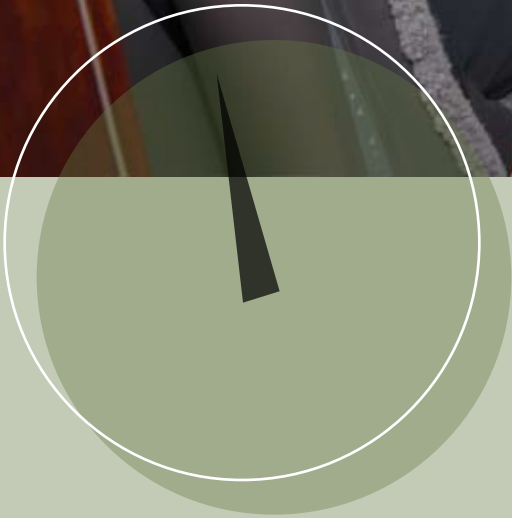




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**TAKING AN
AERIAL VIEW**





It is our pleasure to report that Fiscal Year 2007 meant good things for our airports and that the long view shows a trend of sustained growth and success.

Since 2004, passenger counts have risen by almost 8.5%, and total cargo tonnage has grown by more than 18%. Completion of the extensions to our West Runway this year broadens the reach of our nonstop flights—with larger loads—to destinations as distant as the Pacific Rim and Asia.

Over the same period, we've significantly expanded and enhanced our safety and security capabilities, inaugurated an innovative flight tracking system available to the public through our website and discovered ways to reduce costs and increase efficiencies.

In Fiscal Year 2007, we added new retail shops, restaurants and other amenities to serve travelers and visitors to Louisville International Airport and the airport was ranked the third-busiest cargo airport in North America and the ninth in the world.

In addition, we moved our administrative offices back to the airport from their temporary downtown location. For the board, administration and staff, I think we can safely say it's great to be home on our airfield.

A handwritten signature in cursive script that reads "J. D. Nichols".

