LOUISVILLE REGIONAL AIRPORT AUTHORITY
Louisville, Kentucky

ANNUAL REPORT
June 30, 2016 and 2015

LOUISVILLE REGIONAL AIRPORT AUTHORITY
Louisville, Kentucky

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OTHER REQUIRED INFORMATION (Continued)

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the
Louisville Regional Airport Authority
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Louisville Regional Airport Authority (the "Authority") and its discretely presented component unit, the Louisville Renaissance Zone Corporation (the "LRZC"), as of, and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the LRZC were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Authority as of June 30, 2016 and 2015, and the respective changes in its financial position, and where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, the schedules of the Authority's proportionate share of the net pension liability and the schedules of the Authority's employer contributions on pages 47 thru 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedules of revenues, expenses and changes in net position on page 51, the schedule of airport property, facilities, and equipment presented on page 52, and the schedule of insurance coverage presented on page 53, and the schedule of expenditures of federal awards as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with _Government Auditing Standards,_ we have also issued our report dated November 16, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with _Government Auditing Standards_ in considering the Authority's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
November 16, 2016

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Management's Discussion and Analysis

The Louisville Regional Airport Authority (Authority) is a municipal corporation established by Chapter 77 of the 1928 Public Acts of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statutes Chapter 183, the Authority's purpose is to establish, maintain, operate and expand airport and air navigation facilities and to promote and develop aviation. The Authority currently operates Louisville International Airport (SDF), primarily a commercial operations airport, and Bowman Field (LOU), primarily a general aviation and air traffic reliever airport to SDF. The operations of the Airports generate revenues from airport users to fund operating expenses and debt service requirements. Capital projects are funded through the receipt of federal and state grants, internally generated funds, the collection of Passenger Facility Charges ("PFCs"), and the periodic issuance of bonds.

The management of the Authority offers readers of our financial statements the following discussion and analysis of our statistical and financial activities of the Authority for the Fiscal Year ended June 30, 2016.

Basic Financial Statements

Our financial statements are prepared as a single enterprise fund using proprietary fund accounting that uses a similar basis of accounting as private-sector business enterprises. This method of accounting utilizes a focus on economic resources measurement and an accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. These are followed by notes to the financial statements. In addition to the financial statements, this report also contains required supplementary information.

The Statement of Net Position presents information on Assets, Deferred Outflows, Liabilities, and Deferred Inflows with the difference between these reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Authority is improving or not.

The Statement of Revenues, Expenses and Changes in Net Position reports operating and non-operating revenues and expenses of the Authority for the fiscal year with the difference being a net income or loss. This net income or loss is combined with any capital contributions and extraordinary items to determine the Change in Net Position for the fiscal year. That change combined with last fiscal year's Net Position reconciles to the Net Position at the end of this fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operations, capital and related financing, and investments. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalent balance at the end of the current fiscal year. Contrary to the other basic financial statements, this statement is prepared on a cash basis.

The accompanying statements include a discretely presented component unit named Louisville Renaissance Zone Corporation (LRZC). This legally separate component was incorporated by the Authority in 2003 and separately presents its own financial statements. It is important to read these statements in conjunction with the separate LRZC statements.

Statistical Information

The following chart reflects three key statistics of Louisville International Airport, which are the number of passengers going through the terminal, total weight of aircraft landing at the airport and total pounds of cargo going through the airport:

	FY 2016	FY 2015	FY 2014	FY 2013
Passengers				
Enplaned	1,679,092	1,676,047	1,679,166	1,714,706
Deplaned	1,680,462	1,675,542	1,688,991	1,711,188
Total	3,359,554	3,351,589	3,368,157	3,425,894
Landed Weight (lbs)				
Passenger	1,935,279,424	1,939,823,698	2,050,073,869	2,096,797,510
Cargo	12,407,034,542	11,698,667,968	11,272,590,682	11,163,286,840
Total	14,342,313,966	13,638,491,666	13,322,664,551	13,260,084,350
Total Cargo (lbs)	5,266,944,845	5,099,403,325	4,945,612,298	4,803,584,446

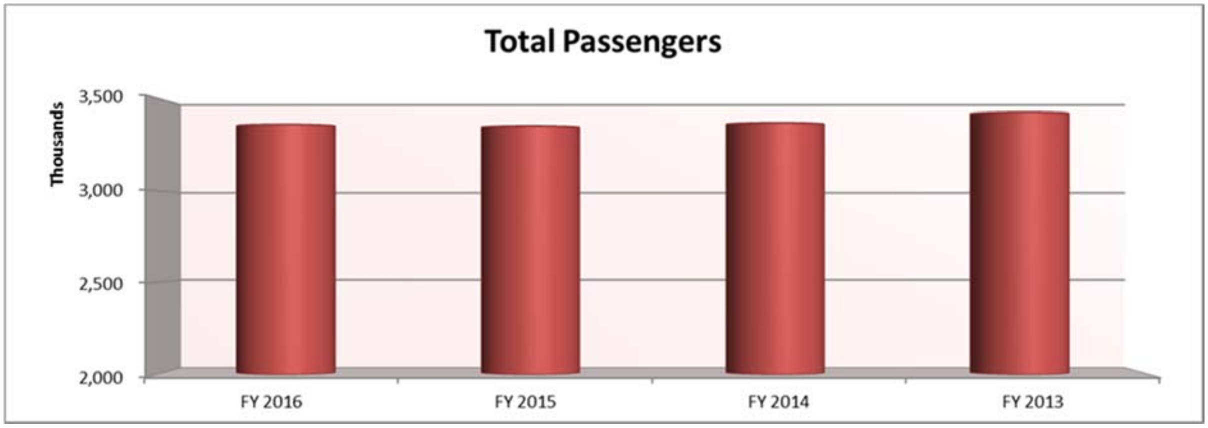
Louisville International's (SDF) status as a major worldwide cargo leader in terms of volume is best reflected by its current ranking of 3rd in North America and 7th worldwide. UPS' cargo volume at SDF was 5.2 and 5.0 billion pounds for FY16 and FY15, respectively.

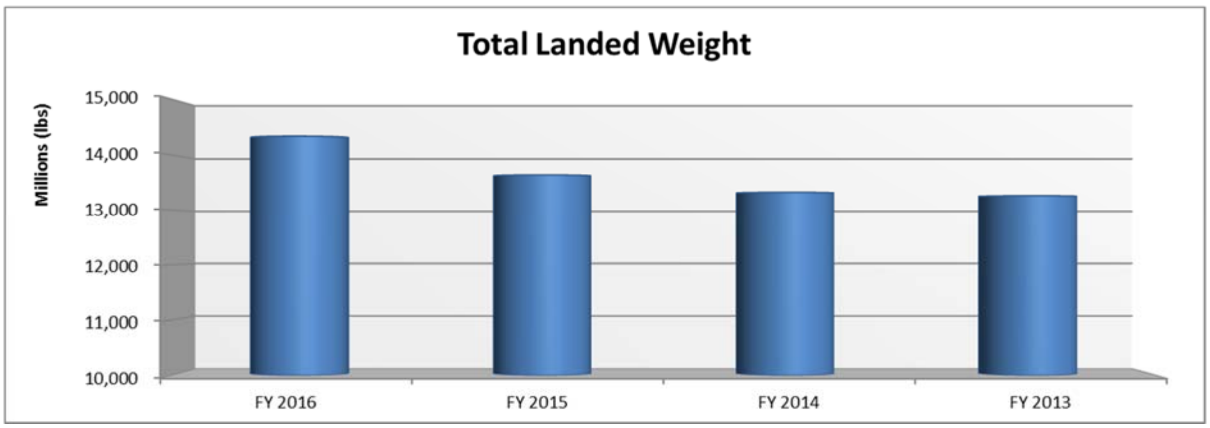
During FY 2016 passenger enplanements at Louisville International Airport (SDF) improved slightly from FY 2015. This growth in passenger volume was fueled by the replacement of a number of smaller first generation regional jets with larger, more customer-friendly aircraft. These aircraft allowed airlines to increase available seats at peak travel times while providing new opportunities for frequent travelers to make use of two-class seating configurations and amenities. Additional frequencies to existing markets and weekend-only service to leisure destinations also helped spur passenger activity.

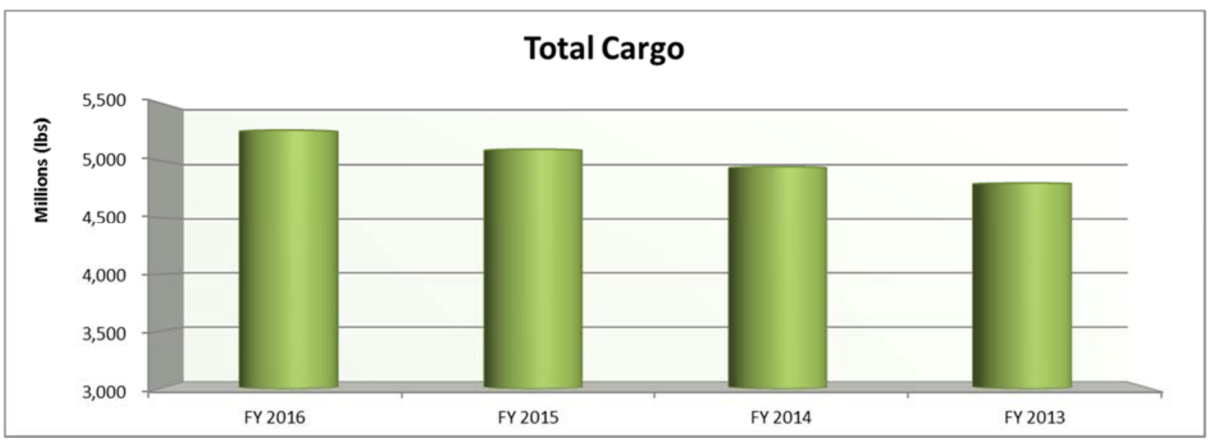
Over the next 24 months, we expect that airlines will continue to grow at Louisville International by providing additional seats to hub markets and improved access to both business and leisure destinations. Moving forward, we expect average fares to continue to be competitive with other airports in the region allowing Louisville to continue to be an attractive choice for travelers taking flight.

Louisville International Airport offers service by the four largest airlines in the nation offering daily nonstop service to 20 destinations including 16 of the 20 markets that local travelers visit most. With robust service to most major hubs Louisville International connects the region to 175 international destinations in 80 countries on six continents.

Key statistical information is presented in graph form on the following page:


Total Passengers
Thousands
3,500
3,000
2,500
2,000
FY 2016
FY 2015
FY 2014
FY 2013


Total Landed Weight
Millions (lbs)
15,000
14,000
13,000
12,000
11,000
10,000
FY 2016
FY 2015
FY 2014
FY 2013


Total Cargo
Millions (lbs)
5,500
5,000
4,500
4,000
3,500
3,000
FY 2016
FY 2015
FY 2014
FY 2013

Financial Highlights
(Versus Budget and Prior Year)

- Operating Revenues for FY16 were 3.9% more than budget and 1.1% less than FY15. Major contributors are:
  - Rental Car revenues were approximately $800,000 greater than budget and $180,000 greater than FY15 due to higher revenue per transaction as reported by the Rental Car companies operating at SDF.
  - Parking revenues were up approximately $575,000 versus budget and $270,000 versus FY15 due primarily to an increase in the average length of stay.
  - The Authority periodically conducts audits of tenant leases to ensure revenues are reported and paid to the Authority as stipulated in the agreements. During FY 2016, these audits resulted in approximately $1.6 million of unbudgeted Other Operating Revenues.

- Non-Operating Revenues variance to budget and prior year are impacted by Interest Income and Passenger Facility Charges (PFC). Interest Income is favorable to budget primarily due to late fees assessed to tenants, including those related to tenant audits discussed above. These accounted for approximately $600,000 of unbudgeted interest income. PFCs were less than prior year by approximately $2.1 million due to a planned decrease in PFC collection level from $4.50 to $3.00 that went into effect in August 2015.

