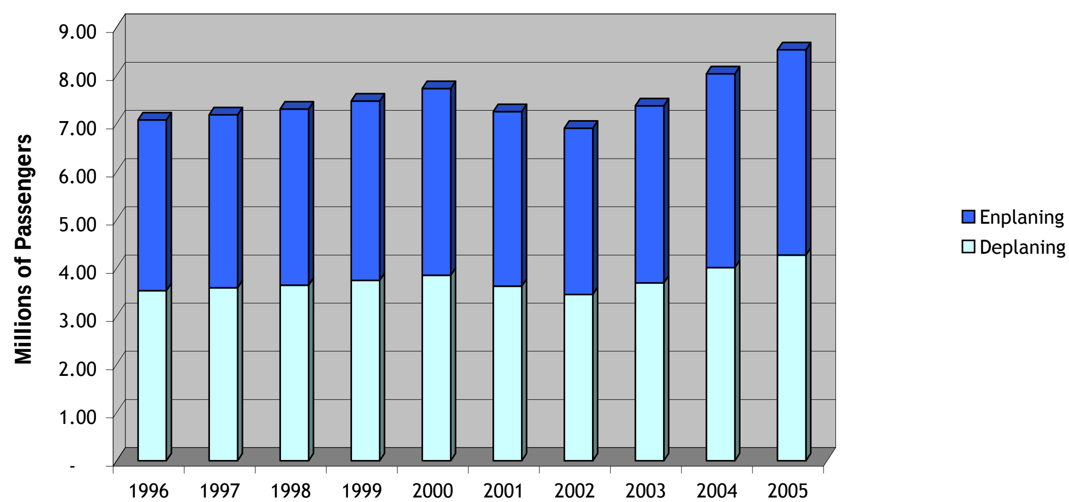
(2) 2000 amount has been retroactively restated upon the implementation of GASB Statement No. 33

(3) Reflects change in accounting for conduit debt and activity related to special facility debt obligations effective January 1, 2003. Amounts prior to 2003 have not been restated

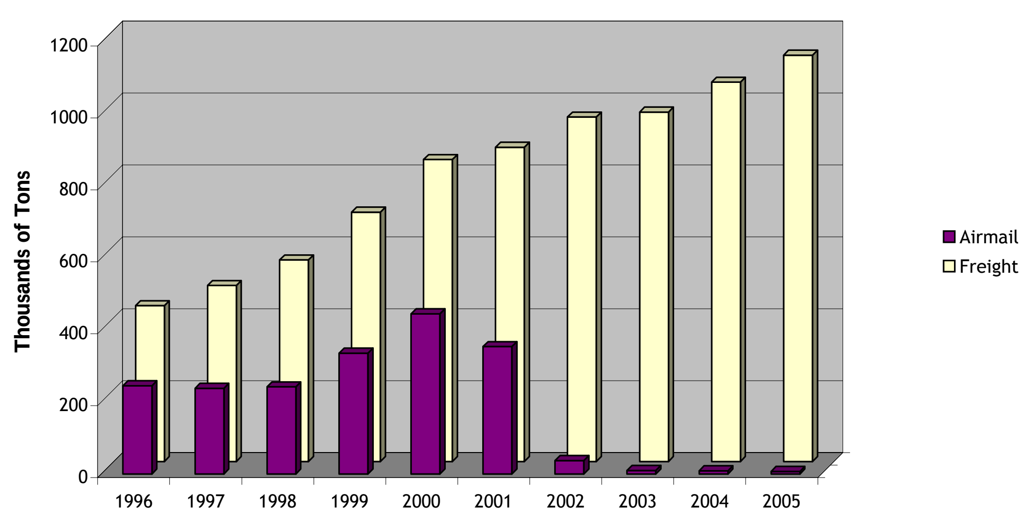
Airport Activity Data
Last Ten Fiscal Years
Table IV

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Deplaned passengers	4,266,388	4,003,302	3,683,589	3,447,696	3,619,107	3,847,569	3,736,294	3,640,605	3,583,289	3,529,895
Enplaned passengers	4,258,054	4,021,749	3,677,471	3,448,722	3,619,637	3,874,622	3,727,242	3,651,527	3,588,556	3,539,144
Scheduled air carrier departures	63,725	63,183	59,372	57,940	59,089	61,902	60,375	44,673	54,044	50,092
Landings and takeoffs	222,275	212,558	204,059	205,872	244,801	256,144	248,318	238,797	230,518	227,109
Enplaned cargo -tons	574,976	535,318	506,820	493,873	437,373	421,236	353,366	285,408	244,312	217,101
Enplaned mail -tons	4,584	5,694	5,828	18,837	178,437	226,607	236,377	168,418	120,107	117,999

Passenger Activity (Total Enplaning and Deplaning)