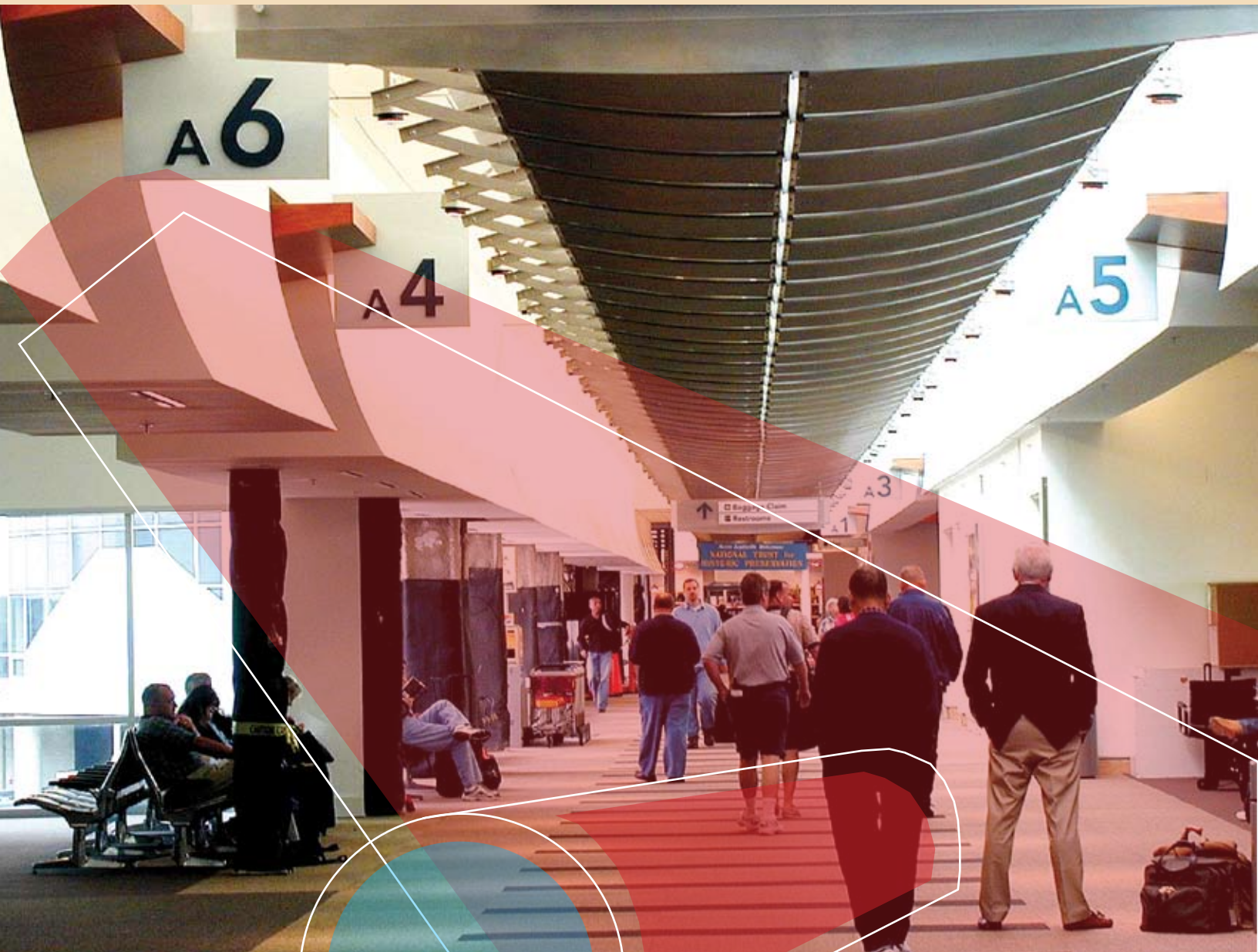
J. D. NICHOLS

Chairman of the Board

A handwritten signature in cursive script that reads "C.T. Miller".

C.T. "SKIP" MILLER

Executive Director



A6

A4

A5

A3

A1

↑ Baggage Claim
Restrooms

NATIONAL TRUST for HISTORIC PRESERVATION



AIR SERVICE AND MARKETING

In Fiscal Year 2007, passenger levels continued to be strong and air service improved yet again. With new airlines joining our already impressive roster of carriers, travelers at Louisville International Airport benefit from a highly competitive environment that keeps fares low and service high.

Frontier inaugurated service, and in the process added a new destination never before served from Louisville—Denver, CO. American Eagle launched new nonstop service to Raleigh-Durham and upgraded service to Dallas/Ft. Worth. US Airways added a sixth daily flight to Charlotte and a fourth daily flight to New York-LaGuardia. Delta added a third daily flight to Orlando. In addition, an upgrade by Midwest Connect to jet service to Milwaukee took Louisville International to “all-jet” status for the first time in history, a significant milestone.

Successful and attention-getting advertising campaigns helped to fuel travelers’ interest and passenger growth, while earning award recognition from the Airports Council International of North America and the Kentucky Tourism Council – as well as featured treatment in *Aviation Daily*, a highly regarded trade journal. As part of the airport’s marketing efforts, a quarterly Corporate Travel Forum was established to gain valuable input from the region’s top corporate air-travel customers.



TOTAL PASSENGERS	
2007	3,663,594
2006	3,760,686
2005	3,563,862
2004	3,377,832





AIR CARGO

Early in Fiscal Year 2007, the Airports Council International released its final 2006 air traffic reports, ranking Louisville International as the third- busiest cargo airport in North America and the ninth-busiest in the world. That's up one position from the previous year and reflects the airport's status as the global air hub for United Parcel Service (UPS), the world's eighth largest airline.

During this fiscal year, the Authority actively worked with UPS and the Federal Aviation Administration on the expansion of UPS's global air hub--WorldportSM. Key components of that work included developing a comprehensive air-space analysis, a traffic forecast and the leasing/selling of key parcels of land.



AIRCRAFT OPERATIONS

2007	178,096
2006	178,451
2005	171,179
2004	171,258

TOTAL CARGO

2007	4,571,237,170 lbs.
2006	4,184,641,723 lbs.
2005	3,839,628,768 lbs.
2004	3,745,953,408 lbs.