- Operating Expenses before Depreciation for FY16 were $6.3 million or 17.8% less than budget and $3.1 million or 9.6% less than FY15 actual. The major contributors to these variances are:
  - Contract Services are approximately $700,000 less than budget with the largest variance due to $471,000 in budgeted advertising and air service cooperative costs that did not occur in FY16. Overall Contract Services were up $575,000 compared to FY15 mainly due to a new escalator / power walk / elevator maintenance agreement.
  - Professional & Consulting Services were approximately $900,000 less than FY15 actual primarily related to legal services savings of $420,000 and consulting service savings of $300,000 due to less reliance on outside counsel and reduced need of property acquisition, survey and appraisal consultants versus FY15.
  - Retirement expenses are primarily impacted by Kentucky's County Employee Retirement System's (CERS) allocation of expenses and net pension liability as required by GASB 68 which was adopted in FY15. As determined by the auditors of the Kentucky Retirement System, the Authority's portion of allocated CERS expenses for FY16 was $2.1 million versus FY15 allocated expenses of $1.1 million.
  - In the current fiscal year there were one-time receipts from insurance and legal settlements totaling $1.2 million causing favorable results in the Other Expense categories when compared to both budget and prior year spending.
  - Major Maintenance was $3.8 million less than budget due largely to two projects that were budgeted in FY16 (Airfield Pavement Rehab - $1.6 million and Airfield Lighting - $2.2 million) but were deferred because of the delay in receiving approved grants to fund the projects. Spending versus FY15 was $2.8 million less due to $2.7 million spent in FY15 for Airfield Pavement repairs.

- Operating Income before Depreciation was $35.2 million which is $8.8 million greater than budgeted and $2.4 million greater than FY15 actual.

- Interest Expense is $1.6 million less than budget due to the amortization of bond premiums received when selling the 2014A and 2014B Series bonds during the refunding of all Authority debt in FY14.

- Net Loss before Capital Contributions was $594,000, which is $8.4 million unfavorable compared to FY15 results and $1.5 million favorable to budget. The primary reason for this difference is the loss incurred on the sale of land which is explained further in the Capital Assets section of this MD&A.

- Net Position increased from prior year by $24.5 million to $361.7 million.

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Financial Information

Statement of Net Position. The following schedule presents a summary of Net Position for the fiscal years ended June 30:

	2016	2015	2014
Assets:			
Unrestricted	$ 65,394,762	$ 67,701,967	$ 51,733,459
Restricted	60,489,150	59,913,258	40,463,626
Capital assets (includes in progress)	518,030,006	522,726,660	513,761,650
Total assets	643,913,918	650,341,885	605,958,735
Deferred outflows	3,847,215	1,279,301	-
Total Assets and Deferred Outflows	647,761,133	651,621,186	605,958,735
Liabilities:			
Unrestricted	13,237,387	16,588,057	10,110,260
Restricted	22,591,552	23,183,959	306,050
Long-term debt	213,715,000	231,635,000	249,130,000
Other	36,381,174	41,455,239	29,492,822
Total Liabilities	285,925,113	312,862,255	289,039,132
Deferred inflows	91,533	1,468,000	-
Total Liabilities and Deferred Inflows	286,016,646	314,330,255	289,039,132
Net Position			
Invested in capital assets, net of related debt	271,301,786	247,658,006	243,983,700
Restricted for debt service	42,623,300	42,810,578	26,463,476
Restricted for capital projects	9,157,367	8,285,068	9,402,978
Unrestricted	38,662,034	38,537,279	37,069,449
Total Net Position	$ 361,744,487	$337,290,931	$316,919,603

Note: The 2014 information does not include the impact of the GASB 68 implementation.

During FY16 the Authority transferred land owed to UPS and the Commonwealth of Kentucky causing a large decrease in Capital Assets and Other Liabilities. Other significant Capital Asset transactions that occurred during FY16 were the sale of land to the LRZC and the ownership of tenant facilities which reverted to the Authority upon the expiration of certain lease agreements. These transactions are later discussed under Capital Assets in this MD&A.

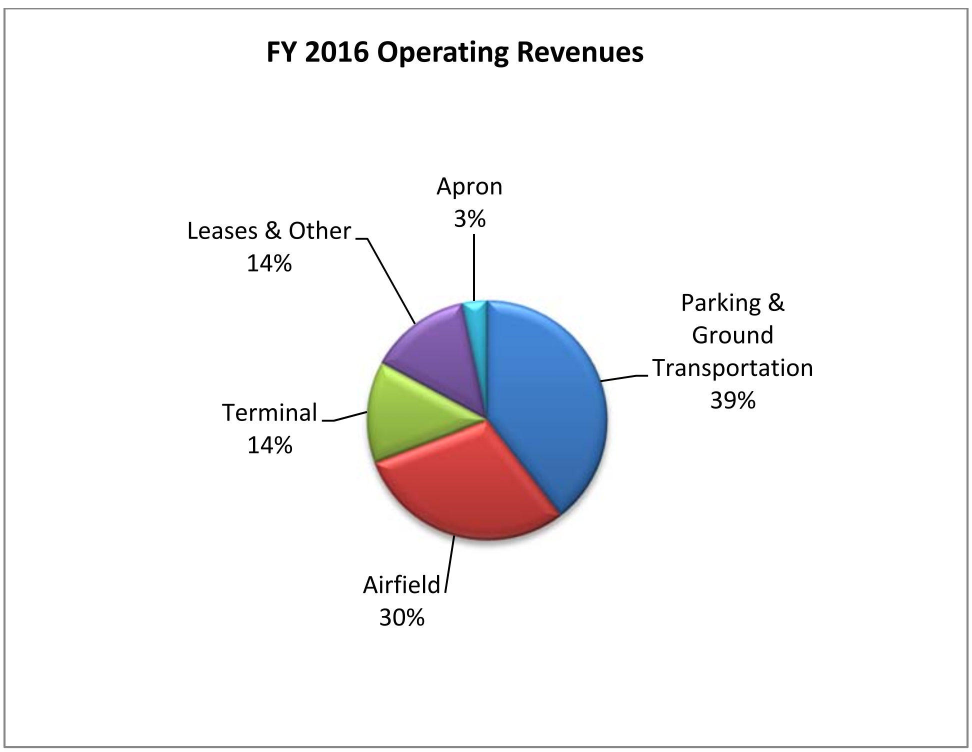
The Authority paid $17.5 million of outstanding bonds as scheduled causing an overall reduction of Liabilities. The Deferred Outflows and Deferred Inflows above are also directly related to the allocation of CERS retirement related activities per GASB 68. These were discussed earlier and will be discussed in more detail under Note 14 to these financial statements.

Total Net Position increased by $24.5 million.

Revenue. The following schedule presents a summary of revenues for the fiscal years ended June 30:

	2016		2015	2014
	Actual	Budget	Actual	Actual
Operating Revenues				
Landing and field use	$ 19,182,918	$ 19,763,945	$ 19,852,543	$ 19,592,050
Apron area	2,153,278	2,341,428	2,657,155	2,486,953
Landside terminal	5,146,859	5,343,154	5,439,667	5,601,116
Airside terminal	3,688,412	3,566,394	3,754,881	3,534,459
Leases	6,948,236	6,808,396	6,747,794	6,608,132
Parking and ground transportation	25,514,282	23,992,310	24,928,844	23,984,556
Other	1,918,165	302,850	1,887,724	488,087
Total operating revenues	64,552,150	62,118,477	65,268,608	62,295,353
Non-Operating Revenues				
Passenger Facility Charge	4,434,002	4,369,000	6,590,600	6,625,649
Net gain on disposal of assets	-	-	-	138,783
Interest Income	1,117,771	178,900	788,542	349,210
Other	40,305	-	40,807	-
Total Non Operating Revenues	5,592,078	4,547,900	7,419,949	7,113,642
Total Revenues	$ 70,144,228	$ 66,666,377	$ 72,688,557	$ 69,408,995

The major contributors to total revenues' increase over budget and FY15 have been explained earlier under Financial Highlights.

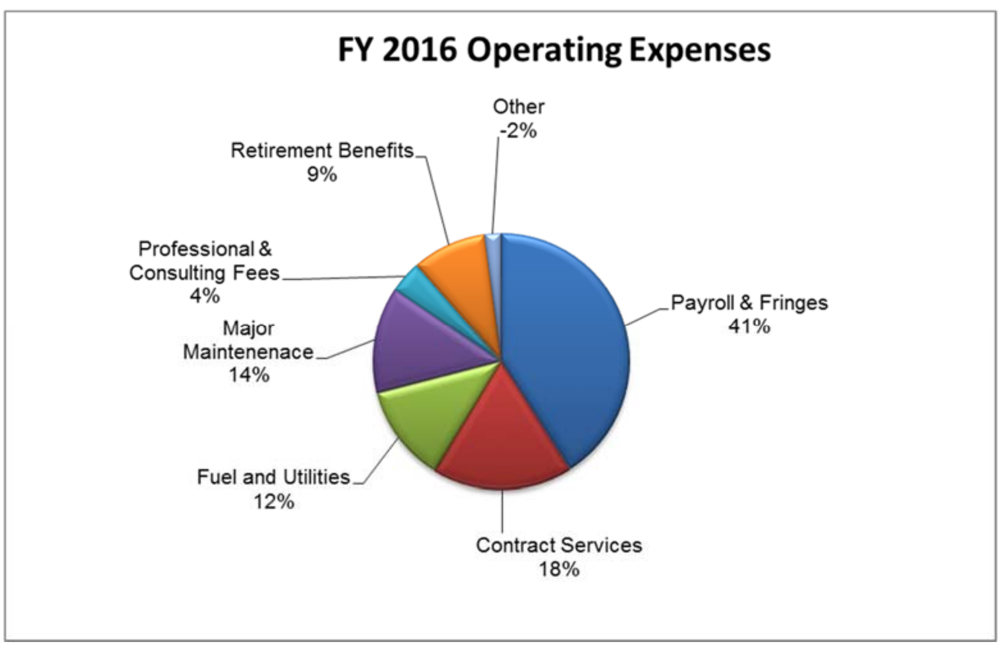


Expenses. The following schedule presents a summary of operating expenses before depreciation for the fiscal years ended June 30:

	2016		2015	2014
	Actual	Budget	Actual	Actual
Operating expenses:				
Payroll and fringe benefits	$ 12,543,003	$ 12,680,708	$12,450,329	$11,774,208
Contract services	5,408,911	6,135,260	4,833,110	4,964,718
Fuel and utilities	3,782,075	3,822,150	4,006,255	4,008,360
Professional and consulting fees	1,244,659	1,971,035	2,127,545	3,175,240
Retirement	2,871,862	2,066,313	1,819,136	2,005,672
Other	(636,765)	1,120,698	245,492	202,276
Total operating expenses before major mainteinance and depreciation	25,213,745	27,796,164	25,481,867	26,130,474
Major maintenance	4,122,935	7,904,100	6,979,543	4,954,707
Total Operating Expenses before Depreciation	29,336,680	35,700,264	32,461,410	31,085,181
Non-operatingexpenses				
Interest expense	7,197,499	8,716,963	7,301,171	11,414,638
Net loss on disposal of assets	7,342,979	-	1,193,663	-
Bond cost of issuance	-	-	-	1,772,379
Other	-	-	-	59,517
Total non-operating expenses	14,540,478	8,716,963	8,494,834	13,246,534
Total expenses before depreciation	$ 43,877,158	$ 44,417,227	$40,956,244	$44,331,715

Note: The 2014 information does not include the impact of the GASB 68 implementation.

Discussion of the variances from budget and prior year are included earlier in the Financial Highlights section.



Capital Contributions. The Authority receives Capital Contributions routinely in the form of payments from Federal Aviation Administration (FAA) grants that are generally only available for use on eligible capital and major maintenance spending. Other transactions that classify as Capital Contributions may consist of donations or transfers of land, property, and funds from any entity including private companies, state or local governments, or other governmental agencies. During FY16 the Authority recorded Capital Contributions of $18.5 million for payments received or accrued from FAA grants. Unused FAA grant funds from FY16 remain available for use by the Authority in future years. Other Capital Contributions received in FY16 consist of $6.5 million related to the ownership of facilities that reverted to the Authority as stipulated in certain tenant lease agreements that expired during the year. These facilities are discussed under Capital Assets below

Capital Assets. During fiscal year 2016, the Authority's capital spending and accruals totaled approximately $31,850,000. Major projects were: Runways & Taxiways - $17,283,000; Noise Mitigation, Land Acquisition, Relocation and Sound Insulation - $6,935,000; Terminal Renovation Project - $6,157,000; and Other Facility Projects and Equipment purchases - $1,277,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately $42,083,000. Also during fiscal year 2016 ownership of three Rental Car Service Buildings and Facilities with appraised values of $6,457,000 reverted to the Authority as stipulated in the original lease terms of certain leases that expired during this fiscal year.

