LOUISVILLE REGIONAL AIRPORT AUTHORITY
Louisville, Kentucky

ANNUAL REPORT
June 30, 2015 and 2014

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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, 2015 and 2014, 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.

(Continued)

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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 1, the Authority restated July 1, 2014 net position, liabilities, and deferred outflows of resources for the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The adoption resulted in increases in net pension liability of $15,421,419 and deferred outflows of resources of $1,306,419, respectively, and reduction of net position of $14,115,000 at July 1, 2014. Our opinion is not modified with respect to this matter.

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 4 through 11, the schedule of the Authority's proportionated share of the net pension liability and the schedule of the Authority's employer contributions on pages 43 and 44 be presented to supplement the 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 financial statements, and other knowledge we obtain during our audit of the 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 45, the schedule of airport property, facilities, and equipment presented on page 46, and the schedule of insurance coverage presented on page 47, and the schedule of expenditures of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations,* 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 19, 2015 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 19, 2015

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Management's Discussion and Analysis

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

The management of the Authority offers readers of our financial statements the following discussion and analysis of our statistical and financial activities of the Authority for the Fiscal Year ended June 30, 2015.

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, as adjusted for the impact of the adoption of GASB 68, reconciles to the Net Position at the end of this fiscal year.

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

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

Statistical Information

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

	FY 2015	FY 2014	FY 2013	FY 2012
Passengers				
Enplaned	1,676,047	1,679,166	1,714,706	1,683,285
Deplaned	1,675,542	1,688,991	1,711,188	1,679,619
Total	3,351,589	3,368,157	3,425,894	3,362,904
Landed Weight (lbs)				
Passenger	1,939,823,698	2,050,073,869	2,096,797,510	2,021,365,123
Cargo	11,698,667,968	11,272,590,682	11,163,286,840	11,057,242,404
Total	13,638,491,666	13,322,664,551	13,260,084,350	13,078,607,527

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 5.0 and 4.9 billion pounds for FY15 and FY14 respectively.

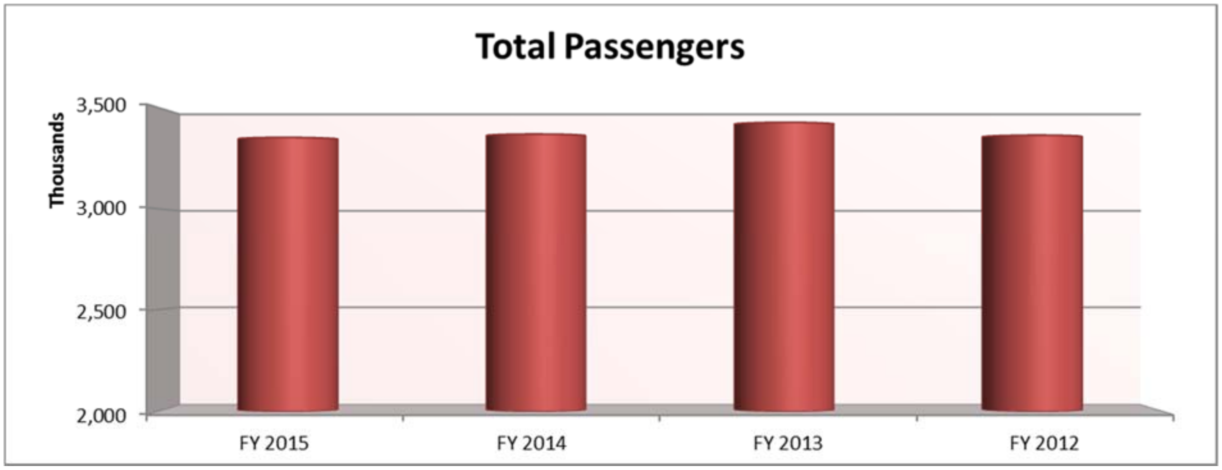
During FY 2015 passenger enplanements at Louisville International Airport (SDF) decreased by 0.2% compared to FY 2014. This slight change in passenger volume signaled a stabilization in the market for the airlines serving the Louisville region after a prolonged period of industry consolidation. During the year, airlines experienced a return to profitability driven by higher average load factors. This improvement was fueled by the replacement of a number of smaller first generation regional jets with larger, more customer-friendly aircraft. These aircraft allowed airlines to increase available seats at peak travel times while providing new opportunities for frequent travelers to make use of two-class seating configurations and amenities. Both enhancements have been warmly welcomed by travelers.

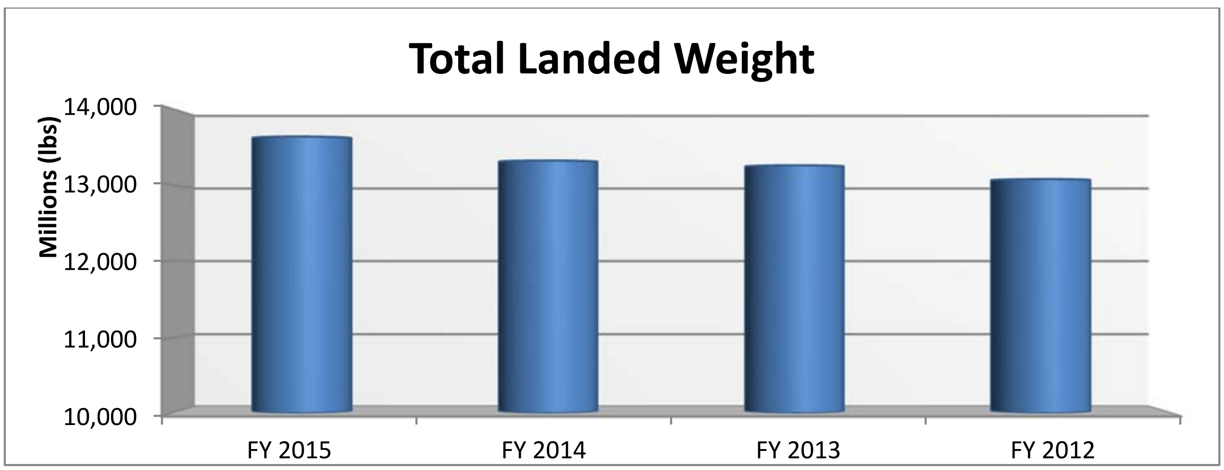
Over the next 24 months, we expect that airlines will give consideration to new air service opportunities in the region which may provide additional seats to existing markets and provide new access to destinations that lost connectivity during recent hub consolidations in the Midwest. Moving forward, we expect average fares to continue to be competitive with other airports in the region allowing Louisville to continue to be an attractive choice for travelers taking flight.

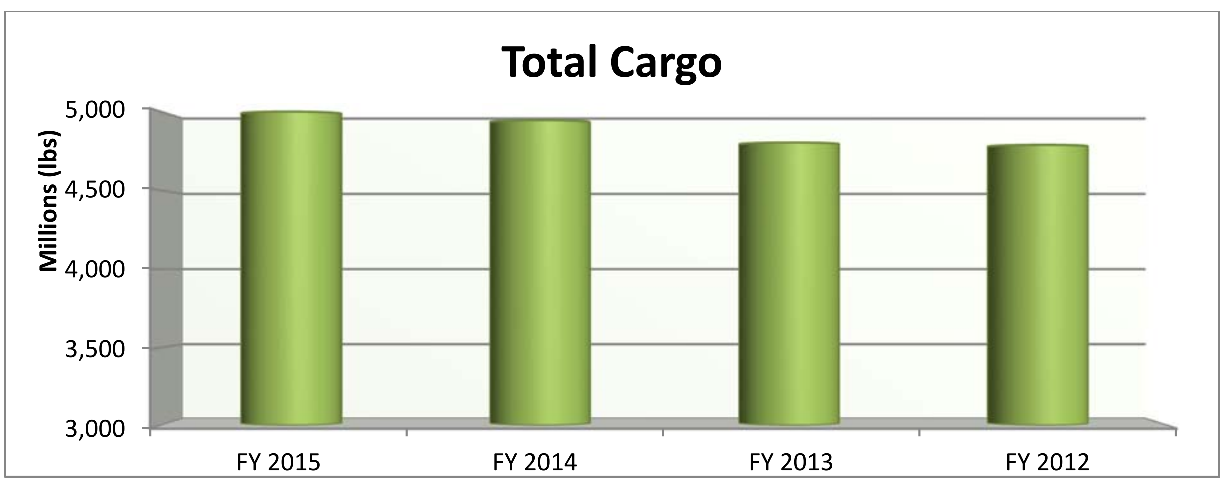
Louisville International Airport offers daily nonstop service by the five largest airlines in the nation offering daily nonstop service to 20 top destinations including 16 of the 20 markets that local travelers visit most. With robust service to most major hubs Louisville International connects the region to 140 international destinations in 65 countries on six continents.