COMMUNITY

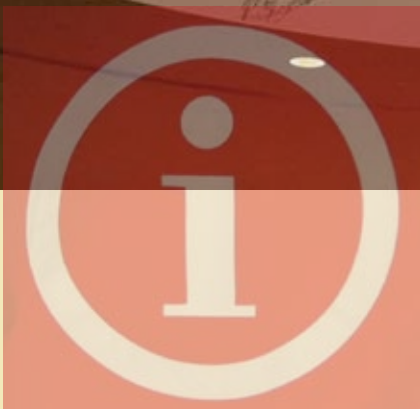
According to a 2005 comprehensive economic impact report released in FY '07, Louisville International Airport and Bowman Field comprise the largest private employment center in the area and are among the primary economic engines powering the state and regional economy. The study showed that Louisville's airports generated annual recurring economic impacts of:

- 43,589 total jobs
- \$1.8 billion in total annual payroll
- \$4.5 billion in total business expenditures
- \$246 million in state and local taxes

In Fiscal Year 2007, the LRAA continued to work with all constituencies to minimize the impact of aircraft operations. The Community Noise Forum (CNF) meets monthly and its representatives include community residents and businesses, as well as airlines, other aircraft operators, sensitive facilities, Airport Authority management and government. The group makes decisions by consensus and has been instrumental in researching and developing noise-abatement solutions.

Through the efforts of CNF, a flight-tracking and noise-monitoring system is available to the public through the Authority's website. The innovative system enables residents to access air-traffic information, provides detailed maps and the ability to determine aircraft types, airline names and the origins and destinations for air traffic. This information can be used to continue to find new ways to reduce the impact of noise on our community.







CUSTOMER SERVICE & AMENITIES

The Airport Ambassador Program continued to expand in FY 2007, assisting 84,754 people—an increase of close to 20,000 over FY 2006. This all-volunteer group welcomes travelers and visitors to our airport, providing directions, information and a helping hand.

Within the terminal, new shopping and dining facilities were added during this fiscal year. Quizno's and the Waterfront Bar and Grill create new food options, and travelers can discover unique items and gifts at Brighton's and Explore Kentucky, two new specialty shops.

Another improvement, which will become apparent to travelers and visitors in early FY '08, is the addition of an in-line baggage screening system. The new system will screen checked luggage behind the scenes, allowing the large X-ray screening machines to be removed from the departure lobby. Travelers will then simply check their bags curbside or at the ticket counters and proceed to their gates.



17R/35L



17R/35L



AIRFIELD ENHANCEMENTS

Several important projects moved forward or were completed during FY 2007. The largest of these—and one with significant impact for our future—was the completion of a three-phase, \$20 million extension of the West Runway (17R/35L). Now at almost 12,000 feet, the longer runway allows aircraft to fly nonstop with larger loads to destinations as far away as the Pacific Rim and Asia, conserving time and fuel.

Airfield lighting upgrades that offer both financial and ecological benefits continued in FY '07. Selected areas of the airfield were converted to LED (Light Emitting Diode) lights, which will consume only about 30% of the energy used by the conventional older lights, and which will last more than twice as long.

The Authority also began a comprehensive review to uncover additional ways to become more energy efficient and environmentally responsive wherever possible.

In addition, the focus continued on the Beyond 2010 Program, designed to put the infrastructure in place to meet the needs of our business partners so that we can continue to retain and attract aviation-related companies and jobs for our community.

As part of the Beyond 2010 initiative, construction of Phase I of Taxiway Alpha was begun in FY '07.



Position and Hold,
Cleared for Takeoff.
Cleared ILS Runway 35R.
Taxi to the Ramp.

A photograph of an air traffic control tower at night. The tower is a circular structure with a large glass window overlooking an airport at night. Several air traffic controllers are visible inside the tower, working at their consoles. The consoles are equipped with multiple computer monitors displaying various data, including radar screens and flight information. The tower is illuminated from within, and the airport lights are visible through the glass. The sky is dark, and the city lights are visible in the distance.

Hold Short Runway 35L.
Traffic two-mile final.

Traffic one o'clock,
3-miles, B747 west-
bound.



