

Financial Statements

**LOUISVILLE REGIONAL AIRPORT
AUTHORITY**

ANNUAL REPORT

June 30, 2008 and 2007

LOUISVILLE REGIONAL AIRPORT AUTHORITY

June 30, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Louisville Regional Airport Authority (the Authority) as of and for the years ended June 30, 2008 and 2007 and the discretely presented component unit of the Louisville Renaissance Zone Corporation as of and for the years ended June 30, 2008 and 2007 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

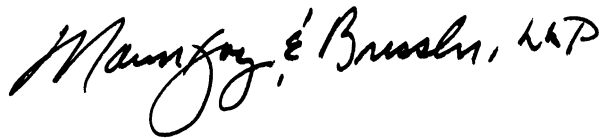
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisville Regional Airport Authority as of June 30, 2008 and 2007 and the financial position of the Louisville Renaissance Zone Corporation as of June 30, 2008 and 2007, and the respective results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Authority, taken as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of 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 *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Manning & Bruns, LLP". The signature is written in a cursive, flowing style.

Louisville, Kentucky
October 9, 2008

LOUISVILLE REGIONAL AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Louisville Regional Airport 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, 2008.

Basic Financial Statements

Our financial statements are prepared as an enterprise fund using proprietary fund accounting that uses a similar basis of accounting as private-sector business enterprises. The Authority is operated under one enterprise fund. 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 Assets, Statement of Revenues, Expenses & Changes in Net Assets, 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 Assets presents information on Assets, Liabilities, and the difference between these two, reported as Net Assets. Over time, increases or decreases in Net Assets may serve as a useful indicator of whether the financial position of the Airport is improving or deteriorating.

The Statement of Revenues, Expenses & Changes in Net Assets reports operating and non-operating revenues and expenses of the Airport 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 assets for the fiscal year. That change combined with last fiscal year's Net Asset total reconciles to the Net Asset 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 in 2003 and separately presents its own financial statements. It is important to read these statements in conjunction with the LRZC statements.

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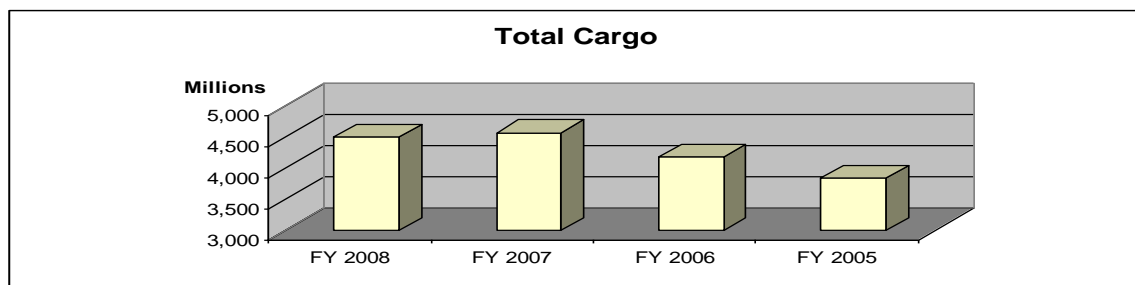
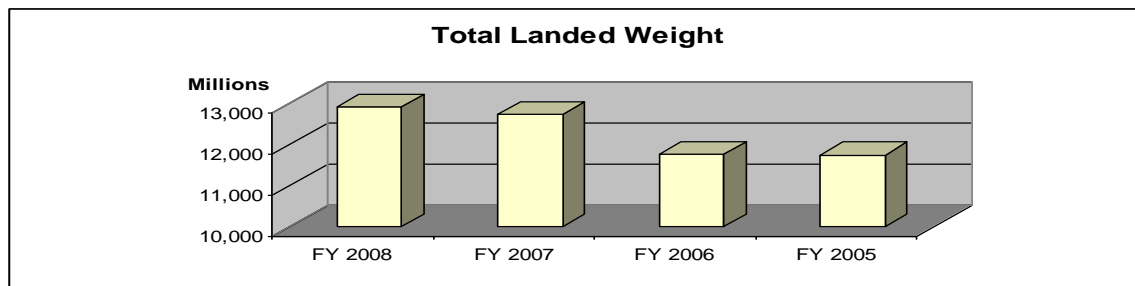
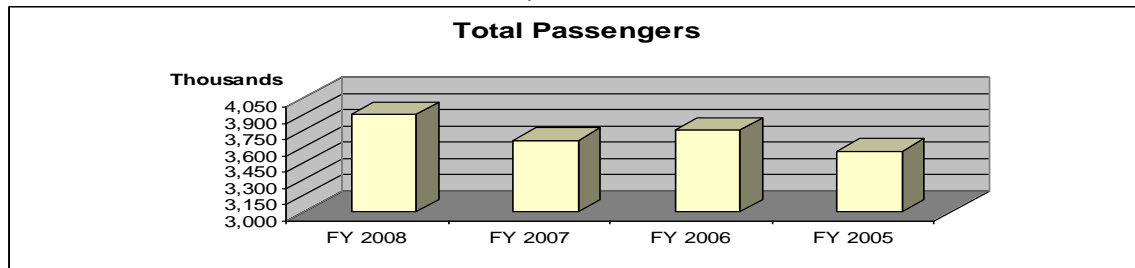
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 2008	FY 2007	FY 2006	FY 2005
Passengers				
Enplaned	1,956,868	1,839,166	1,883,500	1,787,116
Deplaned	1,945,714	1,824,428	1,877,186	1,776,746
Total	3,902,582	3,663,594	3,760,686	3,563,862
Landed Weight				
Passenger	2,485,816,845	2,233,506,863	2,359,068,586	2,555,047,519
Cargo	10,442,470,286	10,505,786,357	9,407,376,224	9,206,011,229
Total	12,928,287,131	12,739,293,220	11,766,444,810	11,761,058,748

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 9th worldwide. UPS is halfway through the construction of their \$1.0+ billion expansion to the UPS WorldportSM II facilities, which will expand their current capacities by approximately 25% when complete in FY 2010. UPS' cargo volume at SDF for fiscal year 2008 was 4.50 billion pounds versus fiscal year 2007 of 4.57 billion pounds – a 1.5% decrease. During FY 2008 passenger enplanements increased by 6.4%; the third best Fiscal Year of passenger volume in the airport's history. The increase was the result of a significant increase in seat capacity and additional frequencies by virtually all of the airlines serving the market. New or additional service was added to Boston, Orlando, Tampa, New York, Dallas, Charlotte, Philadelphia, Cleveland, Houston and Atlanta. Airlines also began to transition from smaller first-generation regional jets with 37 to 50 seats to aircraft with 70 to 100 seats. Because of this transition, additional seats were added to Denver, Milwaukee, Dallas, Charlotte, Detroit and Minneapolis.



LOUISVILLE REGIONAL AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Financial Highlights (Versus Budget and Prior Year)

- Total Revenues for fiscal year 2008 were 2.9% greater than fiscal year 2007 actual and 4.6% greater than budget. Major contributors to this increase are:
 - Landing Fees were approximately \$900,000 greater than fiscal year 2007 and \$130,000 less than budget. The increase over prior is due to an increase of 1.5% in landed weight.
 - Landside revenue was up \$1.7 million over fiscal year 2007. \$1.6 million of this increase was due to a full year of billings to the airlines for the cost of an inline baggage security screening system, which started in April 2007.
 - Parking revenues were up approximately \$1.0 million over fiscal year 2007 and fiscal year 2008 budget. Parking revenues historically increase and decrease with enplanement activity which was up 6.4% over fiscal year 2007.
 - Rental Car revenues were up \$1.2 million over fiscal year 2007. Similarly to Parking, this is generally tied to our increase in passenger traffic. Additionally we concluded audits on a number of our concessionaires and realized additional revenue, which is recorded as other revenue of approximately \$1.2 million.
- Operating Expenses before Depreciation for fiscal year 2008 were 2.5% less than budget and 5.0% greater than fiscal year 2007 actual.
- Operating Income before Depreciation was \$35.3 million which is \$3.5 million (11.0%) greater than budgeted and \$4.5 million (14.7%) greater than fiscal year 2007 actual.
- Interest Expense is approximately \$300,000 less than prior year and \$2.1 million greater than budget. The variance to budget is mainly related to less capitalized interest being allocated to projects than originally budgeted. One reason for this is a lower local match requirement on FAA funded projects than originally anticipated. Also contributing to the variance were capital projects that had less spending than anticipated and other projects that were substantially complete in the earlier part of the year that had little or no capital interest allocated to them.
- Net Loss before Capital Contributions was \$3.3 million, which is \$1.1 million less than budget and \$109 million less than fiscal year 2007 actual. The major contributor to the variance to prior year was due to the \$105 million loss on sale of land to the LRZC acquired through the Authority's Part 150 program recorded in fiscal year 2007.
- Net Assets increased from prior year by \$15.8 million to \$291.9 million.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Financial Information