Cargo Activity (Total Inbound and Outbound)



Schedule of Debt Service Coverage
Last Ten Fiscal Years
Table V

	2005 (1)	2004 (1)	2003 (1)	2002 (1)	2001	2000	1999	1998	1997	1996
Gross Revenues:										
Airfield Fees	$ 20,294,177	$ 17,243,398	$ 16,404,968	$ 12,377,827	$ 13,603,074	$ 11,365,221	$ 8,979,761	$ 4,924,375	$ 2,622,517	$ 2,644,997
Terminal Fees	22,890,706	22,731,733	20,874,457	19,300,644	20,117,613	19,001,388	18,368,843	15,538,268	15,921,617	14,586,281
Concession Fees	4,971,098	4,834,206	4,253,311	4,446,470	4,372,805	4,345,980	3,468,220	3,407,862	2,729,051	2,449,456
Apron Fees	2,002,456	4,116,810	4,093,514	2,948,209	3,565,290	3,566,058	3,360,622	2,263,551	1,903,403	2,862,556
Parking Fees	25,700,989	23,202,459	20,704,266	19,798,417	22,230,909	22,652,691	20,532,511	19,578,887	19,035,121	18,101,021
Reliever Airports	2,028,307	2,008,175	1,946,983	1,863,306	1,590,709	1,421,850	1,371,215	1,399,870	1,239,604	1,085,609
Other Revenue (2), (3)	12,997,649	13,648,639	11,895,750	51,295,923	50,385,971	49,447,057	49,041,604	46,122,751	30,765,544	24,371,113
Investment Income (4)	-	-	-	-	5,194,270	8,097,725	5,105,075	6,957,043	12,408,496	20,131,258
	90,885,382	87,785,420	80,173,249	112,030,796	121,060,641	119,897,970	110,227,851	100,192,607	86,625,353	86,232,291
Other revenues not deemed Gross Revenues:	(3,313,305)	(4,468,590)	(2,185,101)	-	-	-	-	-	-	-
Amortization of Deferred Income (2)	-	-	-	-	-	-	(830,894)	(1,103,000)	(985,489)	(955,013)
Reduced (Excess) Rental Revenue Recognized Under GASB 13	(181,515)	188,952	(196,346)	(104,869)	(107,842)	(122,702)	(130,302)	(131,823)	(131,823)	(281,724)
Debt Service Rentals for Special Facilities (8)	-	-	-	(42,522,067)	(41,861,187)	(41,199,032)	(40,591,823)	(38,732,089)	(23,659,949)	(17,372,017)
Federal Payments	(577,400)	(695,469)	(700,369)	(385,120)	(391,319)	(280,274)	(84,582)	(349,016)	(260,890)	(279,297)
Total Gross Revenues	86,813,162	82,810,313	77,091,433	69,018,740	78,700,293	78,295,962	68,590,250	59,876,679	61,587,202	67,344,240
Operation and Maintenance Expenses:										
Airfield Area	5,618,991	5,623,758	5,251,446	4,477,107	3,961,551	4,331,760	4,061,014	3,601,814	3,984,954	3,943,594
Terminal Area	7,689,386	7,135,770	6,485,498	6,537,403	6,006,346	6,168,011	5,417,633	5,623,102	5,218,005	5,522,851
