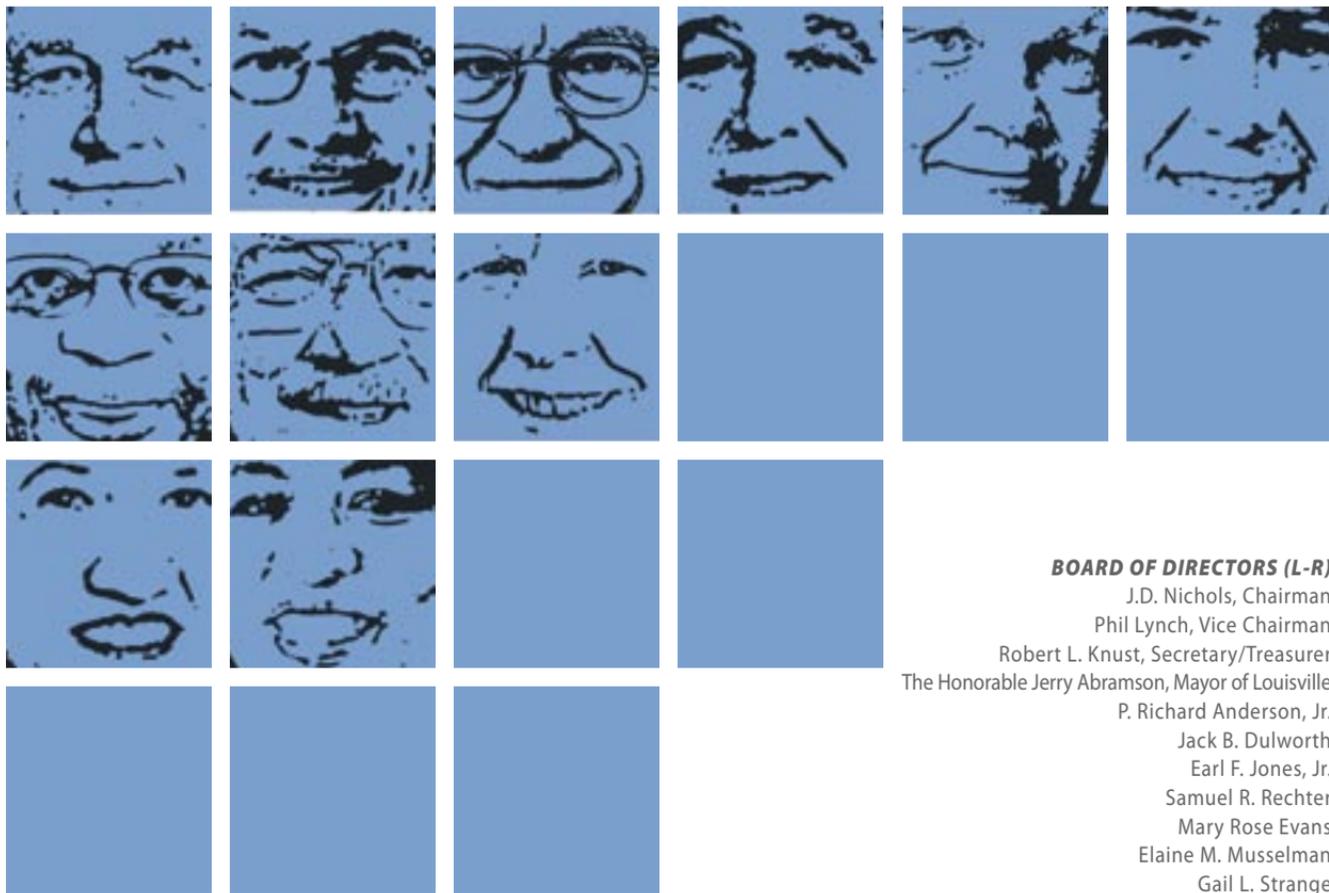




17 REASONS WE HAVE BECOME THE AIRPORTS OF CHOICE

Louisville Regional Airport Authority Annual Report 2005



BOARD OF DIRECTORS (L-R)

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Over the past few years, we have been working toward making Louisville International Airport and Bowman Field the airports of choice for this entire region. And now, for all of the reasons stated in this annual report, we believe we are well on our way.