Statement of Net Assets

The following schedule presents a summary of net assets for the fiscal years ended June 30:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Assets:			
Unrestricted	\$ 35,559,101	\$ 36,257,117	\$ 43,948,670
Restricted	95,521,779	93,149,377	92,158,635
Capital Assets (Includes In Progress)	585,898,526	591,575,906	687,762,856
Other	<u>15,373,157</u>	<u>16,276,132</u>	<u>17,606,909</u>
Total Assets	<u>732,352,563</u>	<u>737,258,532</u>	<u>841,477,070</u>
Liabilities:			
Unrestricted	3,649,078	10,769,233	5,514,390
Restricted	29,238,500	26,056,800	27,564,258
Long Term Debt	367,050,000	382,120,000	405,230,000
Other	<u>40,572,018</u>	<u>42,258,234</u>	<u>38,396,464</u>
Total Liabilities	<u>440,509,596</u>	<u>461,204,267</u>	<u>476,705,112</u>
Net Assets			
Invested in capital assets, net of related debt	282,163,832	270,978,416	342,166,102
Restricted for debt service	14,447,382	14,407,952	14,474,945
Restricted for capital projects	5,157,420	4,094,446	3,025,444
Unrestricted net assets (deficit)	<u>(9,925,667)</u>	<u>(13,426,549)</u>	<u>5,105,467</u>
Total Net Assets	<u>\$ 291,842,967</u>	<u>\$ 276,054,265</u>	<u>\$ 364,771,958</u>

The decrease in Capital Assets from fiscal year 2006 to 2007 is substantially due to the sale of land recorded in fiscal year 2007 to the LRZC acquired through our Part 150 program and the decrease from fiscal year 2007 to 2008 is primarily due to normal depreciation offset somewhat by additional capital spending. Restricted Liabilities decrease from prior year is primarily due to the payment of the final settlement on a lawsuit related to the acquisition of a business acquired under the Louisville Airport Improvement Program which was accrued in FY 2007. The reduction in Long Term Debt is due to the normal bond principal payments.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

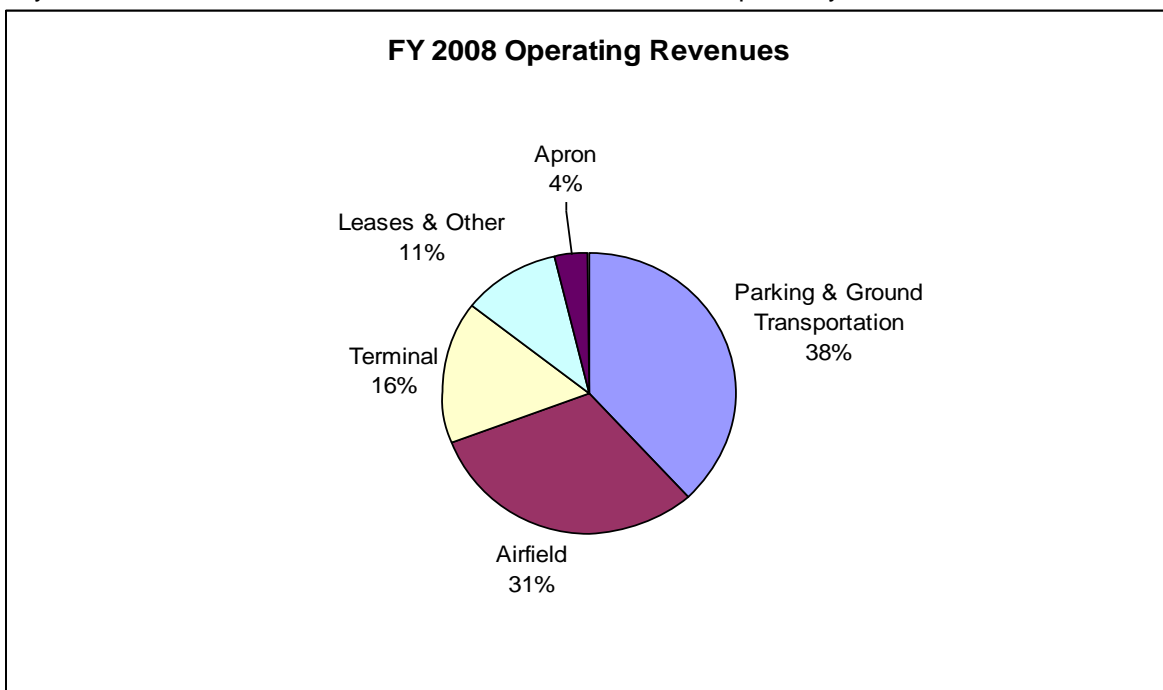
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Revenue

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

	2008		2007	2006
	Actual	Budget	Actual	Actual
Operating Revenues				
Landing and Field Use	\$19,451,017	\$ 19,586,710	\$ 18,555,278	\$ 17,452,994
Apron Area	2,388,789	2,311,347	2,453,481	1,582,207
Landside Terminal	6,627,976	6,638,577	4,958,446	4,327,171
Airside Terminal	3,714,006	3,509,901	3,355,087	3,756,536
Leases	5,308,619	5,031,455	5,161,625	6,403,492
Parking & Ground Transportation	24,322,650	23,113,300	22,638,830	22,057,611
Other	<u>1,464,184</u>	<u>297,700</u>	<u>297,484</u>	<u>238,208</u>
Total Operating Revenues	63,277,241	60,488,990	57,420,231	55,818,219
Non Operating Revenues				
Passenger Facility Charge	5,323,789	5,161,540	5,780,894	6,019,344
Interest Income	<u>5,184,333</u>	<u>3,840,800</u>	<u>5,869,285</u>	<u>4,728,473</u>
Total Non Operating Revenues	10,508,122	9,002,340	11,650,179	10,747,817
Total Revenues	<u>\$ 73,785,363</u>	<u>\$ 69,491,330</u>	<u>\$ 69,070,410</u>	<u>\$ 66,566,036</u>

The major contributors to total revenues' favorable increases to budget and fiscal year 2007 have been explained earlier under Financial Highlights. The Authority also receives Capital Contributions from Federal & State Government grants and private donations. Capital Contributions received or accrued for fiscal year 2008 and 2007 were \$19,045,903 and \$23,603,434 respectively.



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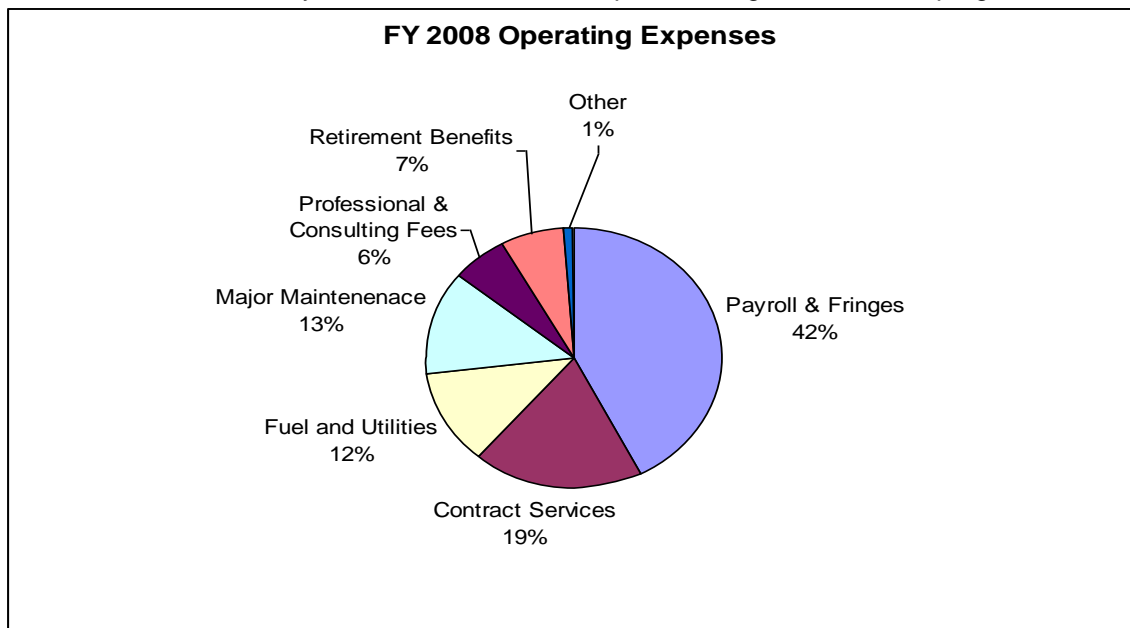
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Expenses

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

	2008		2007	2006
	Actual	Budget	Actual	Actual
Operating Expenses:				
Payroll & Fringe Benefits	\$ 11,845,399	\$ 12,279,134	\$ 11,553,619	\$ 11,016,327
Contract Services	5,249,435	5,318,216	4,557,845	3,833,874
Fuel and Utilities	3,295,537	3,177,400	2,932,840	2,819,679
Professional & Consulting Fees	1,687,622	1,694,021	1,827,195	1,595,892
Retirement	1,903,329	1,942,000	1,526,698	1,283,110
Other	341,269	756,664	659,278	922,354
Total Operating Expenses before Major Maintenance and Depreciation	24,322,591	25,167,435	23,057,475	21,471,236
Major Maintenance	3,610,139	3,470,000	3,551,265	2,700,029
Total Operating Expenses before Depreciation	27,932,730	28,637,435	26,608,740	24,171,265
Non-Operating Expenses				
Interest Expense	19,308,182	17,187,850	19,660,090	15,677,207
Other	4,682	-	105,653,595	53,187,831
Total Non-Operating Expenses	19,312,864	17,187,850	125,313,685	68,865,038
Total Expenses before Depreciation	<u>\$ 47,245,594</u>	<u>\$ 45,825,285</u>	<u>\$ 151,922,425</u>	<u>\$ 93,036,303</u>

Major contributors to increased spending versus prior year were increased costs of contract services primarily due to a full year of the Inline Baggage Screening System (\$684,000) and increased wages and retirement costs (\$667,000). The increase in wages and retirement costs is primarily due to the budgeted annual wage increases and an increase in the Authority's contribution to the retirement costs which is dictated by state statute. Interest Expense's variance to budget has been explained earlier under Financial Highlights. The major contributor in other expenses compared to prior year was the \$105 million loss on sale of land recorded in fiscal year 2007 to the LRZC acquired through our Part 150 program.