SAFETY

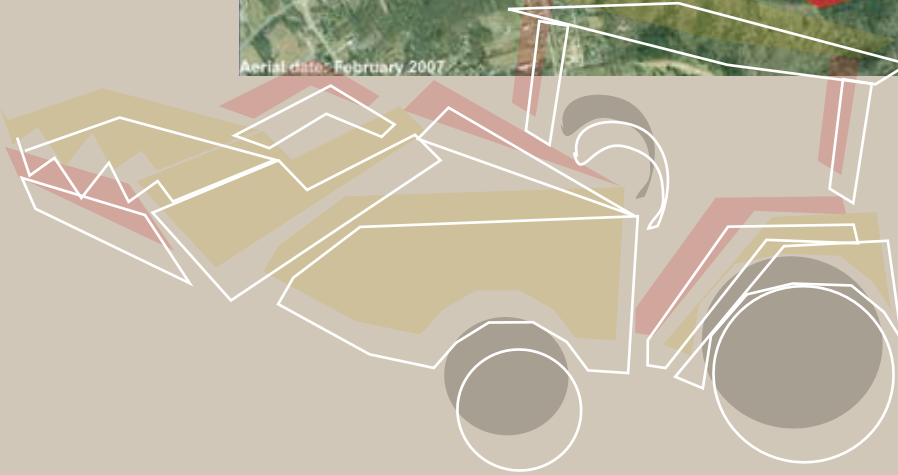
Unnoticed by most outside the airport community, the LRAA Maintenance Department plays a pivotal role in airfield safety. In Fiscal Year 2007, our Maintenance Department stepped into the spotlight and was recognized by the Federal Aviation Administration’s Southern Region with the prestigious “Airport Safety Mark of Distinction Award” for work related to enhancing airfield safety.

During the same period, the LRAA also instituted an annual vehicle-replacement program to ensure that reliable and modern equipment is available. The program replaces a percentage of the fleet each year– including police, fire and snow removal equipment.

Over the last few years, the Authority has embarked on an ambitious program to enhance safety and ensure first-class emergency services to the traveling public, by building a unified Public Safety Department in which all officers are cross-trained to function as a police officer, firefighter, EMT and dispatcher. In Fiscal Year 2007, the pursuit of this goal resulted in improved response capabilities, cost-savings, and staffing flexibility.

In addition, two of our most senior officers play key roles within the Aviation Law Enforcement Agencies Network (ALEAN). Chief Petty is 2nd Vice President and sits on the Board of Directors, and Assistant Chief Watkins is the ALEAN representative on a TSA Canine Quality Assurance Team.







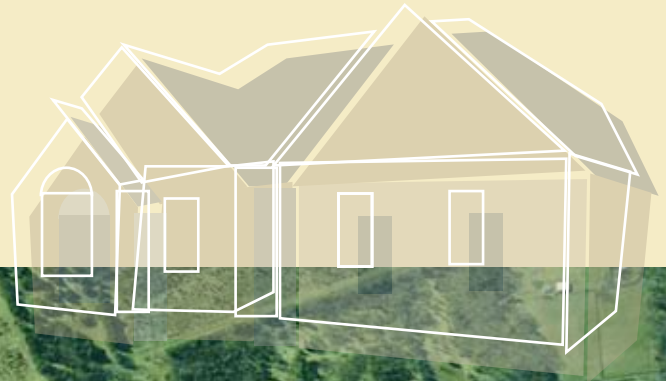
RENAISSANCE ZONE

The Louisville Renaissance Zone Corporation (LRZC) is a redevelopment authority created by state statute to promote economic development and airport-compatible community redevelopment on 3,000 acres south of the airport.

In FY 2007, the LRZC Board of Directors negotiated and approved an agreement with UPS regarding the sale of 60 acres of that property. The agreement calls for UPS to lend the LRZC funds for public infrastructure improvements in that area (including utilities and roadways) to begin the development of an industrial business park in an area where voluntary residential relocation has cleared the way for more airport-compatible uses.

UPS will use the land it is purchasing to relocate its trucking fleet's ground-sorting hub from an area with direct airfield access to the Renaissance Zone. In FY'07, ground was broken for the new facility—Centennial Hub. The move makes room for UPS's expansion of the global air-sorting hub—WorldportSM.