In Fiscal Year 2005 (FY05), we completed construction on many new passenger amenities, including a new Starbucks, Altitude luxury travelers' club, and an incredible \$29 million renovation at Louisville International. We added a new low-cost carrier option – Independence Air. We became only the 17th airport in the nation with an on-site wildlife port operated by federal inspectors, placing us at the forefront of the global battle against wildlife smuggling. We began working with UPS to develop a new \$82.5 million, 725,000-square-foot heavy freight facility that will bring as many as 1,000 new jobs to Louisville. And that's just the beginning.

But that doesn't mean we're going to stop working hard. On the contrary, our great successes over the past year have only served to encourage us to keep growing and improving. We are the dominant economic engine for this region. We are the 5th largest cargo facility in the U.S. and the 10th largest in the world. And we are determined to continue providing the best service, creating the best jobs, and striving to be the airports of choice for our passengers, employees and partners.

We appreciate your support and patience over the last year. We trust you will enjoy flipping through this collection of Regional Airport Authority postcards. Feel free to tear out your favorite cards, mail them to family and friends, and encourage them to take advantage of Louisville International and Bowman Field.

C.T. "Skip" Miller
 Executive Director

FINANCIAL STATEMENTS

ASSETS

	<u>2005</u>	<u>2004</u>
Current assets		
Unrestricted assets		
Cash and cash equivalents	\$ 13,057,807	\$ 20,183,133
Investments	5,578,613	15,030,085
Fees and rentals receivable, net of allowance for uncollectible accounts of \$400,000	3,875,000	3,594,580
Supplies and prepaid expenses	<u>626,276</u>	<u>678,980</u>
Total unrestricted current assets	23,137,696	39,486,778
Restricted assets		
Cash and cash equivalents	<u>33,325,884</u>	<u>35,956,954</u>
Total current assets	<u>56,463,580</u>	<u>75,443,732</u>
Noncurrent assets		
Unrestricted assets		
Capital assets not being depreciated	452,294,787	437,393,541
Depreciable capital assets, net	256,275,499	245,930,710
Deferred bond costs, net of accumulated amortization of \$3,628,968 in 2005 and \$2,710,709 in 2004	<u>16,869,231</u>	<u>17,747,038</u>
Total unrestricted noncurrent assets	725,439,517	701,071,289
Restricted assets		
Cash - PFC fund	2,583,714	2,947,806
Cash and cash equivalents	31,415,272	25,730,583
Investments	<u>19,305,032</u>	<u>19,033,898</u>
Total restricted noncurrent assets	<u>53,304,018</u>	<u>47,712,287</u>
Total noncurrent assets	<u>778,743,535</u>	<u>748,783,576</u>
Total assets	<u>\$835,207,115</u>	<u>\$824,227,308</u>

LIABILITIES

	<u>2005</u>	<u>2004</u>
Current liabilities (payable from unrestricted current assets)		
Accounts payable	\$ 3,684,401	\$ 6,058,100
Accrued expenses and other	820,811	849,420
Deferred income	<u>19,514</u>	<u>212,423</u>
Total current liabilities (unrestricted)	<u>4,524,726</u>	<u>7,119,943</u>
Current liabilities (payable from restricted assets)		
Current portion of bonds payable	14,330,000	12,990,000
Accounts payable	1,694,773	958,447
Accrued interest	<u>9,044,036</u>	<u>9,212,234</u>
Total current liabilities (restricted)	<u>25,068,809</u>	<u>23,160,681</u>
Total current liabilities	<u>29,593,535</u>	<u>30,280,624</u>
Long-term debt		
Bonds payable	<u>407,355,000</u>	<u>421,685,000</u>
Other liabilities		
Deposit from Kentucky Air National Guard	0	3,033
Deposit from UPS Land Option	3,500,000	2,186,987
Unamortized bond premium, net	9,078,224	9,568,288
Deposit from Commonwealth of Kentucky	19,813,663	20,000,000
Deferred revenue	79,617	174,563
Total other liabilities	83,600	0
Revolving coverage (payable from restricted assets)	<u>4,300,000</u>	<u>4,300,000</u>
Total other liabilities	<u>36,855,104</u>	<u>36,232,871</u>
Total liabilities	<u>473,803,639</u>	<u>488,198,495</u>
Commitments and contingencies		
NET ASSETS		
Invested in capital assets, net of related debt	349,519,173	319,200,005
Restricted for debt service	12,382,270	12,385,114
Restricted for capital projects	2,583,714	2,947,806
Unrestricted net assets (deficit)	<u>(3,081,681)</u>	<u>(1,495,888)</u>
Total net assets	<u>\$361,403,476</u>	<u>\$336,028,813</u>