LOUISVILLE REGIONAL AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Capital Assets

During fiscal year 2008, the Authority's capital spending and accruals totaled approximately \$24,783,000. Major projects were: Noise Mitigation, Land Acquisition and Relocation Program - \$9,922,000; Runways & Taxiways - \$8,930,000; and construction of a Maintenance Hangar to be leased to Compass Airlines - \$1,933,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately \$6,262,000.

It should be noted that the Authority had a major capital asset disposition during fiscal year 2007. This was the sale of a portion of the land previously acquired under the FAA approved Part 150 Noise Mitigation, Land Acquisition and Relocation Program to the LRZC for \$4,000,000. This land had a book value of approximately \$136,353,000. The Authority bought residential parcels, relocated the families and demolished the homes which were considered incompatible within close proximity to the airport. This property is being resold for commercial or industrial uses. The transfer of this land includes the attachment of avigation easements, airport servitudes and other deed restrictions on the property which severely restrict the use and consequently the value of the property and give the Authority these rights in perpetuity. As such Avigation Easements associated with the property were recorded and valued at \$27,271,000 which offset the net loss of \$105,082,000.

Debt

Currently, the Authority has bonds outstanding of \$382,120,000 of which \$367,050,000 is considered long term. Future revenues of the Authority are pledged to pay debt service on all of the bonds. Major projects that have been funded by the debt are terminal construction and renovation, parking garage and lot construction, airfield expansions and upgrades, land acquisitions, and upgrades at Bowman Field. Major projects that were in process during fiscal year 2008 and funded by a portion of the debt include construction of Taxiway Alpha and two separate Terminal Restroom Renovation projects. A summary of changes in long-term debt and annual debt service requirements are found in Note F to the financial statements.

Requests for Information

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

Respectfully submitted,



Dorothy M. Caulk, CPA
Director of Finance and Accounting

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS

	<u>Louisville Regional Airport Authority</u>		<u>Component Unit Louisville Renaissance Zone Corporation</u>	
	June 30		June 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
ASSETS				
Current Assets, Unrestricted				
Cash and equivalents	\$ 17,270,133	\$ 6,180,545	\$ 2,239,999	\$ 18,826
Investments, at amortized cost plus accrued interest	12,476,915	25,034,805	-	-
Fees and rentals receivable	2,901,710	2,808,388	385,580	-
Due from component unit	2,123,463	1,534,373	-	-
Supplies and prepaid expenses	<u>786,880</u>	<u>699,006</u>	<u>-</u>	<u>-</u>
Total unrestricted current assets	35,559,101	36,257,117	2,625,579	18,826
Current Assets, Restricted				
Cash and equivalents	29,808,835	30,334,056	-	-
Cash – Land Fund	9,478,360	4,169,094	-	-
Interest receivable	273,454	634,266	-	-
Grants receivable	3,858,802	2,807,887	-	-
Investments, at amortized cost plus accrued interest	<u>-</u>	<u>4,607,337</u>	<u>-</u>	<u>-</u>
Total restricted current assets	43,419,451	42,552,640	-	-
Total current assets	78,978,552	78,809,757	2,625,579	18,826
Noncurrent Assets, Unrestricted				
Capital assets not being depreciated	361,225,947	342,283,480	15,040,236	8,662,589
Depreciable capital assets, net	224,672,579	249,292,426	-	-
Deferred loan and bond cost, net of accumulated amortization of \$5,960,592 in 2008 and \$4,919,779 in 2007	<u>15,373,157</u>	<u>16,276,132</u>	<u>2,886,878</u>	<u>2,153,816</u>
Total unrestricted noncurrent assets	601,271,683	607,852,038	17,927,114	10,816,405
Noncurrent Assets, Restricted				
Cash – PFC Fund	5,157,420	4,094,446	-	-
Cash and equivalents	11,246,785	3,876,677	-	-
Investments, at amortized cost plus accrued interest	<u>35,698,123</u>	<u>42,625,614</u>	<u>-</u>	<u>-</u>
Total restricted noncurrent assets	52,102,328	50,596,737	-	-
Total noncurrent assets	653,374,011	658,448,775	17,927,114	10,816,405
Total assets	\$ 732,352,563	\$ 737,258,532	\$ 20,552,693	\$ 10,835,231

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS -- CONTINUED

	<u>Louisville Regional Airport Authority</u>		<u>Component Unit Louisville Renaissance Zone Corporation</u>	
	June 30		June 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
LIABILITIES				
Current Liabilities (payable from unrestricted current assets)				
Accounts payable	\$ 2,540,770	\$ 9,834,961	\$ 267,269	\$ 202,903
Due to the Authority	-	-	2,123,463	1,534,373
Accrued expenses and other	994,123	833,072	441,908	120,888
Loans Payable			72,519	
Deferred income	<u>114,185</u>	<u>101,200</u>	<u>-</u>	<u>-</u>
Total unrestricted current liabilities	3,649,078	10,769,233	2,905,159	1,858,164
Current Liabilities (payable from restricted current assets)				
Current portion of bonds and loans payable	15,070,000	14,410,000	-	-
Accounts payable	6,007,747	3,305,670	-	-
Accrued interest	<u>8,160,753</u>	<u>8,341,130</u>	<u>-</u>	<u>-</u>
Total restricted current liabilities	29,238,500	26,056,800	-	-
Total current liabilities	32,887,578	36,826,033	2,905,159	1,858,164
Long-Term Debt				
Bonds and loans payable	<u>367,050,000</u>	<u>382,120,000</u>	<u>17,027,719</u>	<u>9,695,832</u>
Other Liabilities				
Deposit from UPS Land Option	8,031,250	8,031,250	-	-
Unamortized bond premium, net	9,432,344	10,029,721	-	-
Deposit from Commonwealth of Kentucky	18,724,824	19,813,663	-	-
Other liabilities	83,600	83,600	-	-
Revolving coverage (payable from restricted assets)	<u>4,300,000</u>	<u>4,300,000</u>	<u>-</u>	<u>-</u>
Total other liabilities	40,572,018	42,258,234	-	-
Total liabilities	440,509,596	461,204,267	19,932,878	11,553,996
Commitments and contingencies				
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	282,163,832	270,978,416	-	-
Restricted for debt service	14,447,382	14,407,952	-	-
Restricted for capital projects	5,157,420	4,094,446	-	-
Unrestricted net assets (deficit)	<u>(9,925,667)</u>	<u>(13,426,549)</u>	<u>619,815</u>	<u>(718,765)</u>
Total net assets (deficit)	\$ 291,842,967	\$ 276,054,265	\$ 619,815	\$ (718,765)

