LOUISVILLE REGIONAL AIRPORT AUTHORITY
Louisville, Kentucky

ANNUAL REPORT
June 30, 2014 and 2013

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Louisville Regional Airport Authority (the "Authority") and its discretely presented component unit, the Louisville Renaissance Zone Corporation (the "LRZC"), as of, and for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, and the respective changes in 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 the 2013 statement of net position and statement of revenues and expenses and changes in net position for the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption resulted in a reduction of net position at July 1, 2012 of $12,451,950. 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 be presented to supplement the financial statements. Such information, although not a part of the 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 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 37, the schedule of airport property, facilities, and equipment presented on page 38, and the schedule of insurance coverage presented on page 39, 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 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 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 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 9, 2014 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 9, 2014

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. The Authority was organized for and has its purpose, as set forth in Kentucky Revised Statutes Chapter 183, to establish, maintain, operate and expand airport and air navigation facilities either acquired by or placed under control of the Authority as provided by Kentucky law, 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 management of the Authority offers readers of our financial statements the following narrative overview and analysis of our statistical and financial activities for the fiscal year ended June 30, 2014.

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, Statement of Revenues, Expenses & Changes in Net Position, and 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, Liabilities, and the difference between these two 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 & 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 total reconciles to the Net Position total 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 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 2014	FY 2013	FY 2012	FY 2011
Passengers				
Enplaned	1,679,166	1,714,706	1,683,285	1,694,781
Deplaned	1,688,991	1,711,188	1,679,619	1,691,926
Total	3,368,157	3,425,894	3,362,904	3,386,707
Landed Weight (lbs)				
Passenger	2,049,118,609	2,096,797,510	2,021,365,123	2,126,001,682
Cargo	11,273,872,682	11,163,286,840	11,057,242,404	10,836,774,963
Total	13,322,991,291	13,260,084,350	13,078,607,527	12,962,776,645

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 4.9 and 4.7 billion pounds for FY14 and FY13 respectively.

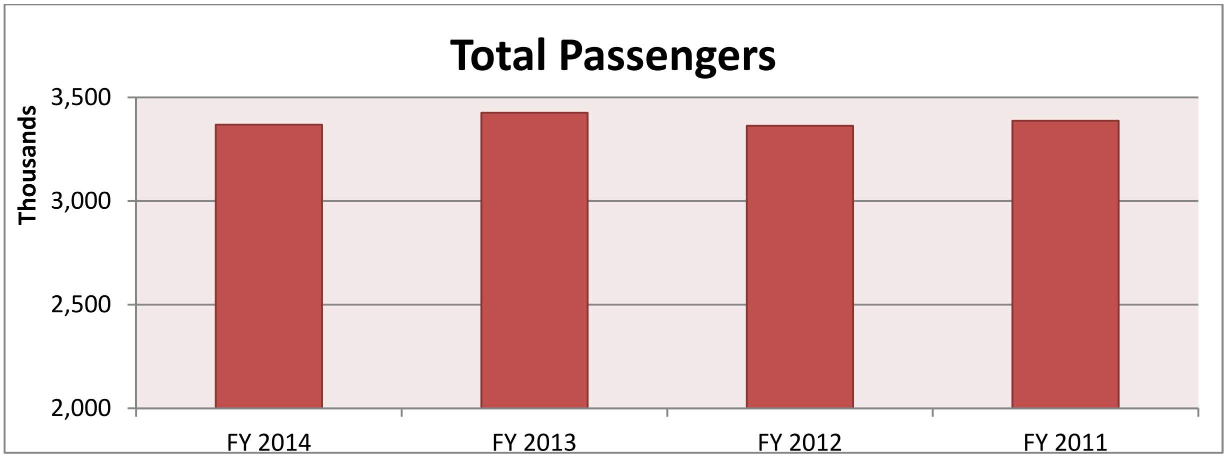
During FY 2014 passenger enplanements at Louisville International Airport (SDF) decreased by 2.1% compared to FY 2013. In the wake of industry consolidation, airlines continued to "right-size" their networks by dismantling hub operations across the Midwest region. As a result, Delta Air Lines discontinued service to Memphis, TN, United Airlines ended service to Cleveland, OH and Southwest Airlines ended service to both St. Louis, MO and Atlanta, GA. However, during the year American Airlines introduced new service to New York-LGA, added frequencies to Dallas, TX and introduced larger aircraft to Chicago, IL. Similarly, Delta Air Lines added additional seats and frequencies to Atlanta, GA.

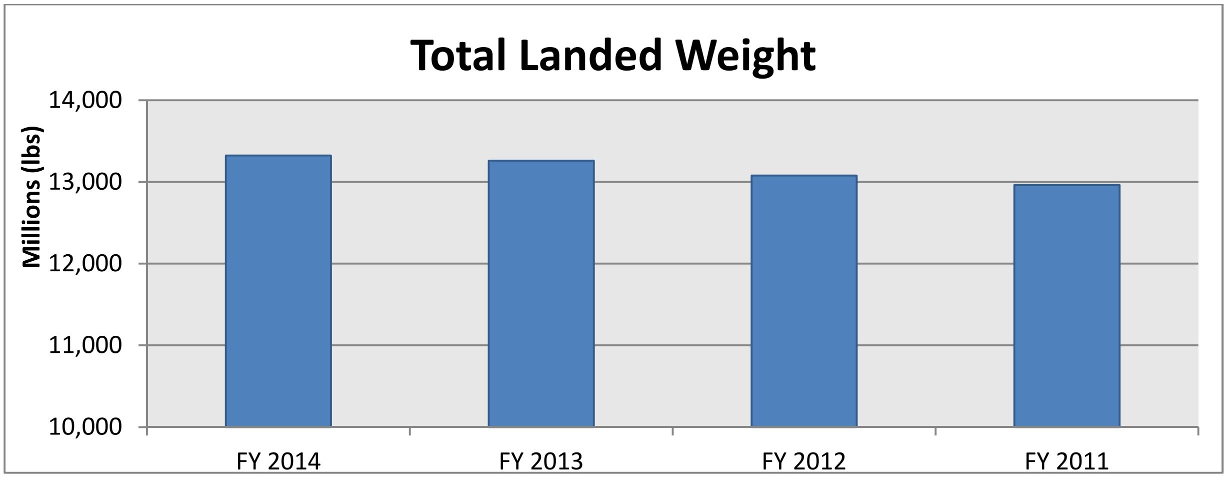
Over the next 24 months, we expect that airlines will continue efforts to replace smaller regional aircraft with larger, more-efficient equipment which may impact the number of frequencies offered in some markets. We expect to see the percentage of filled seats continue to increase in response to aggressive scheduling by the airlines which may provide the opportunity to grow passenger activity despite an overall loss of seats.

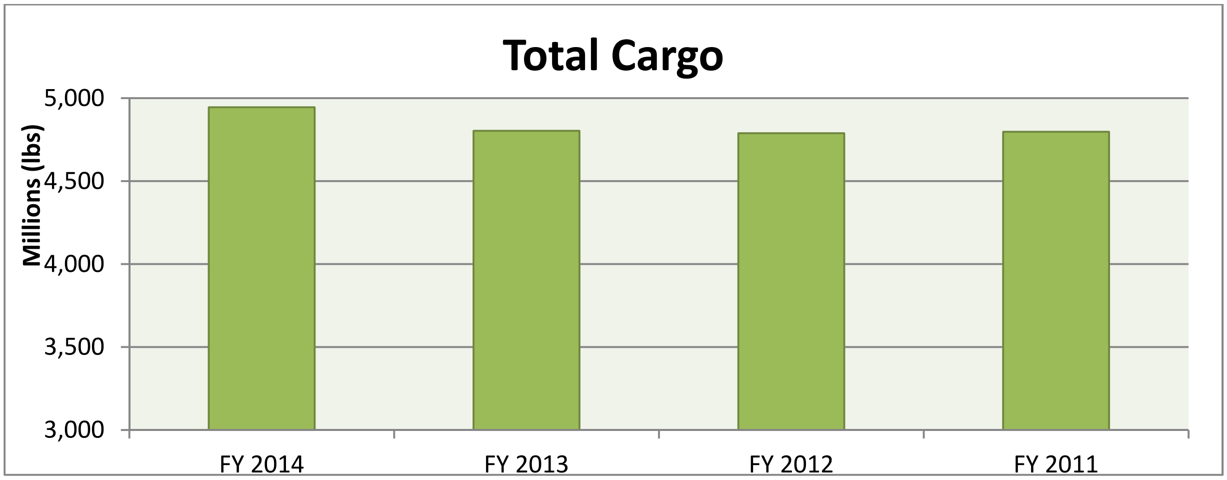
Louisville International Airport is served by five major airlines to 21 nonstop destinations including 17 of the 20 markets local travelers visit most. We expect the airport's balanced market profile, competitive air fares and quality nonstop service will continue to be attractive to both business and leisure travelers from across the region.