CASH FLOWS

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Receipts from customers and users	\$ 50,518,227	\$ 49,915,119
Payments to suppliers	(16,040,264)	(9,858,604)
Payments to employees	<u>(7,186,995)</u>	<u>(6,539,702)</u>
Net cash provided by operating activities	<u>27,290,968</u>	<u>33,516,813</u>
Cash flows from capital and related financing activities		
Capital grants	32,511,865	33,310,798
Passenger facility charges	4,841,197	4,556,577
Acquisition and construction of capital assets	(49,939,940)	(57,878,580)
Proceeds from sale of assets	48,262	0
Principal paid on capital debt	(12,990,000)	(5,205,000)
Interest paid on capital debt, net of capitalized interest	(14,458,202)	(11,026,974)
Fees paid on bonds	(226,486)	(222,468)
Issuance costs of capital debt	<u>(100,302)</u>	<u>(148,107)</u>
Cash flows used for capital and related financing activities	<u>(40,313,606)</u>	<u>(36,613,754)</u>
Cash flows from investing activities		
Proceeds from maturities of investments	22,413,722	17,100,869
Purchase of investments	(16,995,807)	(19,595,196)
Investment income	<u>3,168,924</u>	<u>1,943,346</u>
Net cash provided used for investing activities	<u>8,586,839</u>	<u>(550,981)</u>
Net decrease in cash and cash equivalents	(4,435,799)	(3,647,922)
Cash and cash equivalents, beginning of year	<u>84,818,476</u>	<u>88,466,398</u>
Cash and cash equivalents, end of year	<u>\$ 80,382,677</u>	<u>\$ 84,818,476</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 719,668	\$ 1,050,633
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	27,648,088	27,186,535
Changes in assets and liabilities:		
Fees and rentals receivable	380,420	84,432
Deferred income	287,855	24,585
Supplies and prepaid expenses	(52,704)	(125)
Accounts payable	(1,637,368)	5,281,340
Accrued expenses and other	<u>(54,991)</u>	<u>(110,587)</u>
Net cash provided by operating activities	<u>\$ 27,290,968</u>	<u>\$ 33,516,813</u>
Noncash capital and financing activities:		
The Authority has retainage and accounts payable related to construction in progress of \$3,322,941 and \$5,621,405 as of June 30, 2005 and 2004, respectively. These noncash transactions have been excluded from the above statements.		

FINANCIAL STATEMENTS

REVENUES & EXPENSES

	<u>2005</u>	<u>2004</u>
Operating revenues		
Rentals and concessions	\$ 34,229,253	\$ 32,894,594
Landing and field use fees	<u>16,824,551</u>	<u>15,607,052</u>
Total operating revenues	<u>51,053,804</u>	<u>48,501,646</u>
Operating expenses		
Operations and maintenance	13,391,554	11,826,265
Administrative, general, planning and engineering	<u>9,294,494</u>	<u>8,438,213</u>
Operating expenses before depreciation and amortization	22,686,048	20,264,478
Depreciation and amortization	<u>27,648,088</u>	<u>27,186,535</u>
Total operating expenses	<u>50,334,136</u>	<u>47,451,013</u>
Operating income	<u>719,668</u>	<u>1,050,633</u>
Nonoperating revenues (expenses)		
Investment earnings, net	2,706,650	2,253,055
Interest expense	(14,843,404)	(14,562,491)
Passenger facility charges	4,841,197	4,630,820
Net loss on disposal of assets and other revenue (expense)	<u>(561,313)</u>	<u>(565,711)</u>
Net nonoperating expenses	<u>(7,856,870)</u>	<u>(8,244,327)</u>
Loss before capital contributions	(7,137,202)	(7,193,694)
Capital grants	<u>32,511,865</u>	<u>31,433,032</u>
Increase in net assets	25,374,663	24,239,338
Net assets, beginning of year	<u>336,028,813</u>	<u>311,789,475</u>
Net assets, end of year	<u>\$361,403,476</u>	<u>\$336,028,813</u>

REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

**REASON #1:
Excellent Air Service**

In FY05, Louisville International Airport added 24 new flights and 4 new non-stop destinations (Washington Dulles, Ft. Lauderdale, Miami and New York-JFK). In addition, non-stop jet service was offered to all three New York City area airports (JFK, LaGuardia and Newark) and all three Washington, D.C., area airports (Dulles, Reagan National and Baltimore). In total, Louisville International Airport averaged 102 flights daily to 46 non-stop and direct same-plane destinations in FY05.