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Louisville Regional Airport Authority</u>		<u>Component Unit Louisville Renaissance Zone Corporation</u>	
	June 30		June 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Operating Revenues				
Rentals and concessions	\$ 43,826,224	\$ 38,864,953	\$ -	\$ -
Landing and field use fees	19,451,017	18,555,278	-	-
Land sales and TIF revenues	-	-	<u>2,559,080</u>	-
Total operating revenues	63,277,241	57,420,231	2,559,080	-
Operating Expenses				
Operations and general maintenance	16,319,440	15,068,319	641,860	-
Administrative, general, planning and engineering	<u>8,003,151</u>	<u>7,989,156</u>	<u>263,379</u>	<u>600,205</u>
	24,322,591	23,057,475	905,239	600,205
Major maintenance	3,610,139	3,551,265	-	-
Depreciation and amortization	<u>29,796,970</u>	<u>29,469,112</u>	-	-
Total operating expenses	<u>57,729,700</u>	<u>56,077,852</u>	<u>905,239</u>	<u>600,205</u>
Operating income (expense)	<u>5,547,541</u>	<u>1,342,379</u>	<u>1,653,841</u>	<u>(600,205)</u>
Non-Operating Revenues (Expenses)				
Investment earnings, net	5,184,333	5,869,285	18,372	2,328
Interest expense	(19,308,182)	(19,660,090)	(333,633)	(120,888)
Passenger facility charges	5,323,789	5,780,894	-	-
Net gain (loss) on disposal of assets and other expense	<u>(4,682)</u>	<u>(105,653,595)</u>	-	-
Net non-operating revenue (expense)	<u>(8,804,742)</u>	<u>(113,663,506)</u>	<u>(315,261)</u>	<u>(118,560)</u>
Income (Loss) before capital contributions	(3,257,201)	(112,321,127)	1,338,580	(718,765)
Capital Contributions	<u>19,045,903</u>	<u>23,603,434</u>	-	-
Increase (decrease) in net assets	15,788,702	(88,717,693)	1,338,580	(718,765)
Net assets (deficit), beginning of year	<u>276,054,265</u>	<u>364,771,958</u>	<u>(718,765)</u>	-
Net assets (deficit), end of year	<u>\$ 291,842,967</u>	<u>\$ 276,054,265</u>	<u>\$ 619,815</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	
	2008	2007	2008	2007
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 62,607,814	\$ 61,669,292	\$ -	\$ -
Land sales and TIF revenues	-	-	2,173,500	-
Payments to suppliers	(24,589,336)	(13,249,634)	(251,783)	1,053,798
Payments to employees	(7,862,331)	(7,547,331)	-	83,273
Net cash provided by operating activities	<u>30,156,147</u>	<u>40,872,327</u>	<u>1,921,717</u>	<u>1,137,071</u>
Cash Flows From Capital and Related Financing Activities				
Capital contributions	17,994,988	22,834,268	-	-
Passenger facility charges	5,323,789	5,780,894	-	-
Acquisition and construction of capital assets	(24,403,028)	(41,657,921)	(7,110,709)	(10,816,405)
Proceeds from sale of assets	182,957	4,001,180	-	-
Proceeds from issuance of debt	-	-	7,404,406	9,695,832
Principal paid on capital debt	(14,410,000)	(23,725,000)	-	-
Interest paid on capital debt, net of capitalized interest	(19,488,559)	(20,239,533)	-	-
Fees paid on bonds	(187,629)	(206,115)	-	-
Issuance costs of capital debt	(137,838)	492,112	-	-
Cash flows used for (provide by) capital and related financing activities	<u>(35,125,320)</u>	<u>(52,720,115)</u>	<u>293,697</u>	<u>(1,120,573)</u>
Cash Flows From Investing Activities				
Proceeds from maturities of investments	64,428,167	50,248,946	-	-
Purchase of investments	(32,343,300)	(51,017,370)	-	-
Investment income	5,183,170	5,081,139	5,759	2,328
Net cash provided by investing activities	<u>37,268,037</u>	<u>4,312,715</u>	<u>5,759</u>	<u>2,328</u>
Net Increase (Decrease) in Cash and Cash Equivalents	32,298,864	(7,535,073)	2,221,173	18,826
Cash and Cash Equivalents, Beginning of Year	<u>48,654,818</u>	<u>56,189,891</u>	<u>18,826</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 80,953,682</u>	<u>\$ 48,654,818</u>	<u>\$ 2,239,999</u>	<u>\$ 18,826</u>

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS - CONTINUED

	<u>Louisville Regional Airport Authority</u>		<u>Component Unit Louisville Renaissance Zone Corporation</u>	
	June 30		June 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 5,547,541	\$ 1,342,379	\$ 1,653,841	\$ (600,205)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	29,796,970	29,469,112	-	-
Changes in assets and liabilities:				
Fees and rental receivable	(682,412)	414,120	(385,580)	-
Deferred income	12,985	(695,545)	-	-
Supplies and prepaid expenses	(87,874)	(67,274)	-	-
Accounts payable	(4,592,114)	5,902,487	653,456	1,737,276
Accrued expenses and other	161,051	(24,202)	-	-
Deposit from UPS land option	-	4,531,250	-	-
Net cash provided by operating activities	<u>\$ 30,156,147</u>	<u>\$ 40,872,327</u>	<u>\$ 1,921,717</u>	<u>\$ 1,137,071</u>

Noncash Investing, Capital and Financing Activities:

The Authority has retainage and accounts payable related to construction in progress of approximately \$6,553,000 and \$9,922,000 as of June 30, 2008 and 2007, respectively. The Authority recorded a gain on sale of assets of approximately \$183,000 and a loss of approximately \$105,448,000 as of June 30, 2008 and 2007, respectively.

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE A--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 with one of its commercial tenants to provide financial support for a terminal renovation project. The revenue generated from this agreement was approximately \$531,000 and \$529,000 for fiscal year 2008 and 2007, respectively.

Construction and Equipment Grants: Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Authority (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 Assets, 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 U.S. generally accepted accounting principles. The Authority has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting and Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has further elected not to apply FASB pronouncements issued after November 30, 1989, in accordance with GASB Statement No. 20.

The Authority has adopted GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units, an Amendment to GASB Statement No. 14." 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.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

LRZC is a non-stock, non-profit public property corporation set up to oversee an area that is bordered at the north by Fern Valley Road, the east by I-65, the south by I-265, and the west by CSX railroad. This area can be developed for commercial or industrial uses. 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). The Authority's 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 need for including a discretely presented component unit in the statements of the Authority.

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 their fair value and are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2008 and 2007, the allowance for uncollectible accounts was \$324,000 and \$319,000, respectively.

Investments: Investment securities are recorded at amortized cost and are not materially different from fair market 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 \$21,000 and \$139,000 during 2008 and 2007, 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	15 - 25 years
Utility systems	5 - 20 years
Vehicles and other	5 - 15 years
Computer equipment and software	3 years

Nondepreciable capital assets include land (including easements), construction in progress and certain land acquisition costs. The LRZC records construction in progress at cost or at estimated fair value at the date of purchase.

Deferred Bond Costs: Amortization of bond issue costs and bond discounts is computed on the straight-line method (which approximates the effective-interest method) over the lives of the related bonds.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Reclassifications: Certain amounts from 2007 have been reclassified to conform to 2008 presentation with no impact to the increase in net assets for the year.

NOTE B--CASH AND CASH 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 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:

	<u>2008</u>	<u>2007</u>
Cash on hand	\$ 3,575	\$ 3,575
Deposits with financial institutions	31,811,786	15,021,318
Repurchase agreements	<u>41,146,172</u>	<u>33,629,925</u>
	<u>\$ 72,961,533</u>	<u>\$ 48,654,818</u>

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

Covered by federal depository insurance	\$ 283,450	\$ 202,191
Uninsured and collateralized	<u>32,531,130</u>	<u>15,680,540</u>
Bank balance	<u>\$ 32,814,580</u>	<u>\$ 15,882,731</u>
Carrying amount	<u>\$ 31,811,786</u>	<u>\$ 15,021,318</u>

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE C--INVESTMENTS

At June 30, 2008, the Authority's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Fannie Mae	\$ 15,542,368	Weighted average 1.69 years	AAA
Federal Farm Credit Banks	4,199,328	Weighted average 0.17 years	AAA
Federal Home Loan Bank	9,434,173	Weighted average 0.63 years	AAA
Freddie Mac	18,293,485	Weighted average 0.90 years	AAA
Tennessee Valley Authority	705,684	4.71 years	AAA
	<u>\$ 48,175,038</u>		

At June 30, 2007, the Authority's investment balances were as follows:

Fannie Mae	\$ 27,886,688	Weighted average 1.82 years	AAA
Federal Farm Credit Banks	8,387,778	Weighted average 0.87 years	AAA
Federal Home Loan Bank	16,155,418	Weighted average 2.47 years	AAA
Freddie Mac	19,130,978	Weighted average 0.77 years	AAA
Tennessee Valley Authority	706,894	5.75 years	AAA
	<u>\$ 72,267,756</u>		

Investment balances are presented on the balance sheet under the following captions for the year ended June 30.

	<u>2008</u>	<u>2007</u>
Unrestricted investments	\$ 12,476,915	\$ 25,034,805
Restricted investments	<u>35,698,123</u>	<u>47,232,951</u>
Total investments	<u>\$ 48,175,038</u>	<u>\$ 72,267,756</u>

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 board approval, maturity can be two years for the investment. Restricted investments, however, relate entirely 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.

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 limited to 50% of invested assets. At June 30, 2008, \$48,175,037 was invested in U.S. Government agency obligations. Domestic bank obligations may not exceed 35% of invested assets per issuer.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE D--RESTRICTED ASSETS

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

<u>June 30, 2008</u>	<u>Cash and Equivalents</u>	<u>Investments</u>	<u>Interest Receivable</u>	<u>Grants Receivable</u>	<u>Total</u>
Bond Funds	\$ 40,100,387	\$ 27,705,974	\$ 163,170	\$ 3,858,802	\$ 71,828,333
Revolving Debt Coverage	955,233	7,992,149	110,284	-	9,057,666
Land Proceeds	9,478,360	-	-	-	9,478,360
PFC Fund	5,157,420	-	-	-	5,157,420
Other Funds	-	-	-	-	-
	<u>\$ 55,691,400</u>	<u>\$ 35,698,123</u>	<u>\$ 273,454</u>	<u>\$ 3,858,802</u>	<u>\$ 95,521,779</u>

<u>June 30, 2007</u>	<u>Cash and Equivalents</u>	<u>Investments</u>	<u>Interest Receivable</u>	<u>Grants Receivable</u>	<u>Total</u>
Bond Funds	\$ 33,629,924	\$ 33,906,614	\$ 558,500	\$ 2,807,887	\$ 70,902,925
Revolving Debt Coverage	-	8,719,000	75,766	-	8,794,766
Land Proceeds	4,169,094	4,607,337	-	-	8,776,431
PFC Fund	4,094,446	-	-	-	4,094,446
Other Funds	580,809	-	-	-	580,809
	<u>\$ 42,474,273</u>	<u>\$ 47,232,951</u>	<u>\$ 634,266</u>	<u>\$ 2,807,887</u>	<u>\$ 93,149,377</u>

The Authority's Airport System Revenue Bond Resolution adopted by the Authority's Board in 1983 required that the Authority collect net revenues equal to at least 125% of the aggregate debt service for the fiscal year. During 1995, the Authority amended the resolution to allow revolving coverage of the debt service. This revision requires the Authority to restrict assets equal to 25% of the current year debt service amount which approximated \$8,700,000 at June 30, 2008 and 2007. Upon maturity of the debt service, the portion of these assets which were funded by the airlines will be credited to the appropriate airline cost centers. As of June 30, 2008 and 2007, this reimbursement amount was approximately \$4,300,000.