The major capital asset dispositions by the Authority during fiscal year 2016 were the sales and / or transfers of land previously acquired under the FAA approved Part 150 Noise Mitigation, Land Acquisition and Relocation Program to United Parcel Service, LRZC and the Commonwealth of Kentucky. The Authority received total consideration of $8,697,000 consisting of $439,000 in cash and $8,258,000 as partial satisfaction of liabilities owed. The land had a book value of approximately $20,090,000. As explained in Note 8, under this program, the Authority bought residential parcels, relocated the families and demolished the homes which were considered incompatible within close proximity to the airport. This property is being resold for commercial or industrial uses. The transfer of the land includes avigation easements, airport servitudes and other deed restrictions on the property which severely restrict the use and consequently the value of the property and give the Authority these rights in perpetuity. As such, Avigation Easements associated with the property were recorded and valued at $4,018,000 which offset the net loss of $7,375,000.

A summary of capital asset activity can be found in Note 6 to the financial statements and in the Supplemental Schedule of Airport Property, Facilities and Equipment.

Debt. Currently, the Authority has bonds outstanding of $231,635,000 of which $17,920,000 is considered a current liability. Future revenues of the Authority are pledged to pay debt service on all of the bonds. Major projects that have been funded by the debt are terminal construction and renovation, parking garage and lot construction, airfield expansions and upgrades, land acquisitions, hangar construction and upgrades at Bowman Field. A summary of changes in long-term debt and annual debt service requirements are found in Note 7 to the financial statements.

Requests for Information. The financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any information contained in this report may be directed to the Director of Finance and Accounting, P.O. Box 9129, Louisville, KY 40209.

Respectfully submitted,

DM Caulk

Dorothy M. Caulk, CPA, CM
Director of Finance and Accounting

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2016	2015	2016	2015
ASSETS				
Current assets, unrestricted				
Cash and equivalents	$ 9,500,121	$ 11,501,975	$ 3,108,055	$ 4,196,229
Investments	48,878,365	42,231,907	13,997,319	15,004,782
Land held for sale	-	-	2,502,697	241,710
Grants receivable	1,866,672	8,459,584	-	-
Fees and rentals receivable, net	4,013,980	4,309,346	4,486,381	5,070,045
Due from component unit	14,522	37,448	-	-
Supplies and prepaid expenses	1,121,102	1,161,707	-	-
Total unrestricted current assets	65,394,762	67,701,967	24,094,452	24,512,766
Current assets, restricted				
Cash and equivalents	25,550,343	21,989,577	-	-
Cash and equivalents – land fund	685,878	1,714,957	-	-
Cash and equivalents – PFC fund	1,269,013	3,301,277	-	-
Investments – land fund	1,498,468	-	-	-
Investments – PFC fund	2,497,449	-	-	-
Total restricted current assets	31,501,151	27,005,811	-	-
Total current assets	96,895,913	94,707,778	24,094,452	24,512,766
Noncurrent assets, unrestricted				
Fees and rentals receivable, net	-	-	5,050,000	6,240,000
Capital assets not being depreciated	335,775,685	350,618,641	8,972,742	9,572,791
Depreciable capital assets, net	182,254,321	172,108,019	17,760,251	15,631,296
Unamortized loan costs	-	-	822,184	2,357,794
Total unrestricted noncurrent assets	518,030,006	522,726,660	32,605,177	33,801,881
Noncurrent assets, restricted				
Cash and equivalents	18,247	50,777	-	-
Investments,	28,969,752	32,856,670	-	-
Total restricted noncurrent assets	28,987,999	32,907,447	-	-
Total noncurrent assets	547,018,005	555,634,107	32,605,177	33,801,881
Total assets	643,913,918	650,341,885	56,699,629	58,314,647
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	3,847,215	1,279,301	-	-
Total assets and deferred outflows	$ 647,761,133	$ 651,621,186	$ 56,699,629	$ 58,314,647

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corp	
	June 30,		June 30,	
	2016	2015	2016	2015
LIABILITIES				
Current liabilities (payable from unrestricted current assets)				
Accounts payable	$ 10,395,352	$ 13,662,662	$ 338,296	$ 509,272
Accounts payable - Authority	-	-	14,522	37,448
Accrued expenses and other	1,022,912	1,283,290	134,983	11,916
Loans payable	-	-	4,655,611	3,733,022
Unearned income	1,819,123	1,642,105	-	-
Total unrestricted current liabilities	13,237,387	16,588,057	5,143,412	4,291,658
Current liabilities (payable from restricted current assets)				
Bonds payable	17,920,000	17,495,000	-	-
Accounts payable	263,069	1,194,382	-	-
Accrued interest on bonds	4,408,483	4,494,577	-	-
Total restricted current liabilities	22,591,552	23,183,959	-	-
Total current liabilities	35,828,939	39,772,016	5,143,412	4,291,658
Long-term debt				
Bonds and loans payable	213,715,000	231,635,000	2,697,889	7,571,655
Other liabilities				
Deposit from UPS land option	444,101	7,819,551	-	-
Unamortized bond premium, net	11,457,396	13,076,864	-	-
Deposit from Commonwealth of Kentucky	1,641,824	2,524,824	-	-
Revolving coverage (payable from restricted assets)	4,300,000	4,300,000	-	-
Net pension liability	18,537,853	13,734,000	-	-
Total other liabilities	36,381,174	41,455,239	-	-
Total liabilities	285,925,113	312,862,255	7,841,301	11,863,313
DEFERRED INFLOWS OF RESOURCES				
Pension related	91,533	1,468,000	-	-
Total liabilities and deferred inflows	$ 286,016,646	$ 314,330,255	$ 7,841,301	$ 11,863,313
NET POSITION				
Net investment in capital assets	$ 271,301,786	$ 247,658,006	$ -	$ -
Restricted for debt service	42,623,300	42,810,578	-	-
Restricted for capital projects	9,157,367	8,285,068	-	-
Unrestricted net position	38,662,034	38,537,279	48,858,328	46,451,334
Total net position	$ 361,744,487	$ 337,290,931	$ 48,858,328	$ 46,451,334

See accompanying notes to financial statements.

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LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2016 and 2015

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2016	2015	2016	2015
Operating revenues				
Rentals and concessions	$ 45,369,231	$ 45,416,065	$ 1,587,169	$ 1,576,829
Landing and field use fees	19,182,919	19,852,543	-	-
TIF revenues	-	-	2,460,000	4,385,909
Land sales, net of cost	-	-	1,271,207	9,351,008
Total operating revenues	64,552,150	65,268,608	5,318,376	15,313,746
Operating expenses				
Operations and general maintenance	14,973,314	15,419,641	-	-
Administrative, general, planning and engineering	10,240,431	10,062,226	296,136	211,654
Total operating and maintenance	25,213,745	25,481,867	296,136	211,654
Major maintenance	4,122,935	6,979,543	-	-
Depreciation and amortization	26,860,683	23,887,870	1,060,661	800,349
Total operating expenses	56,197,363	56,349,280	1,356,797	1,012,003
Operating income	8,354,787	8,919,328	3,961,579	14,301,743
Non-operating revenues (expenses)				
Investment earnings, net	1,117,771	788,542	40,001	12,708
Interest expense and loan amortization	(7,197,499)	(7,301,171)	(1,594,586)	(307,454)
Passenger facility charges	4,434,002	6,590,600	-	-
Net gain (loss) on disposal of assets	(7,342,979)	(1,193,663)	-	-
Cost of bond issuance	-	40,807	-	-
Other revenues	40,305	-	-	-
Net non-operating revenues (expenses)	(8,948,400)	(1,074,885)	(1,554,585)	(294,746)
Income (loss) before capital contributions	(593,613)	7,844,443	2,406,994	14,006,997
Capital contributions	25,047,169	26,641,885	-	-
Change in net position	24,453,556	34,486,328	2,406,994	14,006,997
Net position, beginning of year	337,290,931	302,804,603	46,451,334	32,444,337
Net position, end of year	$ 361,744,487	$ 337,290,931	$ 48,858,328	$ 46,451,334

See accompanying notes to financial statements.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 65,024,534	$ 65,607,338	$ -	$ -
Land sales, lease revenue, and TIF revenues	-	-	7,350,965	16,223,126
Payments to suppliers and others	(20,864,162)	(24,246,086)	(615,894)	(1,073,790)
Payments to employees	(8,452,455)	(8,075,033)	-	-
Net cash flows provided by operating activities	35,707,917	33,286,219	6,735,071	15,149,336
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	25,183,081	20,986,712	-	-
Passenger facility charges	4,434,002	6,673,691	-	-
Acquisition and construction of capital assets	(36,539,437)	(27,259,515)	(4,856,322)	(2,126,974)
Proceeds from sale of assets	32,524	61,880		-
Principal paid on capital debt	(17,495,000)	-	(3,951,177)	(1,469,691)
Net borrowings from (repayment to) the Authority	-	-	(27,438)	(41,398)
Interest paid on capital debt, net of capitalized interest	(7,283,593)	(4,619,426)	(35,772)	(120,005)
Other fees and proceeds	40,305	40,807	-	-
Net cash flows used for capital and related financing activities	(31,628,118)	(4,115,851)	(8,870,709)	(3,758,068)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturities of investments	113,946,811	78,386,265	32,012,543	9,502,553
Cash payments from component unit	22,926	41,398		-
Purchase of investments	(120,702,268)	(113,871,197)	(31,005,080)	(24,507,335)
Investment income	1,117,771	575,213	40,001	12,707
Net cash flows provided by (used for) investing activities	(5,614,760)	(34,868,321)	1,047,464	(14,992,075)
Net increase (decrease) in cash and equivalents	(1,534,961)	(5,697,953)	(1,088,174)	(3,600,807)
Cash and equivalents, beginning of year	38,558,563	44,256,516	4,196,229	7,797,036
Cash and equivalents, end of year	$ 37,023,602	$ 38,558,563	$ 3,108,055	$ 4,196,229

(Continued)

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2016	2015	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 8,354,787	$ 8,919,328	$ 3,961,579	$ 14,301,743
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	26,860,683	23,887,870	1,060,661	800,349
Changes in assets and liabilities:				
Fees and rentals receivable	295,366	55,063	1,773,665	207,772
Unearned income	177,018	366,748	-	(500,000)
Supplies and prepaid expenses	40,605	(70,450)	-	168,731
Accounts payable	239,836	81,721	(451,566)	701,608
Accrued expenses and other	(260,378)	45,939	131,808	-
Land	-	-	258,924	(530,867)
Net cash provided by operating activities	$ 35,707,917	$ 33,286,219	$ 6,735,071	$ 15,149,336

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

The Authority has retainage and accounts payable related to construction in progress of approximately $1,994,000 and $10,360,000 as of June 30, 2016 and 2015, respectively. The Authority recorded a gain/(loss) on the sale of assets of approximately $(7,343,000) and $(1,194,000) as of June 30, 2016 and 2015, respectively. The Authority reduced other liabilities of $8,260,000 through the exchange of land during 2016.

During fiscal year 2016 ownership of three Rental Car Service Buildings and Facilities with appraised values of $6,457,000 reverted to the Authority as stipulated in the original lease terms of certain leases that expired during this fiscal year.

LRZC financed the purchase of capital assets through accounts payable of approximately $280,000 and $299,000 in 2016 and 2015, respectively.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Louisville Regional Airport Authority (the "Authority") is a municipal corporation established by Chapter No. 77 of the 1928 Public Acts of the Commonwealth of Kentucky and existing pursuant to Kentucky Revised Statutes Chapter 183. The Board consists of the Mayor of Louisville Metro, seven members appointed by the Mayor of Louisville Metro and three members appointed by the Governor of the Commonwealth of Kentucky.

The Authority is responsible for the operation of Louisville International Airport, primarily a commercial operations airport, and Bowman Field, primarily a general aviation and reliever airport, in Louisville, Jefferson County, Kentucky. Costs of operating the Authority are recovered primarily through user charges. Primary revenue sources are:

Rentals and Concessions: These are revenues from airlines, fixed base operators, rental car companies, parking lot, food, gift shop and other commercial tenants. Leases generally are for terms from one to twenty years and may require rentals based on the volume of business of the lessee, with specified minimum rentals.