Parking Area	4,456,680	4,166,245	4,188,690	4,015,900	3,639,351	3,348,327	2,494,663	2,402,889	2,413,568	2,401,247
Reliever Airports	930,834	917,716	1,003,868	937,373	789,902	735,599	674,608	668,656	519,230	485,967
Other Departments	30,357,253	30,092,133	24,112,381	18,957,578	17,522,213	13,584,514	11,755,242	11,218,131	10,970,239	9,737,652
Depreciation	42,742,883	45,112,467	45,103,799	54,431,472	52,191,501	51,650,844	50,702,167	45,636,590	38,388,126	37,463,488
	91,796,027	93,048,089	86,145,682	89,356,833	84,110,864	79,819,055	75,105,327	69,151,182	61,494,122	59,554,799
Environmental Costs	-	-	-	-	(13,704)	(153,644)	(180,604)	(305,401)	(245,492)	(672,839)
Fixed Assets Expensed Under Ordinance	251,885	712,095	288,214	133,902	220,378	205,579	206,848	607,628	323,815	292,927
Depreciation	(42,742,883)	(45,112,467)	(45,103,799)	(54,431,472)	(52,191,501)	(51,650,844)	(50,702,167)	(45,636,590)	(38,388,126)	(37,463,488)
Total Operation and Maintenance Expenses	49,305,029	48,647,717	41,330,097	35,059,263	32,126,037	28,220,146	24,429,404	23,816,819	23,184,319	21,711,399
Net Revenues	$ 37,508,133	$ 34,162,596	$ 35,761,336	$ 33,959,477	$ 46,574,256	$ 50,075,816	$ 44,160,846	$ 36,059,860	$ 38,402,883	$ 45,632,841
Transfers from Prepaid Airline Fund From Previous Year (9)	7,158,000	4,200,000	6,103,000	8,549,000						
Net Revenues and Transfers	$ 44,666,133	$ 38,362,596	$ 41,864,336	$ 42,508,477						
Debt Requirements:										
Debt Service Requirements for Revenue Bonds (5)(6)(7)	$ 18,964,514	$ 22,911,160	$ 26,280,664	$ 25,363,535	$ 23,510,575	$ 23,501,520	$ 19,320,174	$ 15,911,683	$ 15,902,464	$ 17,272,406
Debt Service Requirements for Subordinate Securities	-	-	-	9,794,124	1,676,725	5,354,937	1,730,823	1,256,560	1,256,560	1,256,560
Debt Service Requirements for General Obligation Bonds	-	-	-	-	-	-	896,750	890,750	882,000	1,767,250
Total Debt Service Requirements	$ 18,964,514	$ 22,911,160	$ 26,280,664	$ 35,157,659	$ 25,187,300	$ 28,856,457	$ 21,947,747	$ 18,058,993	$ 18,041,024	$ 20,296,216
Debt Service Coverage:										
Combined Coverage	Not applicable (1)	Not applicable (1)	Not applicable (1)	Not applicable (1)	184.9%	173.5%	201.2%	199.7%	212.9%	224.8%
Revenue Bonds Coverage	235.5%	167.4%	159.3%	167.6%						
Subordinate Securities Coverage	Not applicable (1)	Not applicable (1)	Not applicable (1)	110.0%						