NOTE E--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 a 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.

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE E--COMMITMENTS AND CONTINGENCIES--CONTINUED

Upon completion of the Part 150 Land Acquisition Program, approximately 2,200 residential properties will have been acquired at an estimated cost of \$275 million. This includes costs of residences acquired, replacement housing payments, demolition and other related costs. At June 30, 2008, capital projects in progress include approximately \$42 million related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately \$240 million less \$198 million of costs related to land which has been sold or optioned for sale.

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. The Authority has a "Lease in Anticipation of Transfer" with the Commonwealth relating to this property.

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, 2008, 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, 2008. 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.

Litigation: The Authority may, from time to time, commence condemnation proceedings against the owner of properties necessary for Airport operations which it is not able to acquire by means of voluntary acquisition. One such action, filed in 1991, involved property necessary for the construction of the west runway. In May 1993, the Authority entered into an Agreed Order of Settlement concerning that property in which it agreed to advance \$20 million to be credited against the total of: (1) the value of the real property and improvements as these would be determined by a jury; and (2) any benefits available to the property's owner under federal relocation law as determined by the Authority and confirmed by the judge. As part of this agreement, the property owner agreed to concede the Authority's right to take the property and agreed to give the Authority possession of the property on a schedule which allowed timely completion of the west runway. In fiscal year 2007 this lawsuit was dismissed under a settlement agreement in which the Authority agreed to pay a total of \$11,500,000 for release from all claims that relate to this lawsuit and relocation. During fiscal year 2008, the remaining settlement amount was paid in full.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE F--DEBT

Bonds payable: Bonds payable consists of the following at June 30:

	2008	2007
1997 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 5.75% to 6.50% through July 1, 2017, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	\$ 28,740,000	\$ 30,775,000
1998 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 3.80% to 5.00% through July 1, 2025, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	8,955,000	9,265,000
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, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	80,875,000	84,345,000
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, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	8,965,000	9,550,000
2002 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at variable rates (3.689% at June 30, 2008) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	43,025,000	44,025,000
2002 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at variable rates (3.672% at June 30, 2008) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	34,450,000	35,250,000

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE F--DEBT--CONTINUED

Bonds payable consists of the following at June 30: - Continued

	<u>2008</u>	<u>2007</u>
2003 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.50% to 4.77% through July 1, 2013, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	\$ 9,410,000	\$ 10,810,000
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, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	6,630,000	6,930,000
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, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	113,200,000	117,710,000
2005 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 4.38% to 5.00% through July 1, 2026 secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	<u>47,870,000</u>	<u>47,870,000</u>
Total debt	382,120,000	396,530,000
Less current portion	<u>15,070,000</u>	<u>14,410,000</u>
	<u>\$ 367,050,000</u>	<u>\$ 382,120,000</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds	<u>\$ 396,530,000</u>	<u>\$ -</u>	<u>\$ (14,410,000)</u>	<u>\$ 382,120,000</u>	<u>\$ 15,070,000</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds	<u>\$ 420,255,000</u>	<u>\$ -</u>	<u>\$ (23,725,000)</u>	<u>\$ 396,530,000</u>	<u>\$ 14,410,000</u>

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE F--DEBT--CONTINUED

The total interest incurred for the year ended December 31, 2008 was \$19,329,019. Of this amount, \$20,837 was capitalized as a component of the cost of capital assets constructed during the year and approximately \$19,308,000 was charged to expense.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2008, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 15,070,000	\$ 18,962,643	\$ 34,032,643
2010	15,795,000	18,244,085	34,039,085
2011	16,550,000	17,511,865	34,061,865
2012	17,355,000	16,684,770	34,039,770
2013	18,290,000	15,758,090	34,048,090
2014 – 2018	97,010,000	63,953,105	160,963,105
2019 – 2023	98,035,000	38,771,894	136,806,894
2024 – 2028	68,270,000	15,934,149	84,204,149
2029 – 2032	30,970,000	4,363,200	35,333,200
2033	4,775,000	191,000	4,966,000
	<u>\$ 382,120,000</u>	<u>\$ 210,374,801</u>	<u>\$ 592,494,801</u>

Outstanding Letters of Credit: At June 30, 2008 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, 2008 and 2007.

Louisville Renaissance Zone Corporation

LRZC has three loans payable to United Parcel Service (UPS) as listed below

	<u>2008</u>	<u>2007</u>
Loan payable to be paid in five annual installments of principal and accrued interest payable at 6%, beginning August 12, 2008 and maturing on August 12, 2012.	\$ 5,329,000	\$ 5,329,000
Loan payable 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.	7,589,017	1,043,364
Loan payable 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.	<u>4,182,221</u>	<u>3,323,468</u>
Total debt	17,100,238	9,695,832
Less current portion	<u>72,519</u>	<u>-</u>
	<u>\$ 17,027,719</u>	<u>\$ 9,695,832</u>

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE F--DEBT--CONTINUED

Louisville Renaissance Zone Corporation

Annual Loan Repayment Requirements

The annual loan repayment requirements to maturity, including principal and interest, for long-term debt as of June 30, 2008, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 72,519	\$ 479,610	\$ 552,129
2010	227,105	317,438	544,543
2011	1,401,772	305,851	1,707,623
2012	2,791,807	259,515	3,051,322
2013	2,791,974	129,757	2,921,731
2014-2018	3,146,867	-	3,146,867
2019-2023	3,211,727	-	3,211,727
2024-2028	3,456,467	-	3,456,467
	<u>\$ 17,100,238</u>	<u>\$ 1,492,171</u>	<u>\$ 18,592,409</u>

NOTE G--SPECIAL FACILITY REVENUE BONDS

Special Facility Revenue Bonds totaling \$108,800,000 and \$15,500,000 issued during FY 1999 and \$42,600,000 issued in FY 2006 (collectively, the Facility Bonds), were issued to finance the acquisition and construction of facilities of United Parcel Service and Airis (collectively, the Companies). Although taking the legal form of a financing lease between the Authority and the Companies, 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 the Companies. As such, no liability relating to the Facility Bonds is included in the accompanying financial statements.

NOTE H--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, 2008 and 2007 totaled approximately \$26,000 and \$36,000, respectively and contributions to the 401(k) Plan for the same years were approximately \$198,500 and \$207,000, respectively.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE I--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), 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 \$7,853,000 and \$7,829,000, out of a total payroll of approximately \$8,961,000 and \$8,866,000 for the years ended June 30, 2008 and 2007, respectively.

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 begin to 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 twenty-seven 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.

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. The Authority was required by the same statute to contribute 16.17%, 13.19% and 10.98% of the covered employees' salaries for non-hazardous positions, and 33.87%, 28.21% and 25.01% for a hazardous position for 2008, 2007 and 2006, respectively. The contribution requirements for the year ended June 30, 2008 was approximately \$2,097,000, consisting of \$1,642,000 from the Authority and \$455,000 from employees; for the year ended June 30, 2007 it was approximately \$1,784,000, consisting of \$1,335,000 from the Authority and \$449,000 from employees; and for the year ended June 30, 2006 it was approximately \$1,510,000, consisting of \$1,078,000 from the Authority and \$432,000 from employees.

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, 2007. The Commonwealth of Kentucky's Comprehensive Annual Financial Reports should be referred to for additional disclosures related to the County Employees Retirement System (www.kyret.com).

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 \$102,000 and \$85,000 for the years ending June 30, 2008 and 2007, respectively.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE J--OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plans described in Notes I and J, the Authority offered post employment 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 83% 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 \$82,400 for 32 employees and \$106,000 for 35 employees during 2008 and 2007, respectively. The Plan may be terminated at the election of the board without notice.

NOTE K--FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Equivalents: The fair value approximates the carrying cost because of the short maturity of these instruments.

Investments: The fair values are estimated based on quoted market prices for such investments.

Bonds Payable: The fair value is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt of the same remaining maturities.

The estimated fair values of the Authority's financial instruments are as follows:

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and equivalents	\$ 72,961,533	\$ 72,961,533	\$ 48,654,818	\$ 48,654,818
Investments	48,175,038	48,175,038	72,267,756	72,267,756
Bonds payable	382,120,000	427,106,282	396,530,000	397,920,291

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE L--PROPERTY LEASED TO OTHERS

The Authority leases a portion of its property, facilities and equipment under operating lease agreements for concessions and other commercial purposes. Future minimum rental revenues to be received under these operating leases as of June 30, 2008, are as follows:

<u>Year Ended</u> <u>June 30</u>	
2009	\$ 4,500,165
2010	4,568,046
2011	4,640,820
2012	4,825,390
2013	4,515,278
Thereafter	<u>20,783,562</u>
	<u>\$ 43,833,261</u>

The Authority also leases property through contingent rentals. Revenues from these contingent rentals arise primarily from a percentage of the lessees' gross revenues in excess of minimum guarantees. Several lease agreements provide a minimum lease concession. Contingent rentals for the years ended June 30, 2008 and 2007 were \$3,784,484 and \$3,731,598, respectively.