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

Statistical Graphs







Financial Highlights
(Versus Budget and Prior Year)

- In the current fiscal year the Authority adopted changes as required by GASB 68, *Accounting and Reporting for Pensions*. The most significant change impacting these statements is the recording of a portion of Kentucky's County Employees' Retirement System's (CERS) Net Pension Liability and other related entries. This adoption also changed the method of recording retirement expense, causing our current year contributions to be classified as a Deferred Outflow and the recording of our allocated portion of the plan expense for CERS. A more detailed explanation may be found in Note 14 to these statements.

- Operating Revenues for FY15 were 5.8% more than FY15 budget and 4.8% more than FY14. Major contributors are:
    - Rental Car revenues were approximately $1.1 million greater than budget and $724,000 greater than FY14 due to higher revenue per transaction as reported by the Rental Car companies operating at SDF.
    - Parking revenues were up approximately $655,000 versus budget and $214,000 versus FY14 due to higher activity levels than originally projected and an increase in the average length of stay.
    - The Authority periodically conducts audits of tenant leases to ensure revenues are reported and paid to the Authority as stipulated in the agreements. During FY 2015 these audits resulted in approximately $1.4 million of unbudgeted Other Operating Revenues.

- Non-Operating Revenues variance to budget and prior year is primarily due to Interest Income which includes approximately $513,000 in unbudgeted late fees attributable to the tenant audits mentioned above in Operating Revenues.

- Operating Expenses before Depreciation for FY15 were $1.0 million or 3.1% less than budget and $1.4 million or 4.4% greater than FY14 actual. The major contributors to this variance are:
    - Contract Services are approximately $600,000 less than budget due to a new In-Line Bag operations contract that resulted in $300,000 in savings and a reduction in Parking operations temporary agency services of $126,000.
    - Professional & Consulting Services were approximately $1.0 million less than FY14 actual primarily related to legal services.
    - Retirement expense savings of $270,000 to budget and $187,000 to FY14 Actual is impacted by the adoption of GASB 68 as discussed above.
    - Major Maintenance was $2.0 million over FY14 primarily due to higher snow removal costs and the scheduling of a second Airfield Pavement Repair project during the year that resulted in an additional $1.5 million in spending.

- Operating Income before Depreciation was $32.8 million which is $4.6 million greater than budgeted and $1.6 million greater than FY14 actual.
- Interest Expense is approximately $4.6 and $4.1 million less than budget and prior year respectively. This is due to the refunding of all Authority debt performed in FY14 which resulted in approximately $3.0 million in reduced debt interest payments as well as a reduction in bond premium amortization of $1.7 million.
- Net Income before Capital Contributions was $7.8 million, which is $13.6 million greater than budget and $5.8 million greater than FY14 actual.
- Net Position increased from prior year by $20.4 million to $337.3 million. This includes absorbing approximately $13.7 million of CERS's net pension liability and other related entries.

Financial Information

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

	2015	2014	2013
Assets:			
Unrestricted	$ 67,701,967	$ 51,733,459	$ 42,693,926
Restricted	59,913,258	40,463,626	86,337,546
Capital Assets (Includes In Progress)	522,726,660	513,761,650	522,472,396
Other	-	-	234,935
Total Assets	650,341,885	605,958,735	651,738,803
Deferred Outflows	1,279,301	-	-
Total Assets and Deferred Outflows	651,621,186	605,958,735	651,738,803
Liabilities:			
Unrestricted	16,588,057	10,110,260	11,772,202
Restricted	23,183,959	306,050	28,162,715
Long Term Debt	231,635,000	249,130,000	288,775,000
Other	41,455,239	29,492,822	22,590,494
Total Liabilities	312,862,255	289,039,132	351,300,411
Deferred Inflows	1,468,000	-	-
Total Liabilities and Deferred Inflows	314,330,255	289,039,132	351,300,411
Net Position			
Invested in capital assets, net of related debt	252,329,047	247,124,650	195,493,290
Restricted for debt service	47,305,155	26,588,326	71,415,064
Restricted for capital projects	8,285,068	9,402,978	10,427,865
Unrestricted	29,371,661	33,803,649	23,102,173
Total Net Position	$ 337,290,931	$ 316,919,603	$ 300,438,392

Note: The 2014 and 2013 information does not include the impact of the GASB 68 implementation.

The two primary reasons for the increase in Assets are increases in both Unrestricted and Restricted Cash and Investments of approximately $30 million and Capital Assets net of Depreciation of $9 million. The increase in Unrestricted Cash and Investments is mostly due to lower debt service payments, increases in revenues, and tenant audit recoveries. The increase in Restricted Assets is because of the zero balance in our debt service accounts at prior year-end due to the timing of the 2014 bond refunding, which had a significant impact on comparability between the periods presented. Further discussion of Capital Asset activity is included later in this MD&A.

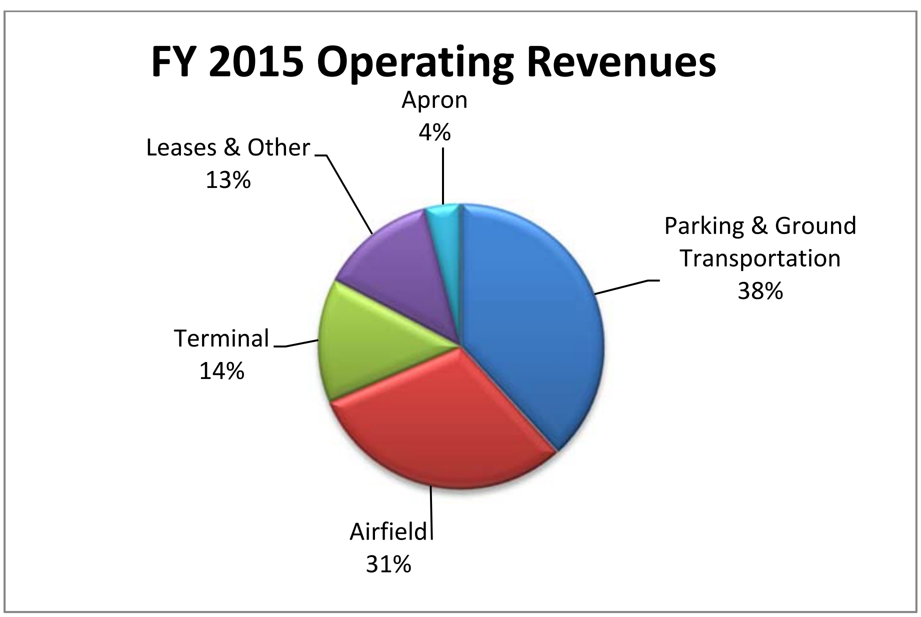
Total Liabilities increase over prior year is primarily due to the timing of the prior year bond refunding and the adoption of GASB 68 as discussed earlier. Restricted Liabilities is impacted by the current portion of bonds payable of $17.5 million and bond interest payable of $4.5 million at June 30, 2015 compared to zero and $125,000, respectively, at June 30, 2014. Other Liabilities increased in FY15 by $13.7 million which is the Authority's share of CERS' net pension liability as required by GASB 68. The Deferred Outflows and Deferred Inflows above are also directly related to the implementation of GASB 68. A more detailed explanation of the impact of this adoption may be found in Note 14 to these financial statements.