(1) The presentation from 2002 forward has been changed to reflect the exclusion of investment income and the application of Prepaid Airline Revenues required under the Authority's Master Bond Ordinance.

(2) Year 2000 presentation forward changed to reflect the implementation of GASB 33.

(3) Year 2000 presentation forward changed to reflect the implementation of GASB 34.

(4) Since 1997, unrealized gains are included in this number due to the implementation of GASB 31.

(5) Interest on the 1993 Revenue Bonds was partially paid by bond proceeds through January 1, 1995. A portion of the interest paid on the 2003A and 2004A Revenue Bonds was paid from bond proceeds in 2003 and 2004.

(6) The 1985 Revenue Bonds were advance refunded by the 1996 Refunding Revenue Bonds in May 1996.

(7) The 1988 Revenue Bonds were refunded by the 1998 Refunding Revenue Bonds in May 1998. The 1993 Revenue Bonds were refunded by the 2003 Refunding Revenue Bonds in January 2003.

(8) Due to change in accounting for conduit debt obligations, special facility debt rentals are no longer recorded on the Authority's financial statements.

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

Schedule of Insurance in Force, December 31, 2005
Table VI

Name of Company	Policy Number	Policy Period	Abstract of Coverage (1)	Liability Limits		Authority Premium
Western Surety	Various	1/1/2005 to 1/1/2006	Public Official Bonds for IAA	$ 100,000 - 500,000 per bond		$ 4,625
National Union Fire Insurance Company	5083631	3/1/2005 to 3/1/2006	Directors and Officers Liability for IAA	10,000,000		75,564
Various	Various	Various	Misc IAA coverages including Board Travel Accident, Volunteers Accident and Medical, Business Automobile, Workers Compensation	2,500 - 500,000		6,893
ACE USA Property & Casualty	AAP N00976271	4/1/2005 to 4/1/2006	Airport & Aviation General Liability	50,000,000		335,390
ACE USA Property & Casualty	AAP N00976271	4/1/2005 to 4/1/2006	Aviation Non Certified War & Terrorism	50,000,000		174,728
FM Global	LP590	4/1/2005 to 4/1/2006	Property - Buildings, Contents,	246,059,341		259,297
			Boiler and Machinery	policy limit		included
			Business Interruption	46,149,387		included
			Terrorism Risk Insurance Act 2002 (TRIA)	policy limit		included
FM Global	LP590	4/1/2005 to 4/1/2006	IMC Property - Buildings, Contents,	320,691,299		309,218
			Boiler and Machinery	policy limit		included
			Business Interruption	46,250,000		included
			Terrorism Risk Insurance Act 2002 (TRIA)	policy limit		included
Hartford Fire Insurance Company	83UEN RF9198	4/1/2005 to 4/1/2006	Automobile Liability	1,000,000		198,579
The Ins. Co. Of The State Of Pa. (AIG)	WC 884-71-82	4/1/2005 to 4/1/2006	Workers Compensation	Statutory		379,984
			Employer's Liability	$1,000,000		included
Federal Insurance Company (Chubb)	6802-4690	4/1/2005 to 4/1/2006	Employment Practices Liability	3,000,000		17,506
American International Specialty (AIG)	491-07-94	4/1/2005 to 4/1/2006	Lawyers Professional Liability Policy	1,000,000		3,036
Federal Insurance Company (Chubb)	8171-2302	4/1/2005 to 4/1/2006	Fiduciary Liability	2,000,000		1,529
	8171-2302		Crime Coverage	1,000,000		7,457
The Ins. Co. Of The State of Pa. (AIG)	EX 56400023	4/1/2005 to 4/1/2006	Foreign Liability	2,000,000		1,125
Zurich (Fidelity and Deposit Company)	CCP 145158413	4/1/2005 to 4/1/2006	Government Crime	40,000		1,408
Zurich North American	WC 5346758-00	4 years	Workers' Compensation - Midfield	1,000,000		393,652
Zurich North American	GLO 5346759-00	4 years	General Liability - Midfield	2,000,000/4,000,000		1,188,653
Lexington Insurance Company	5577247	4 years	Lead Umbrella - Midfield	250,000,000		1,400,000
Endurance Specialty	P00530 001	4 years	Excess Liability - Midfield			550,000
XL Europe	LB 118767 (cover note)	4 years	Excess Liability - Midfield			550,000
Liberty	LB 118767 (cover note)	4 years	Excess Liability - Midfield			237,500
Starr	LB 118767 (cover note)	4 years	Excess Liability - Midfield			1,000,000
Steadfast Insurance Company	EOC427601000	2/28/2004 to 10/31/2008	Professional Design Liability - OPPI for Contractor's Pollution Liability	25,000,000		2,704,210
Travelers Property Casualty Company of America	T-660291D1356TIL	5/20/2005 to 5/20/2007	Builders Risk Insurance	787,300,000		611,989
			Coverage and Excess Liability for:			
London Market	Various	4/1/2005 to 4/1/2006	Aviation General Liability (xs primary)	1,750,000,000	(2)	27,300
London Market	Various	11/1/2005 to 11/1/2006	Aviation War and Terrorism (xs primary)	1,000,000,000	(2)	54,298
London Market		4/1/2005 to 4/1/2006	Special Risk	5,000,000	(2)	290
AIG Europe Ltd	33011376	4/1/2005 to 4/1/2006	Employment Practices (xs primary)	17,500,000	(2)	3,413
Lloyd's of London	Various	4/1/2005 to 4/1/2006	BAA Directors & Officers	175,000,000	(2)	9,000
				Total Premiums:		**$ 10,506,644**

(1) BAA Indianapolis LLC [airport management company] is responsible for the acquisition of all insurance except IAA Directors and Officers Liability, Public Official Bonds and Miscellaneous other coverages.

(2) Indianapolis Airport Authority [IAA] is an additional insured on the management company's parent [BAA plc] worldwide coverage. Limits shown are USD approximations using exchange rate data at time of placement.