The following page provides key statistical information in graph form.

Statistical Graphs







Financial Highlights
(Versus Budget and Prior Year)

- Operating Revenues for FY14 were 2.6% more than FY14 budget and 1.5% more than FY13. Major contributors are:
  - Rental Car revenues were approximately $465,000 greater than budget and $450,000 greater than FY13.
  - Parking revenues were up approximately $391,000 versus budget and $292,000 versus FY13.

- Non-Operating Revenues variances to budget and prior year are:
  - Net Gain on Disposal of Assets' significant variance to prior year is due to a land transaction in FY13.
  - Passenger Facility Charges (PFC) were down approximately $240,000 versus budget and down $198,000 versus FY13.

- Operating Expenses before Depreciation for FY14 were $114,000 or 0.3% more than budget and $2,251,000 or 7.8% greater than FY13 actual. Major contributors to these variances are:
  - Professional & Consulting Services were greater than prior year and budget by approximately $1.2 million related primarily to legal services.
  - Major Maintenance was under budget by $60,000 and over FY13 actual by $926,000. The primary reason for the increase over the prior year is due to the increase in number of weather events requiring snow removal.

- Operating Income before Depreciation was $31.2 million which is $1.5 million greater than budgeted and $1.3 million less than FY13 actual.
- In the current fiscal year the Authority adopted changes as required by GASB 65. The significant change impacting these statements is the handling of bond cost of issuance and bond call premiums which are now expensed as incurred. In prior years these were amortized over the life of the bonds, with cost of issuance being included in Depreciation and Amortization and call premiums included in Interest Expense. This required change caused restatement of prior years' financials for comparative purposes. The Authority's bond refunding transaction in this fiscal year had issuance costs incurred of $1,772,000 and are included in the Other Non-Operating Expenses category. Additional information regarding the GASB 65 impact to these financial statements may be found in Note 1.
- Interest Earnings variance to prior year is related to the bond refunding that occurred during this fiscal year. In previous years interest earnings included amortization of prior original issue premiums over the life of the bonds. Any unamortized premiums were included in the recording of the new bonds thus there was no amortization in FY14.
- Interest Expense is approximately $780,000 less than prior year primarily due to the natural reduction in debt service of the 2003 Series bonds. The $342,000 savings compared to budget is due primarily to the 2002 A & B bond variable rate interest costs.
- Net Income before Capital Contributions was $2.0 million, which is $5.5 million greater than budget and $2.2 million less than FY13 actual. The primary reason for the difference that is not already mentioned above is a reduction in depreciation expense.
- Net Position increased from prior year by $16.5 million to $316.9 million.

Financial Information

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

	2014	Restated 2013	Restated 2012
Assets:			
Unrestricted	$ 48,929,048	$ 42,693,926	$ 47,808,284
Restricted	43,268,037	86,337,546	84,329,710
Capital Assets (Includes In Progress)	513,761,650	522,472,396	533,803,567
Other	-	234,935	278,224
Total Assets	605,958,735	651,738,803	666,219,785
Liabilities:			
Unrestricted	7,510,985	11,772,202	9,726,283
Restricted	2,905,325	28,162,715	25,782,670
Long Term Debt	249,130,000	288,775,000	308,425,000
Other	29,492,822	22,590,494	39,621,620
Total Liabilities	289,039,132	351,300,411	383,555,573
Net Position			
Invested in capital assets, net of related debt	244,525,375	195,493,290	177,412,262
Restricted for debt service	23,785,777	71,415,064	68,108,496
Restricted for capital projects	15,009,939	10,427,865	6,881,004
Unrestricted	33,598,512	23,102,173	30,262,450
Total Net Position	$ 316,919,603	$ 300,438,392	$ 282,664,212

During fiscal year 2014, the Authority refunded or defeased all prior outstanding bonds with newly issued refunding bonds. This refunding had a significant comparative impact to the Statement of Net Position. It is the primary reason for the decreases in Total Assets, Total Liabilities and Net Position Restricted for Debt Service.

In Fiscal Year 2014 the Authority adopted GASB 65 which required restatement of prior year financial statements. The impacts to the above schedule by this adoption are seen in Capital Assets, Other Assets, and Net Position Invested in Capital Assets, Net of Related Debt. Additional information on the impact of GASB 65 may be found in Note 1 to these financial statements.

Another reason for the decrease in Total Assets is the current year's depreciation taken on capital assets. Total Net Position increased by $16.5 million.

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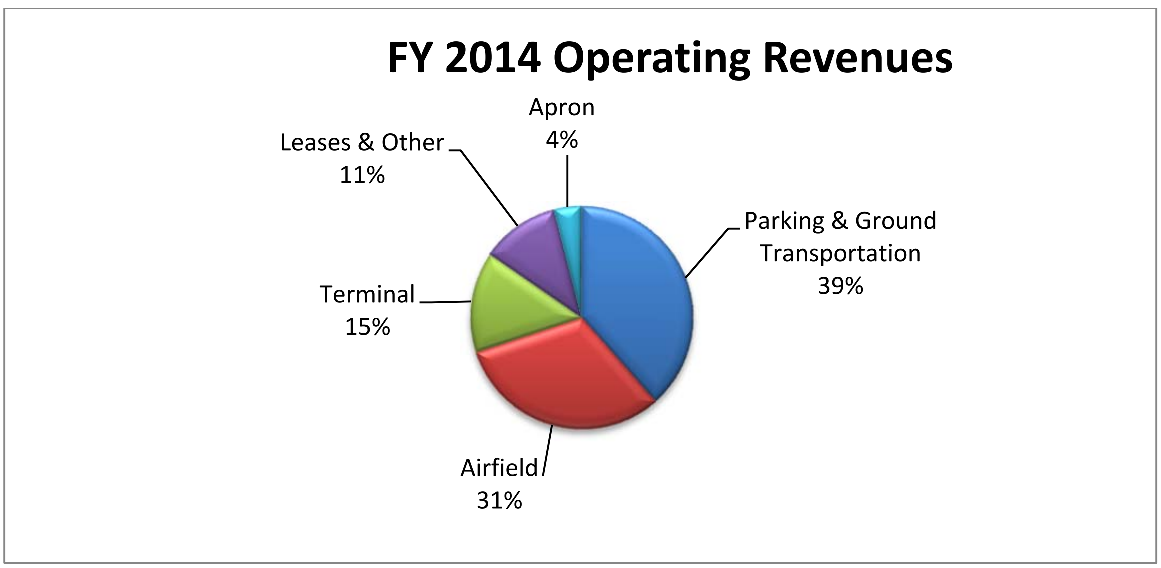
Revenue. The following schedule presents a summary of revenues for the fiscal years ended June 30:

	2014		2013	2012
	Actual	Budget	Actual	Actual
Operating Revenues				
Landing and Field Use	$ 19,592,050	$ 19,396,833	$ 19,287,529	$ 18,543,247
Apron Area	2,486,953	2,247,370	2,144,079	2,015,649
Landside Terminal	5,601,116	5,685,152	6,063,815	6,008,054
Airside Terminal	3,534,459	3,491,275	3,677,483	3,511,544
Leases	6,608,132	6,494,833	6,524,871	6,680,636
Parking & Ground Transportation	23,984,556	23,094,100	23,252,003	22,482,342
Other	488,087	302,550	421,622	951,472
Total Operating Revenues	62,295,353	60,712,113	61,371,402	60,192,944
Non Operating Revenues				
Passenger Facility Charge	6,625,649	6,865,960	6,823,983	6,697,614
Net gain on disposal of assets	138,783	-	3,501,318	-
Interest Income	349,210	252,380	1,175,015	1,226,404
Total Non Operating Revenues	7,113,642	7,118,340	11,500,316	7,924,018
Total Revenues	$ 69,408,995	$ 67,830,453	$ 72,871,718	$ 68,116,962

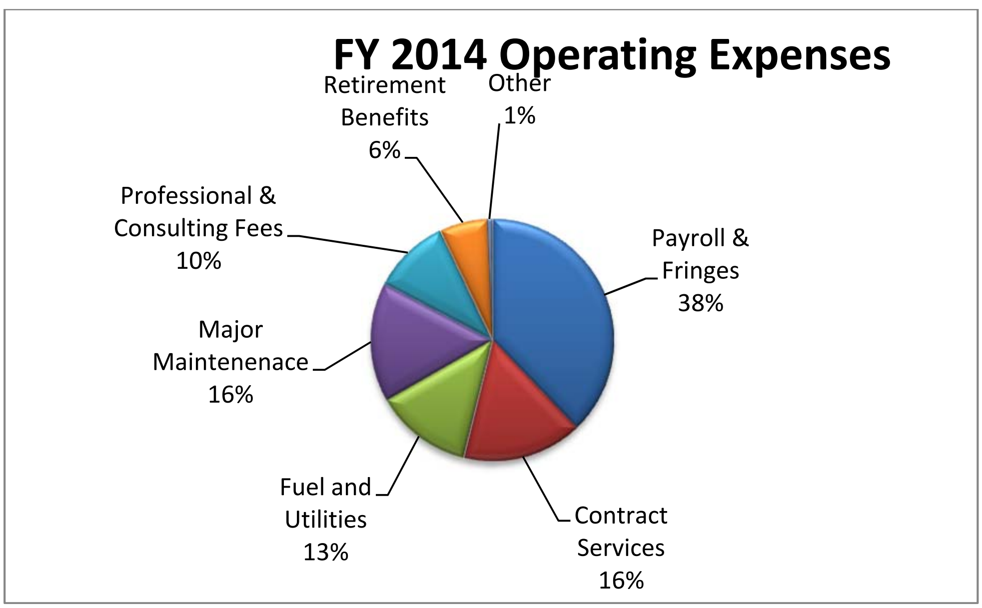
The major contributors to total revenues' increase over budget and FY13 have been explained earlier under Financial Highlights. The Authority also received Capital Contributions from Federal & Kentucky government grants. These grants are generally only available for use on eligible capital and major maintenance spending. Capital Contributions received or accrued for FY14 and FY13 were $14,450,000 and $13,576,000 respectively. Unused federal grant funds from FY14 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:

	2014		Restated 2013	Restated 2012
	Actual	Budget	Actual	Actual
Operating Expenses:				
Payroll & Fringe Benefits	$ 11,774,208	$ 11,703,981	$ 11,375,907	$ 11,328,114
Contract Services	4,964,718	5,388,165	5,068,516	5,217,312
Fuel and Utilities	4,008,360	3,787,108	3,742,208	3,604,089
Professional & Consulting Fees	3,175,240	1,981,265	1,963,378	1,445,611
Retirement	2,005,672	2,133,729	2,143,496	1,989,607
Other	202,276	966,301	512,407	764,031
Total Operating Expenses before Major Maintenance and Depreciation	26,130,474	25,960,549	24,805,912	24,348,764
Major Maintenance	4,954,704	5,010,770	4,028,010	4,192,635
Total Operating Expenses before Depreciation	31,085,178	30,971,319	28,833,922	28,541,399
Non-Operating Expenses				
Interest Expense	11,414,638	11,746,727	12,195,113	13,123,203
Net loss on disposal of assets	-	-	-	1,895,415
Bond cost of issuance	1,772,379	-	-	-
Other	59,517	163,186	177,837	167,190
Total Non-Operating Expenses	13,246,534	11,909,913	12,372,950	15,185,808
Total Expenses before Depreciation	$ 44,331,712	$ 42,881,232	$ 41,206,872	$ 43,727,207

Discussion of the variances from prior year and budget are included earlier in the Financial Highlights section. The adoption of GASB 65 previously discussed impacts reporting of prior years' Interest Expense.



Capital Assets. During fiscal year 2014, the Authority's capital spending and accruals totaled approximately $14,450,000. Major projects were: Runways & Taxiways - $266,000; Noise Mitigation, Land Acquisition, Relocation and Sound Insulation - $8,026,000; construction of Rental Car Parking and Other Facility Projects - $4,400,000; and purchase of equipment - $1,430,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately $25,674,000. A summary of capital asset activity can be found in Note 6 to the financial statements.

Debt. During fiscal year 2014 the Authority issued $249,130,000 of bonds. The proceeds from the issuance, along with other existing funds, were used to refund all prior outstanding bonds totaling $288,775,000. 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,

D M Caulk

Dorothy M. Caulk, CPA
Director of Finance and Accounting

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LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2014	(Restated) 2013	2014	2013
ASSETS				
Current assets, unrestricted				
Cash and equivalents	$ 21,430,037	$ 9,612,851	$ 7,797,036	$ 1,818,345
Land held for sale	-	-	1,605,855	358,588
Investments, at amortized cost plus accrued interest	21,964,499	25,080,491	-	2,900,616
Fees and rentals receivable, net	4,364,409	3,641,653	4,617,817	5,042,428
Due from component unit	78,846	3,283,423	-	-
Supplies and prepaid expenses	1,091,257	1,075,508	168,731	-
Total unrestricted current assets	48,929,048	42,693,926	14,189,439	10,119,977
Current assets, restricted				
Cash and equivalents	809,286	25,967,819	-	-
Cash – land fund	1,243,534	3,286,451	-	-
Grants receivable	2,804,411	2,432,499	-	-
Total restricted current assets	4,857,231	31,686,769	-	-
Total current assets	53,786,279	74,380,695	14,189,439	10,119,977
Noncurrent assets, unrestricted				
Fees and rentals receivable, net	-	-	6,900,000	7,500,000
Capital assets not being depreciated	340,261,574	350,504,678	11,991,224	10,252,366
Depreciable capital assets, net	173,500,076	171,967,718	10,924,900	10,389,859
Unamortized bond discount and loan costs, net of accumulated amortization of $0 as of 2014 and $279,395 as of 2013	-	234,935	2,552,921	2,748,049
Total unrestricted noncurrent assets	513,761,650	522,707,331	32,369,045	30,890,274
Noncurrent assets, restricted				
Cash – PFC fund	3,373,080	1,384,426	-	-
Cash and equivalents	17,400,579	11,235,750	-	-
Investments – PFC fund	1,000,685	7,001,390	-	-
Investments, at amortized cost plus accrued interest	16,636,462	35,029,211	-	-
Total restricted noncurrent assets	38,410,806	54,650,777	-	-
Total noncurrent assets	552,172,456	577,358,108	32,369,045	30,890,274
Total assets	$ 605,958,735	$ 651,738,803	$ 46,558,484	$ 41,010,251