VOLUNTARY RESIDENTIAL RELOCATION PROGRAM

By fiscal year end, the voluntary residential relocation program reached a significant milestone by relocating more than 2,000 families. In fact, 2003 families (of the 2,159 eligible) in the most noise-impacted areas around Louisville International Airport had voluntarily relocated.

As usual, the relocation program had two distinct components in FY 2007: the traditional purchase program and the Heritage Creek program. In both cases, eligible families are offered the opportunity to move from their noise-affected homes. They can choose to purchase existing housing or elect to build a new home with comparable features in Heritage Creek.

Residents of Heritage Creek have carried to their new homes many of the traditions of their old neighborhoods, and this innovative development has fast become a vibrant and thriving community, with 413 families calling Heritage Creek home. Also during the 2007 fiscal year, the city of Heritage Creek reached another milestone of not having to operate and provide services in the former area of the city of Minor Lane Heights because over 90% of the families there had been relocated.





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BOWMAN FIELD

From FY 2007 to 2011, almost \$8.5 million in capital and major maintenance projects are scheduled for Bowman Field, the reliever airport for Louisville International and a key component of the community's airport system.

In FY '07, these projects included construction of the first phase of Taxiway Lima, reconstructing a part of the Central American Airways ramp and cladding the Central American hangar. In addition, the reconstruction of Runway 14-32 was completed.

Bowman Field also continued to serve the community in various ways during the Fiscal Year, hosting balloon glows and other events, both on airfield grounds and inside the historic terminal building.

Interest remains high in the community for Aviation Camp at Bowman Field, a summer experience unlike any other. During this fiscal year, 78 middle schoolers participated in Basic Aviation Camp, and 24 high school students enrolled in Advanced Camp at Bowman Field. Students learn about principles of flight, engine and aircraft design, navigation, aviation history and career opportunities. They also spend up to an hour and a half behind the controls of a new Cessna aircraft with the assistance of an FAA-certified flight instructor.



BOWMAN FIELD CAPITAL IMPROVEMENT PROJECTS

2007	\$2,378,592
2006	\$1,739,977
2005	\$1,231,160
2004	\$1,710,236

\$



\$

\$

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation
	June 30		June 30
	2007	2006 (Restated)	2007
ASSETS			
Current Assets, Unrestricted			
Cash and equivalents	\$ 4,895,015	\$ 11,621,964	\$ 18,826
Investments, at amortized cost plus accrued interest	25,034,805	26,938,093	-
Fees and rentals receivable	4,342,761	4,756,881	-
Supplies and prepaid expenses	<u>699,006</u>	<u>631,732</u>	<u>-</u>
Total unrestricted current assets	34,971,587	43,948,670	18,826
Current Assets, Restricted			
Cash and equivalents	31,619,586	37,104,054	-
Cash – Land Fund	4,169,094	181,164	-
Interest receivable	634,266	677,733	-
Grants receivable	2,807,887	2,351,736	-
Investments, at amortized cost plus accrued interest	<u>4,607,337</u>	<u>-</u>	<u>-</u>
Total restricted current assets	<u>43,838,170</u>	<u>40,133,523</u>	<u>-</u>
Total current assets	78,809,757	84,082,193	18,826
Noncurrent Assets, Unrestricted			
Capital assets not being depreciated	342,283,480	451,102,399	8,662,589
Depreciable capital assets, net	249,292,426	236,660,457	-
Deferred loan and bond cost, net of accumulated amortization of \$4,919,779 in 2007 and \$4,081,113 in 2006	<u>16,276,132</u>	<u>17,606,909</u>	<u>2,153,816</u>
Total unrestricted noncurrent assets	607,852,038	705,369,765	10,816,405
Noncurrent Assets, Restricted			
Cash – PFC Fund	4,094,446	3,025,444	-
Cash and cash equivalents	3,876,677	4,257,265	-
Investments, at amortized cost plus accrued interest	<u>42,625,614</u>	<u>44,561,239</u>	<u>-</u>
Total restricted noncurrent assets	<u>50,596,737</u>	<u>52,025,112</u>	<u>-</u>
Total noncurrent assets	<u>658,448,775</u>	<u>757,394,877</u>	<u>10,816,405</u>
Total assets	<u>\$ 737,258,532</u>	<u>\$ 841,477,070</u>	<u>\$ 10,835,231</u>

