LOUISVILLE REGIONAL AIRPORT AUTHORITY
Louisville, Kentucky

ANNUAL REPORT
June 30, 2017 and 2016

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TABLE OF CONTENTS

TABLE OF CONTENTS (Continued)

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, 2017 and 2016, 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, 2017 and 2016, 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 49 thru 52 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 53, the schedule of airport property, facilities, and equipment presented on page 54, and the schedule of insurance coverage presented on page 55, 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 October 25, 2017 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
October 25, 2017

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, 2017.

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 and graphs on the following page reflect 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:

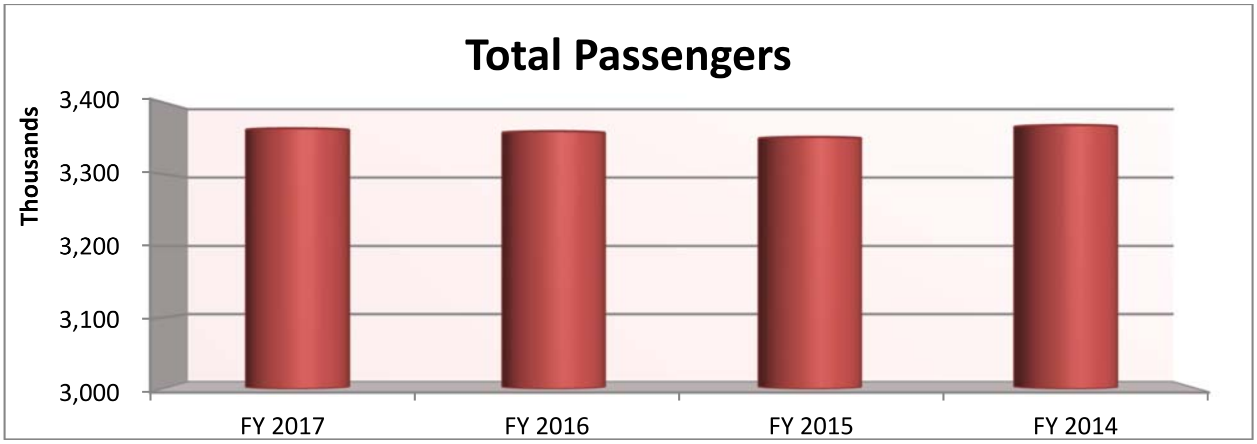
	FY 2017	FY 2016	FY 2015	FY 2014
Passengers				
Enplaned	1,681,796	1,679,092	1,676,047	1,679,166
Deplaned	1,681,762	1,680,462	1,675,542	1,688,991
Total	3,363,558	3,359,554	3,351,589	3,368,157
Landed Weight (lbs)				
Passenger	2,077,220,943	1,935,279,424	1,939,823,698	2,050,073,869
Cargo	13,092,379,076	12,407,034,542	11,698,667,968	11,272,590,682
Total	15,169,600,019	14,342,313,966	13,638,491,666	13,322,664,551
Total Cargo (lbs)	5,521,014,749	5,266,944,845	5,099,403,325	4,945,612,298

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 5.4 and 5.2 billion pounds for FY17 and FY16, respectively.

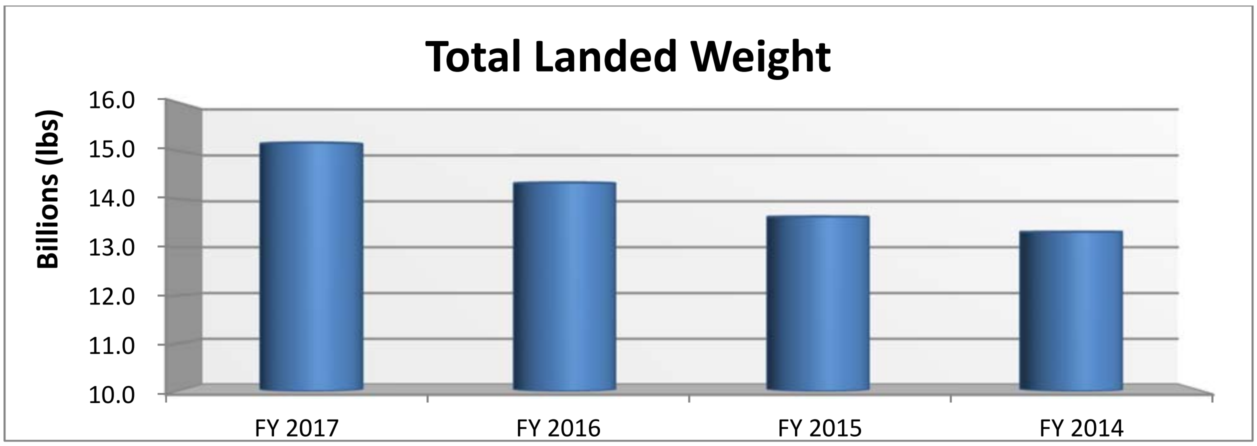
During FY17 passenger enplanements at Louisville International Airport (SDF) improved slightly from FY16. However, in the final weeks of the fiscal year the airport made a number of significant air service announcements that are expected to have a meaningful impact on passenger volume, pricing and nonstop access in FY18. In total, the airport introduced ten new routes, eight new nonstop destinations and two new airlines. The most significant of these announcements was Allegiant Air's decision to launch service to six new destinations and their introduction of family-friendly fares and vacation packages. The initial service launch was so well received that the airline decided to add additional service to Phoenix/Mesa and Las Vegas in FY18.

Over the next 18 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. Additionally, Frontier Airlines has announced the launch of new service in the Spring of 2018 which we expect to further the airport's efforts to expand nonstop service and low fare accessibility.

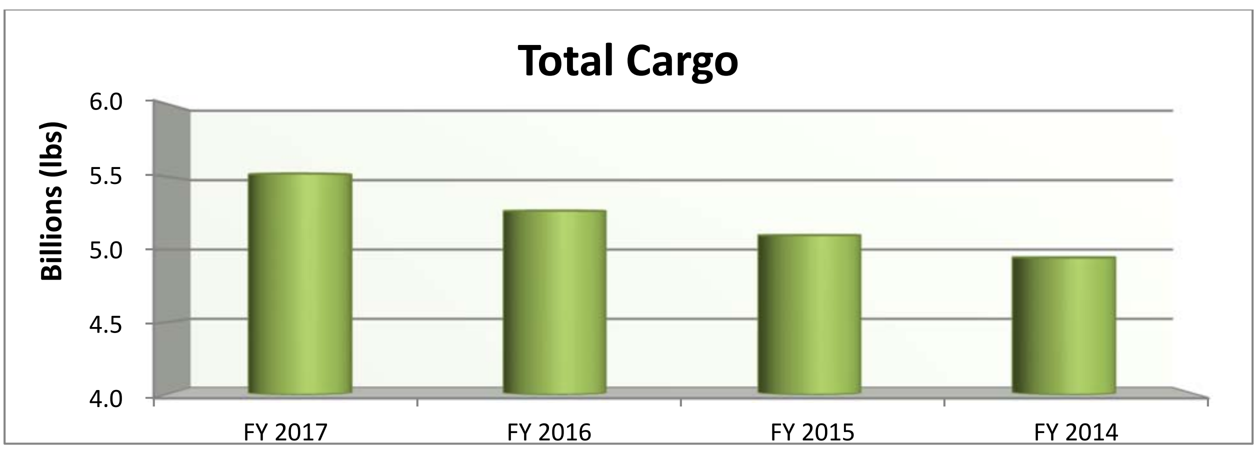
Louisville International Airport offers daily nonstop service by six passenger airlines offering daily nonstop service to 28 destinations including 17 of the 20 markets that local travelers visit most. With robust service to most major hubs Louisville International connects the region to 175 international destinations in 80 countries on six continents.