LOUISVILLE REGIONAL AIRPORT AUTHORITY



REASON #1:
Excellent Air Service





REASON #2:
Low Fares

REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #2: Low Fares

Louisville International Airport added Independence Air, a new low-fare airline, in August 2004. Independence Air offered 6 daily low-fare, non-stop, round-trip flights on 50-seat jets between Louisville International and Washington Dulles International Airports. Passengers were treated to even more low-fare options through Delta Air Lines' nationwide SimpliFares program and USAirways' Go Fares –offering new low fares to the region's top destinations.

LOUISVILLE REGIONAL AIRPORT AUTHORITY



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #3:
Higher Passenger Counts

Our exceptional passenger counts truly prove that we are becoming the airport of choice for this region. In FY05, Louisville International Airport served 3,563,862 total passengers – an increase of 5.5% – marking the highest volume of passenger activity through the airport since 2001. Additionally, recent passenger surveys reflect that 67% consider Louisville International their home airport, while 87% list it as the regional airport from which they depart most often. FY06 is looking even better, with nearly 1.9 million boardings projected.

REASON #3:
Higher Passenger Counts





REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #4:
Increased Passenger Service

In an effort to help passengers feel at home at Louisville International Airport, an Airport Ambassador Program was instituted. Friendly volunteers staff the airport information booth and rove the terminal to assist travelers, greeters and guests. Also in FY05, Louisville International Airport's Information Booth was renovated, making it easier for travelers and guests to receive the information they need.