Airline Landing Weights (000 Lbs - Listed by Current Rank)
Table VII

	2005 (5) Landing Wts.	% of Total	2004	2003	2002	2001	2000	1999	1998	1997	1996
Scheduled Air Carrier											
Northwest	1,371,168	12.4%	784,294	756,852	698,328	737,958	765,883	735,197	640,733	665,559	587,934
Southwest	731,740	6.6%	737,238	689,621	683,941	786,259	732,894	565,521	543,202	537,798	467,051
ATA	681,663	6.2%	1,340,469	1,105,749	768,950	645,916	738,839	675,015	639,841	636,848	779,072
US Airways	654,946	5.9%	412,559	413,980	496,592	632,170	720,319	732,461	757,626	905,521	1,002,798
American (2)	507,767	4.6%	478,022	460,217	500,121	234,786	209,986	210,510	197,452	202,107	208,969
Delta	494,102	4.5%	349,514	332,524	414,033	476,537	499,108	535,881	510,071	449,827	308,473
Continental	292,260	2.6%	281,380	281,584	305,555	316,226	343,447	358,473	346,728	343,588	332,387
United	287,653	2.6%	374,740	432,636	494,062	483,650	561,000	632,112	589,172	522,692	496,569
AirTran Airways	197,120	1.8%	-	-	-	-	-	-	-	-	-
Chautauqua	173,000	1.6%	377,383	290,205	216,293	266,979	220,893	172,593	172,418	189,989	264,016
Frontier Airlines	134,178	1.2%	88,594	87,294	-	-	-	-	-	-	-
America West	86,513	0.8%	96,198	98,142	163,483	143,643	204,793	209,020	178,172	166,201	167,779
American Eagle, et.al.	60,962	0.6%	33,755	85,126	126,422	128,130	126,504	133,134	136,553	137,868	120,169
Chicago Express	51,699	0.5%	128,792	100,548	99,949	85,557	44,353	18,729	1,565	-	-
Independence Air (4)	47,658	0.4%	42,112	-	-	-	-	-	-	-	-
Comair	-	0.0%	47,068	133,978	209,432	67,492	93,379	88,527	83,974	79,898	67,006
Valujet (3)	-	0.0%	-	-	-	-	-	-	-	-	47,006
TWA (2)	-	0.0%	-	-	-	162,450	303,280	296,620	214,648	279,743	285,037
Midway (3)	-	0.0%	-	-	-	43,551	72,056	52,203	12,960	-	-
Other	164,864	1.6%	324,953	273,961	269,609	338,790	229,020	183,447	158,781	139,597	78,571
Subtotals	5,937,293	53.9%	5,897,071	5,542,417	5,446,770	5,550,094	5,865,754	5,599,443	5,183,896	5,257,236	5,212,837
Net Change from Prior Year	0.7%		6.4%	1.8%	-1.9%	-5.4%	4.8%	8.0%	-1.4%	0.9%	-3.3%
Freight and Charter											
FedEx	4,953,071	44.8%	4,469,125	4,437,226	4,438,585	3,954,172	3,527,784	3,153,091	2,599,328	2,275,423	2,084,702
World Airways	8,702	0.1%	-	-	-	-	-	-	-	-	-
U.S. Postal Hub (1)	-	0.0%	-	-	180,301	1,812,669	305,262	-	-	-	-
Emery/CF	-	0.0%	485	-	-	10,878	1,500,673	1,521,205	1,259,960	1,020,427	956,095
American Int'l Airways	-	0.0%	-	-	-	-	-	535,814	299,837	-	-
Burlington	-	0.0%	-	-	-	-	-	43,423	123,041	114,380	123,117
Other	145,462	1.2%	178,976	141,357	131,407	551,191	704,077	314,814	79,587	60,990	53,044
Subtotals	5,107,235	46.1%	4,648,586	4,578,583	4,750,293	6,328,910	6,037,796	5,568,347	4,361,753	3,471,220	3,216,958
Net Change from Prior Year	9.9%		1.5%	-3.6%	-24.9%	4.8%	8.4%	27.7%	25.7%	7.9%	6.0%
Totals	**11,044,528**	**100.0%**	**10,545,657**	**10,121,000**	**10,197,063**	**11,879,004**	**11,903,550**	**11,167,790**	**9,545,649**	**8,728,456**	**8,429,795**
Net Change from Prior Year	4.7%		4.2%	-0.7%	-14.2%	-0.2%	6.6%	17.0%	9.4%	3.5%	0.1%

(1) Reporting as USPS Hub began January 2000. Prior reporting was by individual contract carrier and included in the "Other" category.

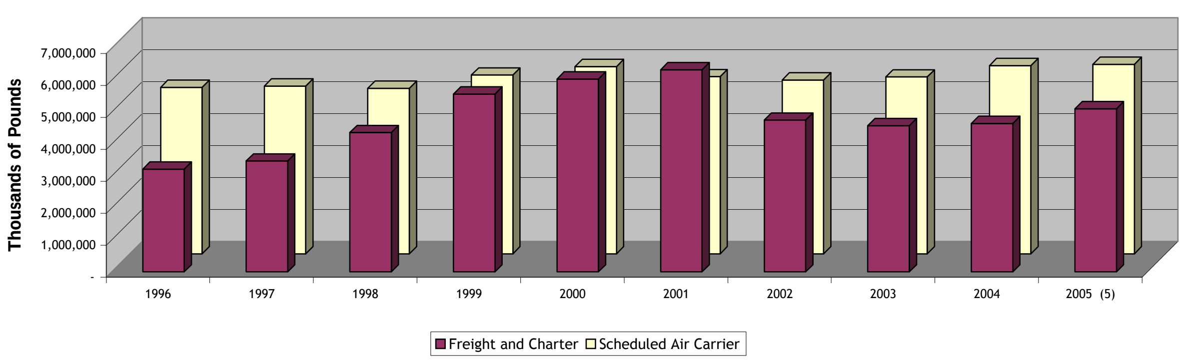
(2) TWA merged into American late 2001.

(3) Airline either merged into another airline or no longer serves Indianapolis International Airport.

(4) Independence Air was included in the "Other" category in 2003, they became a Signatory Carrier in 2004.

(5) Subsequent to the publishing of the 2005 Audited Financial Statements, a discrepancy in the landing weights was discovered. This table reflects the corrected landing weights for the year.