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corp	
	June 30,		June 30,	
	2014	(Restated) 2013	2014	2013
LIABILITIES				
Current liabilities (payable from unrestricted current assets)				
Accounts payable	$ 5,081,877	$ 10,008,094	$ 741,339	$ 46,835
Accounts payable - Authority	-	-	78,846	3,283,423
Accrued expenses and other	1,153,751	1,122,627	19,594	19,594
Loans payable	-	-	1,469,692	1,361,208
Unearned income	1,275,357	641,481	500,000	-
Total unrestricted current liabilities	7,510,985	11,772,202	2,809,471	4,711,060
Current liabilities (payable from restricted current assets)				
Bonds payable	-	19,650,000	-	-
Accounts payable	2,780,475	2,504,007	-	-
Accrued interest on bonds	124,850	6,008,708	-	-
Total restricted current liabilities	2,905,325	28,162,715	-	-
Total current liabilities	10,416,310	39,934,917	2,809,471	4,711,060
Long-term debt				
Bonds and loans payable	249,130,000	288,775,000	11,304,676	12,774,367
Other liabilities				
Deposit from UPS land option	7,819,551	7,819,551	-	-
Unamortized bond premium, net	14,764,847	7,862,519	-	-
Deposit from Commonwealth of Kentucky	2,524,824	2,524,824	-	-
Other liabilities	83,600	83,600	-	-
Revolving coverage (payable from restricted assets)	4,300,000	4,300,000	-	-
Total other liabilities	29,492,822	22,590,494	-	-
Total liabilities	$ 289,039,132	$ 351,300,411	$ 14,114,147	$ 17,485,427
NET POSITION				
Net investment in capital assets	$ 244,525,375	$ 195,493,290	$ -	$ -
Restricted for debt service	23,785,777	71,415,064	-	-
Restricted for capital projects	15,009,939	10,427,865	-	-
Unrestricted net position	33,598,512	23,102,173	32,444,337	23,524,824
Total net position	$ 316,919,603	$ 300,438,392	$ 32,444,337	$ 23,524,824

See accompanying notes to financial statements.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2014 and 2013

	Louisville Regional Airport Authority June 30,		Component Unit Louisville Renaissance Zone Corporation June 30,	
	2014	(Restated) 2013	2014	2013
Operating revenues				
Rentals and concessions	$ 42,703,303	$ 42,083,873	$ 1,426,182	$ 1,003,725
Landing and field use fees	19,592,050	19,287,529	-	-
TIF revenues	-	-	7,146,868	4,269,241
Land sales, net of cost	-	-	1,872,087	514,514
Total operating revenues	62,295,353	61,371,402	10,445,137	5,787,480
Operating expenses				
Operations and general maintenance	15,044,257	14,795,153	-	-
Administrative, general, planning and engineering	11,086,217	10,010,759	474,673	220,522
Total operating and maintenance	26,130,474	24,805,912	474,673	220,522
Major maintenance	4,954,707	4,028,012	-	-
Depreciation and amortization	23,046,518	27,466,201	700,794	691,095
Total operating expenses	54,131,699	56,300,125	1,175,467	911,617
Operating income	8,163,654	5,071,277	9,269,670	4,875,863
Non-operating revenues (expenses)				
Investment earnings, net	349,210	1,175,015	1,669	3,903
Interest expense	(11,414,638)	(12,195,113)	(351,826)	(435,792)
Passenger facility charges	6,625,649	6,823,983	-	-
Net gain on disposal of assets	138,783	3,501,318	-	-
Cost of bond issuance	(1,772,379)	-	-	-
Other expenses	(59,517)	(177,837)	-	-
Net non-operating revenues (expenses)	(6,132,892)	(872,634)	(350,157)	(431,889)
Income before capital contributions and extraordinary item	2,030,762	4,198,643	8,919,513	4,443,974
Extraordinary item	-	-	-	9,185,258
Capital contributions	14,450,449	13,575,537	-	-
Change in net position	16,481,211	17,774,180	8,919,513	13,629,232
Net position, beginning of year, previously stated	-	295,116,162	-	-
Restatement due to adoption of GASB 65 (Note 1)	-	(12,451,950)	-	-
Net position, beginning of year, as restated	300,438,392	282,664,212	23,524,824	9,895,592
Net position, end of year	$ 316,919,603	$ 300,438,392	$ 32,444,337	$ 23,524,824

See accompanying notes to financial statements.

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LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2014 and 2013

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2014	(Restated) 2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 62,206,473	$ 62,143,436	$ -	$ -
Land sales, lease revenue, and TIF revenues	-	-	11,828,336	4,922,109
Payments to suppliers	(23,214,581)	(22,203,925)	(70,315)	(393,716)
Payments to employees	(7,662,449)	(7,400,956)	-	-
Net cash flows provided by operating activities	31,329,443	32,538,555	11,758,021	4,528,393
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	14,078,537	12,183,367	-	-
Passenger facility charges	6,625,649	6,823,983	-	-
Acquisition and construction of capital assets	(19,182,363)	(24,105,660)	(3,959,133)	(1,296,538)
Proceeds from sale of assets	142,849	75,016	-	-
Proceeds from bonds and loans payable	249,130,000	-	-	1,019,862
Proceeds from bond premium	14,764,847	-	-	-
Principal paid on capital debt	(19,650,000)	(18,715,000)	(1,361,207)	(1,319,873)
Payments to escrow from bond refunding	(301,900,000)	-	-	-
Net borrowings from (repayment to) the Authority	-	-	(3,208,145)	87,540
Interest paid on capital debt, net of capitalized interest	(12,036,015)	(12,897,168)	(153,130)	(234,050)
Fees paid on bonds	(1,596,961)	(172,630)	-	-
Net cash flows used for capital and related financing activities	(69,623,457)	(36,808,092)	(8,681,615)	(1,743,059)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturities of investments	101,728,330	120,292,444	8,193,619	4,498,506
Cash payments from (advances to) component unit	3,208,145	(87,540)	-	-
Purchase of investments	(74,521,692)	(113,889,398)	(5,293,003)	(7,399,122)
Investment income	648,450	691,137	1,669	3,903
Net cash flows provided by (used for) investing activities	31,063,233	7,006,643	2,902,285	(2,896,713)
Net increase (decrease) in cash and equivalents	(7,230,781)	2,737,106	5,978,691	(111,379)
Cash and equivalents, beginning of year	51,487,297	48,750,191	1,818,345	1,929,724
Cash and equivalents, end of year	$ 44,256,516	$ 51,487,297	$ 7,797,036	$ 1,818,345

(Continued)

	Louisville Regional Airport Authority June 30, 2014	Louisville Regional Airport Authority June 30, (Restated) 2013	Component Unit Louisville Renaissance Zone Corporation June 30, 2014	Component Unit Louisville Renaissance Zone Corporation June 30, 2013
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 8,163,654	$ 5,071,277	$ 9,269,670	$ 4,875,863
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	23,046,518	27,466,201	700,794	691,095
Changes in assets and liabilities:				
Fees and rentals receivable	(722,756)	1,048,725	1,024,611	(967,227)
Unearned income	633,876	(276,691)	500,000	-
Supplies and prepaid expenses	(15,749)	(170,293)	(168,731)	-
Accounts payable	192,776	(623,877)	73,089	(173,195)
Accrued expenses and other	31,124	23,213	-	-
Land	-	-	358,588	101,857
Net cash provided by operating activities	$ 31,329,443	$ 32,538,555	$ 11,758,021	$ 4,528,393

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

The Authority has retainage and accounts payable related to construction in progress of approximately $3,447,000 and $8,289,000 as of June 30, 2014 and 2013, respectively. The Authority recorded a gain on sale of assets of approximately $139,000 and $3,501,000 as of June 30, 2014 and 2013, respectively.

The Authority capitalized interest expense of approximately $1,000 and $136,000 in 2014 and 2013, respectively.

In 2013, the Authority transferred land with a book cost of approximately $16.0 million to relieve the deposit from the Commonwealth of Kentucky of approximately $16.2 million.

LRZC financed the purchase of capital assets through accounts payable of approximately $621,000 and $37,000 in 2014 and 2013, respectively.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Rentals and Concessions: These are revenues from airlines, fixed base operators, rental car companies, parking lot, food, gift shop and other commercial tenants. Leases generally are for terms from one to five years and 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. The Authority entered into a Landing Fee Surcharge Agreement beginning July 1, 2003 through June 30, 2013 with one of its commercial tenants to provide financial support for a terminal renovation project. The revenue generated from this agreement was approximately $0 and $529,000 for fiscal years 2014 and 2013, respectively.

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, 2014 and 2013, the allowance for uncollectible accounts was $100,000 and $130,000, 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 $1,000 and $136,000 during 2014 and 2013, respectively.

