LOUISVILLE REGIONAL AIRPORT AUTHORITY
Louisville, Kentucky

ANNUAL REPORT
June 30, 2012 and 2011

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CONTENTS

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the Louisville Regional Airport Authority (the "Authority") as of and for the years ended June 30, 2012 and 2011 and the discretely presented component unit of the Louisville Renaissance Zone Corporation (the "LRZC") as of and for the years then ended 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 basic financial statements are free of material misstatement. The financial statements of the LRZC were not audited in accordance with *Government Auditing Standards*. 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012 and 2011, the financial position of the LRZC as of June 30, 2012 and 2011, and the respective changes in net assets and 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 12, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtain during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. 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 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 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audits of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
October 12, 2012

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, 2012.

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.

(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 2012	FY 2011	FY 2010	FY 2009
Passengers				
Enplaned	1,683,285	1,694,781	1,649,704	1,682,284
Deplaned	1,679,619	1,691,926	1,643,620	1,678,874
Total	3,362,904	3,386,707	3,293,324	3,361,158
Landed weight				
Passenger	2,021,365,123	2,126,001,682	2,026,632,956	2,148,742,098
Cargo	11,057,242,404	10,836,774,963	10,414,748,871	10,324,892,516
Total	13,078,607,527	12,962,776,645	12,441,381,827	12,473,634,614

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 a recent move up to 9th worldwide. UPS' cargo volume at SDF was 4.7 billion pounds for both FY 12 and 11.

During FY12 passenger enplanements at Louisville International Airport (SDF) decreased by 0.7% compared to FY11. During the year, passenger activity was negatively impacted by consolidation among the nation's airlines and the slow pace of recovery in air travel activity. Aggressive plans to "right-size" the route networks of Southwest Airlines, Delta Air Lines and Frontier Airlines led to the loss of daily nonstop access to Birmingham, AL, Cincinnati, OH and Milwaukee, WI. In addition, tight capacity discipline practiced by the airlines have provided further opportunities to adjust fleet, frequencies and aircraft size offered from the market.

To minimize the impact of these changes airport staff re-doubled efforts to recruit replacement capacity from new and existing airline partners resulting in the launch of three new nonstop destinations. During the year, Delta Air Lines introduced service to New York's JFK International Airport and there were seasonal services launched by Bahamasair to Freeport, Bahamas, and Vision Airlines to Myrtle Beach, SC. In addition, Delta introduced three new flights to New York's LaGuardia Airport and Southwest Airlines announced plans to begin new low-fare service to Atlanta, GA and Denver, CO in FY2013.

Louisville International Airport offers quality access to 26 nonstop destinations by eight airlines including three low-cost carriers. As demand for air travel services continues to slowly rebound over the next 18 to 24 months, we expect that the airport's balanced market profile will continue to be attractive to both business and leisure travelers from across the region.

The following page provides key statistical information in graph form.