Total Net Position increased by $20.4 million.

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

	2015 Actual	2015 Budget	2014 Actual	2013 Actual
Operating Revenues				
Landing and Field Use	$ 19,852,543	$ 20,104,425	$ 19,592,050	$ 19,287,529
Apron Area	2,657,155	2,276,350	2,486,953	2,144,079
Landside Terminal	5,439,667	5,741,957	5,601,116	6,063,815
Airside Terminal	3,754,881	3,472,589	3,534,459	3,677,483
Leases	6,747,794	6,639,246	6,608,132	6,524,871
Parking & Ground Transportation	24,928,844	23,158,795	23,984,556	23,252,003
Other	1,887,724	297,700	488,087	421,622
Total Operating Revenues	65,268,608	61,691,062	62,295,353	61,371,402
Non Operating Revenues				
Passenger Facility Charge	6,590,600	6,427,000	6,625,649	6,823,983
Net gain on disposal of assets	-	-	138,783	3,501,318
Interest Income	788,542	139,550	349,210	1,175,015
Other	40,807	-	-	-
Total Non Operating Revenues	7,419,949	6,566,550	7,113,642	11,500,316
Total Revenues	$ 72,688,557	$ 68,257,612	$ 69,408,995	$ 72,871,718

The major contributors to total revenues' increase over budget and FY14 have been explained earlier under Financial Highlights. The Authority also received Capital Contributions from federal government grants. These grants are generally only available for use on eligible capital and major maintenance spending. Capital Contributions received or accrued for FY15 and FY14 were $26.6 million and $14.5 million respectively. Unused federal grant funds from FY15 remain available for use by the Authority in future years.

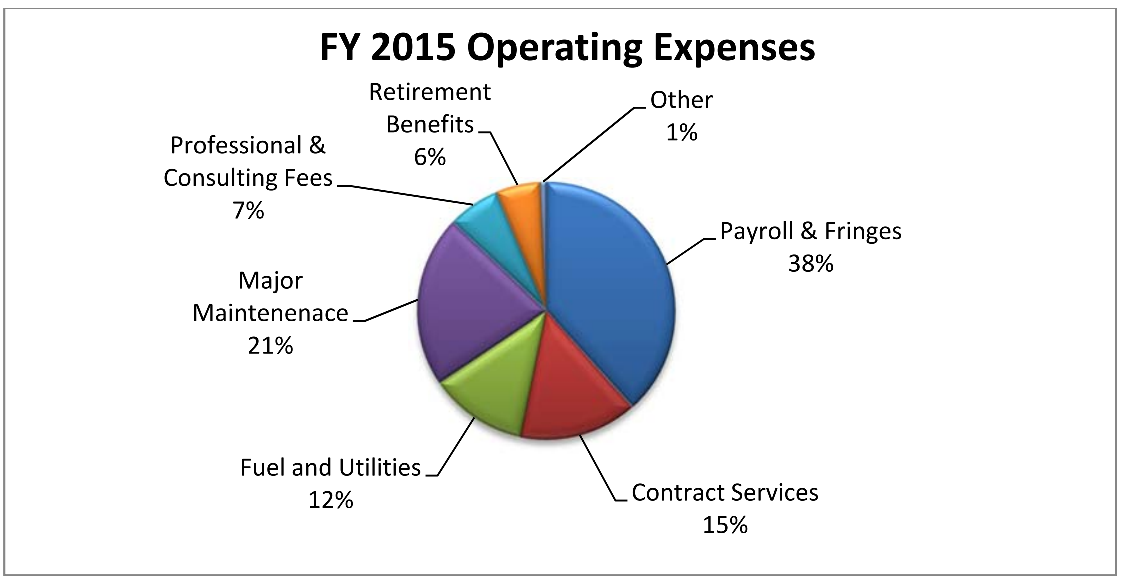


Expenses. The following schedule presents a summary of operating expenses before depreciation for the fiscal years ended June 30:

	2015		2014	2013
	Actual	Budget	Actual	Actual
Operating Expenses:				
Payroll & Fringe Benefits	$ 12,450,329	$ 12,274,392	$ 11,774,208	$ 11,375,907
Contract Services	4,833,110	5,430,125	4,964,718	5,068,516
Fuel and Utilities	4,006,255	3,929,650	4,008,360	3,742,208
Professional & Consulting Fees	2,127,545	2,070,250	3,175,240	1,963,378
Retirement	1,819,136	2,089,308	2,005,672	2,143,496
Other	245,492	991,350	202,276	512,407
Total Operating Expenses before Major Maintenance and Depreciation	25,481,867	26,785,075	26,130,474	24,805,912
Major Maintenance	6,979,543	6,707,520	4,954,707	4,028,010
Total Operating Expenses before Depreciation	32,461,410	33,492,595	31,085,181	28,833,922
Non-Operating Expenses				
Interest Expense	7,301,171	11,948,030	11,414,638	12,195,113
Net loss on disposal of assets	1,193,663	-	-	-
Bond cost of issuance	-	-	1,772,379	-
Other	-	-	59,517	177,837
Total Non-Operating Expenses	8,494,834	11,948,030	13,246,534	12,372,950
Total Expenses before Depreciation	$ 40,956,244	$ 45,440,625	$ 44,331,715	$ 41,206,872

Note: The 2014 and 2013 information does not include the impact of the GASB 68 implementation.

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



Capital Assets. During fiscal year 2015, the Authority's capital spending and accruals totaled approximately $34,450,000. Major projects were: Runways & Taxiways - $16,078,000; Noise Mitigation, Land Acquisition, Relocation and Sound Insulation - $12,160,000; installation and rehabilitation of Passenger Boarding Bridges - $4,355,000; Terminal and Other Facility Projects - $850,000; and purchase of equipment - $1,007,000. Capital assets acquired and projects completed and capitalized during the year totaled approximately $24,744,000. 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. The Authority has $249,130,000 of bonds outstanding at the end of fiscal year 2015 of which $17,495,000 is considered a current liability. No principal payments were made to bondholders during FY15 because of the refunding of all Authority debt in June 2014. 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 airfield expansions and upgrades, terminal construction and renovation, parking garage and lot construction, 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,

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

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LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2015	2014	2015	2014
ASSETS				
Current assets, unrestricted				
Cash and equivalents	$ 11,501,975	$ 21,430,037	$ 4,196,229	$ 7,797,036
Investments, at amortized cost plus accrued interest	42,231,907	21,964,499	15,004,782	-
Land held for sale	-	-	241,710	1,605,855
Grants receivable	8,459,584	2,804,411	-	-
Fees and rentals receivable, net	4,309,346	4,364,409	5,070,045	4,617,817
Due from component unit	37,448	78,846	-	-
Supplies and prepaid expenses	1,161,707	1,091,257	-	168,731
Total unrestricted current assets	67,701,967	51,733,459	24,512,766	14,189,439
Current assets, restricted				
Cash and equivalents	-	809,286	-	-
Cash and equivalents – land fund	1,714,957	1,243,534	-	-
Total restricted current assets	1,714,957	2,052,820	-	-
Total current assets	69,416,924	53,786,279	24,512,766	14,189,439
Noncurrent assets, unrestricted				
Fees and rentals receivable, net	-	-	6,240,000	6,900,000
Capital assets not being depreciated	350,618,641	340,261,574	9,572,791	11,991,224
Depreciable capital assets, net	172,108,019	173,500,076	15,631,296	10,924,900
Unamortized loan costs	-	-	2,357,794	2,552,921
Total unrestricted noncurrent assets	522,726,660	513,761,650	33,801,881	32,369,045
Noncurrent assets, restricted				
Cash and equivalents – PFC fund	3,301,277	3,373,080	-	-
Cash and equivalents	22,040,354	17,400,579	-	-
Investments – PFC fund	-	1,000,685	-	-
Investments, at amortized cost plus accrued interest	32,856,670	16,636,462	-	-
Total restricted noncurrent assets	58,198,301	38,410,806	-	-
Total noncurrent assets	580,924,961	552,172,456	33,801,881	32,369,045
Total assets	650,341,885	605,958,735	58,314,647	46,558,484
DEFERRED OUTFLOWS OF RESOURCES				
Pension - Authority contributions subsequent to the measurement date	1,279,301	-	-	-
Total assets and deferred outflows	$ 651,621,186	$ 605,958,735	$ 58,314,647	$ 46,558,484