Landing and Field Use Fees: These fees are generally from scheduled airlines and nonscheduled commercial aviation and are assessed based on the landed weight of the aircraft. The scheduled airline fee structure is assessed pursuant to use agreements between the Authority and the signatory airlines.

Construction and Equipment Grants: Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), with certain matching funds provided by the Authority, the Commonwealth of Kentucky, or from other state allocations or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the Statement of Revenues, Expenses and Changes in Net Position, after non-operating revenues and expenses as capital contributions.

A summary of the significant accounting policies consistently applied in the accompanying financial statements is presented to assist in the understanding the Authority's financial statements.

Basis of Accounting: The Authority is accounted for as an enterprise fund. The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority has adopted GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The adoption of this statement requires the Authority to discretely present the legally separate, tax-exempt Louisville Renaissance Zone Corporation (LRZC) as a component unit of the Authority. See Note 16 for further LRZC disclosures.

(Continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: The Authority's net position is classified as follows:

Net Investment in Capital Assets: The Authority's investment in capital assets, net of outstanding debt obligations related to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Net position is reported as restricted when constraints placed on use are either externally imposed by creditors, grantors, contributors or laws, or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority's restricted assets are expendable.

Unrestricted Net Position: Net position whose use by the Authority is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board.

Release of Restricted Net Position: When an expense or outlay is incurred for which both restricted and unrestricted net position is available, the Authority's policy is to allow each departmental unit the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

Cash and Equivalents: For purposes of these financial statements, the Authority considers all highly liquid investments (including restricted assets and accrued interest) with a maturity of three months or less when purchased to be cash equivalents. Both restricted and unrestricted amounts are included on the statements of cash flows.

Fees and Rentals Receivable: Receivables are reported at present value less the estimated portion that is expected to be uncollectible. As of June 30, 2016 and 2015, the allowance for uncollectible accounts was $100,000 and $120,000, respectively.

Investments: Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investments are made only in government-backed securities. All investments are held in the Authority's name. It is management's intention to reinvest all maturing funds.

Capital Assets: The Authority's property and facilities that were transferred from the United States Government in 1948 are stated at approximate reproduction costs in 1948. Other donated assets are stated at approximate acquisition value at the date the assets were placed into service. Substantially all other assets are stated at cost. The interest carrying costs of facilities being constructed are capitalized during their construction period based on the Authority's average borrowing rate related to outstanding debt less interest income associated with the proceeds of such debt. There were no interest costs capitalized in 2016 and 2015.

(Continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority's depreciation policy requires that all qualifying assets with costs in excess of $50,000 and an expected useful life of three years or greater to be capitalized. Depreciation of facilities and equipment is provided on all depreciable assets, including those acquired with construction and equipment grants, over the estimated useful lives of the respective assets using the straight-line method. Estimated useful lives are as follows:

Land improvements	10 - 25 years
Buildings	10 - 25 years
Utility systems	5 - 20 years
Vehicles and other	5 - 15 years
Computer equipment and software	3 years

Nondepreciable capital assets include land (including easements), construction in progress and certain land acquisition costs.

Unearned Income: Unearned income consists of concessionaire rentals and payments received in advance, which will be recognized as revenue when earned.

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 based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Operating Revenues and Expenses: Operating revenues and expenses for enterprise funds are those that result from providing services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

Risk Management: The Authority is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport has purchased commercial insurance to cover these risks. There were no significant reductions in insurance coverage and no settlements that exceeded insurance coverage in any of the past three years. See Supplemental Schedule of Insurance for the types of risks and insurance coverage in place.

New Financial Reporting Standards: During the year, the Authority adopted GASB Statement No. 72, Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. These statements created additional reporting requirements within the notes to the financial statements.

The Authority has determined the following accounting standards have no financial impact on its financial statements: GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

Reclassifications: Certain amounts in the FY 2015 financial statements have been reclassified to conform to the FY 2016 presentation. The reclassifications did not impact the financial position or the results of operations of the Authority.

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NOTE 2 – CASH AND EQUIVALENTS

All of the Authority's deposits are either insured or collateralized. All deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the Authority's name. The balances of each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. The Authority's policy regarding custodial credit risk for deposits is for all overnight repurchase agreements to be fully collateralized by U.S. government securities held by the Authority or by the Authority's agent in the Authority's name. Repurchase agreements are recorded at cost.

Unrestricted and restricted cash and equivalents consist of the following at June 30:

	2016	2015
Cash on hand	$ 3,550	$ 3,550
Deposits with financial institutions	14,673,322	12,514,899
Repurchase agreements and cash equivalents	22,346,730	26,040,114
	$ 37,023,602	$ 38,558,563

The following table categorizes deposits with financial institutions as an indication of the level of risk associated with such deposits:

	2016	2015
Covered by federal depository insurance	$ 495,000	$ 500,000
Uninsured and collateralized	14,410,624	12,272,120
Bank balance	$ 14,905,624	$ 12,772,120
Carrying amount	$ 14,673,322	$ 12,514,899

NOTE 3 – INVESTMENTS

At June 30, 2016 and 2015, the Authority's investment balances were as follows:

2016:

Investment Type	Investment Balances	Maturity	Rating
Federal National Mortgage Association	$ 15,160,431	4/20/17 through 6/13/19	Aaa
Federal Home Loan Bank	23,524,805	8/26/2016 through 5/25/18	Aaa
Federal Home Loan Mortgage Corporation	37,143,236	10/14/16 through 5/24/19	Aaa
Federal Agricultural Mortgage Corporation	6,015,562	10/16/16	Aaa
	$ 81,844,034		

(Continued)

NOTE 3 – INVESTMENTS (Continued)

2015:

Investment Type	Investment Balances	Maturity	Rating
Federal National Mortgage Association	$ 997,597	8/26/2015	Aaa
Federal Home Loan Bank	57,774,117	8/26/2015 through 6/22/2017	Aaa
Federal Home Loan Mortgage Corporation	16,316,863	6/14/2017	Aaa
	$ 75,088,577		

Investment balances are presented on the Statement of Net Position under the following captions for the years ended June 30:

	2016	2015
Unrestricted investments, current	$ 48,878,365	$ 42,231,907
Restricted investments, current	3,995,917	-
Restricted investments, noncurrent	28,969,752	32,856,670
Total investments	$ 81,844,034	$ 75,088,577

Fair Value Measurement: The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2016:

- Federal National Mortgage Association Bonds of $15,160,431 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Bank Domestic Bonds of $23,524,805 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Mortgage Corporation Bonds of $37,143,236 is valued using a matrix pricing model (Level 2 inputs)
- Federal Agricultural Mortgage Corporation Bonds of $6,015,562 is valued using a matrix pricing model (Level 2 inputs)

The Authority has the following recurring fair value measurements as of June 30, 2015:

- Federal National Mortgage Association Bonds of $997,597 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Bank Domestic Bonds of $57,774,117 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Mortgage Corporation Bonds of $16,316,863 is valued using a matrix pricing model (Level 2 inputs)

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, the Authority is currently limited to investing unrestricted funds in U.S. Government obligations and agencies with a stated maturity of not more than one year; however, with CEO and CFO approval, maturity can be two years for the investment. Restricted investments, however, relate primarily to the scheduled repayment of bonds issued by the Authority. These investments mature such that proceeds from investments will become available in order to pay debt service. The weighted average maturity of investments at June 30, 2016 and 2015 was 1.18 years and 0.98 years.

(Continued)

NOTE 3 – INVESTMENTS (Continued)

Credit Risk: The Authority only has investments in U.S. Treasuries or other debt securities backed by the U.S. Government or the Commonwealth of Kentucky.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of investments or collateral securities that are in the possession of the custodian.

Concentration of Credit Risk: Unrestricted funds invested in U.S. Government Agencies are not limited. At June 30, 2016 and 2015, approximately $52,874,282 and $42,231,907 were invested in U.S. Government agency obligations, respectively. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

NOTE 4 – RESTRICTED ASSETS

The Authority's restricted assets, generally available for debt service requirements and airport improvements are as follows:

	Cash and Equivalents	Investments	Total
June 30, 2016			
Bond funds	$ 25,535,043	$ 22,275,582	$ 47,810,625
Revolving debt-coverage	18,247	6,694,170	6,712,417
Land proceeds	685,878	1,498,468	2,184,346
PFC funds	1,269,013	2,497,449	3,766,462
Other	15,300	-	15,300
	$ 27,523,481	$ 32,965,669	$ 60,489,150
June 30, 2015			
Bond funds	$ 22,040,354	$ 26,158,079	$ 48,198,433
Revolving debt-coverage	-	6,698,591	6,698,591
Land proceeds	1,714,957	-	1,714,957
PFC funds	3,301,277	-	3,301,277
	$ 27,056,588	$ 32,856,670	$ 59,913,258

Bond covenants require the Authority to restrict assets equal to 25% of the highest annual aggregate debt service for the current or future fiscal year which approximated $6,686,844 at June 30, 2016 and 2015. Upon maturity of the debt, the portion of these assets which were funded by the airlines will be credited to the appropriate airline cost centers. As of June 30, 2016 and 2015, this reimbursement amount was approximately $4,300,000, respectively.

(Continued)

NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority provides management and construction oversight services to LRZC. The amount due from LRZC was approximately $15,000 and $37,000 at June 30, 2016 and 2015, respectively.

In October 2014, the Authority sold 13.16 acres of land that was originally purchased under the Authority's voluntary land acquisition and relocation program using funds primarily from the Federal Aviation Administration's (FAA) Part 150 Noise Mitigation program to LRZC, a related party. The land had a net book value of approximately $1,400,000 at the time of sale, which included $280,000 of avigation easements that the Authority retained. Therefore, the Authority recorded a loss in 2015 of $1,100,000 related to this transaction.

In March 2016, the Authority sold 8.97 acres of land that was originally purchased under the Authority's voluntary land acquisition and relocation program using funds primarily from the Federal Aviation Administration's (FAA) Part 150 Noise Mitigation program to LRZC, a related party. The Authority received $439,000 for land that had a net book value of approximately $2,158,000 at the time of sale, which included $432,000 of avigation easements that the Authority retained. Therefore, the Authority recorded a loss in 2016 of $1,287,000 related to this transaction.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 292,702,037	$ 5,076,129	$ -	$ 297,778,166
Capital projects in progress:				
Construction projects	35,624,791	27,973,834	(31,676,050)	31,922,575
Land acquisition program	22,291,813	3,873,042	(20,089,911)	6,074,944
Total capital assets not being depreciated	350,618,641	36,923,005	(51,765,961)	335,775,685
Other capital assets:				
Land improvements	480,999,998	29,341,242	-	510,341,240
Buildings	140,465,928	7,174,544	-	147,640,472
Utility systems	41,274,448	146,276	-	41,420,724
Equipment (excluding automotive)	19,842,034	77,042	-	19,919,076
Vehicle and automotive equipment	10,896,526	72,157	(315,788)	10,652,895
Furniture and fixtures	5,152,049	195,724	(9,934)	5,337,839
Total other capital assets	698,630,983	37,006,985	(325,722)	735,312,246
Less accumulated depreciation for:				
Land improvements	367,987,734	18,206,614	-	386,194,348
Buildings	97,731,208	5,502,305	-	103,233,513
Utility systems	36,594,188	952,835	-	37,547,023
Equipment (excluding automotive)	11,652,007	1,481,315	-	13,133,322
Vehicle and automotive equipment	7,613,828	617,053	(315,788)	7,915,093
Furniture and fixtures	4,943,999	100,561	(9,934)	5,034,626
Total accumulated depreciation	526,522,964	26,860,683	(325,722)	553,057,925
Other capital assets, net	172,108,019	10,146,302	-	182,254,321
Net capital assets	$ 522,726,660	$ 47,069,307	$ (51,765,961)	$ 518,030,006