NOTE M--CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

Louisville Regional Airport Authority:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 280,455,252	\$ 1,890,395	\$ -	\$ 282,345,647
Capital projects in progress:				
Construction projects	28,748,763	14,696,096	(6,504,538)	36,940,321
Land acquisition program	<u>33,079,465</u>	<u>9,949,354</u>	<u>(1,088,840)</u>	<u>41,939,979</u>
Total capital assets not being depreciated	<u>342,283,480</u>	<u>26,535,845</u>	<u>(7,593,378)</u>	<u>361,225,947</u>
Other capital assets:				
Land improvements	329,174,889	2,459,602	(3,058,073)	328,576,418
Buildings	181,540,134	902,519	(187,906)	182,254,747
Utility systems	34,762,975	82,194	-	34,845,169
Equipment (excluding automotive)	12,444,417	55,361	-	12,499,778
Vehicle and automotive equipment	8,643,765	-	(984,802)	7,658,963
Furniture and fixtures	<u>5,290,134</u>	<u>872,038</u>	<u>-</u>	<u>6,162,172</u>
Total other capital assets at historical cost	<u>571,856,314</u>	<u>4,371,714</u>	<u>(4,230,781)</u>	<u>571,997,247</u>

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE M--CAPITAL ASSETS --CONTINUED

Louisville Regional Airport Authority -- Continued:

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Land improvements	\$ 190,799,929	\$16,112,829	\$ (3,058,073)	\$ 203,854,685
Buildings	88,157,439	9,391,501	(187,906)	97,361,034
Utility systems	27,986,934	1,659,269	-	29,646,203
Equipment (excluding automotive)	4,704,283	844,209	-	5,548,492
Vehicle and automotive equipment	7,039,525	264,979	(984,802)	6,319,702
Furniture and fixtures	3,875,778	718,774	-	4,594,552
Total accumulated depreciation	<u>322,563,888</u>	<u>28,991,561</u>	<u>(4,230,781)</u>	<u>347,324,668</u>
Other capital assets, net	<u>249,292,426</u>	<u>(24,619,847)</u>	<u>-</u>	<u>224,672,579</u>
Net capital assets	<u>\$ 591,575,906</u>	<u>\$ 1,915,998</u>	<u>\$ (7,593,378)</u>	<u>\$ 585,898,526</u>

Louisville Renaissance Zone Corporation:

Capital assets not being depreciated:				
Land	\$ 5,337,574	\$ 13,638	\$ (641,535)	\$ 4,709,677
Construction projects	<u>3,325,015</u>	<u>7,005,544</u>	<u>-</u>	<u>10,330,559</u>
Net capital assets	<u>\$ 8,662,589</u>	<u>\$ 7,019,182</u>	<u>\$ (641,535)</u>	<u>\$ 15,040,236</u>

Capital asset activity for the year ended June 30, 2007 was as follows:

Louisville Regional Airport Authority:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 235,749,131	\$46,961,872	\$ (2,255,751)	\$ 280,455,252
Capital projects in progress:				
Construction projects	58,359,384	31,371,921	(60,982,542)	28,748,763
Land acquisition program	<u>156,993,884</u>	<u>10,182,932</u>	<u>(134,097,351)</u>	<u>33,079,465</u>
Total capital assets not being depreciated	<u>451,102,399</u>	<u>88,516,725</u>	<u>(197,335,644)</u>	<u>342,283,480</u>
Other capital assets:				
Land improvements	311,065,367	23,390,166	(5,280,644)	329,174,889
Buildings	172,010,324	11,282,961	(1,753,151)	181,540,134
Utility systems	36,408,456	175,500	(1,820,981)	34,762,975
Equipment (excluding automotive)	7,734,167	6,224,470	(1,514,220)	12,444,417
Vehicle and automotive equipment	8,586,895	56,870	-	8,643,765
Furniture and fixtures	<u>5,715,333</u>	<u>264,402</u>	<u>(689,601)</u>	<u>5,290,134</u>
Total other capital assets at historical cost	<u>541,520,542</u>	<u>41,394,369</u>	<u>(11,058,597)</u>	<u>571,856,314</u>

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE M--CAPITAL ASSETS --CONTINUED

Louisville Regional Airport Authority -- Continued:

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Land improvements	\$ 180,174,799	\$ 15,735,482	\$ (5,110,352)	\$ 190,799,929
Buildings	80,218,313	9,573,594	(1,634,468)	88,157,439
Utility systems	28,097,317	1,666,703	(1,777,086)	27,986,934
Equipment (excluding automotive)	5,765,425	419,562	(1,480,704)	4,704,283
Vehicle and automotive equipment	6,657,383	382,142	-	7,039,525
Furniture and fixtures	<u>3,946,848</u>	<u>618,531</u>	<u>(689,601)</u>	<u>3,875,778</u>
Total accumulated depreciation	<u>304,860,085</u>	<u>28,396,014</u>	<u>(10,692,211)</u>	<u>322,563,888</u>
Other capital assets, net	<u>236,660,457</u>	<u>12,998,355</u>	<u>(366,386)</u>	<u>249,292,426</u>
Net capital assets	<u>\$ 687,762,856</u>	<u>\$101,515,080</u>	<u>\$(197,702,030)</u>	<u>\$ 591,575,906</u>

Louisville Renaissance Zone Corporation:

Capital assets not being depreciated:

Land	\$ -	\$ 5,337,574	\$ -	\$ 5,337,574
Construction projects	<u>-</u>	<u>3,325,015</u>	<u>-</u>	<u>3,325,015</u>
Net capital assets	<u>\$ -</u>	<u>\$ 8,662,589</u>	<u>\$ -</u>	<u>\$ 8,662,589</u>

NOTE N--PASSENGER FACILITY CHARGES

The Aviation Safety and Capacity Expansion Act of 1990 authorized domestic airports to impose a Passenger Facility Charge (PFC) on passengers. During the year ended June 30, 1997, the Authority was approved by the FAA to impose a \$3.00 passenger facility charge on enplaning revenue passengers. Effective March 1, 2006, the FAA authorized the airport to increase the charge to \$4.50. The FAA approved the Authority's amendment requesting the rate return to \$3.00 effective September 1, 2006. The FAA has authorized the Authority to collect total net PFC revenue of \$107,546,255 to be applied as follows:

For direct payment on capital project costs	\$ 20,267,315
To be applied to the debt service and related costs on the 2001 Series A & B Bonds issued to finance PFC approved project costs	<u>87,278,940</u>
	<u>\$ 107,546,255</u>

During the year ended June 30, 2008 and 2007, amounts of \$5,323,789 and \$5,780,894, respectively were received in passenger facility charges.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2008 and 2007

NOTE O--RELATED PARTY TRANSACTION

In October 2006, the Authority sold 424 acres of land that was originally purchased under the Authority's voluntary land acquisition and relocation program using funds from the Federal Aviation Administration's (FAA) Part 150 Noise Mitigation program to the LRZC, a related party. The land was deemed to have a fair market value of \$4,000,000 by independent appraisers. The land had a net book value of approximately \$136,353,000 at the time of sale, which included \$27,272,000 of aviation easements that the Authority retained. Therefore, the Authority recorded a loss of \$105,092,000 related to this transaction. Furthermore, the Authority provides management services to LRZC. The amount due from LRZC was approximately \$2,123,000 and \$1,534,000 at June 30, 2008 and June 30, 2007, respectively.

NOTE P--MAJOR CUSTOMERS

During fiscal year 2008 and 2007, the Authority earned approximately 24% and 26%, respectively, of its operating revenues from one customer.

SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2008 with comparative totals for 2007

	2008			2007 Total
	Louisville International	Bowman Field	Total	
Operating Revenues				
Landing and field use fees	\$ 19,430,402	\$ 20,615	\$ 19,451,017	\$ 18,555,278
Terminal area	10,271,709	70,273	10,341,982	8,313,533
Apron area	2,388,789	-	2,388,789	2,453,481
Parking and ground transportation	24,322,650	-	24,322,650	22,638,830
Aviation related facility leases	2,173,119	1,297,410	3,470,529	3,528,023
Land leases and other	1,608,270	229,820	1,838,090	1,633,602
Airport services	237,231	20,661	257,892	251,654
Other revenue	<u>1,205,011</u>	<u>1,281</u>	<u>1,206,292</u>	<u>45,830</u>
Total operating revenues	61,637,181	1,640,060	63,277,241	57,420,231
Operating Expenses				
Operations and general maintenance				
Salaries, wages	7,415,577	486,162	7,901,739	7,513,729
Contracts	4,258,020	51,621	4,309,641	3,591,852
Utilities and fuel supplies	2,693,936	328,124	3,022,060	2,739,780
Supplies and other	1,302,626	195,820	1,498,446	1,719,724
Costs recovered from tenants	<u>(406,078)</u>	<u>(6,368)</u>	<u>(412,446)</u>	<u>(496,766)</u>
Total operations and general maintenance	15,264,081	1,055,359	16,319,440	15,068,319
Administrative, general, planning and engineering				
	<u>7,455,748</u>	<u>547,403</u>	<u>8,003,151</u>	<u>7,989,156</u>
	22,719,829	1,602,762	24,322,591	23,057,475
Major maintenance	3,557,053	53,086	3,610,139	3,551,265
Depreciation and amortization	<u>28,757,521</u>	<u>1,039,449</u>	<u>29,796,970</u>	<u>29,469,112</u>
Total operating expenses	<u>55,034,403</u>	<u>2,695,297</u>	<u>57,729,700</u>	<u>56,077,852</u>
Operating Income (Loss)	<u>6,602,778</u>	<u>(1,055,237)</u>	<u>5,547,541</u>	<u>1,342,379</u>
Non-Operating Revenues (Expenses) and Capital Contributions				
Investment earnings, net	5,182,058	2,275	5,184,333	5,869,285
Interest expense	(19,308,182)	-	(19,308,182)	(19,660,090)
Passenger facility charge	5,323,789	-	5,323,789	5,780,894
Net gain (loss) on disposal of assets and other revenue	(11,862)	7,180	(4,682)	(105,653,595)
Capital contributions	<u>17,765,728</u>	<u>1,280,175</u>	<u>19,045,903</u>	<u>23,603,434</u>
Non-operating revenues and expenses	<u>8,951,531</u>	<u>1,289,630</u>	<u>10,241,161</u>	<u>(90,060,072)</u>
Increase (decrease) in net assets	<u>\$ 15,554,309</u>	<u>\$ 234,393</u>	<u>\$ 15,788,702</u>	<u>\$ (88,717,693)</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT

June 30, 2008

	Cost				Accumulated Depreciation					Net Balance June 30, 2008
	Balance July 1, 2007	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2008	Balance July 1, 2007	Provisions	Retirements/ Adjustments	Balance June 30, 2008	
Louisville International Airport										
Land	\$279,712,886	\$ -	\$ -	\$ 1,800,594	\$281,513,480	\$ -	\$ -	\$ -	\$ -	\$281,513,480
Land improvements - runways, taxiways, and aprons	283,137,744	-	-	-	283,137,744	158,327,524	13,938,670	-	172,266,194	110,871,550
Land improvements - ground transportation and other	31,664,339	-	(105,840)	773,095	32,331,594	25,527,273	1,552,505	(105,843)	26,973,935	5,357,659
Buildings	170,257,866	-	(184,291)	902,519	170,976,094	80,747,808	8,979,880	(184,291)	89,543,397	81,432,697
Utility systems	34,638,439	82,194	-	-	34,720,633	27,868,418	1,658,624	-	29,527,042	5,193,591
Equipment (excluding automotive)	12,194,302	55,361	-	-	12,249,663	4,547,037	816,773	-	5,363,810	6,885,853
Vehicles and automotive equipment	7,561,778	-	(777,215)	-	6,784,563	5,975,434	257,310	(777,215)	5,455,529	1,329,034
Furniture and fixtures	5,290,134	-	-	872,038	6,162,172	3,875,778	718,776	-	4,594,554	1,567,618
Capital projects in progress	<u>60,556,428</u>	<u>23,376,677</u>	<u>(1,088,840)</u>	<u>(4,690,019)</u>	<u>78,154,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,154,246</u>
Total Louisville International Airport	<u>\$885,013,916</u>	<u>\$ 23,514,232</u>	<u>\$ (2,156,186)</u>	<u>\$ (341,773)</u>	<u>\$906,030,189</u>	<u>\$306,869,272</u>	<u>\$ 27,922,538</u>	<u>\$ (1,067,349)</u>	<u>\$333,724,461</u>	<u>\$572,305,728</u>

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT--CONTINUED

June 30, 2008

	Cost				Accumulated Depreciation				Net Balance June 30, 2008	
	Balance July 1, 2007	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2008	Balance July 1, 2007	Provisions	Retirements/ Adjustments		Balance June 30, 2008
Bowman Field:										
Land	\$ 742,367	\$ -	\$ -	\$ 89,800	\$ 832,167	\$ -	\$ -	\$ -	\$ -	\$ 832,167
Land improvements - runways, taxiways, and aprons	14,230,714	-	(2,952,230)	1,686,507	12,964,991	6,837,080	616,805	(2,952,230)	4,501,655	8,463,336
Land improvements - ground transportation and other	142,093	-	-	-	142,093	108,052	4,849	-	112,901	29,192
Buildings	11,282,268	-	(3,615)	-	11,278,653	7,409,631	411,621	(3,615)	7,817,637	3,461,016
Utility systems	124,536	-	-	-	124,536	118,516	645	-	119,161	5,375
Equipment (excluding automotive)	250,115	-	-	-	250,115	157,246	27,436	-	184,682	65,433
Vehicles and automotive equipment	1,081,985	-	(207,587)	-	874,398	1,064,091	7,669	(207,587)	864,173	10,225
Construction in progress	<u>1,271,800</u>	<u>1,268,773</u>	<u>-</u>	<u>(1,814,519)</u>	<u>726,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>726,054</u>
Total Bowman Field	<u>29,125,878</u>	<u>1,268,773</u>	<u>(3,163,432)</u>	<u>(38,212)</u>	<u>27,193,007</u>	<u>15,694,616</u>	<u>1,069,025</u>	<u>(3,163,432)</u>	<u>13,600,209</u>	<u>13,592,798</u>
Total Louisville International Airport and Bowman Field	<u>\$ 914,139,794</u>	<u>\$ 24,783,005</u>	<u>\$ (5,319,618)</u>	<u>\$ (379,985)</u>	<u>\$ 933,223,196</u>	<u>\$322,563,888</u>	<u>\$ 28,991,563</u>	<u>\$ (4,230,781)</u>	<u>\$ 347,324,670</u>	<u>\$ 585,898,526</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF INSURANCE COVERAGE

June 30, 2008

	<u>Expiration Date</u>	<u>Amount of Coverage</u>	
ACE USA: General airport liability	07/31/08	\$ 50,000,000	
ACE USA / Lloyds of London: Excess coverage	07/31/08	200,000,000	
FM Global: All risk property	07/31/08	500,000,000	
Hartford Fire Insurance Company: Automobile coverage	07/31/08	1,000,000	
AIG: Public officials' liability covering board members and all employees	07/31/08	10,000,000	
Chubb Insurance Group: All risk unlicensed equipment floater	07/31/08	8,756,609	
KEMI: Worker's compensation and employer's liability	07/31/08	Statutory Limitations	
Fidelity and Deposit Co of Maryland: Fidelity and crime covering board members and all employees	07/31/08		
Employee dishonesty		500,000	
Forgery/alteration		100,000	
Theft		100,000	
Travelers Insurance Company: Pension trust liability covering fiduciaries of the Authority retirement plans	07/31/08	2,000,000	
Chubb Insurance Group: Blanket travel accident	07/31/09	625,000 125,000	Aggregate per person
Qbe Insurance: Accidental policy covering airport volunteers	12/31/08	15,000	per person
Axis Surplus Ins. Co.: Cyber Liability	02/01/09	1,000,000	

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES

Year ended June 30, 2008

1995 Series A Revenue Bond Funds

	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ 16
Additions:	
Funds provided at closing	-
Investment earnings	-
Deductions:	
Capital expenditures	-
Bond principal and interest payments	-
Transfers (to) from other funds	<u>16</u>
Bond Fund Balances, June 30, 2008	<u><u>\$ -</u></u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES -- CONTINUED