Total Passengers
Thousands
3,400
3,300
3,200
3,100
3,000
FY 2017
FY 2016
FY 2015
FY 2014



Total Landed Weight
Billions (lbs)
16.0
15.0
14.0
13.0
12.0
11.0
10.0
FY 2017
FY 2016
FY 2015
FY 2014



Total Cargo
Billions (lbs)
6.0
5.5
5.0
4.5
4.0
FY 2017
FY 2016
FY 2015
FY 2014

Financial Highlights
(Versus Budget and Prior Year)

- Operating Revenues for FY17 were $3.9 million or 6.2% more than budget and $3.0 million or 4.7% greater than FY16. Major contributors are:
  - The single largest contributor to exceeding both budget and actual is due to a new agreement with the Fixed Based Operator at Louisville International Airport that began in September 2016. Rents increased 400% and the percent of certain Gross Sales payable to the Authority went from 5% to 75%. This contract alone resulted in $3.3 and $3.2 million greater than budget and FY16 respectively.
  - Parking revenues were up approximately $420,000 versus budget and $145,000 versus FY16 due to the increase in passenger traffic.
  - Landing fees were $290,000 greater than FY16 and $800,000 less than budget. The primary reason for exceeding FY16 is that UPS' landed weight exceeded budget by 5%. The primary reason for the budget shortfall is because in the airfield cost center the Authority passes on all costs to the airlines, and certain budgeted expenses did not experience the spending that was budgeted. Some of these expense items include snow removal, airfield electrical and pavement repairs and are discussed in more detail below.
  - 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 2017, these audits resulted in approximately $500,000 which is approximately $1.1 million less than prior year.

- 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 interest earning's on investments purchased with bond related funds and funds exceeding day to day operating expenses. Earnings on these accounts were approximately $767,000 versus a budget of $370,000. Another reason for the favorable variance to budget is due to late fees assessed to tenants, including those related to tenant audits discussed above. These accounted for approximately $200,000 of unbudgeted interest income. Compared to FY16 actual results these similar tenant audit late fees were $600,000 which is the primary reason for FY17 interest income to be under FY16. PFC's were less than prior year by approximately $2.4 million due to a planned decrease in PFC collection level from $3.00 to $1.00 that went into effect in October 2016.

- Operating Expenses before Depreciation for FY17 were $3.1 million or 8.5% less than budget and $4.5 million or 15.4% greater than FY16 actual. The major contributors to these variances are:
  - Contract Services are approximately $625,000 greater than prior year primarily due to co-operative advertising agreements with new airlines at SDF. This line item exceeded prior year actual by $480,000.
  - Professional & Consulting Services were approximately $480,000 less than budget primarily related to a decrease in external legal services savings of $290,000 and $73,000 in tenant audit services due to fewer audits than budgeted.
  - In FY15 the Authority adopted GASB 68 which required recording the Kentucky County Employee Retirement System's (CERS) allocation of expenses and net pension liability amongst all participating agencies. The Authority budgets an estimated contribution to be made rather than budget for this non-cash allocation which is the primary reason retirement expenses exceed budget. These allocated expenses plus the expense of the prior year's deferred contributions for FY17 and FY16 were $2.8 and $2.1 million respectively.
  - The major reason for Other expenses in FY17 to exceed prior year is due to the one-time receipts from insurance and legal settlements totaling $1.2 million in FY16.
  - Major Maintenance was $3.2 million less than budget due largely to two projects that were budgeted in FY17 (Airfield Pavement Rehab - $2.8 million and Airfield Lighting - $2.3 million) that were started late in the fiscal year awaiting formal grant approval. The two projects' combined expenditures totaled $2.8 million for a favorable variance to budget of $2.3 million. Although planned to be primarily grant funded the Authority's share was budgeted to be covered by landing fees as discussed above. Another large variance to budget was the lesser amount of snow removal

needed because of the mild winter experienced. This accounted for approximately $710,000 of savings.

- Operating Income before Depreciation was $33.7 million which is $7.1 million greater than budgeted and $1.5 million less than FY16 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 Income before Capital Contributions was $3.5 million, which is $4.1 million favorable compared to FY16 results and $9.9 million favorable to budget. Included in the favorable variance to prior year is the $7.3 million loss incurred on the sale of land in FY16.

- Net Position increased from prior year by $11.5 million to $373.2 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:

	2017	2016	2015
Assets:			
Unrestricted	$ 71,523,660	$ 65,394,762	$ 67,701,967
Restricted	61,530,834	60,489,150	59,913,258
Capital assets (includes in progress)	505,992,531	518,030,006	522,726,660
Total assets	639,047,025	643,913,918	650,341,885
Deferred outflows	4,921,107	3,847,215	1,279,301
Total Assets and Deferred Outflows	643,968,132	647,761,133	651,621,186
Liabilities:			
Unrestricted	14,830,956	13,237,387	16,588,057
Restricted	23,153,551	22,591,552	23,183,959
Long-term debt	195,475,000	213,715,000	231,635,000
Other	37,069,120	36,381,174	41,455,239
Total Liabilities	270,528,627	285,925,113	312,862,255
Deferred inflows	245,111	91,533	1,468,000
Total Liabilities and Deferred Inflows	270,773,738	286,016,646	314,330,255
Net Position			
Invested in capital assets, net of related debt	274,645,379	271,301,786	247,658,006
Restricted for debt service	42,199,021	42,623,300	42,810,578
Restricted for capital projects	10,778,126	9,157,367	8,285,068
Unrestricted	45,571,868	38,662,034	38,537,279
Total Net Position	$373,194,394	$361,744,487	$337,290,931