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corp	
	June 30,		June 30,	
	2015	2014	2015	2014
LIABILITIES				
Current liabilities (payable from unrestricted current assets)				
Accounts payable	$ 13,662,662	$ 7,681,152	$ 509,272	$ 741,339
Accounts payable - Authority	-	-	37,448	78,846
Accrued expenses and other	1,283,290	1,153,751	11,916	19,594
Loans payable	-	-	3,733,022	1,469,692
Unearned income	1,642,105	1,275,357	-	500,000
Total unrestricted current liabilities	16,588,057	10,110,260	4,291,658	2,809,471
Current liabilities (payable from restricted current assets)				
Bonds payable	17,495,000	-	-	-
Accounts payable	1,194,382	181,200	-	-
Accrued interest on bonds	4,494,577	124,850	-	-
Total restricted current liabilities	23,183,959	306,050	-	-
Total current liabilities	39,772,016	10,416,310	4,291,658	2,809,471
Long-term debt				
Bonds and loans payable	231,635,000	249,130,000	7,571,655	11,304,676
Other liabilities				
Deposit from UPS land option	7,819,551	7,819,551	-	-
Unamortized bond premium, net	13,076,864	14,764,847	-	-
Deposit from Commonwealth of Kentucky	2,524,824	2,524,824	-	-
Other liabilities	-	83,600	-	-
Revolving coverage (payable from restricted assets)	4,300,000	4,300,000	-	-
Net pension liability	13,734,000	-	-	-
Total other liabilities	41,455,239	29,492,822	-	-
Total liabilities	312,862,255	289,039,132	11,863,313	14,114,147
DEFERRED INFLOWS OF RESOURCES				
Pension - Difference between projected and actual investment earnings	1,468,000	-	-	-
Total liabilities and deferred inflows	$ 314,330,255	$ 289,039,132	$ 11,863,313	$ 14,114,147
NET POSITION				
Net investment in capital assets	$ 252,329,047	$ 247,124,650	$ -	$ -
Restricted for debt service	47,305,155	26,588,326	-	-
Restricted for capital projects	8,285,068	9,402,978	-	-
Unrestricted net position	29,371,661	33,803,649	46,451,334	32,444,337
Total net position	$ 337,290,931	$ 316,919,603	$ 46,451,334	$ 32,444,337

See accompanying notes to financial statements.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2015 and 2014

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2015	2014	2015	2014
Operating revenues				
Rentals and concessions	$ 45,416,065	$ 42,703,303	$ 1,576,829	$ 1,426,182
Landing and field use fees	19,852,543	19,592,050	-	-
TIF revenues	-	-	4,385,909	7,146,868
Land sales, net of cost	-	-	9,351,008	1,872,087
Total operating revenues	65,268,608	62,295,353	15,313,746	10,445,137
Operating expenses				
Operations and general maintenance	15,419,641	15,044,257	-	-
Administrative, general, planning and engineering	10,062,226	11,086,217	211,654	474,673
Total operating and maintenance	25,481,867	26,130,474	211,654	474,673
Major maintenance	6,979,543	4,954,707	-	-
Depreciation and amortization	23,887,870	23,046,518	800,349	700,794
Total operating expenses	56,349,280	54,131,699	1,012,003	1,175,467
Operating income	8,919,328	8,163,654	14,301,743	9,269,670
Non-operating revenues (expenses)				
Investment earnings, net	788,542	349,210	12,708	1,669
Interest expense	(7,301,171)	(11,414,638)	(307,454)	(351,826)
Passenger facility charges	6,590,600	6,625,649	-	-
Net gain/(loss) on disposal of assets	(1,193,663)	138,783	-	-
Cost of bond issuance	40,807	(1,772,379)	-	-
Other expenses	-	(59,517)	-	-
Net non-operating revenues (expenses)	(1,074,885)	(6,132,892)	(294,746)	(350,157)
Income before capital contributions	7,844,443	2,030,762	14,006,997	8,919,513
Capital contributions	26,641,885	14,450,449	-	-
Change in net position	34,486,328	16,481,211	14,006,997	8,919,513
Net position, beginning of year, previously stated	316,919,603	-	-	-
Restatement due to adoption of GASB 68 and 71 (Note 1)	(14,115,000)	-	-	-
Net position, beginning of year, as restated	302,804,603	300,438,392	32,444,337	23,524,824
Net position, end of year	$ 337,290,931	$ 316,919,603	$ 46,451,334	$ 32,444,337

See accompanying notes to financial statements.

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LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 65,607,338	$ 62,206,473	$ -	$ -
Land sales, lease revenue, and TIF revenues	-	-	16,223,126	11,828,336
Payments to suppliers	(24,246,086)	(23,214,581)	(1,073,790)	(70,315)
Payments to employees	(8,075,033)	(7,662,449)	-	-
Net cash flows provided by operating activities	33,286,219	31,329,443	15,149,336	11,758,021
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	20,986,712	14,078,537	-	-
Passenger facility charges	6,673,691	6,688,313	-	-
Acquisition and construction of capital assets	(27,259,515)	(19,182,363)	(2,126,974)	(3,959,133)
Proceeds from sale of assets	61,880	142,849	-	-
Proceeds from bonds and loans payable	-	249,130,000	-	-
Principal paid on capital debt	-	(19,650,000)	(1,469,691)	(1,361,207)
Proceeds from bond premium	-	14,764,847	-	-
Payments to escrow from bond refunding	-	(301,900,000)	-	-
Net borrowings from (repayment to) the Authority	-	-	(41,398)	(3,208,145)
Interest paid on capital debt, net of capitalized interest	(4,619,426)	(12,036,015)	(120,005)	(153,130)
Fees paid on bonds	40,807	(1,596,961)	-	-
Net cash flows used for capital and related financing activities	(4,115,851)	(69,560,793)	(3,758,068)	(8,681,615)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturities of investments	78,386,265	101,728,330	9,502,553	8,193,619
Cash payments from (advances to) component unit	41,398	3,208,145	-	-
Purchase of investments	(113,871,197)	(74,521,692)	(24,507,335)	(5,293,003)
Investment income	575,213	585,786	12,707	1,669
Net cash flows provided by (used for) investing activities	(34,868,321)	31,000,569	(14,992,075)	2,902,285
Net increase (decrease) in cash and equivalents	(5,697,953)	(7,230,781)	(3,600,807)	5,978,691
Cash and equivalents, beginning of year	44,256,516	51,487,297	7,797,036	1,818,345
Cash and equivalents, end of year	$ 38,558,563	$ 44,256,516	$ 4,196,229	$ 7,797,036

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2015	2014	2015	2014
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 8,919,328	$ 8,163,654	$ 14,301,743	$ 9,269,670
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	23,887,870	23,046,518	800,349	700,794
Changes in assets and liabilities:				
Fees and rentals receivable	55,063	(722,756)	207,772	1,024,611
Unearned income	366,748	633,876	(500,000)	500,000
Supplies and prepaid expenses	(70,450)	(15,749)	168,731	(168,731)
Accounts payable	81,721	192,776	701,608	73,089
Accrued expenses and other	45,939	31,124		-
Land	-	-	(530,867)	358,588
Net cash provided by operating activities	$ 33,286,219	$ 31,329,443	$ 15,149,336	$ 11,758,021

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

The Authority has retainage and accounts payable related to construction in progress of approximately $10,360,000 and $3,447,000 as of June 30, 2015 and 2014, respectively. The Authority recorded a gain/(loss) on the sale of assets of approximately $(1,194,000) and $139,000 as of June 30, 2015 and 2014, respectively.