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

(Continued)

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

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: The Authority has adopted the following GASB Statements:

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position*. During 2013, the Authority implemented this GASB Statement and determined that GASB Statement No. 63 had no material effect on its financial statements.

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Implementation required a restatement of previously presented net position and bond issuance costs decreasing assets and net position by $12,451,950 at July 1, 2012. The net effect of the restatement for the previously reported year ended June 30, 2013 was:

	As Previously Reported	As Restated	GASB 65 Adjustment
Statement of Net Position:			
Deferred loan and bond costs	$ 11,365,110	$ 234,935	$ 11,130,175
Capital assets	350,533,703	350,504,678	29,025
Net position	311,597,592	300,438,392	11,159,200
Statements of Revenues, Expenses and Changes in Net Position:			
Depreciation and amortization	28,496,851	27,466,201	1,030,650
Interest expense	12,457,213	12,195,113	262,100
Change in net position	16,481,430	17,774,180	1,292,750

- GASB Statement No. 67, Financial Reporting for Pension Plans – *an amendment of GASB Statement No. 25,* which is effective for the Authority for the year ending June 30, 2014. The Authority has determined that this statement will have no effect on its financial statements.

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

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – replacing the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and Statement No. 50, Pension Disclosures.* This Statement establishes standards for measuring and recognizing liabilities, deferred outflows/deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68 related to recognition of employers contributions after the initial measurement date of the beginning net pension liability as a beginning deferred outflow of resources. These statements have not yet been adopted, but are expected to result in a net pension liability being recorded on the Authority's financial statements next fiscal year, as a retroactive prior period adjustment.

Additionally, GASB has issued the following statements which are effective for years FY 2014 and later: GASB Statement No. 66, *Technical Corrections – 2012,* GASB Statement No. 69, *Combinations and Disposals of Government Operations,* and GASB Statement No. 70, *Accounting and Financial Reporting for Non-Exchange Financial Guarantees.* The Authority has determined that these statements will have no effect on its financial statements.

Reclassifications: Certain amounts in the FY 2013 financial statements have been reclassified to conform to the FY 2014 presentation. The reclassifications did not impact the financial position or the results of operations of the Authority.

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.

Cash and equivalents consist of the following at June 30:

	2014	2013
Cash on hand	$ 3,550	$ 3,550
Deposits with financial institutions	26,043,101	14,280,178
Repurchase agreements and cash equivalents	18,209,865	37,203,569
	$ 44,256,516	$ 51,487,297

(Continued)

NOTE 2 – CASH AND EQUIVALENTS (Continued)

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

	2014	2013
Covered by federal depository insurance	$ 500,000	$ 500,000
Uninsured and collateralized	25,879,974	14,369,334
Bank balance	$ 26,379,974	$ 14,869,334
Carrying amount	$ 26,043,101	$ 14,280,178

NOTE 3 – INVESTMENTS

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

Investment Type	Amortized Cost	Maturity	Rating
Fannie Mae	$ 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
Freddie Mac	4,503,044	10/20/2014	Aaa
Kentucky Asset/Liability	515,114	4/01/2015	Aaa
	$ 39,601,646		

At June 30, 2013, the Authority's investment balances were as follows:

Investment Type	Amortized Cost	Maturity	Rating
Fannie Mae	$ 1,531,047	8/07/2018	Aaa
Federal Home Loan Bank	58,952,822	8/20/2013 through 2/18/2015	Aaa
Freddie Mac	2,993,250	10/15/2013	Aaa
Kentucky Asset/Liability	525,084	4/01/2015	Aaa
Federal Government Money Market	3,108,889		Aaa
	$ 67,111,092		

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

	2014	2013
Unrestricted investments	$ 21,964,499	$ 25,080,491
Restricted investments, noncurrent	17,637,147	42,030,601
Total investments	$ 39,601,646	$ 67,111,092

(Continued)

NOTE 3 – INVESTMENTS (Continued)

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.

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, 2014 and 2013, approximately $21,836,831 and $25,039,356 were invested in U.S. Government agency obligations, respectively. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

NOTE 4 – RESTRICTED ASSETS

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

	Cash and Equivalents	Investments	Grants Receivable	Total
June 30, 2014				
Bond funds	$ 18,209,865	$ 9,374,402	$ 2,804,411	$ 30,388,678
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	$ 2,804,411	$ 43,268,037
June 30, 2013				
Bond funds	$ 37,203,569	$ 26,132,577	$ 2,432,499	$ 65,768,645
Revolving debt-coverage	-	8,896,634	-	8,896,634
Land proceeds	3,286,451	-	-	3,286,451
PFC funds	1,384,426	7,001,390	-	8,385,816
	$ 41,874,446	$ 42,030,601	$ 2,432,499	$ 86,337,546

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 and $8,757,000 at June 30, 2014 and 2013, respectively. 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, 2014 and 2013, this reimbursement amount was approximately $4,300,000.

(Continued)

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, the LRZC paid the Authority previously owed amounts. The amount due from LRZC was approximately $79,000 and $3,283,000 at June 30, 2014 and 2013, respectively.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance (restated)	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

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance (restated)	Increases	Decreases	Ending Balance (restated)
Capital assets not being depreciated:				
Land	$ 285,917,122	$ 3,441,683	$ -	$ 289,358,805
Capital projects in progress:				
Construction projects	39,245,714	25,846,292	(24,398,012)	40,693,994
Land acquisition program	33,077,746	3,413,641	(16,039,508)	20,451,879
Total capital assets not being depreciated	358,240,582	32,701,616	(40,437,520)	350,504,678
Other capital assets:				
Land improvements	422,130,022	19,110,192	-	441,240,214
Buildings	138,497,332	1,383,370	-	139,880,702
Utility systems	41,231,324	263,693	(3,968)	41,491,049
Equipment (excluding automotive)	13,830,232	1,143,950	(381,482)	14,592,700
Vehicle and automotive equipment	9,478,336	1,974,918	(427,888)	11,025,366
Furniture and fixtures	5,036,156	-	(3,482)	5,032,674
Total other capital assets	630,203,402	23,876,123	(816,820)	653,262,705
Less accumulated depreciation for:				
Land improvements	317,637,763	19,475,699	-	337,113,462
Buildings	81,315,757	5,627,666	-	86,943,423
Utility systems	34,536,413	1,012,465	(3,968)	35,544,910
Equipment (excluding automotive)	9,433,530	820,109	(381,482)	9,872,157
Vehicle and automotive equipment	6,886,851	462,330	(427,888)	6,921,293
Furniture and fixtures	4,835,292	67,932	(3,482)	4,899,742
Total accumulated depreciation	454,645,606	27,466,201	(816,820)	481,294,987
Other capital assets, net	175,557,796	(3,590,078)	-	171,967,718
Net capital assets	$ 533,798,378	$ 29,111,538	$ (40,437,520)	$ 522,472,396

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 outstanding in escrow was $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, 2014, the Authority was in compliance with this financial covenant. Additionally, the bonds are subject to federal arbitrage regulations. As of June 30, 2014, 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:

	2014	2013
1998 Series A Revenue Bonds, semi-annual interest payments at rates ranging from 3.80% to 5.30% through July 1, 2025 and various annual principal payments beginning July 1, 2019 through July 1, 2025.	$ -	$ 4,430,000
2001 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 4.50% to 5.75% through July 1, 2031.	-	30,535,000
2001 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 4.00% to 5.50% through July 1, 2031..	-	1,435,000
2002 Series A Revenue Bonds, various annual principal payments with interest payments at 35 day intervals at variable rates through July 1, 2032.	-	37,450,000
2002 Series B Revenue Bonds, various annual principal payments with interest payments at 35 day intervals at variable rates through July 1, 2032.	-	29,975,000
2003 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.50% to 5.00% through July 1, 2013.	-	1,725,000
2003 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.00% to 4.60% through July 1, 2023.	-	4,975,000
2003 Series C Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.00% to 5.50% through July 1, 2023.	-	87,025,000
2005 Series A Revenue Bonds, semi-annual interest payments at rates ranging from 4.38% to 5.00% through July 1, 2026 and various annual principal payments beginning July 1, 2018 through July 1, 2026.	-	47,870,000
2008 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 4.50% to 5.50% through July 1, 2038.	-	26,345,000