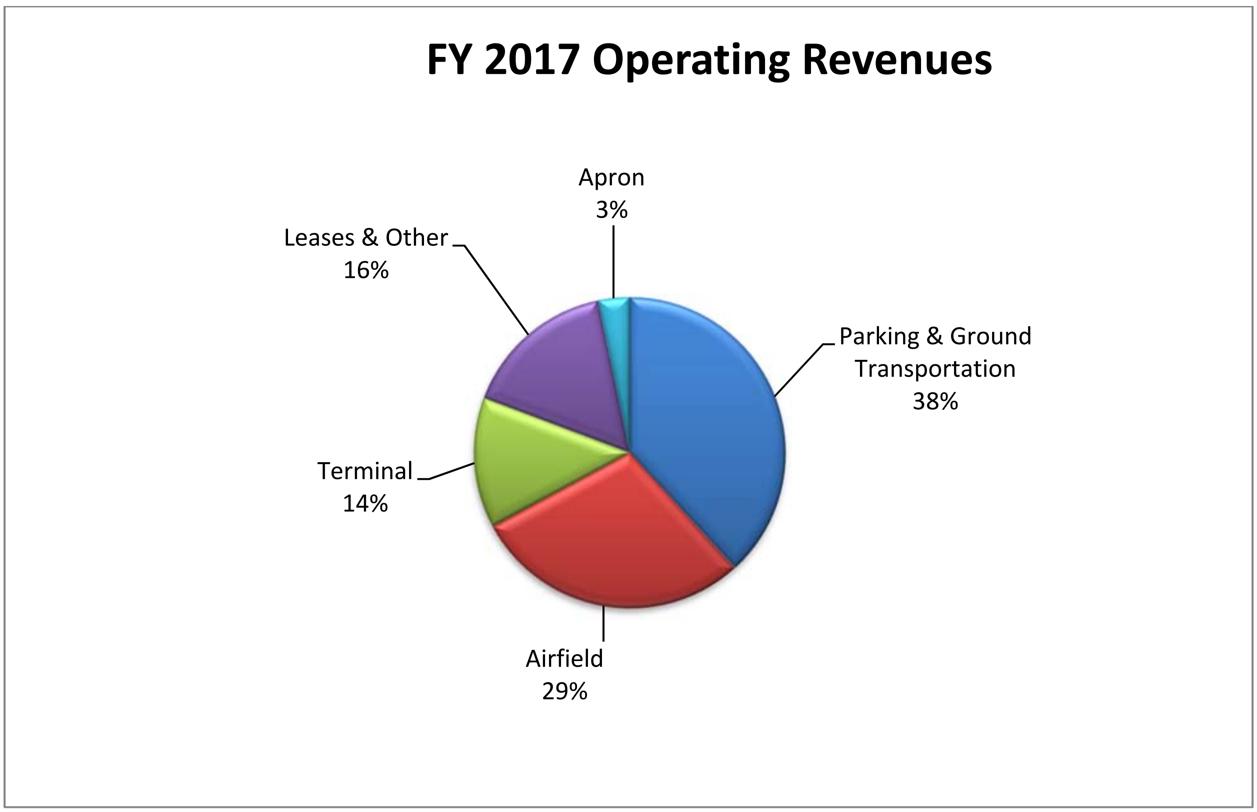
The Authority paid $17.9 million of outstanding bonds and reclassified the current portion of Long-term debt to Restricted liabilities causing an overall reduction of Liabilities. The Deferred Outflows and Deferred Inflows above are also directly related to the allocation of CERS retirement related activities 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 $11.5 million.

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

	2017		2016	2015
	Actual	Budget	Actual	Actual
Operating Revenues				
Landing and field use	$ 19,528,120	$ 20,271,858	$ 19,182,918	$ 19,852,543
Apron area	2,227,574	2,395,430	2,153,278	2,657,155
Landside terminal	4,907,920	4,947,244	5,146,859	5,439,667
Airside terminal	4,276,153	4,084,795	3,688,412	3,754,881
Leases	10,044,073	6,616,421	6,948,236	6,747,794
Parking and ground transportation	25,830,664	25,035,500	25,514,282	24,928,844
Other	744,575	264,350	1,918,165	1,887,724
Total operating revenues	67,559,079	63,615,598	64,552,150	65,268,608
Non-Operating Revenues				
Passenger Facility Charge	1,995,504	2,857,000	4,434,002	6,590,600
Interest Income	980,442	382,170	1,117,771	788,542
Other	117	-	40,305	40,807
Total Non Operating Revenues	2,976,063	3,239,170	5,592,078	7,419,949
Total Revenues	$ 70,535,142	$ 66,854,768	$ 70,144,228	$ 72,688,557

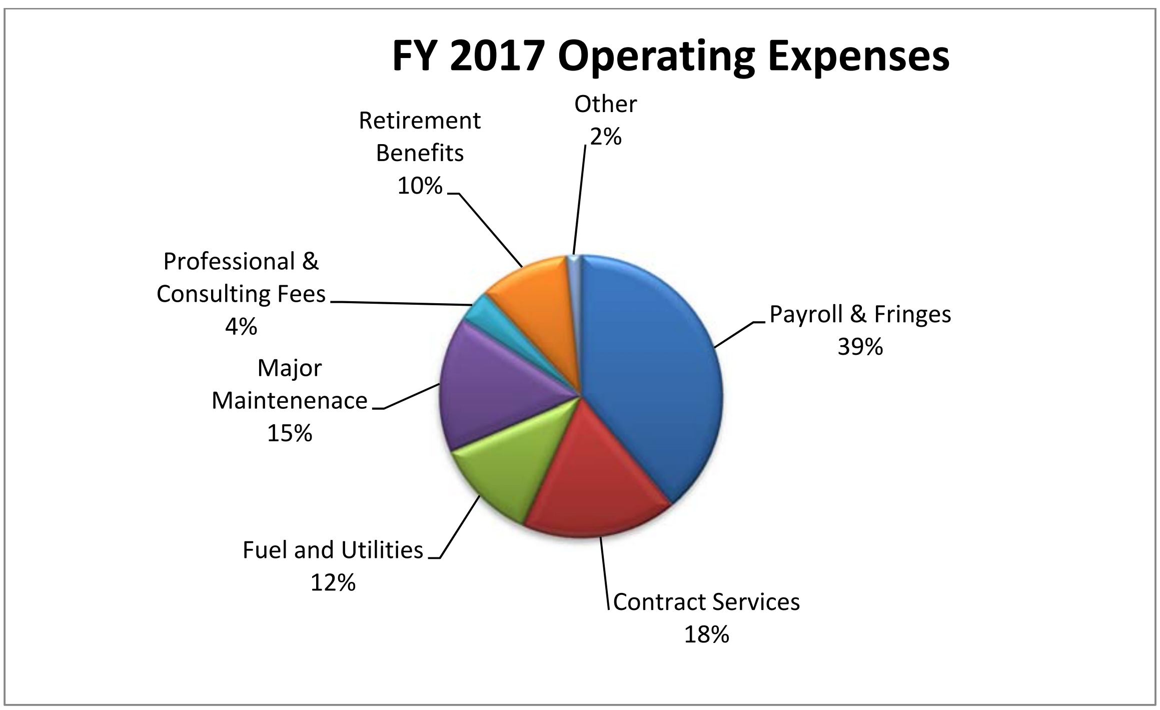
The major contributors to total revenues' increase over budget and FY16 have been explained earlier under Financial Highlights.



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

	2017		2016	2015
	Actual	Budget	Actual	Actual
Operating expenses:				
Payroll and fringe benefits	$ 13,162,749	$ 13,432,434	$12,543,003	$12,450,329
Contract services	6,033,996	6,251,350	5,408,911	4,833,110
Fuel and utilities	4,028,584	4,099,025	3,782,075	4,006,255
Professional and consulting fees	1,299,745	1,785,000	1,244,659	2,127,545
Retirement	3,491,476	2,136,423	2,871,862	1,819,136
Other	559,760	758,439	(636,765)	245,492
Total operating expenses before major mainteinance and depreciation	28,576,310	28,462,671	25,213,745	25,481,867
Major maintenance	5,276,718	8,518,000	4,122,935	6,979,543
Total Operating Expenses before Depreciation	33,853,028	36,980,671	29,336,680	32,461,410
Non-operatingexpenses				
Interest expense	6,959,333	8,507,375	7,197,499	7,301,171
Net loss on disposal of assets	815,686	-	7,342,979	1,193,663
Total non-operating expenses	7,775,019	8,507,375	14,540,478	8,494,834
Total expenses before depreciation	$ 41,628,047	$ 45,488,046	$43,877,158	$40,956,244

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 FY17 the Authority recorded Capital Contributions of $8.0 million for payments received or accrued from FAA grants. Unused FAA grant funds from FY17 remain available for use by the Authority in future years.

Capital Assets. At June 30, 2017 and 2016, net capital assets were $506.0 million and $518.0 million, respectively. During fiscal year 2017, the Authority's capital spending and accruals totaled approximately $16,083,000. Major projects were: Runways & Taxiways - $9,084,000; Terminal Renovation Project - $3,746,000; Other Facility Projects and Equipment purchases - $1,871,000 and Noise Mitigation, Land Acquisition, Relocation and Sound Insulation - $1,382,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately $12,624,000.