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 290,453,797	$ 2,248,240	$ -	$ 292,702,037
Capital projects in progress:				
Construction projects	26,775,178	34,934,234	(26,084,621)	35,624,791
Land acquisition program	23,032,599	-	(740,786)	22,291,813
Total capital assets not being depreciated	340,261,574	37,182,474	(26,825,407)	350,618,641
Other capital assets:				
Land improvements	464,063,941	16,936,057	-	480,999,998
Buildings	140,413,954	51,974	-	140,465,928
Utility systems	40,858,536	415,912	-	41,274,448
Equipment (excluding automotive)	15,050,894	4,820,994	(29,854)	19,842,034
Vehicle and automotive equipment	10,915,273	113,835	(132,582)	10,896,526
Furniture and fixtures	4,995,008	157,041	-	5,152,049
Total other capital assets	676,297,606	22,495,813	(162,436)	698,630,983
Less accumulated depreciation for:				
Land improvements	351,991,904	15,995,830	-	367,987,734
Buildings	92,508,136	5,223,072	-	97,731,208
Utility systems	35,626,938	967,250	-	36,594,188
Equipment (excluding automotive)	10,716,401	965,460	(29,854)	11,652,007
Vehicle and automotive equipment	7,079,034	667,376	(132,582)	7,613,828
Furniture and fixtures	4,875,117	68,882	-	4,943,999
Total accumulated depreciation	502,797,530	23,887,870	(162,436)	526,522,964
Other capital assets, net	173,500,076	(1,392,057)	-	172,108,019
Net capital assets	$ 513,761,650	$ 35,790,417	$ (26,825,407)	$ 522,726,660

NOTE 7 – LONG-TERM DEBT

Bonds Payable: From time to time, the Authority may issue bonds for capital construction or to refund prior bond issues. As described below, the Authority refunded all existing bonds during the year ended June, 30, 2014:

On June 26, 2014 the Airport issued $249,130,000 of General Airport Revenue Refunding Bonds, Series 2014A, 2014B and 2014C (collectively the "Series 2014 Bonds") with maturities through July 1, 2038. These bonds, along with other available funds of the Authority, refunded all then outstanding bonds which were considered to be defeased and removed from liabilities. There was a portion of the refunded / defeased bonds that were an insubstance defeased debt. The principal amount outstanding of insubstance defeased debt was $35,125,000 at June 30, 2016 and $92,540,000 at June 30, 2015.

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

The Airport System Revenue Master Bond Resolution adopted by the Authority's Board requires the Authority to restrict a certain amount of assets as discussed in Note 4. The Resolution also requires the Authority to comply with a debt service coverage financial covenant. At June 30, 2016, the Authority was in compliance with this financial covenant. Additionally, the bonds are subject to federal arbitrage regulations. As of June 30, 2016, there was no liability for arbitrage rebate.

Bonds payable, which are parity bonds secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues, consists of the following at June 30:

	2016	2015
2014 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at fixed rates ranging from 2.00% to 5.00% through July 1, 2032.	$ 112,555,000	$ 119,585,000
2014 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at fixed rates ranging from 2.00% to 5.00% through July 1, 2023.	2,975,000	3,285,000
2014 Series C Revenue Bonds, various annual principal payments with semi-annual interest payments at fixed rates ranging from 0.25% to 4.60% through July 1, 2038.	116,105,000	126,260,000
Total revenue bonds payable	231,635,000	249,130,000
Less: current portion	(17,920,000)	(17,495,000)
	$ 213,715,000	$ 231,635,000

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 249,130,000	$ -	$(17,495,000)	$ 231,635,000	$ 17,920,000

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 249,130,000	$ -	$ -	$ 249,130,000	$ 17,495,000

The total interest incurred and expensed for the years ended June 30, 2016 and 2015 was approximately $8,817,000 and $8,989,000, respectively. No interest was capitalized during 2016 and 2015

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

Annual Debt Service Requirements: The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2016, are as follows:

	Principal	Interest	Total
Year ended June 30,			
2017	$ 17,920,000	$ 8,816,964	$ 26,736,964
2018	18,240,000	8,507,375	26,747,375
2019	15,955,000	8,133,767	24,088,767
2020	16,410,000	7,655,549	24,065,549
2021	17,130,000	7,035,821	24,165,821
2022-2026	83,080,000	24,030,035	107,110,035
2027-2031	44,115,000	9,983,327	54,098,327
2032-2036	16,885,000	1,699,756	18,584,756
2037-2041	1,900,000	177,599	2,077,599
	$ 231,635,000	$ 76,040,193	$ 307,675,193

Outstanding Letters of Credit: At June 30, 2016 and 2015, the Authority had $135,000 of available letters of credit related to ongoing owner controlled insurance program claims incurred during the Louisville Airport Improvement Program. The outstanding balance was $0 at June 30, 2016 and 2015.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Part 150 Land Acquisition Program: The Authority is acquiring certain residential properties surrounding the Louisville International Airport that are adversely impacted by noise. To accomplish this acquisition, the Authority has instituted an FAA approved Part 150 voluntary acquisition and relocation program. Under this program, residents in the noise-impacted areas may sell their property to the Authority at its appraised value. The Authority will also make a replacement housing payment, if applicable, and pay most closing and moving expenses. Once vacated, all residential and ancillary structures are demolished or moved from the noise-impacted area.

To assist residents in finding replacement housing, the Authority, in conjunction with the FAA, has developed an Innovative Housing Program at Heritage Creek. Through this program, the Authority has developed a subdivision located outside the noise-impacted areas, which consist of moderately priced houses similar to the houses of the residents seeking replacement. Residents participating in this program may exchange their residential property in the noise-impacted area for similar property in the new subdivision. This program will provide approximately 450 replacement lots at an estimated cost of $28 million. This program was initially funded partially by a special grant from the FAA of $10 million with remaining costs being paid with surplus funds of the Authority.

Upon completion of the Part 150 Land Acquisition Program, approximately 2,200 residential properties will have been acquired at an estimated cost of $297 million. This includes costs of residences acquired, replacement housing payments, demolition and other related costs. At June 30, 2016, capital projects in progress include approximately $6 million related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately $270 million less $264 million of costs related to land which has been sold or optioned for sale.

(Continued)

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

For land purchased under this program, the FAA requires land no longer needed for noise compatibility purposes be stripped of its residential development rights and sold at fair market value at the earliest practicable time. The portion of the sale proceeds which is proportionate to the FAA's share of land acquisition costs will either, (1) be returned to the FAA, or (2) be reinvested in an approved noise compatibility project as approved by the FAA. At the time of such sales, significant losses on impairment, asset reallocations or gains, may occur. The Authority retains certain rights in perpetuity associated with this land that is sold.

Deposit from Commonwealth of Kentucky: In September 1994, the Authority and the Commonwealth of Kentucky (the Commonwealth) entered into a "Memorandum of Understanding" (M.O.U.) in which the Commonwealth agreed to relieve the Authority from its future obligations (principal and interest) pertaining to the 1982 and 1988 Commonwealth of Kentucky Economic Development Bonds (Bonds) in exchange for the construction and transfer of property and other assets as specified in the M.O.U. The Bonds with a recorded amount of $9,820,125 were retired in the year ending June 30, 2000. The full release is estimated at approximately $10,200,000, which is the present value of the required bond payments over the remaining term of the bonds at the historical discount rate.

During Fiscal 1999, the Authority received an additional $20,000,000 from the Commonwealth to acquire residential property under its Part 150 Land Acquisition Program. The Authority, in turn, agreed to transfer certain property to the Commonwealth.

On September 3, 2003, the Authority entered into a deed which transferred property to the Commonwealth at a value of $10,386,337. The deed was filed with the County Clerk of Jefferson County, Kentucky on December 30, 2004. On March 27, 2009, the Authority entered into a deed which transferred additional property to the Commonwealth at a value of $1,088,840. That deed was filed with the County Clerk of Jefferson County, Kentucky on May 15, 2009. On June 24, 2013, the Authority entered into a deed which transferred property to the Commonwealth at a value of $16,200,000. The deed was filed with the County Clerk of Jefferson County on June 25, 2013. On June 9, 2016, the Authority entered into a deed which transferred property to the Commonwealth at a value of $883,000. The deed was filed with the County Clerk of Jefferson County on June 17, 2016. The entire amount of these transfers reduced the related liability.

The Authority expects to transfer additional property in the future, as specified by the Commonwealth of Kentucky, in order to satisfy the remaining obligations.

Deposit From UPS Land Option: In December 1996, the Authority and United Parcel Service, Inc. (UPS) executed a UPS/RAA Deal Points memo that summarized an intended exchange and sale of property. The memo was a non-binding expression of intent subject to definitive agreements and approvals. In December 1996, UPS made an advance payment of $3,500,000 to the Authority for the intended purchase and option of land under this agreement. In January 1999, the Authority and UPS formally entered into a Property Exchange and Agreement of Sale whereby UPS agreed to transfer certain property to the Authority, the Authority agreed to transfer certain property to UPS, and the Authority granted UPS options to purchase certain real property. The agreements identified the areas to be optioned but did not identify specific tracts of land.

In December 2003, UPS entered into a Lease in Anticipation of Transfer for a portion of the area included in the agreements. Under the lease, a portion of the lease payments were to be applied to the purchase price of the land under the agreement. The area under lease was stipulated to be a part of the second option, at which time lease payments would no longer be due. In December 2006, UPS exercised the second option with an advance payment to the Authority of $4,531,250. The portion of lease payments received applicable to the purchase of land total $162,851.

(Continued)

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

In fiscal 2009, the Authority transferred land valued at $374,550 in partial settlement of the advances. In April 2014, the Authority and UPS executed a Superseding Agreement of Sale. This agreement designated specific tracts of land that, when transferred, will satisfy a majority of the remaining obligations. In fiscal 2016 the Authority transferred land valued at $7,375,450 that satisfied a majority of this obligation. The 2014 agreement also extended the date to exercise the remaining option to 2017 and allows termination of the remaining option and a credit back to UPS per acre lapsed at that time.

Litigation: From time to time, the Authority is a party to litigation involving routine matters and is subject to certain other claims which arise in the normal course of business. In management's opinion, the ultimate resolution of the claims is not expected to have a material adverse effect on the Organization's financial position, change in net position or cash flow.

NOTE 9 – SPECIAL FACILITY REVENUE BONDS (Conduit Debt)

Special Facility Revenue Bonds totaling $148,800,000 issued during fiscal year 1999 and $42,600,000 issued in fiscal year 2006 (collectively, the Facility Bonds), were issued to finance the acquisition and construction of facilities for UPS. Although taking the legal form of a financing lease between the Authority and UPS, the substance of these arrangements is that the Facility Bonds constitute special and limited obligations and do not constitute a debt, liability or general obligation of the Authority or a pledge of Authority revenues. Repayment of the Facility Bonds and related interest is unconditionally the obligation of UPS. As such, no liability relating to the Facility Bonds is included in the accompanying financial statements. At June 30, 2016 and 2015, Special Facility Revenue Bonds outstanding aggregated $191,400,000.

NOTE 10 – PROPERTY LEASED TO OTHERS

The Authority leases land, terminal and other facilities to certain airlines and others. The terms of these leases are up to 20 years. Some of the rentals and fees paid by certain airlines are based on the costs allocable to the respective cost centers including direct and indirect maintenance and operating expenses, major maintenance, capital equipment, amortization of the cost of capital improvements, annual revenue bond debt service, as well as any other adjustments needed to maintain the debt service coverage account or other deposits required under the Bond Resolution. Other leases contain fixed rents which may be subject to escalation. For the years ended June 30, 2016 and 2015, revenues from these leases were approximately $14.7 million and $14.6 million, respectively.

The Authority also enters into rental agreements with concessionaires for food and beverage, news and gift, rental car facilities, advertising and others. Generally, the agreements are for terms from 1 to 7 years and provide for a concession fee equal to the greater of a percentage of gross revenues or a minimum monthly guarantee (MMG). Certain agreements are subject to a variable MMG. Other agreements provide for a concession fee that is contingent on sales. For the years ended June 30, 2016 and 2015, revenues from such agreements were approximately $11 million and $11 million, respectively. Revenues from contingent rentals that are made up primarily of the excess over MMG and sales only based agreements were $2.2 million and $2.8 million for 2016 and 2015, respectively.