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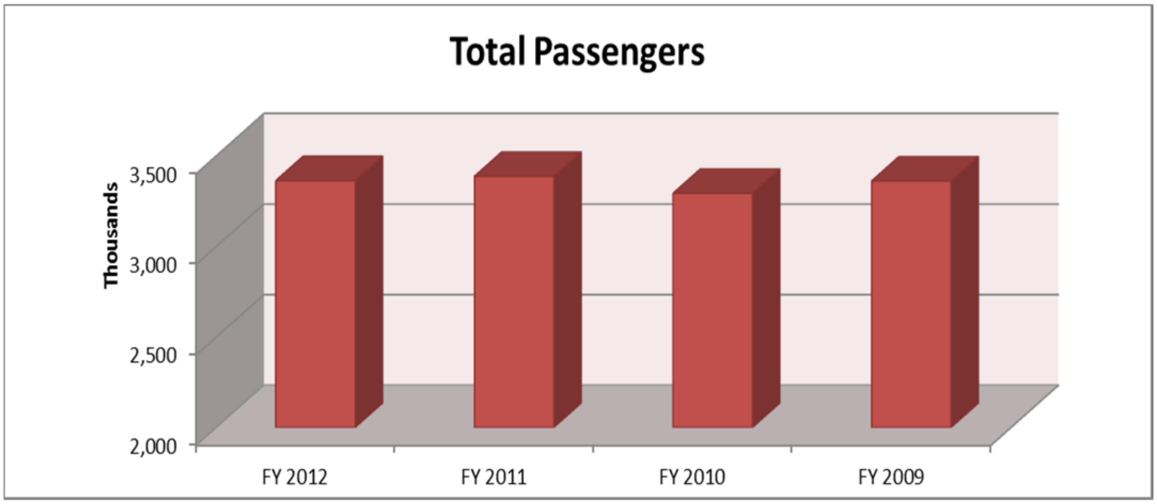
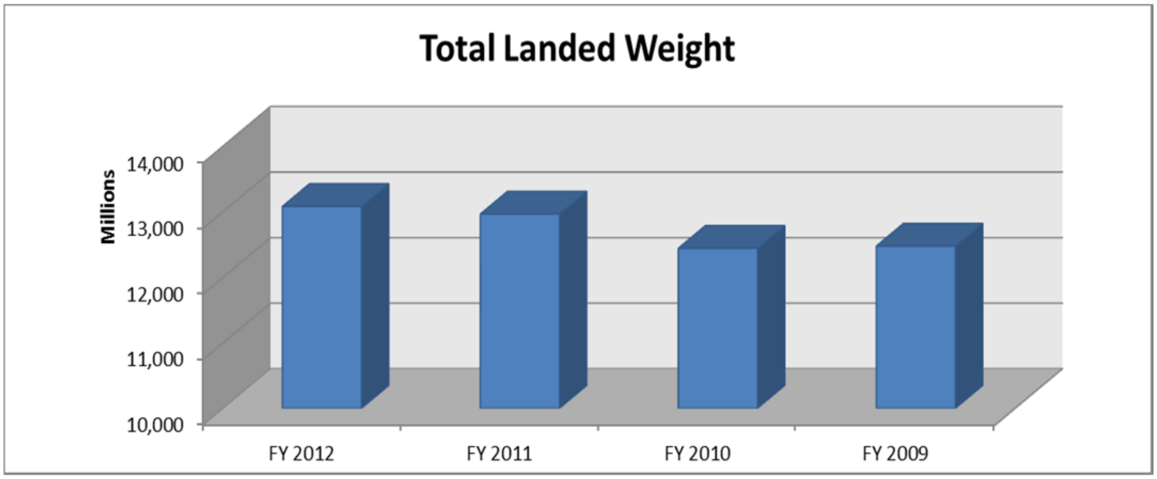
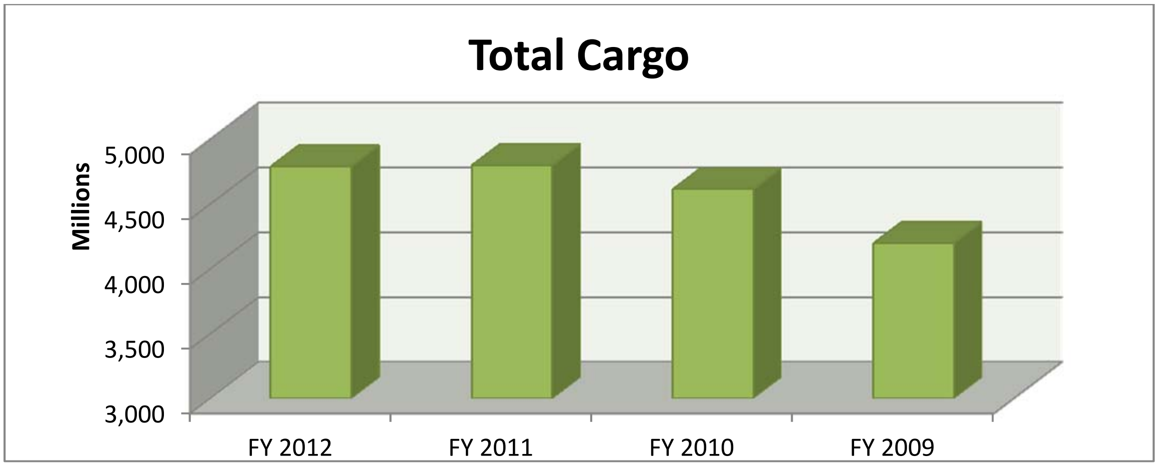
Statistical Graphs







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Financial Highlights
(Versus Budget and Prior Year)

Total Revenues for FY12 were 1.7% more than FY11 actual and 1.2% more than budget. Major contributors to this increase are:

- Parking revenues were up approximately $200,000 versus FY11 and $300,000 versus budget.
- Rental Car revenues were approximately $100,000 greater than budget and $200,000 greater than FY11.
- Passenger Facility Charges (PFC) were up approximately $800,000 versus FY11 and down $400,000 versus budget. During FY11 the Authority was approved to increase the PFC collection level from $3.00 to $4.50. Collections during FY12 were at the higher rate for the entire year.