During fiscal year 2017, capital asset dispositions by the Authority were the sales and / or transfers of land previously acquired under the FAA approved Part 150 Noise Mitigation, Land Acquisition and Relocation Program to LRZC and to the City of Heritage Creek. The Authority received proceeds of $2,091,000. The land had a book value of approximately $3,553,000. 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 $645,000 which offset the net loss of $816,000.

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 $213,715,000 of which $18,240,000 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, 2017 and 2016

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2017	2016	2017	2016
ASSETS				
Current assets, unrestricted				
Cash and equivalents	$ 9,209,943	$ 9,500,121	$ 5,072,677	$ 3,108,055
Investments	52,574,334	48,878,365	23,022,181	13,997,319
Land held for sale	-	-	1,048,814	2,502,697
Grants receivable	5,171,023	1,866,672	-	-
Fees and rentals receivable, net	3,436,582	4,013,980	6,192,335	4,486,381
Due from component unit	16,565	14,522	-	-
Supplies and prepaid expenses	1,115,213	1,121,102	-	-
Total unrestricted current assets	71,523,660	65,394,762	35,336,007	24,094,452
Current assets, restricted				
Cash and equivalents	25,239,259	25,550,343	-	-
Cash and equivalents – land fund	308,409	685,878	-	-
Cash and equivalents – PFC fund	1,733,634	1,269,013	-	-
Investments	2,551,239	-	-	-
Investments – land fund	4,005,443	1,498,468	-	-
Investments – PFC fund	1,999,359	2,497,449	-	-
Total restricted current assets	35,837,343	31,501,151	-	-
Total current assets	107,361,003	96,895,913	35,336,007	24,094,452
Noncurrent assets, unrestricted				
Fees and rentals receivable, net		-	5,050,000	5,050,000
Capital assets not being depreciated	337,234,040	335,775,685	10,929,609	8,972,742
Depreciable capital assets, net	168,758,491	182,254,321	16,516,514	17,760,251
Unamortized loan costs	-	-	-	822,184
Total unrestricted noncurrent assets	505,992,531	518,030,006	32,496,123	32,605,177
Noncurrent assets, restricted				
Cash and equivalents	153,147	18,247	-	-
Investments	25,540,344	28,969,752	-	-
Total restricted noncurrent assets	25,693,491	28,987,999	-	-
Total noncurrent assets	531,686,022	547,018,005	32,496,123	32,605,177
Total assets	639,047,025	643,913,918	67,832,130	56,699,629
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	4,921,107	3,847,215	-	-
Total assets and deferred outflows	$ 643,968,132	$ 647,761,133	$ 67,832,130	$ 56,699,629

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corp	
	June 30,		June 30,	
	2017	2016	2017	2016
LIABILITIES				
Current liabilities (payable from unrestricted current assets)				
Accounts payable	$ 11,793,539	$ 10,395,352	$ 367,623	$ 338,296
Accounts payable - Authority	-	-	16,565	14,522
Accrued expenses and other	1,478,504	1,022,912	91,460	134,983
Loans payable	-	-	5,097,889	4,655,611
Unearned income	1,558,913	1,819,123	-	-
Total unrestricted current liabilities	14,830,956	13,237,387	5,573,537	5,143,412
Current liabilities (payable from restricted current assets)				
Bonds payable	18,240,000	17,920,000	-	-
Accounts payable	659,864	263,069	-	-
Accrued interest on bonds	4,253,687	4,408,483	-	-
Total restricted current liabilities	23,153,551	22,591,552	-	-
Total current liabilities	37,984,507	35,828,939	5,573,537	5,143,412
Long-term debt				
Bonds and loans payable	195,475,000	213,715,000	-	2,697,889
Other liabilities				
Deposit from UPS land option	444,101	444,101	-	-
Unamortized bond premium, net	9,909,355	11,457,396	-	-
Deposit from Commonwealth of Kentucky	1,641,824	1,641,824	-	-
Revolving coverage (payable from restricted assets)	4,300,000	4,300,000	-	-
Net pension liability	20,773,840	18,537,853	-	-
Total other liabilities	37,069,120	36,381,174	-	-
Total liabilities	270,528,627	285,925,113	5,573,537	7,841,301
DEFERRED INFLOWS OF RESOURCES				
Pension related	245,111	91,533	-	-
Total liabilities and deferred inflows	$ 270,773,738	$ 286,016,646	$ 5,573,537	$ 7,841,301
NET POSITION				
Net investment in capital assets	$ 274,645,379	$ 271,301,786	$ -	$ -
Restricted for debt service	42,199,021	42,623,300	-	-
Restricted for capital projects	10,778,126	9,157,367	-	-
Unrestricted net position	45,571,868	38,662,034	62,258,593	48,858,328
Total net position	$ 373,194,394	$ 361,744,487	$ 62,258,593	$ 48,858,328

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, 2017 and 2016

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2017	2016	2017	2016
Operating revenues				
Rentals and concessions	$ 48,030,959	$ 45,369,231	$ 811,115	$ 1,587,169
Landing and field use fees	19,528,120	19,182,919	-	-
TIF revenues	-	-	3,790,000	2,460,000
Land sales, net of cost	-	-	11,520,110	1,271,207
Total operating revenues	67,559,079	64,552,150	16,121,225	5,318,376
Operating expenses				
Operations and general maintenance	16,923,107	14,973,314	-	-
Administrative, general, planning and engineering	11,653,203	10,240,431	830,480	296,136
Total operating and maintenance	28,576,310	25,213,745	830,480	296,136
Major maintenance	5,276,718	4,122,935	-	-
Depreciation and amortization	25,436,254	26,860,683	1,204,153	1,060,661
Total operating expenses	59,289,282	56,197,363	2,034,633	1,356,797
Operating income	8,269,797	8,354,787	14,086,592	3,961,579
Non-operating revenues (expenses)				
Investment earnings, net	980,442	1,117,771	147,059	40,001
Interest expense and loan amortization	(6,959,333)	(7,197,499)	(833,386)	(1,594,586)
Passenger facility charges	1,995,504	4,434,002	-	-
Net loss on disposal of assets	(815,686)	(7,342,979)	-	-
Other revenues	117	40,305	-	-
Net non-operating revenues (expenses)	(4,798,956)	(8,948,400)	(686,327)	(1,554,585)
Income (loss) before capital contributions	3,470,841	(593,613)	13,400,265	2,406,994
Capital contributions	7,979,066	25,047,169	-	-
Change in net position	11,449,907	24,453,556	13,400,265	2,406,994
Net position, beginning of year	361,744,487	337,290,931	48,858,328	46,451,334
Net position, end of year	$ 373,194,394	$ 361,744,487	$ 62,258,593	$ 48,858,328

See accompanying notes to financial statements.