Year ended June 30, 2008

	<u>1997 Series A Revenue Bond Funds</u>
	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ 3,011,933
Additions:	
Deposits	-
Investment earnings	49,263
Deductions:	
Capital expenditures	-
Bond principal and interest payments	(3,928,832)
Transfers (to) from other funds	<u>3,939,536</u>
Bond Fund Balances, June 30, 2008	<u><u>\$ 3,071,900</u></u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>1998 Series A Revenue Bond Funds</u>
	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ 539,327
Additions:	
Deposits	-
Investment earnings	8,768
Deductions:	
Capital expenditures	-
Bond principal and interest payments	(761,525)
Transfers (to) from other funds	<u>755,628</u>
Bond Fund Balances, June 30, 2008	<u>\$ 542,198</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>2001 Series A Bond Funds</u>
	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ 5,768,592
Additions:	
Deposits	-
Investment earnings	94,355
Deductions:	
Capital expenditures	-
Bond principal and interest payments	(7,980,431)
Transfers (to) from other funds	<u>7,974,325</u>
Bond Fund Balances, June 30, 2008	<u>\$ 5,856,841</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>2001 Series B Bond Funds</u>
	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ 822,406
Additions:	
Deposits	-
Investment earnings	13,382
Deductions:	
Capital expenditures	-
Bond principal and interest payments	(1,046,650)
Transfers (to) from other funds	<u>1,040,106</u>
Bond Fund Balances, June 30, 2008	<u>\$ 829,244</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>2002 Series A Bond Funds</u>
	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ 1,001,651
Additions:	
Deposits	-
Investment earnings	20,483
Deductions:	
Capital expenditures	-
Other expenditures	(104,687)
Bond principal and interest payments	(2,706,111)
Transfers (to) from other funds	<u>2,991,028</u>
Bond Fund Balances, June 30, 2008	<u>\$ 1,202,364</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>2002 Series B Bond Funds</u>
	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ 801,202
Additions:	
Deposits	-
Investment earnings	16,411
Deductions:	
Capital expenditures	-
Other expenditures	(83,783)
Bond principal and interest payments	(2,193,519)
Transfers (to) from other funds	<u>2,415,207</u>
Bond Fund Balances, June 30, 2008	<u><u>\$ 955,518</u></u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>2003 Series A Bond Funds</u>	
	<u>Debt Service Fund</u>	<u>Cost of Issuance Fund</u>
Bond Fund Balances, July 1, 2007	\$ 1,595,242	\$ -
Additions:		
Deposits	-	-
Investment earnings	25,768	7
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(1,769,485)	-
Transfers (to) from other funds	<u>1,762,718</u>	<u>(7)</u>
Bond Fund Balances, June 30, 2008	<u>\$ 1,614,243</u>	<u>\$ -</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>2003 Series B Bond Funds</u>
	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ 440,726
Additions:	
Deposits	-
Investment earnings	7,152
Deductions:	
Capital expenditures	-
Bond principal and interest payments	(575,453)
Transfers (to) from other funds	<u>572,300</u>
Bond Fund Balances, June 30, 2008	<u>\$ 444,725</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>2003 Series C Bond Funds</u>	
	<u>Construction Fund</u>	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ 783,183	\$ 7,516,610
Additions:		
Deposits	-	-
Investment earnings	29,775	122,992
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	-	(10,406,579)
Transfers (to) from other funds	<u>-</u>	<u>10,401,944</u>
Bond Fund Balances, June 30, 2008	<u>\$ 812,958</u>	<u>\$ 7,634,967</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>2005 Series A Bond Funds</u>		
	<u>Cost of Issuance Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>
Bond Fund Balances, July 1, 2007	\$ -	\$ 6,314,654	\$ 1,157,705
Additions:			
Deposits	-	-	-
Investment earnings	2	229,696	19,668
Deductions:			
Cost of Issue or Capital expenditures	-	(858,176)	-
Bond principal and interest payments	-	-	(2,315,406)
Transfers (to) from other funds	<u>(2)</u>	<u>-</u>	<u>2,295,736</u>
Bond Fund Balances, June 30, 2008	<u>\$ -</u>	<u>\$ 5,686,174</u>	<u>\$ 1,157,703</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>Gross Revenue Fund</u>
Bond Fund Balances, July 1, 2007	\$ -
Additions:	
Deposits	-
Investment earnings	670
Deductions:	
Capital expenditures	-
Bond principal and interest payments	32,372,575
Transfers (to) from other funds	<u>(32,373,245)</u>
Bond Fund Balances, June 30, 2008	<u>\$ -</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2008

	<u>Aggregate Debt Service Reserve Fund</u>
Bond Fund Balances, July 1, 2007	\$ 32,283,291
Additions:	
Deposits	-
Investment earnings	1,587,892
Deductions:	
Capital expenditures	-
Bond principal and interest payments	-
Transfers (to) from other funds	<u>(1,373,657)</u>
Bond Fund Balances, June 30, 2008	<u>\$ 32,497,526</u>

See accompanying independent auditor's report

AUDITOR'S REPORTS

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

We have audited the accompanying financial statements of the Louisville Regional Airport Authority (the Authority) and the discretely presented component unit of the Louisville Renaissance Zone Corporation as of and for the year ended June 30, 2008 and have issued our report thereon dated October 9, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

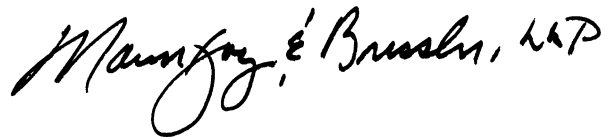
Compliance and Other Matters

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.

Louisville Regional Airport Authority
Page two

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members of the Board of the Authority, management, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Manning & Bruns, LLP". The signature is written in a cursive, flowing style.

Louisville, Kentucky
October 9, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Louisville Regional Airport Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 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.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on 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.

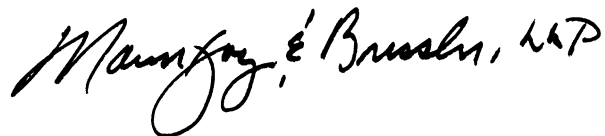
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the members of the Board of the Authority, management, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Manning & Bruns, LLP". The signature is written in a cursive, flowing style.

Louisville, Kentucky
October 9, 2008

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2008

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, 2008	Accumulated Expenditures
<u>U.S. Department of Transportation</u>						
Direct Program:						
Airport Improvement Program:						
Louisville International Airport						
	20.106	3-21-0031-69	Security Enhancements	\$ 11,025,230	\$ 60,231	\$ 10,859,557
	20.106	3-21-0031-72	Extend Runway (Phase II) West Runway Overrun	5,077,331	-	4,973,403
	20.106	3-21-0031-76	Various Airport Projects and Purchase of Equipment	16,946,436	593,588	16,462,030
	20.106	3-21-0031-78	Taxiway A (Phase I), Various Airfield Projects & Purchase of Equipment	10,419,971	6,914,824	9,197,065
	20.106	3-21-0031-79	Acquire Land for Noise Compatibility Provide Relocation Assistance	10,000,000	3,000,000	10,000,000
	20.106	3-21-0031-80	Taxiway A (Phase II), Airfield Lighting (Phase II)	11,262,472	823,979	823,979
Bowman Field:						
	20.106	3-21-0032-14	Pavement Condition Index	150,000	-	78,886
	20.106	3-21-0032-15	Rehabilitate Runway 14-32	1,981,244	377,351	1,960,816
	20.106	3-21-0032-16	Construct Taxiway Lima (Phase I)	1,709,449	1,130,816	1,597,959
	20.106	3-21-0032-17	Update Airport Layout Plan	150,000	75,247	75,247
<u>U.S. Department of Homeland Security</u>						
		HSTS0407ACT0217	CCTV Enhancements	259,000	18,951	18,951
	97.090		Law Enforcement Officer Reimbursement Program			
		HSTS0208HSLR259	10/07 thru 09/12	643,641	48,490	48,490
		HSTS0104ALEF079	10/03 thru 09/07	489,758	56,332	489,758
	97.072		TSA National Explosives Detection Canine Team			
		HSTS0208HCAN449	04/08 thru 03/13	1,002,500	-	-
		DTSA2003HOO961	12/01 thru 03/08	912,961	102,016	912,961
Total Louisville International Airport and Bowman Field				<u>\$ 72,029,993</u>	<u>\$ 13,201,825</u>	<u>\$ 57,499,102</u>

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

NOTE A--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.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2008

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes ✓ no

- Significant deficiencies identified that are not considered to be material weakness(es)? yes ✓ none reported

Non-compliance material to financial statements noted?

 yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes ✓ no

- Significant deficiencies identified that are not considered to be material weakness(es)? yes ✓ none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 yes ✓ no

Identification of major programs:

CFDA Number(s)
20.106

Name of Federal Program or Cluster
U.S. Department of Transportation Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 ✓ yes no

Section II-Financial Statement Findings

No matters were reported.

Section III-Federal Award Findings and Questioned Costs

No matters were reported.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS AND THEIR RESOLUTION

Year ended June 30, 2008

The prior year's audit disclosed no findings which are required to be reported in accordance with *Government Auditing Standards* or OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

We have audited the compliance of Louisville Regional Airport Authority (the Authority) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2008. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 noncompliance 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.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2008.

Internal Control Over Compliance

The 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. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide.

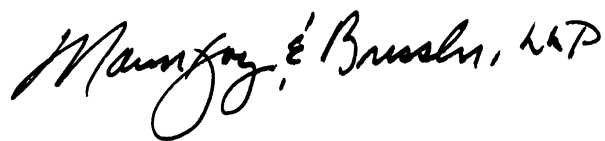
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Continued

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, 2008, and have issued our report thereon dated October 9, 2008. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Board of the Authority, management, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Manning & Bruns, LLP". The signature is written in a cursive, flowing style.

Louisville, Kentucky
October 9, 2008

LOUISVILLE REGIONAL AIRPORT AUTHORITY

**SUPPLEMENTARY SCHEDULE OF PASSENGER FACILITY
CHARGES COLLECTED AND EXPENDED**

Year ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Record of Decision</u>	<u>Impose Authority</u>	<u>Use Authority</u>	<u>PFC Collected</u>	<u>Interest Earned</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>						
Passenger Facility Charge Program						
	97-01-C-00-SDF	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ 683,261	\$ 36,865,830
	97-01-C-01-SDF	50,600,000	50,600,000	18,118,781	-	-
	01-02-C-00-SDF	10,012,140	10,012,140	-	-	10,012,140
	03-03-C-00-SDF	5,666,800	5,666,800	-	-	5,666,800
	06-04-C-00-SDF	<u>1,267,315</u>	<u>1,267,315</u>	<u>-</u>	<u>-</u>	<u>1,099,852</u>
Totals		<u>\$ 107,546,255</u>	<u>\$ 107,546,255</u>	<u>\$ 58,118,781</u>	<u>\$ 683,261</u>	<u>\$ 53,644,622</u>

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF PASSENGER FACILITY CHARGES FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2008

Summary of Auditor's Results

We have issued an unqualified opinion, dated October 9, 2008 on the financial statements of Louisville Regional Airport Authority as of and for the year ended June 30, 2008.

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 noncompliance which are material to Louisville Regional Airport Authority's financial statements.

We have issued an unqualified opinion, dated October 9, 2008 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, 2008

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.