The Authority capitalized interest expense of $0 and $1,000 in 2015 and 2014, respectively.

LRZC financed the purchase of capital assets through accounts payable of approximately $299,000 and $621,000 in 2015 and 2014, respectively.

See accompanying notes to financial statements.

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, 2015 and 2014, the allowance for uncollectible accounts was $120,000 and $100,000, respectively.

Investments: Investment securities are recorded at amortized cost and are not materially different from 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.

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 market 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. Interest cost capitalized was approximately $0 and $1,000 during 2015 and 2014, respectively.

(Continued)

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

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

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

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

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

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

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

New Financial Reporting Standards: In 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions and* Statement No. 71**,** *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* These Statements require the Authority to record the excess of the total pension liability over the fiduciary net position of the pension plan as a net pension liability on the Statement of Net Position. The change in accounting for pensions, as discussed in Note 8, resulted in the restatement at July 1, 2014:

	As Previously Reported	As Restated	GASB 68 Adjustment
Statement of Net Position:			
Increase in Net pension liability	$ -	$ 15,421,419	$ 15,421,419
Increase in Deferred outflows	-	1,306,419	1,306,419
Statements of Revenues, Expenses and Changes in Net Position:			
Decrease in Net position	316,919,603	302,804,603	(14,115,000)

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

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for the Authority's fiscal year ended June 30, 2016. This statement will require a change to the cash and investments footnote.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement establishes requirements for those pensions and pension plans that are not administered through a trust not covered by Statements 67 and 68. This Statement is effective for the Authority's fiscal year ended June 30, 2016. This statement will have no effect on the Authority.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Statement 74 addresses the financial reports of defined benefit other post-employment benefit ("OPEB") plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The Authority has not determined what impact, if any, this statement will have on its financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the Authority's fiscal year ended June 30, 2018. This statement will have an effect on the Authority and the OPEB liability will be added to the Statement of Net Position.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for the Authority's fiscal year ended June 30, 2017. The Authority has not determined what impact, if any, this statement will have on its financial statements.

Reclassifications: Certain amounts in the FY 2014 financial statements have been reclassified to conform to the FY 2015 presentation. The reclassifications did not impact the financial position or the results of operations of the Authority.

(Continued)

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.

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

	2015	2014
Cash on hand	$ 3,550	$ 3,550
Deposits with financial institutions	12,514,899	26,043,101
Repurchase agreements and cash equivalents	26,040,114	18,209,865
	$ 38,558,563	$ 44,256,516

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

	2015	2014
Covered by federal depository insurance	$ 500,000	$ 500,000
Uninsured and collateralized	12,272,120	25,879,974
Bank balance	$ 12,772,120	$ 26,379,974
Carrying amount	$ 12,514,899	$ 26,043,101

NOTE 3 – INVESTMENTS

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

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

(Continued)

NOTE 3 – INVESTMENTS (Continued)

At June 30, 2014, the Authority's investment balances were as follows:

Investment Type	Investment Balances	Maturity	Rating
Federal National Mortgage Association	$ 6,979,498	12/19/2014 through 8/29/2015	Aaa
Federal Home Loan Bank	27,603,990	8/13/2014 through 2/18/2015	Aaa
Federal Home Loan Mortgage Corporation	4,503,044	10/20/2014	Aaa
Kentucky Asset/Liability	515,114	4/01/2015	Aaa
	$ 39,601,646		

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

	2015	2014
Unrestricted investments	$ 42,231,907	$ 21,964,499
Restricted investments, noncurrent	32,856,670	17,637,147
Total investments	$ 75,088,577	$ 39,601,646

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, 2015 and 2014 was 0.98 years and 0.54 years.

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

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

Concentration of Credit Risk: Unrestricted funds invested in U.S. Government Agencies are not limited. At June 30, 2015 and 2014, approximately $42,231,907 and $21,964,499 were invested in U.S. Government agency obligations, respectively. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

(Continued)

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, 2015			
Bond funds	$ 22,040,354	$ 26,158,079	$ 48,198,433
Revolving debt-coverage	-	6,698,591	6,698,591
Land proceeds	1,714,957	-	1,714,957
PFC funds	3,301,277	-	3,301,277
	$ 27,056,588	$ 32,856,670	$ 59,913,258
June 30, 2014			
Bond funds	$ 18,209,865	$ 9,374,402	$ 27,584,267
Revolving debt-coverage	-	7,262,060	7,262,060
Land proceeds	1,243,534	-	1,243,534
PFC funds	3,373,080	1,000,685	4,373,765
	$ 22,826,479	$ 17,637,147	$ 40,463,626

Bond covenants require the Authority to restrict assets equal to 25% of the highest annual aggregate debt service for the current or future fiscal year which approximated $6,686,000 at June 30, 2015 and 2014. 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, 2015 and 2014, this reimbursement amount was approximately $4,300,000.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority provides management and construction oversight services to LRZC and has previously provided advances to cover routine operating costs. During 2014, LRZC paid the Authority previously owed amounts. The amount due from LRZC was approximately $37,000 and $79,000 at June 30, 2015 and 2014, respectively.

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

(Continued)

NOTE 6 – CAPITAL ASSETS

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

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

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 289,358,805	$ 1,094,992	$ -	$ 290,453,797
Capital projects in progress:				
Construction projects	40,693,994	11,897,627	(25,816,443)	26,775,178
Land acquisition program	20,451,879	2,580,720	-	23,032,599
Total capital assets not being depreciated	350,504,678	15,573,339	(25,816,443)	340,261,574
Other capital assets:				
Land improvements	441,240,214	22,823,727	-	464,063,941
Buildings	139,880,702	533,252	-	140,413,954
Utility systems	41,491,049	257,028	(889,541)	40,858,536
Equipment (excluding automotive)	14,592,700	490,287	(32,093)	15,050,894
Vehicle and automotive equipment	11,025,366	402,248	(512,341)	10,915,273
Furniture and fixtures	5,032,674	72,334	(110,000)	4,995,008
Total other capital assets	653,262,705	24,578,876	(1,543,975)	676,297,606
Less accumulated depreciation for:				
Land improvements	337,113,462	14,878,442	-	351,991,904
Buildings	86,943,423	5,564,713	-	92,508,136
Utility systems	35,544,910	971,569	(889,541)	35,626,938
Equipment (excluding automotive)	9,872,157	876,337	(32,093)	10,716,401
Vehicle and automotive equipment	6,921,293	670,082	(512,341)	7,079,034
Furniture and fixtures	4,899,742	85,375	(110,000)	4,875,117
Total accumulated depreciation	481,294,987	23,046,518	(1,543,975)	502,797,530
Other capital assets, net	171,967,718	1,532,358	-	173,500,076
Net capital assets	$ 522,472,396	$ 17,105,697	$ (25,816,443)	$ 513,761,650

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, were used to (i) refund all of the Authority's outstanding Airport System Revenue Bonds and outstanding Airport System Revenue Refunding Bonds (ii) fund the 2014 Series Account of the Debt Service Reserve Fund, and (iii) pay the costs of issuance of the 2014 Series Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The aggregate difference in debt service between the refunding debt and refunded debt was a savings of $30,327,000 and the present value economic gain from the change in debt service was $1,125,000. The principal amount outstanding of insubstance defeased debt was $92,540,000 at June 30, 2015 and $288,775,000 at June 30, 2014.

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

The Airport System Revenue Master Bond Resolution adopted by the Authority's Board requires the Authority to restrict a certain amount of assets as discussed in Note 4. The Resolution also requires the Authority to comply with a debt service coverage financial covenant. At June 30, 2015, the Authority was in compliance with this financial covenant. Additionally, the bonds are subject to federal arbitrage regulations. As of June 30, 2015, there was no liability for arbitrage rebate.