	Louisville Regional Airport Authority June 30, 2017	Louisville Regional Airport Authority June 30, 2016	Component Unit Louisville Renaissance Zone Corporation June 30, 2017	Component Unit Louisville Renaissance Zone Corporation June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 67,876,267	$ 65,024,534	$ -	$ -
Land sales, lease revenue, and TIF revenues	-	-	16,903,064	7,350,965
Payments to suppliers and others	(23,381,252)	(20,864,162)	(1,141,546)	(615,894)
Payments to employees	(8,374,305)	(8,452,455)	-	-
Net cash flows provided by operating activities	36,120,710	35,707,917	15,761,518	6,735,071
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	4,674,715	25,183,081	-	-
Passenger facility charges	1,995,504	4,434,002	-	-
Acquisition and construction of capital assets	(16,380,600)	(36,539,437)	(2,651,148)	(4,856,322)
Proceeds from sale of assets	2,092,761	32,524	-	-
Principal paid on capital debt	(17,920,000)	(17,495,000)	(2,255,611)	(3,951,177)
Net borrowings from (repayment to) the Authority	-	-	2,043	(27,438)
Interest paid on capital debt, net of capitalized interest	(7,114,129)	(7,283,593)	(14,377)	(35,772)
Other fees and proceeds	115	40,305	-	-
Net cash flows used for capital and related financing activities	(32,651,634)	(31,628,118)	(4,919,093)	(8,870,709)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturities of investments	127,503,922	113,946,811	23,942,830	32,012,543
Cash payments from component unit	(2,043)	22,926	-	-
Purchase of investments	(132,330,607)	(120,702,268)	(32,967,692)	(31,005,080)
Investment income	980,442	1,117,771	147,059	40,001
Net cash flows provided by (used for) investing activities	(3,848,286)	(5,614,760)	(8,877,803)	1,047,464
Net increase (decrease) in cash and equivalents	(379,210)	(1,534,961)	1,964,622	(1,088,174)
Cash and equivalents, beginning of year	37,023,602	38,558,563	3,108,055	4,196,229
Cash and equivalents, end of year	$ 36,644,392	$ 37,023,602	$ 5,072,677	$ 3,108,055

(Continued)

	Louisville Regional Airport Authority June 30, 2017	Louisville Regional Airport Authority June 30, 2016	Component Unit Louisville Renaissance Zone Corporation June 30, 2017	Component Unit Louisville Renaissance Zone Corporation June 30, 2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 8,269,797	$ 8,354,787	$ 14,086,592	$ 3,961,579
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	25,436,254	26,860,683	1,204,153	1,060,661
Changes in assets and liabilities:				
Fees and rentals receivable	577,398	295,366	(1,705,955)	1,773,665
Unearned income	(260,210)	177,018	-	-
Supplies and prepaid expenses	5,889	40,605	-	-
Accounts payable	1,635,990	239,836	(270,717)	(451,566)
Accrued expenses and other	455,592	(260,378)	(40,349)	131,808
Land	-	-	2,487,794	258,924
Net cash provided by operating activities	$ 36,120,710	$ 35,707,917	$ 15,761,518	$ 6,735,071

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

The Authority has retainage and accounts payable related to construction in progress of approximately $6,081,000 and $1,994,000 as of June 30, 2017 and 2016, respectively. The Authority recorded a loss on the sale of assets of approximately $816,000 and $7,343,000 as of June 30, 2017 and 2016, respectively. The Authority reduced other liabilities of $0 and $8,260,000 through the exchange of land during 2017 and 2016, respectively.

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. There were no reversions of ownership of buildings and facilities in 2017.

LRZC financed the purchase of capital assets through accounts payable of approximately $360,000 and $280,000 in 2017 and 2016, 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.

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, 2017 and 2016, the allowance for uncollectible accounts was $100,000.

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 2017 and 2016.

(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.

Adoption of New Accounting Pronouncements**:** The Authority adopted the following accounting standards during the year:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.
- GASB Statement No. 77, *Tax Abatement Disclosures*.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.*
- GASB Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73,*

Adoption of these statements did not have a significant impact on the Authority's financial position or results of operations.

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

Recent Accounting Pronouncements: The GASB has issued the following statements not yet required to be adopted by the Authority that management believes may be relevant to their operations.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued on June 2015. The provisions of this Statement are effective for periods beginning after June 15, 2017.
- GASB Statement No. 85, *Omnibus 2017*, issued March 2017. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.
- GASB Statement No. 87, *Leases*, issued June 2017. The provisions of this Statement are effective for periods beginning after December 15, 2019.

The Authority's management has not yet determined the effect, if any, these statements will have on the Authority's financial statements.

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.

(Continued)

NOTE 2 – CASH AND EQUIVALENTS (Continued)

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

	2017	2016
Cash on hand	$ 3,550	$ 3,550
Deposits with financial institutions	13,992,208	14,673,322
Repurchase agreements and cash equivalents	22,648,634	22,346,730
	$ 36,644,392	$ 37,023,602

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

	2017	2016
Covered by federal depository insurance	$ 495,000	$ 495,000
Uninsured and collateralized	15,568,977	14,410,624
Bank balance	$ 16,063,977	$ 14,905,624
Carrying amount	$ 13,992,208	$ 14,673,322

NOTE 3 – INVESTMENTS

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

2017:

Investment Type	Investment Balances	Maturity	Rating
Federal National Mortgage Association	$ 35,067,281	9/27/2017 through 6/21/2019	Aaa
Federal Home Loan Bank	35,580,710	8/28/2017 through 6/26/2018	Aaa
Federal Home Loan Mortgage Corporation	16,022,727	8/8/2017 through 9/29/2017	Aaa
	$ 86,670,718		

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)

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

	2017	2016
Unrestricted investments, current	$ 52,574,334	$ 48,878,365
Restricted investments, current	8,556,040	3,995,917
Restricted investments, noncurrent	25,540,344	28,969,752
Total investments	$ 86,670,718	$ 81,844,034

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, 2017:

- Federal National Mortgage Association Bonds of $35,580,710 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Bank Domestic Bonds of $35,067,281 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Mortgage Corporation Bonds of $16,022,727 is valued using a matrix pricing model (Level 2 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)

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, 2017 and 2016 was 0.85 years and 1.18 years, respectively.

Credit Risk: The Authority 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, the Authority may not be able to recover the value of investments or collateral securities that are in the possession of the custodian.

(Continued)

NOTE 3 – INVESTMENTS (Continued)

Concentration of Credit Risk: Unrestricted funds invested in U.S. Government Agencies are not limited. At June 30, 2017 and 2016, approximately $52,574,334 and $52,874,282 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.

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, 2017			
Bond funds	$ 25,315,197	$ 21,425,994	$ 46,741,191
Revolving debt-coverage	64,718	6,665,589	6,730,307
Land proceeds	308,409	4,005,443	4,313,852
PFC funds	1,733,634	1,999,359	3,732,993
Other	12,491	-	12,491
	$ 27,434,449	$ 34,096,385	$ 61,530,834
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

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 was $6,686,844 at June 30, 2017 and 2016. 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, 2017 and 2016, this reimbursement amount was approximately $4,300,000.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority provides management and construction oversight services to LRZC. The amount due from LRZC was approximately $17,000 and $15,000 at June 30, 2017 and 2016, respectively.

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.

(Continued)

NOTE 5 – RELATED PARTY TRANSACTIONS (Continued)

In December 2016, the Authority sold 24.6 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 $2,069,000 for land that had a net book value of approximately $3,225,000 at the time of sale, which included $645,000 of avigation easements that the Authority retained. Therefore, the Authority recorded a loss in 2017 of $511,000 related to this transaction.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 297,778,166	$ 684,010	$ -	$ 298,462,176
Capital projects in progress				
Construction projects	31,922,575	15,513,754	(11,754,140)	35,682,189
Land acquisition program	6,074,944	569,302	(3,554,571)	3,089,675
Total capital assets not being depreciated	335,775,685	16,767,066	(15,308,711)	337,234,040
Other capital assets:				
Land improvements	510,341,240	1,051,639	-	511,392,879
Buildings	147,640,472	3,849,270	-	151,489,742
Utility systems	41,420,724	-	-	41,420,724
Equipment (excluding automotive)	19,919,076	2,941,523	-	22,860,599
Vehicle and automotive equipment	10,652,895	466,310	(22,498)	11,096,707
Furniture and fixtures	5,337,839	3,631,682	-	8,969,521
Total other capital assets	735,312,246	11,940,424	(22,498)	747,230,172
Less accumulated depreciation for:				
Land improvements	386,194,348	16,617,377	-	402,811,725
Buildings	103,233,513	5,602,614	-	108,836,127
Utility systems	37,547,023	883,237	-	38,430,260
Equipment (excluding automotive)	13,133,322	1,482,199	-	14,615,521
Vehicle and automotive equipment	7,915,093	583,689	(22,498)	8,476,284
Furniture and fixtures	5,034,626	267,138	-	5,301,764
Total accumulated depreciation	553,057,925	25,436,254	(22,498)	578,471,681
Other capital assets, net	182,254,321	(13,495,830)	-	168,758,491
Net capital assets	$ 518,030,006	$ 3,271,236	$ (15,308,711)	$ 505,992,531

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

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

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 $25,125,000 and $35,125,000 at June 30, 2017 and 2016, respectively.