(Continued)

NOTE 10 – PROPERTY LEASED TO OTHERS (Continued)

All land leases, facility leases, and concession agreements are accounted for as operating leases. Future revenues under these agreements, based on fixed terms or on 2016 actual rates and assuming current agreements are carried to contractual termination are as follows:

	Land and Facilities	Concessions	Total
Year ended June 30,			
2017	$ 16,166,804	$ 9,047,841	$ 25,214,645
2018	14,944,335	9,111,969	24,056,304
2019	14,670,730	9,057,553	23,728,283
2020	14,246,768	9,047,219	23,293,987
2021	14,178,898	3,620,155	17,799,053
Thereafter	33,540,923	6,294,166	39,835,089
	$ 107,748,458	$ 46,178,903	$ 153,927,361

NOTE 11 – PASSENGER FACILITY CHARGES

The Aviation Safety and Capacity Expansion Act of 1990 authorized domestic airports to impose a Passenger Facility Charge (PFC) on passengers. The Authority imposed a $4.50 PFC on enplaning passengers for the year ended June 30, 2015. Starting in August 2015, the PFC rate was reduced to $3.00. Subsequent to fiscal 2016 the Authority applied for and was approved to reduce the PFC rate to $1.00 effective October 1, 2016.

The FAA has authorized the Authority to collect total net PFC revenue of $107,563,773 to be applied as follows:

For direct payment on capital project costs	$ 36,290,721
To be applied to the debt service and related costs on bonds issued to finance PFC approved project costs	71,273,052
Total Authorized	$ 107,563,773

During the years ended June 30, 2016 and 2015, the Authority recognized passenger facility charge revenues of approximately $4,434,000 and $6,591,000, respectively.

NOTE 12 – MAJOR CUSTOMER

During fiscal years 2016 and 2015, the Authority earned approximately 25% of its operating revenues from one customer in each year.

(Continued)

NOTE 13 – DEFERRED COMPENSATION AND 401(K) PLANS

Noncontributory Plan: The Authority offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k). The Plans are available to all Authority employees, and allow each employee to defer a portion of their salary until future years. The Plans are administered by ICMA Retirement Corporation and Kentucky Public Employees Deferred Compensation Authority (KPEDCA). Employee contributions to the 457 Plan for the years ended June 30, 2016 and 2015 totaled approximately $120,000 and $120,000, respectively, and employee contributions to the 401(k) Plan for the same years were approximately $195,000 and $169,000, respectively.

Contributory Plan: In 2001, the Authority adopted the County Employees Retirement System of Kentucky (CERS) as the Authority's retirement plan (see Note 14). At that time, employees were given the option to enroll in CERS or in a defined contribution 401(k) cash option provided through KPEDCA. For employees who opted into the 401(k) plan, the Authority made employer contributions on behalf of employees that were based on the same contribution percentage amount calculated annually by CERS for employer contributions.

In November 2014, KPEDCA notified the Authority that effective January 1, 2015 "the 401(k) Plan will be amended to indefinitely suspend supplemental (benefit and employer discretionary) contributions." This means the Authority can no longer make employer contribution to 401(k) plans administered by KPEDCA. This change did not impact individual accounts currently in an Authority sponsored 401(k). However, as a result of KPEDCA's 401(k) change in plan structure, affected employees were required to select a different employer contribution retirement option. The Authority identified ICMA-RC to administer a 457 plan that will accept pre-tax employer contributions. The plan will also accept optional employee contributions up to $17,500 ($23,000 if over age 50 or older). Pre-tax contribution limits include combined employee and employer contributions.

The employer contribution to the 401(k)/457 plan was approximately $30,000 and $36,000 for the year ended June, 30, 2016 and 2015, respectively. Participating employees fall under the Nonhazardous employee category.

Government GAAP allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from the statement of net position. The Authority, therefore, does not show these assets and liabilities on the statements of net position.

NOTE 14 – DEFINED BENEFIT PENSION PLANS

All employees hired after May 1, 2001 are required to participate in a defined benefit plan administered by CERS under the Kentucky Retirement Systems (KRS), a cost-sharing multiple-employer public employee retirement system which consists of two plans; Nonhazardous and Hazardous. All eligible Authority employees as of May 1, 2001 could elect to participate in either CERS or the KPEDCA 401(k) Plan (see Note 13).

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

County Employees Retirement System

General Information about the Pension Plan: All full-time and eligible part-time employees of the Authority participate in CERS, a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the Board) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs.

The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. KRS and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

CERS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Basis of Accounting: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Nonhazardous Normal Retirement:

***Members whose participation began before 8/1/2004*:**

Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

Members whose participation began on or after 8/1/2004, but before 9/1/2008:

Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008 but before 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
26+ - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: Each year that a member is an active contributing member to the System, the member contributes 5% of creditable compensation, and the member's employer contributes 4.00% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Hazardous Normal Retirement:

Members whose participation began before 9/1/2008:

Age and Service Requirement: Age 55 with at least one month of hazardous duty service credit, or at any age with 20 or more years of service credit.

Benefit: If a member has at least 60 months of service, the monthly benefit is 2.50% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest three (3) fiscal years of salary. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used. If a member has less than 60 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008 but before 1/1/2014:

Age and Service Requirement: Age 60 with at least 60 months of hazardous duty service credit, or at any age with 25 or more years of service credit.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.30%
10+ - 20 years	1.50%
20+ - 25 years	2.25%
25+ years	2.50%

Final compensation is calculated by taking the average of the highest three (3) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 60 with at least 60 months of hazardous duty service credit, or at any age with 25 or more years of service credit.

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

Benefit: Each year that a member is an active contributing member to the System, the member contributes 8% of creditable compensation, and the member's employer contributes 7.50% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. This hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year.

Upon retirement, the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Contributions: The Authority was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal years ended June 30, 2016 and 2015, participating employers contributed 17.06% and 17.67% as set by KRS, respectively, of each Nonhazardous employee's creditable compensation, and 32.95% and 34.31% for Hazardous plan members. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investments earnings.

The Authority has met 100% of its contribution funding requirement for the fiscal years ended June 30, 2016, 2015, and 2014. Employer pension contributions were $1,299,283 and $1,324,238 for the years ended June 30, 2016 and 2015.

Members whose participation began before 9/1/2008:

Nonhazardous contributions equal 5% of all creditable compensation and Hazardous contributions equal to 8% of all creditable compensation.

Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Nonhazardous contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Hazardous contributions equal to 9% of all creditable compensation, with 8% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

Members whose participation on or after 1/1/2014:

Nonhazardous contribution equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Hazardous contribution equal to 9% of all creditable compensation, with 8% being credited to the member's account and 1% deposited to the KRS 401(h) Account.

Members entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

Plan Information for June 30, 2016 Financial Statements:

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.00 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Discount rate assumptions:

(a) **Discount rate**: The discount rate used to measure the total pension liability was 7.50%. The discount rate changed from 7.75% since the last measurement period.

(b) **Projected cash flows:** The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

(c) **Long-term rate of return**: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

(d) **Municipal bond rate**: The discount rate determination does not use a municipal bond rate.

(e) **Periods of projected benefit payments**: Projected future benefit payments for all current plan members were projected through 2117. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined equity	44.00%	5.40%
Combined Fixed Income	19.00%	1.50%
Real Return (Diversified Inflation Strategies)	10.00%	3.50%
Private equity	10.00%	8.50%
Real estate	5.00%	4.50%
Absolute Return (Diversified Hedge Funds)	10.00%	4.25%
Cash Equivalent	2.00%	-0.25%
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 7.50% based on a blending of the factors described above.

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

(g) **Sensitivity Analysis**: This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the Authority's allocated portion of the net pension liability ("NPL") of the System, calculated using the discount rate of 7.50 percent, as well as what the Authority's allocated portion of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's net position liability - Nonhazardous	$ 15,858,306	$ 12,422,062	$ 9,479,225
Authority's net position liability - Hazardous	7,828,417	6,115,791	4,696,838
Total	$ 23,686,723	$ 18,537,853	$14,176,063

Employer's Portion of the Collective Net Pension Liability: The Authority's proportionate share of the Plan's net pension liability, as indicated in the prior table, is $18,537,853. The Authority's proportionate share of the CERS plan was approximately 0.289% for Nonhazardous and 0.398% for Hazardous service employees. The liability was distributed based on 2015 actual employer contributions to the plan.

Measurement Date: June 30, 2015 is the actuarial valuation date upon which the total pension liability is based. No update procedures were used to determine the total pension liability.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described in Schedule D of the CERS actuary report. The changes are noted below:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension Expense: The Authority's proportionated share of Plan pension expense was $1,566,349 for Nonhazardous and $564,105 for Hazardous service employees.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period. The table below provides a summary of the deferred inflows and outflows as of the Measurement Date.

For year ending June 30, 2016:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 236,063	$ -
Change of assumptions	1,781,133	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	423,610	(91,533)
Differences between expected and actual investment earning on plan investments	149,761	-
	2,590,567	(91,533)
Contributions subsequent to the measurement date	1,256,648	-
Total	$ 3,847,215	$ (91,533)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2017. The remainder of the deferred outflows of resources are amortized over five years with remaining amortization as follows:

2017	$ 798,423
2018	798,423
2019	430,277
2020	471,911

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

Plan Information for June 30, 2015 Financial Statements:

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2008.

Discount rate assumptions:

(a) **Discount rate**: The discount rate used to measure the total pension liability was 7.75%.

(b) **Projected cash flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The statutorily determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

(c) **Long term rate of return**: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis prepared as of June 30, 2008, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

(d) **Municipal bond rate**: The discount rate determination does not use a municipal bond rate.

(e) **Periods of projected benefit payments**: Projected future benefit payments for all current plan members were projected through 2116.

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

(f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.00%	8.45%
International equity	22.00%	8.85%
Emerging market equity	5.00%	10.50%
Private equity	7.00%	11.25%
Real estate	5.00%	7.00%
Core U.S. fixed income	10.00%	5.25%
High-Yield U.S. fixed income	5.00%	7.25%
Non-U.S. fixed income	5.00%	5.50%
Commodities	5.00%	7.75%
Treasury Inflation Protected Securities	5.00%	5.00%
Cash	1.00%	3.25%
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 7.75% based on a blending of the factors described above.

(g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the Authority's allocated portion of the net pension liability ("NPL") of the System, calculated using the discount rate of 7.75 percent, as well as what the Authority's allocated portion of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Authority's net position liability - Nonhazardous	$11,634,168	$ 8,841,000	$ 6,373,175
Authority's net position liability - Hazardous	$ 6,400,824	$ 4,893,000	$ 3,612,739
Total	$18,034,992	$ 13,734,000	$ 9,985,914

Employer's Portion of the Collective Net Pension Liability: The Authority's proportionate share of the Plan's net pension liability, as indicated in the prior table, is $13,734,000. The Authority's proportionated share of the CERS plan was approximately .273% for Nonhazardous and .407% for Hazardous service employees. The liability was distributed based on 2014 actual employer contributions to the plan.

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

Measurement Date: June 30, 2014 is the actuarial valuation date upon which the total pension liability is based. No update procedures were used to determine the total pension liability. An expected total pension liability is determined as of July 1, 2013 using standard roll back techniques. The roll back calculation subtracts the annual normal cost (also called the service costs), adds the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the total pension liability as of July 1, 2013, is shown in the GASB 67 report for CERS submitted on November 17, 2014.

Changes in Assumptions and Benefit Terms: There were no changes in assumptions or benefit terms since the prior measurement date.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension Expense: The Authority's proportionated share of Plan pension expense was $379,000 for Nonhazardous and $708,000 for Hazardous service employees.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year.

The table below provides a summary of the deferred inflows and outflows as of the Measurement Date of June 30, 2014.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings on Plan investments	$ -	$ 1,468,000
Employer contributions subsequent to the measurement date	1,279,301	-
Total	$ 1,279,301	$ 1,468,000

Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5 year period. Deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

(Continued)

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plans described in Notes 13 and 14, the Authority offered postemployment health care benefits to all employees who retired from the Authority prior to May 1, 2001 on or after attaining age 55 with at least ten years of service and to all disabled employees with at least one year of service who were injured on the job. The Authority contributes between 95% and 100% of the amount of medical insurance premiums approved by the Authority for such retired and disabled employees and their dependents. These contributions are recognized by the Authority as they are made. The cost of providing such benefits was approximately $47,000 for 15 employees and $44,000 for 16 employees during 2016 and 2015, respectively. The Plan may be terminated at the election of the Board without notice.