Landing Weights



Enplaned Passengers
(Airlines Listed by Current Rank)
Table VIII

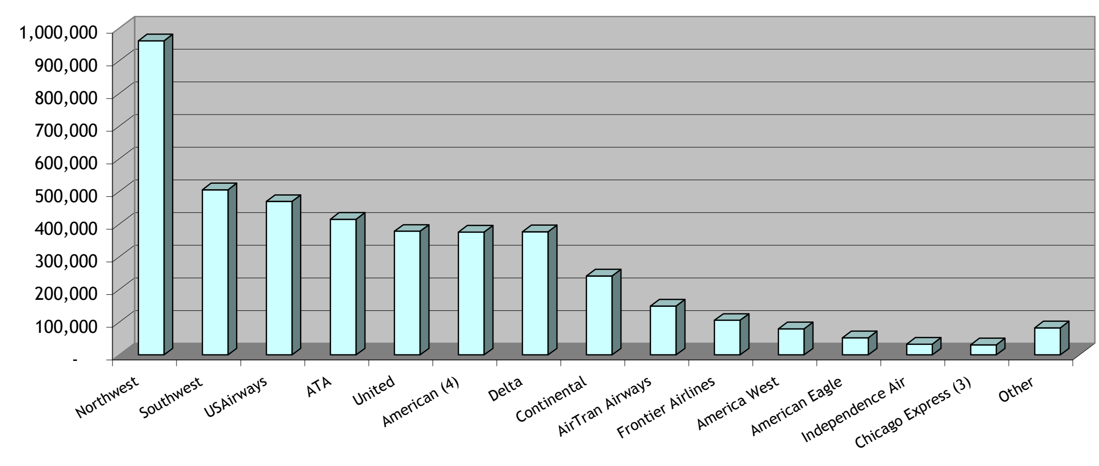
	2005 Number of Enplanements	2005 % of Total	2004	2003	2002	2001	2000	1999	1998	1997	1996
Scheduled Air Carrier:											
Northwest	961,473	22.6%	497,405	430,915	396,939	444,372	504,313	500,255	460,134	444,383	399,267
Southwest	505,265	11.9%	455,660	411,953	360,108	474,001	448,851	338,128	328,889	312,013	282,977
USAirways	469,585	11.0%	265,805	267,147	303,530	391,471	476,990	502,263	547,903	641,028	721,685
ATA	414,968	9.7%	835,438	689,154	503,853	415,540	462,975	441,389	426,302	405,735	435,583
United	378,427	8.9%	274,037	314,490	318,935	341,984	372,084	412,375	404,459	366,273	343,686
American (4)	375,824	8.8%	334,373	287,687	323,856	161,596	150,941	149,518	149,807	148,447	160,485
Delta	376,816	8.8%	256,222	243,374	290,163	376,907	369,829	393,469	376,420	343,595	250,116
Continental	241,646	5.7%	228,784	225,870	217,010	251,511	257,996	261,131	245,862	239,496	225,822
AirTran Airways	149,354	3.5%	-	-	-	-	-	-	-	-	-
Frontier Airlines	106,002	2.5%	66,852	63,429	-	-	-	-	-	-	-
America West	79,753	1.9%	86,489	78,478	118,548	112,032	125,655	129,633	132,865	125,828	124,274
American Eagle	52,455	1.2%	31,068	72,711	97,590	97,672	105,117	100,665	117,362	123,203	110,592
Independence Air	33,097	0.8%	17,174								
Chicago Express (3)	30,661	0.7%	101,832	89,368	86,709	69,495	35,938	15,815	15,370	-	-
Chautauqua	-	0.0%	299,442	222,382	145,982	108,338	112,542	81,154	90,684	94,523	128,345
Comair	-	0.0%	37,407	94,544	151,594	51,545	74,351	59,753	58,651	55,430	-
Valujet (1)	-	0.0%	-	-	-	-	-	-	-	-	32,271
TWA (2)	-	0.0%	-	-	-	179,210	224,611	224,402	224,117	222,095	218,870
Midway (1)	-	0.0%	-	-	-	30,702	48,301	32,312	7,296	-	-
Other	82,728	2.0%	233,761	185,969	133,905	113,261	104,128	84,980	65,406	66,507	105,171
	4,258,054	100.0%	4,021,749	3,677,471	3,448,722	3,619,637	3,874,622	3,727,242	3,651,527	3,588,556	3,539,144
Net Change from Prior Year	5.9%		9.4%	6.6%	-4.7%	-6.6%	4.0%	2.1%	1.8%	1.4%	5.3%

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

(2) TWA merged into American late 2001.

(3) Enplaned passengers before 1998 were not numerous enough to list as separate item.