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, 2017, the Authority was in compliance with this financial covenant. Additionally, the bonds are subject to federal arbitrage regulations. As of June 30, 2017, there was no liability for arbitrage rebate.

NOTE 7 – LONG-TERM DEBT (Continued)

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:

	2017	2016
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.	$ 105,180,000	$ 112,555,000
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.	2,650,000	2,975,000
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.	105,885,000	116,105,000
Total revenue bonds payable	213,715,000	231,635,000
Less: current portion	(18,240,000)	(17,920,000)
Total long-term debt	$ 195,475,000	$ 213,715,000

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 231,635,000	$ -	$(17,920,000)	$ 213,715,000	$ 18,240,000

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

The total interest incurred and expensed for the years ended June 30, 2017 and 2016 was approximately $8,507,000 and $8,817,000, respectively. No interest was capitalized during 2017 and 2016.

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, 2017, are as follows:

	Principal	Interest	Total
Year ended June 30,			
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	18,290,000	6,347,911	24,637,911
2023-2027	77,930,000	20,531,865	98,461,865
2028-2032	39,985,000	7,974,841	47,959,841
2033-2037	8,480,000	945,920	9,425,920
2038-2042	1,295,000	90,180	1,385,180
	$ 213,715,000	$ 67,223,229	$ 280,938,229

Outstanding Letters of Credit: At June 30, 2017 and 2016, 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, 2017 and 2016.

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, 2017, capital projects in progress include approximately $3,100,000 related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately $270,500,000 less $267,400,000 million of costs related to land which has been sold or optioned for sale. At June 30, 2016, capital projects in progress include approximately $6,100,000 related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately $269,900,000 less $263,800,000 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 totaled $10,200,000, which was 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. There were no transfers of property to the Commonwealth in 2017.

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 final remaining option to March 31, 2017 and allowed a credit back to UPS per acre, provided UPS does not exercise the final remaining option or if UPS exercises the option but there is not sufficient land owned by the Authority to transfer the entire option acres to UPS. Notice of intent to exercise a portion of the remaining option was received by the 2017 expiration date. The final reconciliation of acres is being undertaken and is conditioned upon receiving FAA consent and other regulatory approvals. At this time, the Authority is not able to estimate the additional expenses or the potential loss on impairment which may be required when the transaction is finalized.

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, 2017 and 2016, 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 with varying terms. 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, 2017 and 2016, revenues from these leases were approximately $17,100,000 and $14,700,000, 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, 2017 and 2016, revenues from such agreements were approximately $11,800,000 and $11,000,000, respectively. Revenues from contingent rentals that are made up primarily of the excess over MMG and sales only based agreements were $3,000,000 and $2,200,000 for 2017 and 2016, 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 2017 actual rates and assuming current agreements are carried to contractual termination are as follows:

	Land and Facilities	Concessions	Total
Year ended June 30,			
2018	$ 15,348,592	$ 9,994,165	$ 25,342,757
2019	14,213,309	9,568,038	23,781,347
2020	13,779,828	9,556,601	23,336,429
2021	13,722,613	3,981,787	17,704,400
2022	6,783,230	2,692,395	9,475,625
Thereafter	27,898,805	4,459,911	32,358,716
	$ 91,746,377	$ 40,252,897	$ 131,999,274

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 from July 1, 2015 through August 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, 2017 and 2016, the Authority recognized passenger facility charge revenues of approximately $1,995,500 and $4,434,000, respectively.

NOTE 12 – MAJOR CUSTOMER

During fiscal years 2017 and 2016, the Authority earned approximately 25% of its operating revenues from one customer.

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, 2017 and 2016 totaled approximately $111,000 and $120,000, respectively, and employee contributions to the 401(k) Plan for the same years were approximately $207,000 and $195,000, 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 supplemental defined contribution 401(k) cash option provided through KPEDCA. For employees who opted into the supplemental 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 initially to the 401(k) plan at KPEDCA and since January 2015 to a 457 plan at ICMA. The ICMA 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 supplemental plan for the years ended June, 30, 2017 and 2016 was approximately $35,000 and $30,000, 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 a supplemental defined contribution plan (see Note 13).

(Continued)

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.

(Continued)

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, 2017 and 2016, participating employers contributed 18.68% and 17.06%, respectively, as set by KRS, respectively, of each Nonhazardous employee's creditable compensation, and 31.06% and 32.95%, respectively, 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, 2017, 2016, and 2015. Employer pension contributions were $1,519,143 and $1,299,283 for the years ended June 30, 2017 and 2016.

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, 2017 Financial Statements:

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2016. An expected total pension liability was determined at June 30, 2016 using standard roll-forward techniques. The following actuarial assumptions were 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 27-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.

(Continued)

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	$ 17,321,219	$ 13,899,653	$ 10,966,691
Authority's net position liability - Hazardous	8,635,983	6,874,186	5,421,009
Total	$ 25,957,202	$ 20,773,840	$ 16,387,700

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 $20,773,840. The Authority's proportionate share of the CERS plan was approximately 0.282% for Nonhazardous and 0.401% for Hazardous service employees. The liability was distributed based on 2016 actual employer contributions to the plan.

Measurement Date: June 30, 2016 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2017 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. Please refer to the GASB Statement No. 67 Report for the CERS as of June 30, 2017 for the roll forward procedure used to determine the TPL as of June 30, 2017.

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 not been updated.

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 $1,989,068 for Nonhazardous and $763,768 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. 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.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

For year ending June 30, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 159,826	$ -
Change of assumptions	1,130,799	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	275,602	(245,111)
Differences between expected and actual investment earning on plan investments	1,886,609	-
	3,452,836	(245,111)
Contributions subsequent to the measurement date	1,468,272	-
Total	$ 4,921,108	$ (245,111)

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:

2018	$1,144,190
2019	772,720
2020	870,179
2021	420,637

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, 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.

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

(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.

(Continued)

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
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.

(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

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

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.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

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 $44,000 for 15 employees during 2017 and $47,000 for 15 employees during 2016. The Plan may be terminated at the election of the Board without notice.

(Continued)

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, 2017, fees receivable include TIF revenue calculated based on detailed information obtained from the local government through December 31, 2014 and estimated TIF revenue earned through calendar year 2016 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, 2017 and 2016, 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.