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION

Organization: LRZC entered into an Interlocal Cooperation Agreement with the Louisville Metro Government and the Commonwealth of Kentucky whereby funding will be provided by Tax Incremental Financing (“TIF”). Under this agreement, LRZC is to acquire property, construct, and maintain improvements to accomplish approved public purposes. To date, LRZC has approval for an initial project totaling $41.7 million primarily for land acquisition and infrastructure improvements. Upon completion of the initial project, approval for additional projects may be requested based on TIF funding availability.

The Authority’s Board members also serve as LRZC’s Board, however LRZC is legally separate from the Authority, there is no financial benefit or burden relationship, activities of the LRZC are managed separately, and LRZC benefits the community. . These characteristics support LRZC being defined as a discretely presented component unit in the Authority’s financial statements.

Investments: Investments are recorded at fair value. Investments are made only in government-backed securities. All investments are held in the Authority’s name. It is management’s intention to reinvest all maturing funds.

Land Held For Sale: As a public property corporation, land may be available for either lease or sale. The book value of land intended to be sold within one year is reclassified from Capital Assets to Land Held for Sale.

Fees Receivable: Receivables represent Tax Increment Financing (TIF) requests submitted to or earned from state and local governments. At June 30, 2016, fees receivable include TIF revenue calculated based on detailed information obtained from the local government through December 31, 2013 and estimated TIF revenue earned through calendar year 2015 for both local and state governments for which detailed information is not yet available to calculate. Amounts not expected to be collected within one year are reported as long-term receivables. Receivables are reported at fair value and are reduced by the estimated portion that is expected to be uncollectible. Interest is not normally charged on receivables. As of June 30, 2016 and 2015, management has estimated all amounts to be fully collectible.

Revenues: LRZC recognizes revenue from land sales upon transfer of title. Revenue from the TIF agreements are recognized when reasonably measurable and determinable based on the terms of the respective agreements. TIF revenue included in operating revenue represents the estimated TIF revenue earned in the most recent calendar year as well as any differences between actual collections and prior estimates.

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

Investments: At June 30, 2016, LRZC's investment balances were as follows:

Investment Type	Investment Balances	Maturity	Rating
Federal Home Loan Bank	$ 13,997,319	8/25/16 through 12/9/16	Aaa

At June 30, 2015, LRZC's investment balances were as follows:

Investment Type	Investment Balances	Maturity	Rating
Federal Home Loan Bank	$ 15,004,782	8/25/15 through 10/23/15	Aaa

Fair Value Measurement: The LRZC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The LRZC has the following recurring fair value measurements as of June 30, 2016:

- Federal Home Loan Bank Domestic Bonds of $13,997,319 is valued using a matrix pricing model (Level 2 inputs)

The LRZC has the following recurring fair value measurements as of June 30, 2015:

- Federal Home Loan Bank Domestic Bonds of $15,004,782 is valued using a matrix pricing model (Level 2 inputs)

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, LRZC is currently limited to investing unrestricted funds in U.S. Government obligations and agencies with a stated maturity of not more than one year; however, with CEO and CFO approval, maturity can be two years for the investment.

Credit Risk: LRZC only has investments in U.S. Treasuries or other debt securities backed by the U.S. Government.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the custodian, LRZC may not be able to recover the value of investments or collateral securities that are in the possession of the custodian.

Concentration of Credit Risk: Unrestricted funds invested in U.S. Government Agencies are not limited. At June 30, 2016 and 2015, approximately $14,000,000 and $15,000,000, was invested in U.S. Government agency obligations, respectively. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

Capital Assets: The LRZC records capital assets at cost or at estimated fair value at the date of purchase. Costs that clearly relate to land development projects are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Otherwise, costs are allocated based on their relative fair value to the total project. Interest costs are capitalized while development is in progress. The LRZC depreciation policy is consistent with that of the Authority. Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 7,656,349	$ 457,370	$ (2,518,957)	$ 5,594,762
Construction projects	1,916,442	4,651,155	(3,189,617)	3,377,980
Total capital assets not being depreciated	9,572,791	5,108,525	(5,708,574)	8,972,742
Other capital assets:				
Land improvements	15,685,601	3,189,616	-	18,875,217
Utility systems	3,254,054	-	-	3,254,054
Total other capital assets	18,939,655	3,189,616	-	22,129,271
Less accumulated depreciation	(3,308,359)	(1,060,661)	-	(4,369,020)
Other capital assets, net	15,631,296	2,128,955	-	17,760,251
Net capital assets	$ 25,204,087	$ 7,237,480	$ (5,708,574)	$ 26,732,993

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 7,860,738	$ 72,400	$ (276,789)	$ 7,656,349
Construction projects	4,130,486	3,184,368	(5,398,412)	1,916,442
Total capital assets not being depreciated	11,991,224	3,256,768	(5,675,201)	9,572,791
Other capital assets:				
Land improvements	10,318,856	5,366,745	-	15,685,601
Utility systems	3,114,054	140,000	-	3,254,054
Total other capital assets	13,432,910	5,506,745	-	18,939,655
Less accumulated depreciation	(2,508,010)	(800,349)	-	(3,308,359)
Other capital assets, net	10,924,900	4,706,396	-	15,631,296
Net capital assets	$ 22,916,124	$ 7,963,164	$ (5,675,201)	$ 25,204,087

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

Long-Term Debt: Loans payable consists of the following at June 30:

	2016	2015
Loan payable to UPS under original terms to be paid in fourteen annual installments of principal, beginning September 21, 2008 and maturing on September 21, 2021. Repayments on this loan are to be made solely from specified proceeds of LRZC activities subject to advance repayment.	$ 1,669,493	$ 4,787,648
Loan payable to UPS under original terms to be paid in seven annual installments of principal beginning September 21, 2021 and maturing on September 21, 2027. Repayments on this loan are to be made solely from TIF revenues subject to advance repayment.	5,097,890	5,097,890
Loan payable to be paid to Louisville Paving in sixty monthly installments of $75,062, including interest at 6.5%, beginning March 1, 2012 and maturing on February 1, 2017. Repayments on this loan are secured by an assignment of certain rents.	586,117	1,419,139
Total loans payable	7,353,500	11,304,677
Less current portion	(4,655,611)	(3,733,022)
Long-term portion	$ 2,697,889	$ 7,571,655

Annual Loan Repayment Requirements: The annual loan repayment requirements to maturity, including principal and interest, as of June 30, 2016, are estimated as follows:

	Principal	Interest	Total
Year ended June 30,			
2017	$ 4,655,611	$ 14,377	$ 4,669,988
2018	2,697,889	-	2,697,889
	$ 7,353,500	$ 14,377	$ 7,367,877

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

Operating Lease of a Lessor: LRZC entered into an operating lease with Ford Motor Company for 14.593 acres of land and land improvements that commenced in July 2011 with an original term through December 2016 and an option to renew for five years. The lease includes ground rent, improvement rent, and commission rent components. The lease was amended in April 2012 and in April 2013 to include additional improvements. The approximate future minimum lease payments to be received in each of the years remaining under the original term are as follows:

Year ended June 30,	
2017	$ 700,195

Lease revenue recognized during the year ended June 30, 2016 and 2015 was $1,587,169 and $1,576,829, respectfully. The net book value of the property subject to the lease was $3,200,000 and $3,300,000 at June 30, 2016 and 2015, respectively. The rent related to improvements is the primary source of repayment for the loan payable to be paid to Louisville Paving.

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REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2016

	2016	2015
Authority's proportion of the net pension liability	0.289%	0.273%
Authority's proportionate share of the net pension liability	$ 12,422,062	$ 8,841,000
Authority's covered employee payroll	$ 6,848,747	$ 6,300,048
Authority's proportion of the net pension liability as a percentage of its covered employee payroll	181.377%	140.332%
Plan fiduciary net position as a percentage of the total pension liability	59.968%	66.801%

Notes:

1) The amounts presented for each fiscal year were determined as of the prior year end which is the valuation date of the related liability.
2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.
3) Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described in Schedule D of the CERS actuary report. The changes are noted below:

    - The assumed investment rate of return was decreased from 7.75% to 7.50%.
    - The assumed rate of inflation was reduced from 3.50% to 3.25%.
    - The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
    - Payroll growth assumption was reduced from 4.50% to 4.00%.
    - The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
    - For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
    - The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
June 30, 2016

	2016	2015
Authority's proportion of the net pension liability	0.398%	0.407%
Authority's proportionate share of the net pension liability	$ 6,115,791	$ 4,893,000
Authority's covered employee payroll	$ 2,175,463	$ 2,111,137
Authority's proportion of the net pension liability as a percentage of its covered employee payroll	281.126%	231.771%
Plan fiduciary net position as a percentage of the total pension liability	57.515%	63.457%

Notes:

1) The amounts presented for each fiscal year were determined as of the prior year end which is the valuation date of the related liability.
2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.
3) Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described in Schedule D of the CERS actuary report. The changes are noted below:

   - The assumed investment rate of return was decreased from 7.75% to 7.50%.
   - The assumed rate of inflation was reduced from 3.50% to 3.25%.
   - The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
   - Payroll growth assumption was reduced from 4.50% to 4.00%.
   - The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
   - For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
   - The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2016 and 2015

	2016	2015
Statutorily required contribution for pension	$ 847,707	$ 873,265
Authority's contributions in relation to the statutorily required contribution	(847,707)	(873,265)
Annual contribution deficiency (excess)	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%
Authority's covered employee payroll	$ 6,825,340	$ 6,848,747
Contributions as a percentage of its covered employee payroll	12.42%	12.75%

Notes:

1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
June 30, 2016

	2016	2015
Statutorily required contribution for pension	$ 451,576	$ 450,973
Authority's contributions in relation to the statutorily required contribution	(451,576)	(450,973)
Annual contribution deficiency (excess)	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%
Authority's covered employee payroll	$ 2,228,906	$ 2,175,463
Contributions as a percentage of its covered employee payroll	20.26%	20.73%

Notes:

1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

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SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2016
(With comparative totals for 2015)

	2016			
	Louisville International	Bowman Field	Total	2015 Total
Operating revenues				
Landing and field use fees	$ 19,141,594	$ 41,325	$ 19,182,919	$ 19,852,543
Terminal area	8,684,767	150,503	8,835,270	9,194,549
Apron area	2,153,278	-	2,153,278	2,657,155
Parking and ground transportation	25,514,284	-	25,514,284	24,928,844
Aviation related facility leases	3,264,049	1,380,735	4,644,784	4,602,943
Land leases and other	2,277,572	25,882	2,303,454	2,144,853
Airport services	200,687	32,503	233,190	282,934
Other revenue	1,682,701	2,270	1,684,971	1,604,787
Total operating revenues	62,918,932	1,633,218	64,552,150	65,268,608
Operating expenses				
Operations and general maintenance				
Salaries, wages	7,757,860	442,953	8,200,813	8,178,932
Contracts	3,368,489	39,642	3,408,131	2,828,707
Utilities and fuel supplies	3,339,686	425,140	3,764,826	3,749,678
Supplies and other	1,204,878	161,520	1,366,398	1,410,413
Reimbursed costs	(1,758,419)	(8,435)	(1,766,854)	(748,089)
Total operations and general maintenance	13,912,494	1,060,820	14,973,314	15,419,641
Administrative, general, planning and engineering	9,637,563	602,868	10,240,431	10,062,226
Total operating expenses before major maintenance and depreciation	23,550,057	1,663,688	25,213,745	25,481,867
Major maintenance	3,282,615	840,320	4,122,935	6,979,543
Depreciation and amortization	25,648,186	1,212,497	26,860,683	23,887,870
Total operating expenses	52,480,858	3,716,505	56,197,363	56,349,280
Operating income (loss)	10,438,074	(2,083,287)	8,354,787	8,919,328
Non-operating revenues (expenses) and capital contributions				
Investment earnings, net	1,116,441	1,330	1,117,771	788,542
Interest expense	(7,197,499)	-	(7,197,499)	(7,301,171)
Passenger facility charge	4,434,002	-	4,434,002	6,590,600
Net loss on disposal of assets	(7,342,479)	(500)	(7,342,979)	(1,193,663)
Cost of bond issuance	-	-	-	40,807
Other revenues	39,545	760	40,305	-
Capital contributions	22,729,608	2,317,561	25,047,169	26,641,885
Net non-operating revenues	13,779,618	2,319,151	16,098,769	25,567,000
Changes in net position	$ 24,217,692	$ 235,864	$ 24,453,556	$ 34,486,328