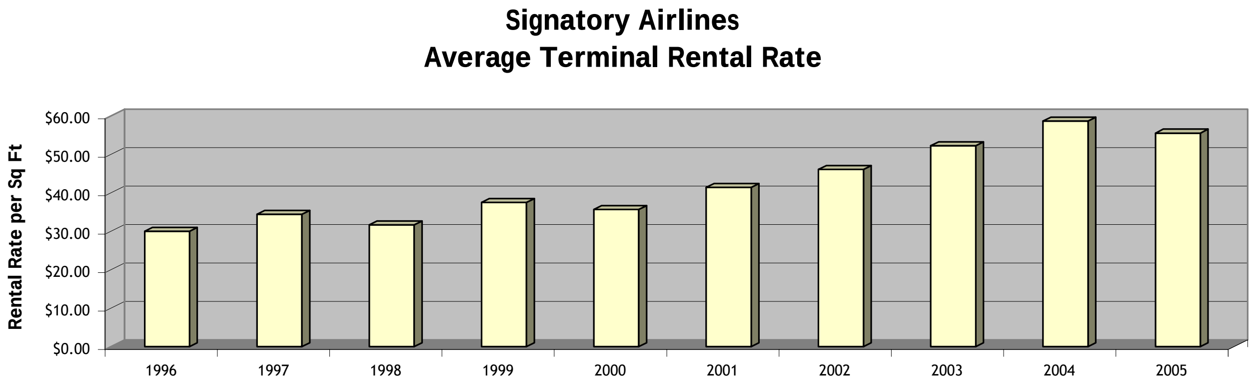
2005 Enplaned Passengers

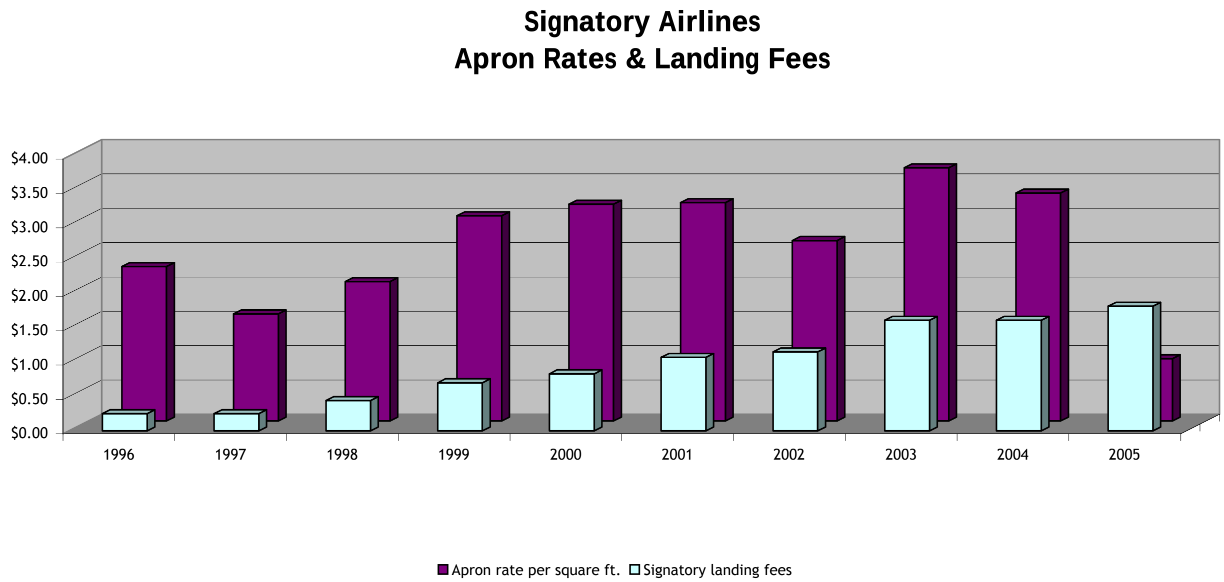


Airline Rates and Charges for the Last 10 Years
Table IX

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Average terminal building rate per square foot charged to signatory airlines	$55.55	$58.70	$52.28	$46.06	$41.40	$35.67	$37.49	$31.68	$34.42	$30.00
Apron rate per square ft.	$0.91	$3.32	$3.69	$2.63	$3.18	$3.16	$2.99	$2.03	$1.56	$2.25
Signatory landing fees	* 1.95 / 1.68	$1.61	$1.61	$1.15	$1.07	$0.83	$0.70	$0.44	$0.25	$0.25

* Rates effective 1/1/05 - 6/30/05 and 7/1/05 - 12/31/05. Average rate shown in graph below.