Investments: At June 30, 2017, LRZC's investment balances were as follows:

Investment Type	Investment Balances	Maturity	Rating
Federal Home Loan Bank	$ 6,002,759	10/26/17 through 12/15/17	Aaa
Federal Home Loan Mortgage Corporation	1,996,636	9/29/17	Aaa
US Treasury Note	15,022,786	8/31/17	Aaa
	$ 23,022,181		

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

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

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, 2017:

- United States Treasury Notes of $15,022,786 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Bank Domestic Bonds of $6,002,759 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Mortgage Corporation Bonds of $1,996,636 is valued using a matrix pricing model (Level 2 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)

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, 2017 and 2016, approximately $23,000,000 and $14,000,000, respectively, 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.

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.

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 5,594,762	$ 3,647,025	$ (1,048,814)	$8,192,973
Construction projects	3,377,980	882,192	(1,523,536)	2,736,636
Total capital assets not being depreciated	8,972,742	4,529,217	(2,572,350)	10,929,609
Other capital assets:				
Land improvements	18,875,217	-	(39,584)	18,835,633
Utility systems	3,254,054	-	-	3,254,054
Total other capital assets	22,129,271	-	(39,584)	22,089,687
Less accumulated depreciation	(4,369,020)	(1,204,153)	-	(5,573,173)
Other capital assets, net	17,760,251	(1,204,153)	(39,584)	16,516,514
Net capital assets	$ 26,732,993	$ 3,325,064	$ (2,611,934)	$27,446,123

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

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

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

	2017	2016
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. Loan was repaid in 2017.	$ -	$ 1,669,493
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 as described above.	5,097,889	5,097,890
Loan payable to Louisville Paving to be paid in sixty monthly installments of $75,062, including interest at 6.5%, beginning March 1, 2012 and maturing on February 1, 2017. Loan was repaid in 2017.	-	586,117
Total loans payable	5,097,889	7,353,500
Less current portion	(5,097,889)	(4,655,611)
Long-term portion	$ -	$ 2,697,889

Annual Loan Repayment Requirements: The annual loan repayment requirements to maturity, including principal and interest, as of June 30, 2017, are estimated as follows:

	Principal	Interest	Total
Year ended June 30, 2018	$ 5,097,889	$ -	$ 5,097,889

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. In April 2013, the area leased was extended by approximately 3.800 acres. The lease includes ground rent, improvement rent, and commission rent components. The lease was amended in April 2012 and again in April 2013 to include additional improvements. The lease was amended in November 2016 to exercise certain renewal options contained in the lease, which extended parts of the lease to December 2021 and December 2026. The amendment also increased the land area by approximately 1.710 acres.

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

The approximate future minimum lease payments to be received in each of the years remaining under the original term are as follows:

	Total
Year ended June 30,	
2018	$ 199,482
2019	202,984
2020	206,978
2021	211,355
2022	233,951
Thereafter	129,113
	$ 1,183,863

Lease revenue recognized during the year ended June 30, 2017 and 2016 was $811,115 and $1,587,169, respectively. The net book value of the property subject to the lease was approximately $3,145,000 and $3,200,000 at June 30, 2017 and 2016, respectively. The rent related to improvements was the primary source of repayment of the loan payable to Louisville Paving.

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REQUIRED SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2017

	2017	2016	2015
Authority's proportion of the net pension liability	0.282%	0.289%	0.273%
Authority's proportionate share of the net pension liability	$ 13,899,653	$ 12,422,062	$ 8,841,000
Authority's covered payroll	$ 6,825,340	$ 6,848,747	$ 6,300,048
Authority's proportion of the net pension liability as a percentage of its covered payroll	203.648%	181.377%	140.332%
Plan fiduciary net position as a percentage of the total pension liability	55.503%	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 not been updated.

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, 2017

	2017	2016	2015
Authority's proportion of the net pension liability	0.401%	0.398%	0.407%
Authority's proportionate share of the net pension liability	$ 6,874,186	$ 6,115,791	$ 4,893,000
Authority's covered payroll	$ 2,228,906	$ 2,175,463	$ 2,111,137
Authority's proportion of the net pension liability as a percentage of its covered payroll	304.411%	281.126%	231.771%
Plan fiduciary net position as a percentage of the total pension liability	53.948%	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 not been updated.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2017

	2017	2016	2015
Statutorily required contribution	$ 989,843	$ 847,707	$ 873,265
Contributions in relation to the statutorily required contribution	(989,843)	(847,707)	(873,265)
Annual contribution deficiency (excess)	$ -	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%
Authority's covered payroll	$ 7,095,652	$ 6,825,340	$ 6,848,747
Contributions as a percentage of its covered payroll	13.95%	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, 2017

	2017	2016	2015
Statutorily required contribution	$ 529,300	$ 451,576	$ 450,973
Contributions in relation to the statutorily required contribution	(529,300)	(451,576)	(450,973)
Annual contribution deficiency (excess)	$ -	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%
Authority's covered payroll	$ 2,438,047	$ 2,228,906	$ 2,175,463
Contributions as a percentage of its covered payroll	21.71%	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, 2017
(With comparative totals for 2016)

	2017			
	Louisville International	Bowman Field	Total	2016 Total
Operating revenues				
Landing and field use fees	$ 19,472,006	$ 56,114	$ 19,528,120	$ 19,182,919
Terminal area	9,033,095	150,978	9,184,073	8,835,270
Apron area	2,227,574	-	2,227,574	2,153,278
Parking and ground transportation	25,830,664	-	25,830,664	25,514,284
Aviation related facility leases	6,490,283	1,408,303	7,898,586	4,644,784
Land leases and other	2,123,158	22,329	2,145,487	2,303,454
Airport services	181,252	30,534	211,786	233,190
Other revenue	505,052	27,737	532,789	1,684,971
Total operating revenues	65,863,084	1,695,995	67,559,079	64,552,150
Operating expenses				
Operations and general maintenance				
Salaries, wages	8,021,635	475,669	8,497,304	8,200,813
Contracts	3,440,109	43,598	3,483,707	3,408,131
Utilities and fuel supplies	3,394,840	463,754	3,858,594	3,764,826
Supplies and other	1,413,356	131,017	1,544,373	1,366,398
Reimbursed costs	(457,659)	(3,212)	(460,871)	(1,766,854)
Total operations and general maintenance	15,812,281	1,110,826	16,923,107	14,973,314
Administrative, general, planning and engineering	11,047,708	605,495	11,653,203	10,240,431
Total operating expenses before major maintenance and depreciation	26,859,989	1,716,321	28,576,310	25,213,745
Major maintenance	5,078,708	198,010	5,276,718	4,122,935
Depreciation and amortization	24,095,434	1,340,820	25,436,254	26,860,683
Total operating expenses	56,034,131	3,255,151	59,289,282	56,197,363
Operating income (loss)	9,828,953	(1,559,156)	8,269,797	8,354,787
Non-operating revenues (expenses) and capital contributions				
Investment earnings, net	971,892	8,550	980,442	1,117,771
Interest expense	(6,959,333)	-	(6,959,333)	(7,197,499)
Passenger facility charge	1,995,504	-	1,995,504	4,434,002
Net loss on disposal of assets	(815,686)	-	(815,686)	(7,342,979)
Other revenues	117	-	117	40,305
Capital contributions	7,834,335	144,731	7,979,066	25,047,169
Net non-operating revenues	3,026,829	153,281	3,180,110	16,098,769
Changes in net position	$ 12,855,782	$ (1,405,875)	$ 11,449,907	$ 24,453,556