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

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

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

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

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 308,425,000	$ 249,130,000	$ (308,425,000)	$ 249,130,000	$ -

The total interest incurred for the years ended June 30, 2015 and 2014 was approximately $8,989,000 and $11,416,000, respectively. Approximately $0 and $1,000 was capitalized as a component of the cost of capital assets constructed during 2015 and 2014, respectively. Approximately $8,989,000 and $11,415,000 was charged to expense in 2015 and 2014, respectively.

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

Annual Debt Service Requirements: The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2015, are as follows:

	Principal	Interest	Total
Year ended June 30,			
2016	$ 17,495,000	$ 8,903,060	$ 26,398,060
2017	17,920,000	8,662,171	26,582,171
2018	18,240,000	8,320,571	26,560,571
2019	15,955,000	7,894,658	23,849,658
2010	16,410,000	7,345,685	23,755,685
2021-2025	87,075,000	25,848,061	112,923,061
2026-2030	48,795,000	11,060,872	59,855,872
2031-2035	24,760,000	2,265,044	27,025,044
2036-2040	2,480,000	234,651	2,714,651
	$ 249,130,000	$ 80,534,773	$ 329,664,773

Outstanding Letters of Credit: At June 30, 2015 and 2014, 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, 2015 and 2014.

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 $26 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, 2015, capital projects in progress include approximately $22.5 million related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately $266 million less $243.5 million of costs related to land which has been sold or optioned for sale.

(Continued)

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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

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

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

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

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

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

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

(Continued)

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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

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

NOTE 9 – SPECIAL FACILITY REVENUE BONDS (Conduit Debt)

Special Facility Revenue Bonds totaling $148,800,000 issued during fiscal year 1999 and $42,600,000 issued in fiscal year 2006 (collectively, the Facility Bonds), were issued to finance the acquisition and construction of facilities for UPS. Although taking the legal form of a financing lease between the Authority and UPS, the substance of these arrangements is that the Facility Bonds constitute special and limited obligations and do not constitute a debt, liability or general obligation of the Authority or a pledge of Authority revenues. Repayment of the Facility Bonds and related interest is unconditionally the obligation of UPS. As such, no liability relating to the Facility Bonds is included in the accompanying financial statements. At June 30, 2015 and 2014, Special Facility Revenue Bonds outstanding aggregated $191,400,000.

NOTE 10 – PROPERTY LEASED TO OTHERS

The Authority leases land, terminal and other facilities to certain airlines and others. The terms of these leases are up to 20 years. Some of the rentals and fees paid by certain airlines are based on the costs allocable to the respective cost centers including direct and indirect maintenance and operating expenses, major maintenance, capital equipment, amortization of the cost of capital improvements, annual revenue bond debt service, as well as any other adjustments needed to maintain the debt service coverage account or other deposits required under the Bond Resolution. Other leases contain fixed rents which may be subject to escalation. For the years ended June 30, 2015 and 2014, revenues from these leases were approximately $14.6 million and $14.0 million, respectively.

The Authority also enters into rental agreements with concessionaires for food and beverage, news and gift, rental car facilities, advertising and others. Generally, the agreements are for terms from 1 to 5 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, 2015 and 2014, revenues from such agreements were approximately $11 million and $10.1 million, respectively. Revenues from contingent rentals that are made up primarily of the excess over MMG and sales only based agreements were $2.8 million and $2.6 million for 2015 and 2014, 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 2015 actual rates and assuming current agreements are carried to contractual termination are as follows:

	Land and Facilities	Concessions	Total
Year ended June 30,			
2016	$ 14,663,310	$ 7,217,154	$ 21,880,464
2017	11,787,370	5,811,780	17,599,150
2018	10,712,483	5,761,730	16,474,213
2019	10,447,671	5,666,513	16,114,184
2020	10,018,737	5,656,180	15,674,917
Thereafter	22,861,479	1,091,479	23,952,958
	$ 80,491,050	$ 31,204,836	$ 111,695,886

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 continued to impose a $4.50 PFC on enplaning passengers for the years ended June 30, 2015 and 2014.

The FAA has authorized the Authority to collect total net PFC revenue of $105,522,525 to be applied as follows:

For direct payment on capital project costs	$ 34,249,473
To be applied to the debt service and related costs on bonds issued to finance PFC approved project costs	71,273,052
Total Authorized	$ 105,522,525

During the years ended June 30, 2015 and 2014, the Authority recognized passenger facility charge revenues of approximately $6,591,000 and $6,626,000, respectively.

NOTE 12 – MAJOR CUSTOMER

During fiscal years 2015 and 2014, the Authority earned approximately 25% and 26%, respectively, of its operating revenues from one customer in each year.

(Continued)

NOTE 13 – DEFERRED COMPENSATION AND 401(K) PLANS

Noncontributory plan: The Authority offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k). The Plans are available to all Authority employees, and allow each employee to defer a portion of their salary until future years. The Plans are administered by ICMA Retirement Corporation and Kentucky Public Employees Deferred Compensation Authority (KPEDCA). Employee contributions to the 457 Plan for the years ended June 30, 2015 and 2014 totaled approximately $120,000 and $108,000, respectively, and employee contributions to the 401(k) Plan for the same years were approximately $169,000 and $149,000, respectively.

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

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

The employer contribution to the 401(k)/457 plan was approximately $36,000 and $45,000 for the year ended June, 30, 2015 and 2014, respectively. Participating employees fall under the Nonhazardous employee category.

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

NOTE 14 – DEFINED BENEFIT PENSION PLANS

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

County Employees Retirement System

<u>General Information about the Pension Plan:</u> 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.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

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-Nonhazardous. 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.

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.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

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.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

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.

(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.

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, 2015 and 2014, participating employers contributed 17.67% and 18.89% as set by KRS, respectively, of each Nonhazardous employee's creditable compensation, and 34.31% and 35.70% 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 it's' contribution funding requirement for the fiscal years ended June 30, 2015, 2014, and 2013.

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.

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.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

Discount rate assumptions:

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

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

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

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

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

(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
Domestic equity	30.00%	8.45%
International equity	22.00%	8.85%
Emerging market equity	5.00%	10.50%
Private equity	7.00%	11.25%
Real estate	5.00%	7.00%
Core U.S. fixed income	10.00%	5.25%
High-Yield U.S. fixed income	5.00%	7.25%
Non-U.S. fixed income	5.00%	5.50%
Commodities	5.00%	7.75%
Treasury Inflation Protected Securities	5.00%	5.00%
Cash	1.00%	3.25%
Total	100.00%	

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

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

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

Employer's portion of the collective Net Pension Liability: The Authority's proportionate share of the Plan’s net pension liability, as indicated in the prior table, is $13,734,000. The Authority’s proportionated share of the CERS plan was approximately .272% for Nonhazardous and .407% for Hazardous service employees. The liability was distributed based on 2014 actual employer contributions to the plan.

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

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

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

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 16 employees and $54,000 for 16 employees during 2015 and 2014, respectively. The Plan may be terminated at the election of the Board without notice.

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION

Organization: The 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, the LRZC is to acquire property and construct and maintain improvements to accomplish approved public purposes. To date, the 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 Louisville Regional Airport Authority's (the "Authority") Board members also serve as LRZC's Board. This causes the relationship between the Authority and LRZC to be related entities resulting in the LRZC being defined as a component unit of the Authority. Accordingly, LRZC financial statements are presented in the Authority's financial statements as a discretely presented component unit. LRZC's separately presented statements are available by contacting the Authority.

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. The LRZC has obtained information from the local government to calculate receivables from TIF revenue through December 31, 2012 and information from the state government to calculate receivables from TIF revenue through December 31, 2012. Additionally, TIF receivables have been recorded for estimated TIF revenue earned through calendar year 2014 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, 2015 and 2014, management has estimated all amounts to be fully collectible.

Revenues: The 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, 2015, the LRZC's investment balances were as follows:

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

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, the 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.