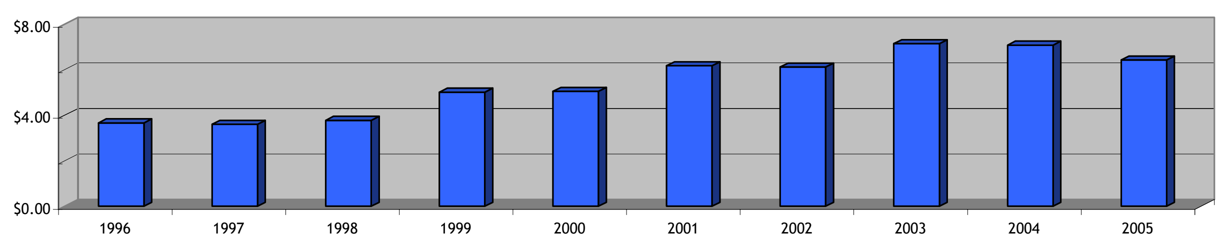




Airline Cost Per Enplaned Passenger for the Last 10 Years
Table X

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Air Carrier Landing Fees	$ 20,294,177	$ 17,243,398	$ 16,404,968	$ 12,070,480	$ 13,305,526	$ 10,938,407	$ 8,642,986	$ 4,561,267	$ 2,255,154	$ 2,302,452
Terminal Apron Fees	2,002,456	4,116,810	4,093,514	2,948,209	3,565,290	3,566,058	3,360,622	2,263,551	1,903,403	2,862,556
Airline Terminal Fees	14,159,056	14,433,982	12,947,656	11,488,358	12,504,346	10,707,216	10,857,383	8,837,193	9,388,418	8,297,861
Security Fees	427,192	401,707	358,430	353,656	361,942	384,173	373,242	368,330	354,848	353,819
Freight Landing Fees	(9,461,634)	(7,698,854)	(7,506,635)	(5,731,316)	(7,377,825)	(5,989,891)	(4,533,300)	(2,236,239)	(936,210)	(833,727)
Total Costs	$ 27,421,247	$ 28,497,043	$ 26,297,933	$ 21,129,387	$ 22,359,279	$ 19,605,963	$ 18,700,933	$ 13,794,102	$ 12,965,613	$ 12,982,961
Enplaned Passengers	4,258,054	4,021,749	3,677,471	3,448,722	3,619,637	3,874,622	3,727,242	3,651,527	3,588,556	3,539,144
Total Costs/ Enplaned Passengers	$6.44	$7.09	$7.15	$6.13	$6.18	$5.06	$5.02	$3.78	$3.61	$3.67

Total Airline Costs Per Enplaned Passenger



Marion County, Indiana Demographic Statistics
Table XI

Population by Age (1)

	2000		1990		1980		1970 (2)		1960		1950	
0-19	244,709	29%	210,661	28%	228,808	32%	291,574	39%	173,781	36%	125,860	29%
20-44	346,027	40%	315,150	42%	268,594	38%	238,506	32%	155,365	33%	168,897	40%
45-64	174,194	20%	130,705	18%	140,189	20%	149,467	20%	99,861	21%	95,090	22%
65 and over	95,534	11%	85,436	12%	73,948	10%	65,077	9%	47,251	10%	37,326	9%
Totals	860,464	100%	741,952	100%	711,539	100%	744,624	100%	476,258	100%	427,173	100%

Per Capita Income Levels (3), (4)

	2005	2004	2003	2002	2001	2000
Marion County	Not Available	Not Available	$ 33,449	$ 32,129	$ 31,292	$ 30,198
Indiana	31,276	30,204	28,783	28,032	27,522	26,933
United States	34,586	33,046	31,632	30,906	30,413	29,469

Population Trend

	2005 (7)	2004 (7)	2003 (7)	2002 (6)	2001 (6)	2000 (5)
Marion County	863,133	863,596	863,861	863,429	863,787	860,454
Counties contiguous to, but excluding Marion County	725,347	706,003	684,933	659,600	638,351	613,674
Indiana	6,271,973	6,237,569	6,199,571	6,159,068	6,126,743	6,080,485

Unemployment Rate (7) (8)

	2005	2004	2003	2002	2001	2000
Marion County	5.6%	5.7%	5.4%	4.7%	3.8%	2.9%
Indiana	5.4%	5.2%	5.1%	5.1%	4.4%	3.2%
United States	5.1%	5.5%	6.0%	5.7%	4.8%	4.0%

(1) Data: US Census Bureau; Calculations: IU Kelley School of Business
(2) After Unigov reorganization
(3) Source: US Bureau of Economic Analysis; IN Dept. of Workforce Development
(4) Information presented is most recent available
(5) Source: STATS Indiana
(6) Source: U.S. Census Bureau
(7) Source: IN Dept. of Workforce Development
(8) Source: U.S. Department of Labor - Bureau of Labor Statistic Data

INDIANAPOLIS AIRPORT AUTHORITY