Operating Expenses before Depreciation for FY12 were $1.8 million or 5.9% less than budget and $1.3 million or 4.7% greater than FY11 actual. Major contributors to these variances are:

- Major Maintenance was under prior year by approximately $950,000 and under budget by $500,000. The primary reason was reduced snow removal costs due to the mild winter experienced in our region.
- Payroll, Fringe Benefits and Retirement contributions were under FY12 budget by $609,000 and $303,000 over FY11 actual. The major reason for this is our continued sensitivity to keeping costs down in an effort to respond to the unfavorable economic impacts to the airlines. We continued to maintain staffing levels relatively the same as in FY11.
- Professional & Consulting Fees were $449,000 less than budget and $123,000 less than prior year. This is primarily due to a conscious effort to control legal costs which were $184,000 less than budget and $70,000 less than prior year.
- Operating Income before Depreciation was $31.7 million which is $2.2 million greater than budgeted and $1.0 million less than FY11 actual.
- Interest Expense is approximately $1.5 million less than prior year primarily due to the natural reduction in debt service of the 2003 Series bonds and the debt service savings on the 2011 Series refunding. The $750,000 savings compared to budget is due primarily to the 2002 A & B bond variable rate interest costs.
- Net Loss before Capital Contributions was $3.9 million, which is $400,000 less than budget and $17.6 million less than FY11 actual. The primary reason for the difference to prior year is the loss incurred on the sale of land in FY11.
- Net Assets increased from prior year by $3.2 million to $295.1 million.

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Financial Information

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

	2012	2011	2010
ASSETS			
Unrestricted	$ 47,808,284	$ 47,966,718	$ 39,583,055
Restricted	84,329,710	89,416,277	93,138,130
Capital assets, net (includes in progress)	533,827,386	541,387,250	571,854,003
Other	12,706,355	13,838,640	14,272,522
Total assets	678,671,735	692,608,885	718,847,710
LIABILITIES			
Unrestricted	9,726,283	5,954,938	6,587,117
Restricted	25,782,670	27,165,544	25,063,730
Long-term debt	308,425,000	327,140,000	345,100,000
Other	39,621,620	40,452,748	39,601,966
Total liabilities	383,555,573	400,713,230	416,352,813
NET ASSETS			
Invested in capital assets, net of related debt	189,864,212	180,281,660	196,325,947
Restricted for debt services	68,108,496	65,558,032	66,965,002
Restricted for capital projects	6,881,004	11,863,734	14,012,964
Unrestricted net assets	30,262,450	34,192,229	25,190,984
Total net assets	$ 295,116,162	$ 291,895,655	$ 302,494,897

The decrease in Total Assets is primarily due to the current year's depreciation taken on capital assets and the use of funds restricted for capital projects. The decrease in Total Liabilities is primarily due to our usual reduction in outstanding bonds due to principal payments. Total Net Assets increased by $3.2 million.

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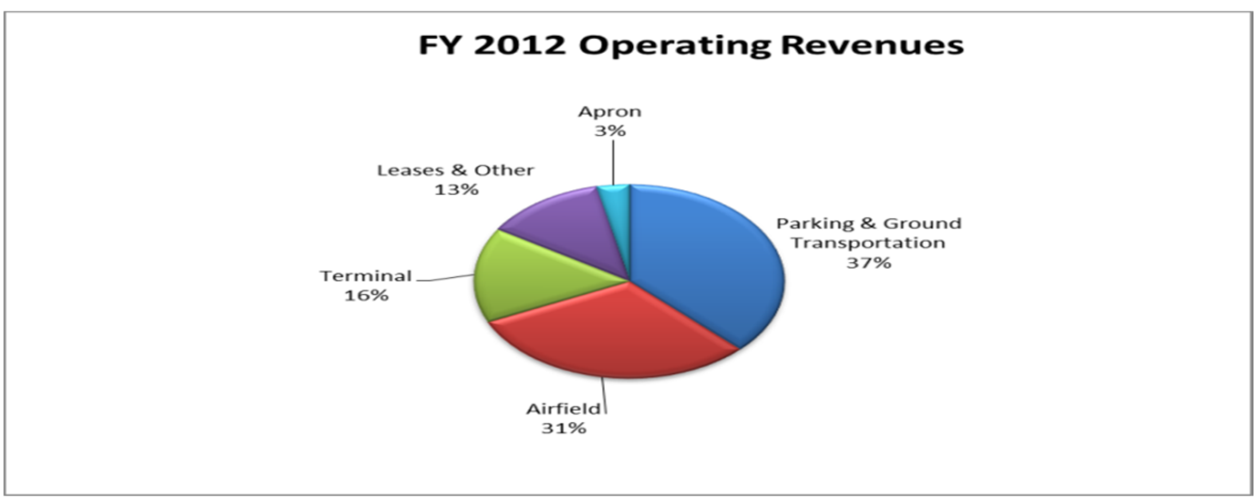
(Continued)