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the custodian, the 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, 2015, approximately $15,004,782 were invested in U.S. Government agency obligations, respectively. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

Capital Assets: The LRZC records capital assets at cost or at estimated fair value at the date of purchase. Costs that clearly relate to land development projects are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Otherwise, costs are allocated based on their relative fair value to the total project. Interest costs are capitalized while development is in progress. The LRZC depreciation policy is consistent with that of the Authority. Capital asset activity for the year ended June 30, 2015 was as follows:

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

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 8,339,025	$ 1,127,568	$ (1,605,855)	$ 7,860,738
Construction projects	1,913,341	2,217,145	-	4,130,486
Total capital assets not being depreciated	10,252,366	3,344,713	(1,605,855)	11,991,224
Other capital assets:				
Land improvements	9,083,022	1,235,834	-	10,318,856
Utility systems	3,114,054	-	-	3,114,054
Total other capital assets	12,197,076	1,235,834	-	13,432,910
Less accumulated depreciation	(1,807,217)	(700,793)	-	(2,508,010)
Other capital assets, net	10,389,859	535,041	-	10,924,900
Net capital assets	$ 20,642,225	$ 3,879,754	$ (1,605,855)	$ 22,916,124

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION STATEMENTS (Continued)

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

	2015	2014
Loan payable to UPS to be paid in seven annual installments of principal beginning September 21, 2008 and maturing on September 21, 2021. Repayments on this loan are to be made solely from specified proceeds of LRZC activities. The loan may be subject to advance repayment obligations under certain circumstances.	$ 4,787,648	$ 5,476,605
Loan payable to UPS 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 specified proceeds of LRZC activities. The loan may be subject to advance repayment obligations under certain circumstances.	5,097,890	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. Repayments on this loan are secured by an assignment of certain rents under an operating lease.	1,419,139	2,199,873
Total loans payable	11,304,677	12,774,368
Less current portion	(3,733,022)	(1,469,692)
Long-term portion	$ 7,571,655	$ 11,304,676

Annual Loan Repayment Requirements: The annual loan repayment requirements to maturity, including principal and interest, as of June 30, 2015, are estimated as follows:

	Principal	Interest	Total
Year ended June 30,			
2016	$ 3,733,022	$ 67,717	$ 3,800,739
2017	903,430	14,377	917,807
2018	317,208	-	317,208
2019	317,166	-	317,166
2020	317,291	-	317,291
2021-2025	2,345,970	-	2,345,970
2026-2028	3,370,590	-	3,370,590
	$ 11,304,677	$ 82,094	$ 11,386,771

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

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

Year ended June 30,	
2016	$ 1,580,274
2017	693,235
	$ 2,273,509

Lease revenue recognized during the year ended June 30, 2015 and 2014 was $1,576,829 and $1,426,182, respectfully. The net book value of the property subject to the lease was $3,300,000 and $3,500,000 at June 30, 2015 and 2014, respectively. The rent related to improvements is the primary source of repayment for the loan payable to Louisville Paving.

REQUIRED SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
June 30, 2015

	Nonhazardous	Hazardous
Authority's proportion of the net pension liability	0.272%	0.407%
Authority's proportionate share of the net pension liability	$ 8,841,000	$ 4,893,000
Authority's covered employee payroll	$ 5,818,060	$ 2,446,020
Authority's proportion of the net pension liability as a percentage of its covered employee payroll	151.958%	200.039%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	63.46%

Notes:

1) The amounts presented for each fiscal year were determined as of the prior year end.
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.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
June 30, 2015

	Nonhazardous	Hazardous
Statutorily required contribution for pension	$ 852,874	$ 453,545
Authority's contributions in relation to the statutorily required contribution	(852,874)	(453,545)
Annual contribution deficiency (excess)	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%
Authority's covered employee payroll	$ 5,818,060	$ 2,446,020
Contributions as a percentage of its covered employee payroll	14.659%	18.542%

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.

SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2015
(With comparative totals for 2014)

	2015			
	Louisville International	Bowman Field	Total	2014 Total
Operating revenues				
Landing and field use fees	$ 19,800,271	$ 52,272	$ 19,852,543	$ 19,592,050
Terminal area	9,037,450	157,099	9,194,549	9,135,576
Apron area	2,657,155	-	2,657,155	2,486,953
Parking and ground transportation	24,928,844	-	24,928,844	23,984,556
Aviation related facility leases	3,220,876	1,382,067	4,602,943	4,478,478
Land leases and other	2,118,003	26,850	2,144,853	2,129,654
Airport services	252,814	30,120	282,934	252,282
Other revenue	1,604,465	322	1,604,787	235,804
Total operating revenues	63,619,878	1,648,730	65,268,608	62,295,353
Operating expenses				
Operations and general maintenance				
Salaries, wages	7,770,833	408,099	8,178,932	7,708,302
Contracts	2,787,450	41,257	2,828,707	3,409,506
Utilities and fuel supplies	3,304,818	444,860	3,749,678	3,723,569
Supplies and other	1,240,711	169,702	1,410,413	999,425
Reimbursed costs	(744,751)	(3,338)	(748,089)	(796,545)
Total operations and general maintenance	14,359,061	1,060,580	15,419,641	15,044,257
Administrative, general, planning and engineering	9,462,809	599,417	10,062,226	11,086,217
Total operating expenses before major maintenance and depreciation	23,821,870	1,659,997	25,481,867	26,130,474
Major maintenance	6,740,948	238,595	6,979,543	4,954,707
Depreciation and amortization	22,657,235	1,230,635	23,887,870	23,046,518
Total operating expenses	53,220,053	3,129,227	56,349,280	54,131,699
Operating income (loss)	10,399,825	(1,480,497)	8,919,328	8,163,654
Non-operating revenues (expenses) and capital contributions				
Investment earnings, net	788,323	219	788,542	349,210
Interest expense	(7,301,171)	-	(7,301,171)	(11,414,638)
Passenger facility charge	6,590,600	-	6,590,600	6,625,649
Net gain/(loss) on disposal of assets	(1,193,663)	-	(1,193,663)	138,783
Cost of bond issuance	40,807	-	40,807	(1,772,379)
Other expenses	-	-	-	(59,517)
Capital contributions	26,528,909	112,976	26,641,885	14,450,449
Net non-operating revenues	25,453,805	113,195	25,567,000	8,317,557
Changes in net position	$ 35,853,630	$ (1,367,302)	$ 34,486,328	$ 16,481,211

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT
June 30, 2015

	Cost					Accumulated Depreciation				
	Balance July 1, 2014	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2015	Balance July 1, 2014	Provisions	Retirements/ Adjustments	Balance June 30, 2015	Net Balance June 30, 2015
Louisville International Airport										
Land	$ 289,538,829	$ -	$ -	$ 2,248,240	$ 291,787,069	$ -	$ -	$ -	$ -	$ 291,787,069
Land improvements – runways, taxiways, and aprons	337,817,862	-	-	16,587,714	354,405,576	246,852,558	12,871,947	-	259,724,505	94,681,071
Land improvements – ground transportation and other	110,320,673	-	-	348,343	110,669,016	95,792,103	2,372,079	-	98,164,182	12,504,834
Buildings	125,253,978	-	-	-	125,253,978	82,481,263	4,744,888	-	87,226,151	38,027,827
Utility systems	40,734,000	415,911	-	-	41,149,911	35,503,907	966,606	-	36,470,513	4,679,398
Equipment (excluding automotive)	14,783,414	4,819,142	(29,854)	1,850	19,574,552	10,448,921	965,460	(29,854)	11,384,527	8,190,025
Vehicles and automotive equipment	10,175,331	113,834	(94,821)	-	10,194,344	6,339,092	667,376	(94,821)	6,911,647	3,282,697
Furniture and fixtures	4,995,008	157,045	-	-	5,152,053	4,875,117	68,882	-	4,943,999	208,054
Capital projects in progress	48,859,095	33,464,639	-	(26,249,415)	56,074,319	-	-	-	-	56,074,319
Total Louisville International Airport	982,478,190	38,970,571	(124,675)	(7,063,268)	1,014,260,818	482,292,961	22,657,238	(124,675)	504,825,524	509,435,294
Bowman Field										
Land	914,968	-	-	-	914,968	-	-	-	-	914,968
Land improvements – runways, taxiways, and aprons	15,382,870	-	-	-	15,382,870	8,962,199	722,904	-	9,685,103	5,697,767
Land improvements – ground transportation and other	542,536	-	-	-	542,536	385,044	28,900	-	413,944	128,592
Buildings	15,159,976	51,974	-	-	15,211,950	10,026,873	478,184	-	10,505,057	4,706,893
Utility systems	124,536	-	-	-	124,536	123,031	644	-	123,675	861
Equipment (excluding automotive)	267,480	-	-	-	267,480	267,480	-	-	267,480	-
Vehicles and automotive equipment	739,942	-	(37,761)	-	702,181	739,942	-	(37,761)	702,181	-
Construction in progress	948,682	957,511	-	(63,908)	1,842,285	-	-	-	-	1,842,285
Total Bowman Field	34,080,990	1,009,485	(37,761)	(63,908)	34,988,806	20,504,569	1,230,632	(37,761)	21,697,440	13,291,366
Total Louisville International Airport and Bowman Field	$ 1,016,559,180	$ 39,980,056	$ (162,436)	$ (7,127,176)	$ 1,049,249,624	$ 502,797,530	$ 23,887,870	$ (162,436)	$ 526,522,964	$ 522,726,660