REASON #4:
Increased Passenger Service



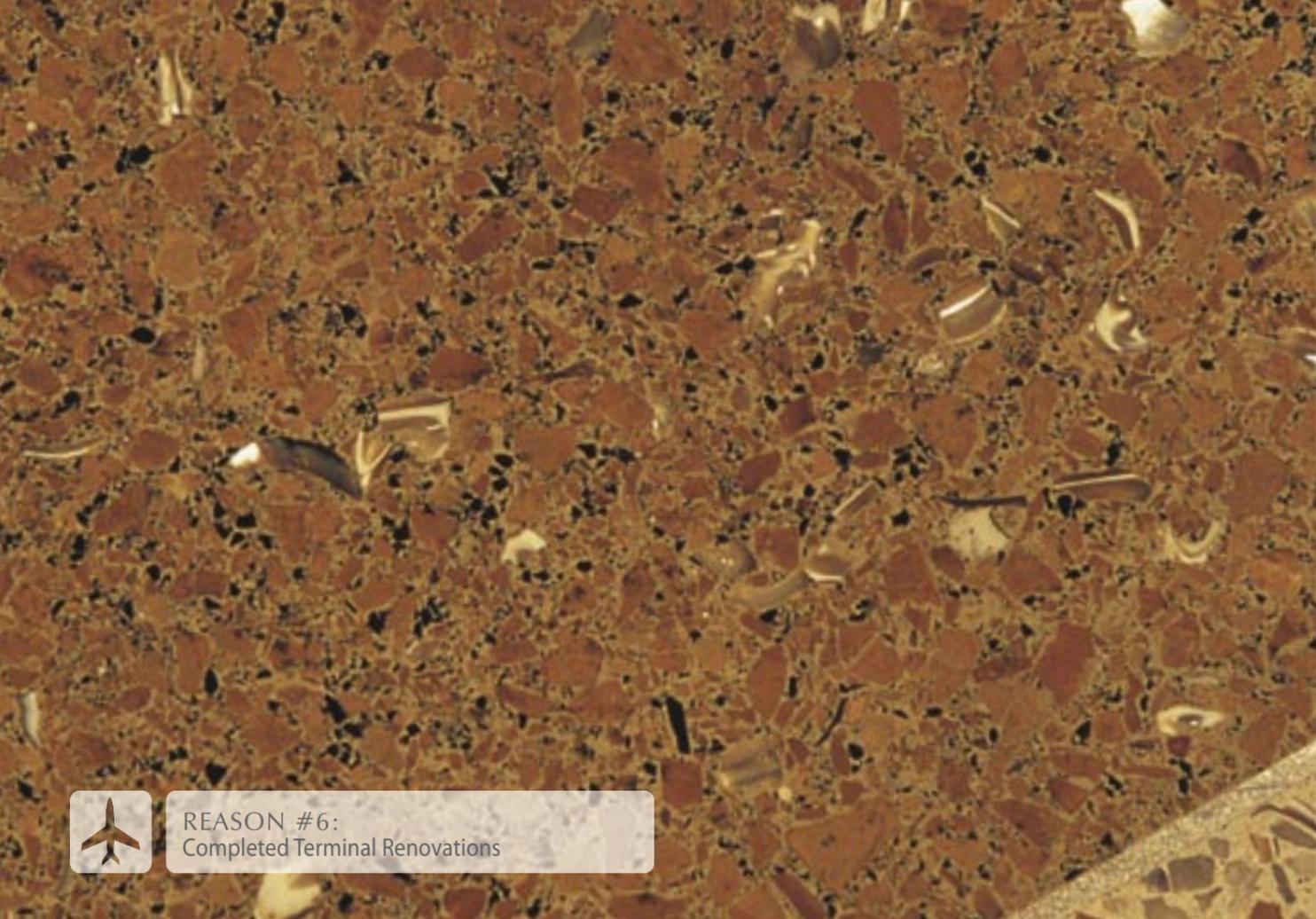
REASON #5:
Passenger Satisfaction



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #5:
Passenger Satisfaction

Our dedication to passenger comfort, service and satisfaction paid off in FY05, with 95% of Louisville International travelers indicating that they were “satisfied or very satisfied” with how the airport met their traveling needs. Also in FY05, 93% of Louisville International travelers indicated that they would probably or definitely recommend Louisville International to others for air travel.



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #6:
Completed Terminal Renovations

To date, \$26 million in Phase I terminal renovations were completed – renovations that make Louisville International Airport more comfortable, more attractive and easier to navigate. Some of the more notable renovations include: new carpeting, wall and trim finishes; an expanded security checkpoint to allow more passenger screenings per hour; the addition of 6 new regional jet gates; new plasma screens displaying art and images of the City; and the return of our refurbished “Pegasus” wire sculpture. In addition, a new gate numbering system was instituted that helps passengers find their gates more easily – letting the airport add future gates without re-numbering them.



REASON #6:
Completed Terminal Renovations



REASON #7:
The Altitude Club



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #7: The Altitude Club

Completed in FY05, *Altitude: A Traveler's Club* takes passenger comfort and service to a new level at Louisville International Airport. Located beyond the security checkpoint, the Altitude Club offers a host of amenities and luxuries to help business and leisure travelers make the most of their time on the ground. Members of the Club have access to comfortable furniture, high-speed internet, copying and faxing services, beverages and snacks, cable TV, newspapers and much more.

LOUISVILLE REGIONAL AIRPORT AUTHORITY



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #8:
Retail Expansion & Additions

In FY05, the original Starbucks expanded to serve more people in a more efficient manner. A new Starbucks stand was added prior to the security checkpoint, so airport guests may enjoy their favorite treats – even without an airline ticket. Also added in FY05 was the new CNBC News Louisville store, where visitors can watch CNBC shows, check the latest stock reports, and purchase magazines, books, snacks, and Kentucky gift items.



REASON #8:
Retail Expansion & Additions



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #9:
Exciting New Services

Now, visitors to Louisville International Airport have access to Sprint high-speed wireless internet service. Available in public areas for a nominal fee, our new Wi-Fi service allows business and leisure travelers alike to work or pass the time at peak speeds of up to 100 times faster than dial-up. And, the smoking area at Louisville International was moved to the mezzanine level between Concourses A and B. The new location features a state-of-the-art ventilation system, bar service, computer hook-ups and free TV.