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS -- CONTINUED

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation
	June 30		June 30
	2007	2006 (Restated)	2007
LIABILITIES			
Current Liabilities (payable from unrestricted current assets)			
Accounts payable	\$ 9,834,961	\$ 3,932,474	\$ 1,737,276
Accrued expenses and other	833,072	857,274	120,888
Deferred income	<u>101,200</u>	<u>724,642</u>	<u>-</u>
Total unrestricted current liabilities	10,769,233	5,514,390	1,858,164
Current Liabilities (payable from restricted current assets)			
Current portion of bonds payable	14,410,000	15,025,000	-
Accounts payable	3,305,670	3,618,685	-
Accrued interest	<u>8,341,130</u>	<u>8,920,573</u>	<u>-</u>
Total restricted current liabilities	<u>26,056,800</u>	<u>27,564,258</u>	<u>-</u>
Total current liabilities	<u>36,826,033</u>	<u>33,078,648</u>	<u>1,858,164</u>
Long-Term Debt			
Bonds and loans payable	<u>382,120,000</u>	<u>405,230,000</u>	<u>9,695,832</u>
Other Liabilities			
Deposit from UPS Land Option	8,031,250	3,500,000	-
Unamortized bond premium, net	10,029,721	10,627,098	-
Deposit from Commonwealth of Kentucky	19,813,663	19,813,663	-
Deferred revenue	-	72,103	-
Other liabilities	83,600	83,600	-
Revolving coverage (payable from restricted assets)	<u>4,300,000</u>	<u>4,300,000</u>	<u>-</u>
Total other liabilities	<u>42,258,234</u>	<u>38,396,464</u>	<u>-</u>
Total liabilities	461,204,267	476,705,112	11,553,996
Commitments and contingencies			
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	270,978,416	342,166,102	-
Restricted for debt service	14,407,952	14,474,945	-
Restricted for capital projects	4,094,446	3,025,444	-
Unrestricted net assets (deficit)	<u>(13,426,549)</u>	<u>5,105,467</u>	<u>(718,675)</u>
Total net assets (deficit)	<u>\$ 276,054,265</u>	<u>\$ 364,771,958</u>	<u>\$ (718,675)</u>

See accompanying independent auditor's report and notes to financial statements

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation
	June 30		June 30
	2007	2006 (Restated)	2007
Operating Revenues			
Rentals and concessions	\$ 38,417,638	\$ 38,094,109	\$ -
Landing and field use fees	<u>19,001,830</u>	<u>17,724,110</u>	<u>-</u>
Total operating revenues	57,419,468	55,818,219	-
Operating Expenses			
Operations and maintenance	16,356,955	14,674,622	-
Administrative, general, planning and engineering	<u>10,250,825</u>	<u>9,496,643</u>	<u>600,205</u>
Operating expenses before depreciation and amortization	26,607,780	24,171,265	600,205
Depreciation and amortization	<u>29,469,112</u>	<u>28,646,631</u>	<u>-</u>
Total operating expenses	<u>56,076,892</u>	<u>52,817,896</u>	<u>600,205</u>
Operating income (expense)	<u>1,342,576</u>	<u>3,000,323</u>	<u>(600,205)</u>
Non-Operating Revenues (Expenses)			
Investment earnings, net	5,869,285	4,728,473	2,328
Interest expense	(19,660,090)	(15,677,207)	(120,888)
Passenger facility charges	5,780,894	6,019,344	-
Settlement of lawsuit	-	1,589,194	-
Net loss on disposal of assets and other expense	<u>(105,653,792)</u>	<u>(2,181,994)</u>	<u>-</u>
Net non-operating revenue (expense) before asset realization adjustment	<u>(113,663,703)</u>	<u>(5,522,190)</u>	<u>(118,560)</u>
Loss before asset realization adjustment and capital contributions	(112,321,127)	(2,521,867)	(718,765)
Net loss on asset realization adjustment	<u>-</u>	<u>(51,005,837)</u>	<u>-</u>
Loss before capital contributions	(112,321,127)	(53,527,704)	(718,765)
Capital Contributions	<u>23,603,434</u>	<u>56,896,186</u>	<u>-</u>
Increase (decrease) in net assets	(88,717,693)	3,368,482	(718,765)
Net assets, beginning of year	<u>364,771,958</u>	<u>361,403,476</u>	<u>-</u>
Net assets (deficit), end of year	<u>\$ 276,054,265</u>	<u>\$ 364,771,958</u>	<u>\$ (718,765)</u>