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

	2014	2013
2011 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 3.00% to 5.00% through July 1, 2020.	$ -	$ 32,395,000
2011 Series B Revenue Bonds, with semi-annual interest payments at rates ranging from 3.00% to 4.00% through July 1, 2017 and various annual principal payments beginning July 1, 2013 through July 1, 2017.	-	4,265,000
2014 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.00% to 5.00% through July 1, 2032.	119,585,000	-
2014 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.00% to 5.00% through July 1, 2023.	3,285,000	-
2014 Series C Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 0.25% to 4.60% through July 1, 2038.	126,260,000	-
Total debt	249,130,000	308,425,000
Less current portion	-	19,650,000
	$ 249,130,000	$ 288,775,000

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	$ -

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 327,140,000	$ -	$ (18,715,000)	$ 308,425,000	$ 19,650,000

The total interest incurred for the years ended June 30, 2014 and 2013 was approximately $11,416,000 and $12,331,000, respectively. Approximately $1,000 and $136,000 was capitalized as a component of the cost of capital assets constructed during 2014 and 2013, respectively. Approximately $11,415,000 and $12,195,000 was charged to expense in 2014 and 2013, 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, 2014, are as follows:

	Principal	Interest	Total
Year ended June 30,			
2015	$ -	$ 4,619,000	$ 4,619,000
2016	17,495,000	8,903,000	26,398,000
2017	17,920,000	8,662,000	26,582,000
2018	18,240,000	8,321,000	26,561,000
2019	15,955,000	7,895,000	23,850,000
2020-2024	91,005,000	29,540,000	120,545,000
2025-2029	53,325,000	13,280,000	66,605,000
2030-2034	32,155,000	3,572,000	35,727,000
2035-2039	3,035,000	362,000	3,397,000
	$ 249,130,000	$ 85,154,000	$ 334,284,000

Outstanding Letters of Credit: At June 30, 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, 2014 and 2013.

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, 2014, capital projects in progress include approximately $23 million related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately $265 million less $242 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, 2014 and 2013, Special Facility Revenue Bonds outstanding aggregated $191,400,000.

NOTE 10 – DEFERRED COMPENSATION PLAN

The Authority offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k). The Plans are administered by ICMA Retirement Corporation and Kentucky Retirement Systems, are available to all Authority employees, and allow each employee to defer a portion of their salary until future years. The deferred compensation is not available to an employee until termination, retirement or death. Employee contributions to the 457 Plan for the years ended June 30, 2014 and 2013 totaled approximately $108,000 and $105,000, respectively, and contributions to the 401(k) Plan for the same years were approximately $149,000 and $148,000, respectively.

GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* 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.

(Continued)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

All employees hired after May 1, 2001 are required to participate in a defined benefit plan administered by the County Employees Retirement System of Kentucky (CERS) under the Kentucky Retirement Systems (KRS), a cost-sharing multiple-employer public employee retirement system. All then current Authority employees as of May 1, 2001 who worked more than one hundred hours per month could elect to participate in either CERS or the Kentucky Public Employees Deferred Compensation Authority 401(k) Plan.

County Employees Retirement System of Kentucky

The eligible payroll for employees covered by the Plan was approximately $8,265,000 and $8,225,000, out of a total payroll of approximately $9,086,000 and $8,710,000 for the years ended June 30, 2014 and 2013, respectively.

For members participating prior to September 1, 2008 the following applies: Employees who retire at or after age 65 with 48 months of credited services are entitled to a retirement benefit, payable monthly for life, between 2.0% and 2.2% of their final compensation multiplied by his or her service credit. Final compensation is the average of the five fiscal years during which the employee had the highest average monthly salary. Benefits vest upon reaching five years of service. Any non-hazardous employee with twenty-seven years of service may retire at any time with full benefits. Any hazardous employee with twenty years of service may retire at any time with full benefits. Vested employees with less than the required minimum years of service may retire at or after age fifty-five and receive reduced retirement benefits. The CERS also provides health, death and disability benefits. Benefits are established by state statute.

For members participating after September 1, 2008 the following applies: Employees who retire at or after age 65 with 60 months of credited services are entitled to a retirement benefit, payable monthly for life, up to 2.0% of their final compensation multiplied by his or her service credit. Final compensation is calculated by taking the average of the last five full fiscal years of salary. Benefits vest upon reaching five years of service. Any non-hazardous employee, age fifty-seven or older, may retire at any time with full benefits if the member's age and years of service equal 87. Any hazardous employee with twenty-five years of service may retire at any time with full benefits. Vested employees with at least 120 months of service may retire at or after age sixty and receive reduced retirement benefits. The CERS also provides health, death and disability benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute 5% of their salary to the CERS for a non-hazardous position and 8% for a hazardous position. Members with a participation date on or after September 1, 2008 will additionally contribute 1% to the KRS Insurance Fund, making the total contribution of their salaries 6% for non-hazardous and 9% for hazardous. The Authority was required by the same statute to contribute 18.89%, 19.55% and 18.96% of the covered employees' salaries for non-hazardous positions, and 35.70%, 37.60% and 35.76% for a hazardous position for 2014, 2013 and 2012, respectively. The contribution requirements for the year ended June 30, 2014 were approximately $2,519,000, consisting of $1,980,000 from the Authority and $539,000 from employees; and for the year ended June 30, 2013 were approximately $2,498,000, consisting of $2,007,000 from the Authority and $491,000 from employees; and for the year ended June 30, 2012 were approximately $2,305,000, consisting of $1,830,000 from the Authority and $475,000 from employees.

(Continued)

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Ten-year historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the CERS' Annual Financial Reports (which are a matter of public record). The most recent actuarial valuation was as of June 30, 2013. The Commonwealth of Kentucky's Comprehensive Annual Financial Reports should be referred to for additional disclosures related to the CERS (www.kyret.ky.gov).

In addition to the above defined benefit pension plan, effective May 1, 2001, all then current Authority employees could elect to have the amounts listed as "single/lump sum value" rolled over from the prior retirement plan into a 401(k) account with the Kentucky Public Employees Deferred Compensation Authority on their behalf if they chose not to participate in the CERS Plan. Thereafter, the Authority will contribute the same percentage of their annual income that the Authority is required to pay to CERS for similarly situated employees. This amount will continue to be contributed into the 401(k) account as long as they are employed by the Authority as a full-time regular (or project) employee and under this option. Employee contributions are not mandatory. Under this option, an employee can make voluntary contributions up to the maximum allowable by law. The Authority made contributions of approximately $44,700 and $72,700 for each year ending June 30, 2014 and 2013, respectively.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plans described in Notes 10 and 11, 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 $54,200 for 16 employees and $79,000 for 20 employees during 2014 and 2013, respectively. The Plan may be terminated at the election of the Board without notice.

NOTE 13 – PROPERTY LEASED TO OTHERS

The Authority leases land and 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, 2014 and 2013, revenues from these leases were approximately $14.0 million and $13.6 million, respectively.

The Authority also enters into rental agreements with concessionaires for food and beverage, news and gift, rental car facilities, advertising and others. Generally, the agreements are for terms from 1 to 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, 2014 and 2013, revenues from such agreements were approximately $10.1 million and $9.7 million, respectively. Revenues from contingent rentals that are made up primarily of the excess over MMG and sales only based agreements were $2.6 million and $2.3 million for 2014 and 2013, respectively.

(Continued)

NOTE 13 – PROPERTY LEASED TO OTHERS (Continued)

All land and facility leases and concession agreements are accounted for as operating leases. Future revenues under these agreements, based on fixed terms or on 2014 actual rates and assuming current agreements are carried to contractual termination are as follows:

	Land and Facilities	Concessions	Total
Year ended June 30,			
2015	$ 14,755,999	$ 8,387,236	$ 23,143,235
2016	6,385,050	2,045,552	8,430,602
2017	3,903,486	143,600	4,047,086
2018	2,870,403	93,550	2,963,953
2019	2,605,591	8,333	2,613,924
Thereafter	13,442,080	-	13,442,080
	$ 43,962,609	$ 10,678,271	$ 54,640,880

NOTE 14 – 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, 2014 and 2013.