REASON #9:
Exciting New Services





REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #10:
Completed Construction Projects

FY05 was a big year for construction projects, including the much-needed relocation of Martha Moloney Drive – the first phase of the \$20 million West Runway Extension Project. Martha Moloney Drive is located east of Crittenden Drive and south of the I-264 intersection. Also completed were the rental car building and fuel island renovations, airfield pavement repairs, and reconstruction on the northeast apron.



REASON #10:
Completed Construction Projects



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #11:
In-Progress Construction Projects

A number of projects are progressing in and around the airport. The second phase of the \$20 million West Runway Extension Project – the north end extension – which will permit Louisville’s air carriers to travel non-stop with larger loads to farther destinations was begun. Ground was broken on the Louisville International Commerce Center, establishing Chautauqua Airline’s maintenance hangar as the anchor tenant. This facility is expected to create a minimum of 300 well-paying jobs in Kentucky. Additionally in FY05, construction of in-line bag screening buildings began and a new southwest perimeter road was designed to improve access to the new Commerce Center. Plus, ongoing renovations of all public restrooms in Louisville International continued.

REASON #11:
In-Progress Construction Projects 



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #12:
Voluntary Residential Relocation Program

Progress continues to be made in our voluntary residential relocation program, an ongoing effort to address airport noise concerns. In FY05, the program received an additional \$15 million in federal funds, thanks in no small part to Congresswoman Anne Northup, and a \$5 million appropriation in state funds, thanks to Governor Fletcher, Louisville Mayor Abramson and the Jefferson County Legislative Delegation. As of June 30, 2005, nearly 1,900 families have been successfully relocated. And, as of June 30, 2005, we are less than 300 families from completion of this enormous project. Also in FY05, UPS's Global Operations Center in Edgewood became the first private re-use of neighborhood relocation land for compatible non-residential purposes.



REASON #12:
Voluntary Residential Relocation Program



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #13:
Renaissance Zone

In FY05, local business Hi-Tech Mold & Tool became the first business to receive economic incentives for expansion into the Renaissance Zone. The expansion includes a \$5.5 million investment for a new 85,000-square-foot facility, 150 new jobs and a projected payroll of \$3.5 million. Created in 2003, the Renaissance Zone is a 3,000-acre business park due south of Louisville International Airport. Its Board membership is composed of the Louisville Regional Airport Authority Board.

REASON #13:
Renaissance Zone





REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #14:
Noise Compatibility Program

Louisville International Airport, participating in a consortium with UPS, Boeing, NASA, FAA, and MIT, successfully flight tested a new procedure – the Continuous Descent Approach (CDA) – in September 2004 whereby aircraft remain at cruising altitude until relatively close to the airport, and then make an even and continuous descent to the runway. The CDA reduces noise impacts, aircraft emissions, and fuel burn.



REASON #14:
Noise Compatibility Program

GLENDALE FLYING CLUB

REASON #15:
Bowman Field Flight Operations



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #15: Bowman Field Flight Operations

Bowman Field had 106,890 flight operations in FY05. Glendale Flying Club, which has been based at Bowman Field since the 1960's, constructed a new hangar in which it consolidated its fleet of aircraft. And, Louisville Executive Aviation (LEA), a full-service, fixed-base operator (FBO), opened operations at Bowman Field offering aircraft fueling, maintenance, line service, charter operations, flight instruction and more in a renovated hangar, plus offices and restrooms. LEA also provides wireless internet and concierge services to its customers.



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #16:
Bowman Field Completed Improvements/Construction

In FY05, a \$300,000 renovation of the Bowman Field Terminal was completed, including installation of new central air and sprinkler systems for the comfort and safety of our visitors, partners and staff. Also in FY05, a structural analysis of Hangar 5 was completed.



REASON #16:
Bowman Field Completed Improvements/Construction



REASON #17:
Bowman Field In-Progress Improvements/Construction



REASONS WE'VE BECOME THE AIRPORTS OF CHOICE

REASON #17:
Bowman Field In-Progress Improvements/Construction

In March 2005, a six-month, \$1.7 million construction project to rehabilitate Taxiways H and F began and a \$1.8 million project to reconstruct Runway 14/32 was designed. Structural and site condition analyses of Bowman's T-hangars also began.

The Authority launched a quarterly *Bowman Bulletin* newsletter and quarterly *Bowman Briefings* for our airport partners and neighbors to enhance communication and seek feedback on plans and projects for the airport.