See accompanying independent auditor's report
and notes to financial statements

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation
	June 30		June 30
	2007	2006 (Restated)	2007
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 61,669,292	\$ 57,223,146	-
Payments to suppliers	(13,249,437)	(16,886,080)	1,053,798
Payments to employees	(7,547,331)	(7,006,105)	83,273
Net cash provided by operating activities	40,872,524	33,330,961	1,137,071
Cash Flows From Capital and Related Financing Activities			
Capital contributions	22,834,268	34,103,437	-
Passenger facility charges	5,780,894	6,019,344	-
Acquisition and construction of capital assets	(41,657,921)	(48,729,969)	(10,816,405)
Proceeds from sale of assets	4,001,180	11,086,868	-
Proceeds from issuance of debt	-	47,870,000	9,695,832
Principal paid on capital debt	(23,725,000)	(49,300,000)	-
Interest paid on capital debt, net of capitalized interest	(20,239,533)	(15,800,670)	-
Fees paid on bonds	(206,115)	(211,737)	-
Issuance costs of capital debt	492,111	(1,189,823)	-
Cash flows used for capital and related financing activities	(52,720,116)	(16,152,550)	(1,120,573)
Cash Flows From Investing Activities			
Proceeds from maturities of investments	50,248,946	49,382,693	-
Purchase of investments	(51,017,370)	(95,998,380)	-
Investment income	5,080,943	5,244,490	2,328
Net cash (used) provided for investing activities	4,312,519	(41,371,197)	2,328
Net Increase (Decrease) in Cash and Cash Equivalents	(7,535,073)	(24,192,786)	18,826
Cash and Cash Equivalents, Beginning of Year	56,189,891	80,382,677	-
Cash and Cash Equivalents, End of Year	\$ 48,654,818	\$ 56,189,891	\$ 18,826
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 1,342,576	\$ 3,000,323	\$ (600,205)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	29,469,112	28,646,631	-
Settlement of lawsuit	-	1,589,194	-
Changes in assets and liabilities:			
Fees and rental receivable	414,120	(881,881)	-
Deferred income	(695,545)	697,614	-
Supplies and prepaid expenses	(67,274)	(5,456)	-
Accounts payable	5,902,487	248,073	1,737,276
Accrued expenses and other	(24,202)	36,463	-
Deposit from UPS land option	4,531,250	-	-
Net cash provided by operating activities	\$ 40,872,524	\$ 33,330,961	\$ 1,137,071

Noncash Investing, Capital and Financing Activities:

The Authority has retainage and accounts payable related to construction in progress of approximately \$9,922,000 and \$5,894,000 as of June 30, 2007 and 2006, respectively. The Authority recorded a loss on sale of assets of \$105,448,000 and \$1,971,000 as of June 30, 2007 and 2006, respectively. During 2006, the Authority wrote down approximately \$51,006,000 of land assets (see Note M) and recorded donated land valued at approximately \$22,365,000. These noncash transactions have been excluded from the above statements.

BOARD OF DIRECTORS



J.D. Nichols
Chairman



Phil Lynch
Vice Chairman



Robert L. Knust
Secretary/Treasurer



The Honorable
Jerry Abramson
Mayor of Louisville



P. Richard
Anderson, Jr.



Mary Rose Evans



Earl F. Jones, Jr.



Elaine M.
Musselman



Norman E. Risen



Gail L. Strange



Jeffrey S. Sullivan



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