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT
June 30, 2016

	Cost					Accumulated Depreciation				
	Balance July 1, 2015	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2016	Balance July 1, 2015	Provisions	Retirements/ Adjustments	Balance June 30, 2016	Net Balance June 30, 2016
Louisville International Airport										
Land	$ 291,787,069	$ -	$ -	$ 5,076,130	$ 296,863,199	$ -	$ -	$ -	$ -	$ 296,863,199
Land improvements – runways, taxiways, and aprons	354,405,576	-	-	26,565,597	380,971,173	259,724,505	15,286,779	-	275,011,284	105,959,889
Land improvements – ground transportation and other	110,669,016	232,000	-	-	110,901,016	98,164,182	2,190,984	-	100,355,166	10,545,850
Buildings	125,253,978	6,691,966	-	477,047	132,422,991	87,226,151	5,019,304	-	92,245,455	40,177,536
Utility systems	41,149,911	-	-	146,277	41,296,188	36,470,513	952,190	-	37,422,703	3,873,485
Equipment (excluding automotive)	19,574,552	-	-	77,043	19,651,595	11,384,527	1,481,315	-	12,865,842	6,785,753
Vehicles and automotive equipment	10,194,344	-	(315,788)	72,157	9,950,713	6,911,647	617,053	(315,788)	7,212,912	2,737,801
Furniture and fixtures	5,152,053	-	(9,934)	195,721	5,337,840	4,943,999	100,561	(9,934)	5,034,626	303,214
Capital projects in progress	56,074,319	28,970,082	(16,071,929)	(33,580,568)	35,391,904	-	-	-	-	35,391,904
Total Louisville International Airport	1,014,260,818	35,894,048	(16,397,651)	(970,596)	1,032,786,619	504,825,524	25,648,186	(325,722)	530,147,988	502,638,631
Bowman Field										
Land	914,968	-	-	-	914,968	-	-	-	-	914,968
Land improvements – runways, taxiways, and aprons	15,382,870	-	-	2,543,646	17,926,516	9,685,103	699,951	-	10,385,054	7,541,462
Land improvements – ground transportation and other	542,536	-	-	-	542,536	413,944	28,900	-	442,844	99,692
Buildings	15,211,950	-	-	5,531	15,217,481	10,505,057	483,001	-	10,988,058	4,229,423
Utility systems	124,536	-	-	-	124,536	123,675	645	-	124,320	216
Equipment (excluding automotive)	267,480	-	-	-	267,480	267,480	-	-	267,480	-
Vehicles and automotive equipment	702,181	-	-	-	702,181	702,181	-	-	702,181	-
Construction in progress	1,842,285	2,876,790		(2,113,461)	2,605,614	-	-	-	-	2,605,614
Total Bowman Field	34,988,806	2,876,790	-	435,716	38,301,312	21,697,440	1,212,497	-	22,909,937	15,391,375
Total Louisville International Airport and Bowman Field	$ 1,049,249,624	$ 38,770,838	$ (16,397,651)	$ (534,880)	$ 1,071,087,931	$ 526,522,964	$ 26,860,683	$ (325,722)	$ 553,057,925	$ 518,030,006

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
June 30, 2016

	Expiration Date	Amount of Coverage
AIG Aerospace		
General airport liability	07/31/2016	$ 250,000,000
Optional war risk and other perils	07/31/2016	150,000,000
Option TRIA	07/31/2016	250,000,000
AIG – American Home Assurance Company		
All risk property	07/31/2018	575,000,000
Unlicensed equipment	07/31/2018	10,617,981
AIG – New Hampshire Insurance Company		
Business Auto (Fleet Policy)	07/31/2016	1,000,000
ACE American Insurance Company		
Cyber – Privacy & Network Liability	07/31/2016	1,000,000
Axis Surplus Insurance Co.		
Media professional liability	07/31/2016	1,000,000
Chubb Insurance Group/Federal Insurance Co.		
Blanket travel accident	07/31/2017	125,000
Fidelity and Deposit Co. of Maryland		
Fidelity and crime covering board members and all employees	07/31/2017	
Employee dishonesty		500,000
Forgery/alteration		100,000
Theft		100,000
Travelers Casualty & Surety Company of America		
Fiduciary Responsibility	08/01/2016	1,000,000
Starr Indemnity and Liability Co.		
Public officials' liability covering board members and all employees	07/31/2016	10,000,000
KEMI		
Worker's compensation	07/31/2016	Statutory Limitations
Employer's liability	07/31/2016	1,000,000
U.S. Fire Insurance Company		
Accident on Volunteers (Ambassadors)	07/31/2016	15,000 per person

Note: The Authority approved and has comparable policies in place for those policies listed above that have an expiration date between June 30, 2016 and the submission of these statements.

OTHER REQUIRED INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA No.	Federal Project Number	Project Description	Total Federal Program or Award Amount	Expenditures for the Year ended June 30, 2016	Accumulated Expenditures
U.S. Department of Transportation						
Direct Programs:						
Federal Aviation Administration -		Airport Improvement Program				
	20.106	3-21-0031-88	Acquire Land for Noise Compatibility & Provide Relocation Services	$ 4,633,564	$ 380,661	$ 4,633,564
	20.106	3-21-0031-93	Extend Taxiway Echo and Purchase of Equipment	8,732,905	632,163	8,732,905
	20.106	3-21-0031-95	Noise Mitigation and Relocation	18,118,943	4,403,789	17,017,213
	20.106	3-21-0031-97	Taxiway C (Lighting), and Environmental Study	1,940,914	6,413	1,672,444
	20.106	3-21-0031-98-2014	Rehabilitate Runways	4,157,280	85,418	2,593,368
	20.106	3-21-0031-99-2014	Taxiway C (Lighting), Environmental Study	22,500,000	18,469,704	20,251,394
	20.106	3-21-0031-100-2014	Noise Mitigation	6,700,000	41,957	41,957
Bowman Field						
	20.106	3-21-0032-22	Rehabilitate Taxiway J	970,687	894,748	894,748
	20.106	3-21-0032-23-2014	Conduct Environmental Assessment	593,795	268,229	268,229
Total U.S. Department of Transportation				68,348,088	25,183,082	56,105,822
U.S. Department of Homeland Security						
	97.090	HSTS0213HSLR280	Law Enforcement Officer Reimbursement Program	282,102	110,488	274,776
	97.090	HSTS0216HSLR912	Law Enforcement Officer Reimbursement Program	225,303	-	-
		Subtotal 97.090		507,405	110,488	274,776
	97.072	HSTS0215HNCP476	TSA National Explosives Detection Canine Team	202,000	202,000	202,000
	97.072	HSTS0216HNCP476	TSA National Explosives Detection Canine Team	202,000	91,387	91,387
		Subtotal 97.072		404,000	293,387	293,387
Total U.S. Department of Homeland Security				911,405	403,875	568,163

See accompanying notes to schedule of expenditures of federal awards.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA No.	Federal Project Number	Project Description	Total Federal Program or Award Amount	Expenditures for the Year ended June 30, 2016	Accumulated Expenditures
U.S. Department of Justice						
	16.922	KY0566900	Criminal Division Equitable Sharing Program	39,552	24,252	24,252
Total U.S. Department of Justice	-			39,552	24,252	24,252
Total Expenditures of Federal Awards				$ 69,299,045	$ 25,611,209	$ 56,698,237

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs received by the Louisville Regional Airport Authority (the Authority). The Authority's reporting entity is defined in Note 1 to the audited financial statements. There were no subrecipient expenditures or loan payments during 2016.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance .The Authority has elected not to use the 10% de minimus indirect cost rate as allowed under Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Board of the
Louisville Regional Airport Authority
Louisville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Louisville Regional Airport Authority (the "Authority") and the discretely presented component unit of the Louisville Renaissance Zone Corporation (the "LRZC"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 16, 2016. The financial statements of the LRZC were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the LRZC.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
November 16, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board of the
Louisville Regional Airport Authority
Louisville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Louisville Regional Airport Authority's (the "Authority"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Airport's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 16, 2016 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial basic statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
November 16, 2016

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	____ Yes √ No
Significant deficiencies identified that are not considered to be material weakness(es)?	____ Yes √ None Reported
Non-compliance material to financial statements noted?	____ Yes √ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____ Yes √ No
Significant deficiencies identified that are not considered to be material weakness(es)?	____ Yes √ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2CFR200.516(a)?	____ Yes √ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	U.S. Department of Transportation Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:	$ 768,336
Auditee qualified as low-risk auditee?	√ Yes ____ No

(Continued)

PART II: FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended June 30, 2016.

PART III: FEDERAL AWARD FINDINGS

There were no findings for the year ended June 30, 2016.

PART IV: PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended June 30, 2015.

INDEPENDENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE (PFC) PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

To the Members of the Board of the
Louisville Regional Airport Authority
Louisville, Kentucky

Report on Compliance of Passenger Facility Charges

We have audited the Louisville Regional Airport Authority's (the "Authority") compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration ("Guide"), that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2016.

Management's Responsibility

Management of the Authority is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

Opinion on Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 16, 2016 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charges collected and expended is presented for purposes of additional analysis as specified in the Guide and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charges collected and expended is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
November 16, 2016

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year ended June 30, 2016

	Impose & Use Authority	Program Total at June 30, 2015	FY 2016 Activity	Program Total at June 30, 2016
Revenue				
PFC Collections		$ 99,572,730	$ 4,694,691	$ 104,267,421
Interest		756,204	5,921	762,125
Total Revenue		100,328,934	4,700,612	105,029,546
Disbursements				
FAA Application Number				
Open applications as of June 30, 2016:				
97-01-C-00-SDF*	$ 75,594,112	70,783,363	2,124,093	72,907,456
12-07-C-00-SDF*	2,250,000	1,860,313	72,942	1,933,255
14-08-C-00-SDF*	5,203,144	4,164,507	126,115	4,290,622
14-09-C-00-SDF*	2,150,000	197,966	1,912,269	2,110,235
16-10-C-00-SDF	2,345,000	-	-	-
	87,542,256	77,006,149	4,235,419	81,241,568
Closed applications as of June 30, 2016:				
01-02-C-00-SDF*	10,012,140	10,012,140	-	10,012,140
03-03-C-00-SDF*	5,666,800	5,666,800	-	5,666,800
06-04-C-00-SDF*	1,253,136	1,253,136	-	1,253,136
08-05-C-00-SDF*	726,822	726,813	9	726,822
11-06-C-00-SDF*	2,362,619	2,362,619	-	2,362,619
	20,021,517	20,021,508	9	20,021,517
Total	107,563,773	97,027,657	4,235,428	101,263,085
Net PFC Revenue		$ 3,301,277	$ 465,184	$ 3,766,461
PFC Account Balance		$ 3,301,277		$ 3,766,461

*As amended

Summary of Auditor's Results

We have issued an unmodified opinion, dated November 16, 2016 on the financial statements of Louisville Regional Airport Authority as of and for the year ended June 30, 2016.

Our audit disclosed no material weaknesses or significant deficiencies that are considered to be material weaknesses in relation to internal control over financial reporting or internal control over the passenger facility charge program.

Our audit disclosed no instances of non-compliance which are material to Louisville Regional Airport Authority's financial statements.

We have issued an unmodified opinion, dated November 16, 2016 on Louisville Regional Airport Authority's compliance for the passenger facility charge program.

Our audit disclosed no findings required to be reported under the provisions of the Passenger Facility Charge Audit Guide for Public Agencies.

Findings Relating to the Financial Statements

Our audit disclosed no findings which are required to be reported in accordance with the Passenger Facility Charge Audit Guide for Public Agencies.

Findings and Questioned Costs for the Passenger Facility Charge Program

Our audit disclosed no findings or questioned costs for passenger facility charge program as defined by the Passenger Facility Charge Audit Guide for Public Agencies.

SCHEDULE OF PRIOR AUDIT PASSENGER FACILITY CHARGES
FINDINGS AND THEIR RESOLUTION
Year ended June 30, 2016

The prior year's audit disclosed no findings required to be reported in accordance with the provisions of the Passenger Facility Charge Audit Guide for Public Agencies.