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT
June 30, 2017

	Cost					Accumulated Depreciation				
	Balance July 1, 2016	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2017	Balance July 1, 2016	Provisions	Retirements/ Adjustments	Balance June 30, 2017	Net Balance June 30, 2017
Louisville International Airport										
Land	$ 296,863,199	$ -	$ -	$ 684,010	$ 297,547,209	$ -	$ -	$ -	$ -	$ 294,547,209
Land improvements – runways, taxiways, and aprons	380,971,173	-	-	173,509	381,144,682	275,011,284	14,073,331	-	289,084,615	92,060,067
Land improvements – ground transportation and other	110,901,016	454,266	-	-	111,355,282	100,355,166	1,677,450	-	102,032,616	9,322,666
Buildings	132,422,991	-	-	3,849,270	136,272,261	92,245,455	5,128,604	-	97,374,059	38,898,202
Utility systems	41,296,188	-	-	-	41,296,188	37,422,703	883,021	-	38,305,724	2,990,464
Equipment (excluding automotive)	19,651,595	-	-	2,941,523	22,593,118	12,865,842	1,482,199	-	14,348,041	8,245,077
Vehicles and automotive equipment	9,950,713	-	(22,498)	466,310	10,394,525	7,212,912	583,689	(22,498)	7,774,103	2,620,422
Furniture and fixtures	5,337,840	-	-	3,631,682	8,969,522	5,034,626	267,138	-	5,301,764	3,667,758
Capital projects in progress	35,870,620	12,655,511	(2,908,446)	(11,926,649)	33,691,036	-	-	-	-	33,691,036
Total Louisville International Airport	1,033,265,335	13,109,777	(2,930,944)	(180,345)	1,043,263,823	530,147,988	24,095,432	(22,498)	554,220,922	489,042,901
Bowman Field										
Land	914,968	-	-	-	914,968	-	-	-	-	914,968
Land improvements – runways, taxiways, and aprons	17,926,516	-	-	246,825	18,173,341	10,385,054	827,368	-	11,212,422	6,690,919
Land improvements – ground transportation and other	542,536	-	-	177,039	719,575	442,844	39,228	-	482,072	237,503
Buildings	15,217,481	-	-	-	15,217,481	10,988,058	474,010	-	11,462,068	3,755,413
Utility systems	124,536	-	-	-	124,536	124,320	216	-	124,536	-
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	2,126,898	3,427,545		(473,615)	5,080,828	-	-	-	-	5,080,828
Total Bowman Field	37,822,596	3,427,545	-	(49,751)	41,200,390	22,909,937	1,340,822	-	24,250,759	16,949,631
Total Louisville International Airport and Bowman Field	$ 1,071,087,931	$ 16,537,322	$ (2,930,944)	$ (230,096)	$ 1,084,464,213	$ 553,057,925	$ 25,436,254	$ (22,498)	$ 578,471,681	$ 505,992,532

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
June 30, 2017

	Expiration Date	Amount of Coverage
AIG Aerospace		
General airport liability	07/31/2017	$ 250,000,000
Optional war risk and other perils	07/31/2017	150,000,000
Option TRIA	07/31/2017	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)	07/31/2017	1,000,000
ACE American Insurance Company		
Cyber – Privacy & Network Liability	07/31/2017	1,000,000
Axis Surplus Insurance Co.		
Media professional liability	07/31/2017	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	08/01/2018	1,000,000
Starr Indemnity and Liability Co.		
Public officials' liability covering board members and all employees	07/31/2017	10,000,000
KEMI		
Worker's compensation	07/31/2017	Statutory Limitations
Employer's liability	07/31/2017	1,000,000
U.S. Fire Insurance Company		
Accident on Volunteers (Ambassadors)	07/31/2017	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, 2017 and the submission of these statements.

OTHER REQUIRED INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

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, 2017	Accumulated Expenditures
U.S. Department of Transportation						
Direct Programs:						
Federal Aviation Administration -		Airport Improvement Program				
Louisville International						
	20.106	3-21-0031-95-2013	Noise Mitigation and Relocation	$ 18,118,943	$ 120,460	$ 17,137,673
	20.106	3-21-0031-98-2014	Rehabilitate Runways	4,157,280	609,783	3,203,151
	20.106	3-21-0031-99-2014	Taxiway C (Lighting), Environmental Study	20,836,394	585,000	20,836,394
	20.106	3-21-0031-100-2014	Noise Mitigation	6,700,000	645,649	687,606
	20.106	3-21-0031-101-2016	Rehabilitate Runways	4,098,976	891,115	891,115
	20.106	3-21-0031-102-2016	Rehabilitate Terminal Apron	8,600,000	523,393	523,393
Bowman Field						
	20.106	3-21-0032-22-2013	Rehabilitate Taxiway J	970,687	51,672	946,420
	20.106	3-21-0032-23-2014	Conduct Environmental Assessment	593,795	-	268,229
	20.106	3-21-0032-25-2014	Rehabilitate Taxiway / Taxilane Juliet, Construct Exit Taxiways (Runway 15-33)	1,279,634	1,247,643	1,247,643
Total U.S. Department of Transportation				65,355,709	4,674,715	45,741,624
U.S. Department of Homeland Security						
	97.090	HSTS0216HSLR912	Law Enforcement Officer Reimbursement Program	225,303	33,322	33,322
	97.072	HSTS0216HNCP476	TSA National Explosives Detection Canine Team	404,000	161,300	252,687
Total U.S. Department of Homeland Security				629,303	194,632	286,009
U.S. Department of Justice						
	16.922	KY0566900	Criminal Division Equitable Sharing Program	39,552	2,809	27,061
Total U.S. Department of Justice				39,552	2,809	27,061
Total Expenditures of Federal Awards				$ 66,024,564	$ 4,872,146	$ 46,054,694

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 2017.

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.

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 25, 2017. 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
October 25, 2017

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, 2017. 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, 2017.

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 25, 2017 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
October 25, 2017

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:	$ 750,000
Auditee qualified as low-risk auditee?	√ Yes ____ No

PART II: FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended June 30, 2017.

PART III: FEDERAL AWARD FINDINGS

There were no findings for the year ended June 30, 2017.

(Continued)

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

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, 2017.

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, 2017.

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 25, 2017 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
October 25, 2017

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year ended June 30, 2017

	Impose & Use Authority	Program Total at June 30, 2016	FY 2017 Activity	Program Total at June 30, 2017
Revenue				
PFC Collections		$ 104,267,421	$ 2,277,691	$ 106,545,112
Interest		762,125	18,256	780,381
Total Revenue		105,029,546	2,295,947	107,325,493
Disbursements				
FAA Application Number				
Open applications as of June 30, 2017:				
97-01-C-00-SDF*	$ 75,594,112	72,907,429	1,686,683	74,594,112
12-07-C-00-SDF*	2,250,000	1,933,255	-	1,933,255
14-08-C-00-SDF*	5,203,144	4,290,648	24,708	4,315,356
14-09-C-00-SDF*	2,150,000	2,110,235	39,765	2,150,000
16-10-C-00-SDF	2,345,000	-	578,259	578,259
	87,542,256	81,241,567	2,329,415	83,570,982
Closed applications as of June 30, 2017:				
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	726,822	-	726,822
11-06-C-00-SDF*	2,362,619	2,362,619	-	2,362,619
	20,021,517	20,021,517	-	20,021,517
Total	107,563,773	101,263,084	2,329,415	103,592,499
Net PFC Revenue		$ 3,766,461	$ (33,468)	$ 3,732,993
PFC Account Balance		$ 3,766,461		$ 3,732,993

*As amended

Summary of Auditor's Results

We have issued an unmodified opinion, dated October 25, 2017 on the financial statements of Louisville Regional Airport Authority as of and for the year ended June 30, 2017.

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 October 25, 2017 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.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PRIOR AUDIT PASSENGER FACILITY CHARGES
FINDINGS AND THEIR RESOLUTION
Year ended June 30, 2017

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.