The FAA has authorized the Authority to collect total net PFC revenue of $103,372,525 to be applied as follows:

For direct payment on capital project costs	$ 32,099,473
To be applied to the debt service and related costs on bonds issued to finance PFC approved project costs	71,273,052
	$ 103,372,525

During the years ended June 30, 2014 and 2013, amounts of approximately $6,626,000 and $6,824,000, respectively, were received in passenger facility charges.

NOTE 15 – MAJOR CUSTOMER

During fiscal years 2014 and 2013, the Authority earned approximately 26% of its operating revenues from one customer in each year.

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION NOTES TO FINANCIAL STATEMENTS

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 the LRZC's Board. This causes the relationship between the Authority and the LRZC to be related entities resulting in the LRZC being defined as a component unit of the Authority. Accordingly, the LRZC financial statements are presented in the Authority's financial statements as a discretely presented component unit. The LRZC 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, 2010 and information from the state government to calculate receivables from TIF revenue through December 31, 2011. Additionally TIF receivables have been recorded for estimated TIF revenue earned through calendar year 2013 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, 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. TIF revenue reported as an extraordinary item for 2013 represents the amount to record the catch-up of revenue for prior years that had not previously been recorded due to uncertainty of amounts or collections, which was deemed to be unusual in nature and an infrequent occurrence.

Investments: At June 30, 2014, the LRZC held no investments.

At June 30, 2013, the LRZC's investment balances were as follows:

Investment Type	Amortized Cost	Maturity	Rating
Fannie Mae	$ 2,499,874	08/15/2013	Aaa
Federal Home Loan Bank	400,077	08/13/2013	Aaa
Federal Government Money Market	665		Aaa
	$ 2,900,616		

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION NOTES TO FINANCIAL STATEMENTS (Continued)

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 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: At June 30, 2013, the LRZC only had investments in U.S. Treasuries or other debt securities backed by the U.S. Government.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the custodian, the 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: Investments in U.S. Government Agencies are not limited. At June 30, 2013, approximately $2,900,616 was invested in U.S. Government agency obligations. 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, 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 NOTES TO FINANCIAL STATEMENTS (Continued)

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 8,799,469	$ -	$ (460,444)	$ 8,339,025
Construction projects	579,803	1,333,538	-	1,913,341
Total capital assets not being depreciated	9,379,272	1,333,538	(460,444)	10,252,366
Other capital assets:				
Land improvements	9,083,022	-	-	9,083,022
Utility systems	3,114,054	-	-	3,114,054
Total other capital assets	12,197,076	-	-	12,197,076
Less accumulated depreciation	(1,116,122)	(691,095)	-	(1,807,217)
Other capital assets, net	11,080,954	(691,095)	-	10,389,859
Net capital assets	$ 20,460,226	$ 642,443	$ (460,444)	$ 20,642,225

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

	2014	2013
Loan payable to UPS to be paid in fourteen annual installments of principal, beginning September 21, 2008 and maturing on September 21, 2021. Repayments on this loan are to be made solely from specified proceeds of LRZC activities.	$ 5,476,605	$ 6,165,266
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.	5,097,890	5,097,889
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.	2,199,873	2,872,420
Total loans payable	12,774,368	14,135,575
Less current portion	1,469,692	1,361,208
Long-term portion	$ 11,304,676	$ 12,774,367

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION NOTES TO FINANCIAL STATEMENTS (Continued)

Annual Loan Repayment Requirements: The annual loan repayment requirements to maturity, including principal and interest, as of June 30, 2014, are estimated as follows:

	Principal	Interest	Total
Year ended June 30,			
2015	$ 1,469,692	$ 120,005	$ 1,589,697
2016	1,521,965	67,717	1,589,682
2017	1,275,109	14,377	1,289,486
2018	688,762	-	688,762
2019	688,673	-	688,673
2020-2024	3,759,578	-	3,759,578
2025-2028	3,370,589	-	3,370,589
	$ 12,774,368	$ 202,099	$ 12,976,467

Operating Lease of a Lessor: The 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 again 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,	
2015	$ 1,576,901
2016	1,580,274
2017	693,236
	$ 3,850,411

Lease revenue recognized during the year ended June 30, 2014 and 2013 was $1,426,182 and $1,003,725, respectfully. The net book value of the property subject to the lease was $3,500,000 and $3,800,000 at June 30, 2014 and 2013, respectively. The rent related to improvements is the primary source of repayment for the loan payable to Louisville Paving.

SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2014
(With comparative totals for 2013)

	2014			(Restated)
	Louisville International	Bowman Field	Total	2013 Total
Operating revenues				
Landing and field use fees	$ 19,541,670	$ 50,380	$ 19,592,050	$ 19,287,529
Terminal area	9,046,177	89,399	9,135,576	9,741,297
Apron area	2,486,953	-	2,486,953	2,144,080
Parking and ground transportation	23,984,556	-	23,984,556	23,252,002
Aviation related facility leases	3,230,288	1,248,190	4,478,478	4,454,681
Land leases and other	1,880,528	249,126	2,129,654	2,070,192
Airport services	221,084	31,198	252,282	270,260
Other revenue	234,971	833	235,804	151,361
Total operating revenues	60,626,227	1,669,126	62,295,353	61,371,402
Operating expenses				
Operations and general maintenance				
Salaries, wages	7,296,475	411,827	7,708,302	7,427,298
Contracts	3,369,468	40,038	3,409,506	3,267,310
Utilities and fuel supplies	3,297,406	426,163	3,723,569	3,484,522
Supplies and other	812,343	187,082	999,425	1,164,998
Reimbursed costs	(793,715)	(2,830)	(796,545)	(548,975)
Total operations and general maintenance	13,981,977	1,062,280	15,044,257	14,795,153
Administrative, general, planning and engineering	10,503,835	582,382	11,086,217	10,010,759
Total operating expenses before major maintenance and depreciation	24,485,812	1,644,662	26,130,474	24,805,912
Major maintenance	4,651,099	303,605	4,954,704	4,028,012
Depreciation and amortization	21,737,442	1,309,079	23,046,521	27,466,201
Total operating expenses	50,874,353	3,257,346	54,131,699	56,300,125
Operating income (loss)	9,751,874	(1,588,220)	8,163,654	5,071,277
Non-operating revenues (expenses) and capital contributions				
Investment earnings, net	347,560	1,650	349,210	1,175,015
Interest expense	(11,414,638)	-	(11,414,638)	(12,195,113)
Passenger facility charge	6,625,649	-	6,625,649	6,823,983
Net gain on disposal of assets	135,108	3,675	138,783	3,501,318
Cost of bond issuance	(1,772,379)	-	(1,772,379)	-
Other expenses	(61,515)	1,998	(59,517)	(177,837)
Capital contributions	14,450,449	-	14,450,449	13,575,537
Net non-operating revenues	8,310,234	7,323	8,317,557	12,702,903
Changes in net position	$ 18,062,108	$ (1,580,897)	$ 16,481,211	$ 17,774,180