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
June 30, 2015

	Expiration Date	Amount of Coverage
Chartis Aviation/National Union Fire Insurance Company of Pittsburg:		
General airport liability	07/31/2015	$ 250,000,000
Optional war risk and other perils	07/31/2015	150,000,000
Optional TRIA	07/31/2015	250,000,000
Affiliated FM Insurance Co:		
All risk property	07/31/2015	561,000,000
Starr Indemnity and Liability Co:		
Public officials' liability covering board members and all employees	07/31/2015	10,000,000
Chubb Insurance Group/Federal Insurance Co:		
Blanket travel accident	07/31/2017	125,000
KEMI:		
Worker's compensation	07/31/2015	Statutory Limitations
Employer's liability	07/31/2015	1,000,000
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 Insurance Company:		
Fiduciary liability	08/01/2016	1,000,000
Automobile coverage	07/31/2015	1,000,000
All risk unlicensed equipment	07/31/2015	10,486,050
US Fire Insurance Co:		
Accidental policy covering airport volunteers	07/31/2015	15,000 per person
Axis Surplus Insurance Co.:		
Media professional liability	07/31/2015	1,000,000

Note: The Authority approved and has comparable policies in place for those policies listed above that have an expiration date between June 30, 2015 and the submission of these statements.

OTHER REQUIRED INFORMATION

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Louisville Regional Airport Authority (the "Authority") and the discretely presented component unit of the Louisville Renaissance Zone Corporation (the "LRZC"), as of and for the year ended June 30, 2015, 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 19, 2015. 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 19, 2015

Crowe Horwath LLP
Independent Member Crowe Horwath International

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 OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 Authority'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 19, 2015 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 OMB Circular A-133 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 financial statements or to the 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 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 19, 2015

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

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, 2015	Accumulated Expenditures
U.S. Department of Transportation						
Direct Programs:						
Federal Aviation Administration						
Airport Improvement						
	20.106	3-21-0031-88	Acquire Land for Noise Compatibility & Provide Relocation Services	$ 5,000,000	$ 176,071	$ 4,252,903
	20.106	3-21-0031-90	Taxiway A (Phase IV), Various Airfield Projects and Purchase of Equipment	13,101,152	320,780	13,101,151
	20.106	3-21-0031-91	Taxiway A (Phase IV), Various Airfield Projects and Purchase of Equipment	6,628,193	6,090,153	6,628,193
	20.106	3-21-0031-92	Rehabilitate Runway (Phase V), Various Airfield Projects and Purchase of Equipment	1,907,531	88,956	1,795,576
	20.106	3-21-0031-93	Extend Taxiway Echo and Purchase of Equipment	8,101,744	-	8,100,743
	20.106	3-21-0031-94	Sound Insulation - Conduct Environmental Study	180,000	-	64,554
	20.106	3-21-0031-95	Noise Mitigation and Relocation	18,118,942	9,265,555	12,613,424
	20.106	3-21-0031-96	Rehabilitate Runways	1,266,914	68,053	1,124,408
	20.106	3-21-0031-97	Taxiway C (Lighting), Environmental Study and Purchase of Equipment	1,940,914	335,841	1,666,031
	20.106	3-21-0031-98-2014	Construct, Rehabilitate Taxiways and Runways and Purchase of Equipment	4,157,280	2,507,950	2,507,950
	20.106	3-21-0031-99-2014	Improve Runway Safety Area	22,500,000	1,781,690	1,781,690
	20.106	3-21-0031-100-2014	Noise Mitigation and Relocation	6,700,000	-	-
	20.106	3-21-0032-22	Rehabilitate Taxiway J	970,687	-	-
	20.106	3-21-0032-23-2014	Conduct Environmental Assessment	593,795	-	-
Total U.S. Department of Transportation				91,167,152	20,635,049	53,636,623

See accompanying note to schedule of expenditures of federal awards.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

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, 2015	Accumulated Expenditures
U.S. Department of Homeland Security						
	97.090	HSTS0208HSLR280	Law Enforcement Officer Reimbursement Program	262,800	82,144	164,288
	97.072	HSTS0208HCAN449	TSA National Explosives Detection Canine Team	1,478,500	159,521	1,478,500
	97.072	HSTS0215HNCP476	TSA National Explosives Detection Canine Team	202,000	-	-
	N/A	HSTS0412HCT4046	Closed Circuit Television	374,347	39,367	374,347
Total U.S. Department of Homeland Security				2,317,647	281,032	2,017,135
Total Expenditures of Federal Awards.				$ 93,484,799	$ 20,916,081	$ 55,653,758

See accompanying note to schedule of expenditures of federal awards.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Louisville Regional Airport Authority and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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	√ No
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 510(a) Circular A-133?	____ 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:	$ 626,301	
Auditee qualified as low-risk auditee?	√ Yes	____ No

(Continued)

PART II: FINANCIAL STATEMENT FINDINGS

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

PART III: FEDERAL AWARD FINDINGS

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

PART IV: PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended June 30, 2014.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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, 2015.

Management's Responsibility

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, and regulations, applicable to the passenger facility charge program. Management of the Airport is also 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, 2015.

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 Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 19, 2015 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 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 financial statements or to the 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 financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
October 19, 2015

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year ended June 30, 2015

	Impose & Use Authority	Program Total at June 30, 2014	FY 2015 Activity	Program Total at June 30, 2015
Revenue				
PFC Collections		$ 92,899,039	$ 6,673,691	$ 99,572,730
Interest		755,272	932	756,204
Total Revenue		93,654,311	6,674,623	100,328,934
Disbursements				
FAA Application Number				
97-01-C-00-SDF*	$ 75,594,112	$ 68,678,446	$ 2,104,917	$ 70,783,363
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*	1,267,315	1,253,136	-	1,253,136
08-05-C-00-SDF*	900,000	726,813	-	726,813
11-06-C-00-SDF*	2,479,014	2,349,842	12,777	2,362,619
12-07-C-00-SDF*	2,250,000	343,226	1,517,087	1,860,313
14-08-C-00-SDF*	5,203,144	250,143	3,914,364	4,164,507
14-09-C-00-SDF*	2,150,000	-	197,966	197,966
Total	$ 105,522,525	89,280,546	7,747,111	97,027,657
Net PFC Revenue		$ 4,373,765	$ (1,072,488)	$ 3,301,277
PFC Account Balance		$ 4,373,765		$ 3,301,277

*as amended

Summary of Auditor's Results

We have issued an unmodifed opinion, dated October 19, 2015 on the financial statements of Louisville Regional Airport Authority as of and for the year ended June 30, 2015.

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 19, 2015 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.

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.