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT
June 30, 2014

	Cost					Accumulated Depreciation				
	Balance July 1, 2013	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2014	Balance July 1, 2013	Provisions	Retirements/ Adjustments	Balance June 30, 2014	Net Balance June 30, 2014
Louisville International Airport										
Land	$ 288,443,837	$ -	$ -	$ 1,094,992	$ 289,538,829	$ -	$ -	$ -	$ -	$ 289,538,829
Land improvements – runways, taxiways, and aprons	323,596,287	-	-	14,221,575	337,817,862	235,257,114	11,595,444	-	246,852,558	90,965,304
Land improvements – ground transportation and other	101,928,102	-	-	8,392,571	110,320,673	93,351,598	2,440,505	-	95,792,103	14,528,570
Buildings	125,253,978	-	-	-	125,253,978	77,383,078	5,098,773	(588)	82,481,263	42,772,715
Utility systems	41,366,513	222,799	(889,541)	34,229	40,734,000	35,422,524	970,925	(889,541)	35,503,908	5,230,092
Equipment (excluding automotive)	14,318,134	119,795	(25,006)	370,491	14,783,414	9,597,591	876,337	(25,007)	10,448,921	4,334,493
Vehicles and automotive equipment	10,246,424	402,248	(473,341)	-	10,175,331	6,142,351	670,082	(473,341)	6,339,092	3,836,239
Furniture and fixtures	5,032,674	72,334	(110,000)	-	4,995,008	4,899,742	85,375	(110,000)	4,875,117	119,891
Capital projects in progress	60,072,798	13,804,273	-	(25,017,976)	48,859,095	-	-	-	-	48,859,095
Total Louisville International Airport	970,258,747	14,621,449	(1,497,888)	(904,118)	982,478,190	462,053,998	21,737,441	(1,498,477)	482,292,962	500,185,228
Bowman Field										
Land	914,968	-	-	-	914,968	-	-	-	-	914,968
Land improvements – runways, taxiways, and aprons	15,173,290	-	-	209,580	15,382,870	8,148,606	813,592	-	8,962,198	6,420,672
Land improvements – ground transportation and other	542,536	-	-	-	542,536	356,144	28,901	-	385,045	157,491
Buildings	14,626,724	-	-	533,252	15,159,976	9,560,345	465,940	588	10,026,873	5,133,103
Utility systems	124,536	-	-	-	124,536	122,386	644	-	123,030	1,506
Equipment (excluding automotive)	274,566	-	(7,086)	-	267,480	274,566	-	(7,086)	267,480	-
Vehicles and automotive equipment	778,942	-	(39,000)	-	739,942	778,942	-	(39,000)	739,942	-
Construction in progress	1,073,074	674,091	-	(798,483)	948,682	-	-	-	-	948,682
Total Bowman Field	33,508,636	674,091	(46,086)	(55,651)	34,080,990	19,240,989	1,309,077	(45,498)	20,504,568	13,576,422
Total Louisville International Airport and Bowman Field	$ 1,003,767,383	$ 15,295,540	$ (1,543,974)	$ (959,769)	$ 1,016,559,180	$ 481,294,987	$ 23,046,518	$ (1,543,975)	$ 502,797,530	$ 513,761,650

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
June 30, 2014

	Expiration Date	Amount of Coverage
Chartis Aviation/National Union Fire Insurance Company of Pittsburg:		
General airport liability	07/31/2014	$ 250,000,000
Optional war risk and other perils	07/31/2014	150,000,000
Optional TRIA	07/31/2014	250,000,000
Affiliated FM Insurance Co:		
All risk property	07/31/2014	500,000,000
Starr Indemnity and Liability Co:		
Public officials' liability covering board members and all employees	07/31/2014	10,000,000
Chubb Insurance Group/Federal Insurance Co:		
Blanket travel accident	07/31/2015	125,000
KEMI:		
Worker's compensation	07/31/2014	Statutory Limitations
Employer's liability	07/31/2014	1,000,000
Fidelity and Deposit Co. of Maryland		
Fidelity and crime covering board members and all employees	07/31/2015	
Employee dishonesty		500,000
Forgery/alteration		100,000
Theft		100,000
Travelers Insurance Company:		
Fiduciary liability	08/01/2015	1,000,000
Automobile coverage	07/31/2014	1,000,000
All risk unlicensed equipment	07/31/2014	9,653,774
US Fire Insurance Co:		
Accidental policy covering airport volunteers	01/01/2015	15,000 per person
Axis Surplus Insurance Co.:		
Media professional liability	03/15/2015	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, 2014 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, 2014, 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 9, 2014. 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 9, 2014

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, 2014. 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, 2014.

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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 9, 2014 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of 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 9, 2014

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

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, 2014	Accumulated Expenditures
U.S. Department of Transportation						
Direct Programs:						
Federal Aviation Administration						
Airport Improvement						
	20.106	3-21-0031-90	Taxiway A (Phase IV), Various Airfield Projects and Purchase of Equipment	$ 13,101,152	$ 855,779	$ 12,780,372
	20.106	3-21-0031-91	Taxiway A (Phase IV), Various Airfield Projects and Purchase of Equipment	6,628,193	22,980	538,040
	20.106	3-21-0031-92	Rehabilitate Runway (Phase V), Various Airfield Projects and Purchase of Equipment	1,907,531	136,140	1,706,620
	20.106	3-21-0031-93	Extend Taxiway Echo and Purchase of Equipment	8,101,744	6,583,209	8,100,743
	20.106	3-21-0031-94	Sound Insulation Environmental Study	180,000	7,898	64,554
	20.106	3-21-0031-95	Noise Mitigation	18,118,943	3,347,869	3,347,869
	20.106	3-21-0031-96	Rehabilitate Runways	1,266,914	1,056,355	1,056,355
	20.106	3-21-0031-97	Taxiway C (Lighting), Environmental Study and Purchase of Equipment	1,940,914	1,330,190	1,330,190
	20.106	3-21-0031-98-2014	Construct and Rehabilitate Taxiways and Runways	4,157,280	-	-
	20.106	3-21-0031-99-2014	Improve Runway Safety Area	19,871,440	-	-
Bowman Field						
	20.106	3-21-0032-22	Rehabilitate Taxiway J	820,687	-	-
	20.106	3-21-0032-23-2014	Conduct Environmental Assessment	593,795	-	-
Total U.S. Department of Transportation				76,688,593	13,340,420	28,924,743
U.S. Department of Homeland Security						
	97.090	HSTS0208HSLR259	Law Enforcement Officer Reimbursement Program	643,641	-	615,860
	97.090	HSTS0208HSLR280	Law Enforcement Officer Reimbursement Program	262,800	26,908	82,144
	97.072	HSTS0208HCAN449	TSA National Explosives Detection Canine Team	1,428,000	196,451	1,318,979
				2,334,441	223,359	2,016,983

See accompanying note to schedule of expenditures of federal awards.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

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, 2014	Accumulated Expenditures
Pass-Through Funds:						
Federal Emergency Management Agency/Commonwealth of Kentucky Emergency Management	97.036	FEMA-1818DRKY	Public Disaster Assistance (Ice Storm)	$ 660,958	249,990	660,958
Total U.S. Department of Homeland Security				2,995,399	473,349	2,677,941
Total Expenditures of Federal Awards.				$ 79,683,992	$ 13,813,769	$ 31,602,684

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:	$ 414,413
Auditee qualified as low-risk auditee?	√ Yes ____ No

(Continued)

PART II: FINANCIAL STATEMENT FINDINGS

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

PART III: FEDERAL AWARD FINDINGS

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

PART IV: PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended June 30, 2013.

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, 2014.

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, 2014.

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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 9, 2014 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charges collected and expended is fairly stated in all material respects, in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
October 9, 2014

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program	Record of Decision	Approved	Expenditures
Passenger Facility Charge Program			
	97-01-C-00-SDF	$ 75,594,112	$ 68,678,446
	01-02-C-00-SDF	10,012,140	10,012,140
	03-03-C-00-SDF	5,666,800	5,666,800
	06-04-C-00-SDF	1,267,315	1,253,136
	08-05-C-00-SDF	900,000	726,813
	11-06-C-00-SDF	2,479,014	2,349,842
	12-07-C-00-SDF	2,250,000	343,226
	14-08-C-00-SDF	5,203,144	250,143
Totals		$ 103,372,525	$ 89,280,546
PFC and interest collected		93,654,311	
Uncollected balance		$ 9,718,214	

Summary of Auditor's Results

We have issued an unmodifed opinion, dated October 9, 2014 on the financial statements of Louisville Regional Airport Authority as of and for the year ended June 30, 2014.

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 9, 2014 on Louisville Regional Airport Authority's compliance for the passenger facility charge program.

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

Findings Relating to the Financial Statements

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

Findings and Questioned Costs for the Passenger Facility Charge Program

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PRIOR AUDIT PASSENGER FACILITY CHARGES
FINDINGS AND THEIR RESOLUTION
Year ended June 30, 2014

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.