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

	2012		2011	2010
	Actual	Budget	Actual	Actual
Operating revenues				
Landing and field use	$ 18,543,247	$ 19,223,717	$ 18,966,756	$ 18,821,087
Apron area	2,015,649	2,122,092	2,169,823	2,148,070
Landside terminal	6,008,054	6,162,900	5,972,357	5,926,732
Airside terminal	3,511,544	3,445,519	3,716,523	3,423,724
Leases	6,680,636	6,468,890	6,588,145	6,255,242
Parking and ground transportation	22,482,342	22,174,000	22,084,268	20,479,497
Other	951,472	256,200	456,921	415,475
Total operating revenues	60,192,944	59,853,318	59,954,793	57,469,827
Non-operating revenues				
Passenger facility charge	6,697,614	7,052,359	5,888,853	4,447,652
Interest income	1,226,404	457,970	1,156,827	1,301,398
Total non-operating revenues	7,924,018	7,510,329	7,045,680	5,749,050
Total revenues	$ 68,116,962	$ 67,363,647	$ 67,000,473	$ 63,218,877

The major contributors to total revenues' increase over budget and FY11 have been explained earlier under Financial Highlights. The Authority also receives Capital Contributions from Federal & State Government grants and private donations. These grants are generally only available for use on eligible capital and major maintenance spending. Capital Contributions received or accrued for FY12 and FY11 were $7,137,717 and $10,937,848 respectively. The primary reason for the decrease versus prior year is construction delays on eligible projects to construct a taxiway that will enable Group 6 aircraft to access Louisville International Airport. The delays were due to other projects that must be completed before resuming the taxiway projects. Unused Federal Grant funds from FY12 remain available for use by the Authority in future years.



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

	2012 Actual	2012 Budget	2011 Actual	2010 Actual
Operating expenses				
Payroll and fringe benefits	$ 11,328,114	$ 11,831,393	$ 11,229,998	$ 11,460,450
Contract services	5,217,312	5,408,932	5,336,537	4,784,041
Fuel and utilities	3,604,089	3,562,500	3,527,769	3,076,261
Professional and consulting fees	1,445,611	1,895,450	1,568,317	1,756,569
Retirement	1,989,607	2,094,836	1,784,590	1,784,805
Other	764,031	839,645	541,002	479,627
Total operating expenses before major maintenance and depreciation	24,348,764	25,632,756	23,988,213	23,341,753
Major maintenance	4,192,635	4,702,200	3,257,674	3,574,877
Total operating expenses before depreciation	28,541,399	30,334,956	27,245,887	26,916,630
Non-operating expenses				
Interest expense	13,385,303	14,152,153	14,848,982	15,299,423
Other	2,062,605	174,270	18,289,641	130,138
Total non-operating expenses	15,447,908	14,326,423	33,138,623	15,429,561
Total expenses before depreciation	$ 43,989,307	$ 44,661,379	$ 60,384,510	$ 42,346,191

The Authority continued several cost cutting measures in response to the airline industry being hampered by the economic downturn. The largest area of reduction was payroll related costs. Discussion of this and the increases in Operating Expenses were included earlier in the Financial Highlights section. Other Non-Operating Expense variance to Budget and FY11 actual is primarily current year and prior year's loss on sale of assets.

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Capital Assets. During fiscal year 2012, the Authority's capital spending and accruals totaled approximately $22,250,000. Major projects were: Runways & Taxiways - $9,427,000; Noise Mitigation, Land Acquisition, Relocation and Sound Insulation - $7,259,000; construction of Administrative, Parking and Terminal Projects - $1,946,000; and purchase of equipment - $1,103,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately $7,803,000. A summary of capital asset activity can be found in Note 6 to the financial statements.

Additionally, the major capital asset disposition by the Authority during fiscal year 2012 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 $415,000. This land had a book value of approximately $2,987,000. As explained in Note 8, under this program, the Authority bought residential parcels, relocated the families and demolished the homes which were considered incompatible within close proximity to the airport. This property is being resold for commercial or industrial uses. The transfer of 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 $597,000 which offset the net loss of $1,975,000.

Debt. Currently, the Authority has bonds outstanding of $327,140,000 of which $308,425,000 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, hangar construction and upgrades at Bowman Field. The major project that was in process during fiscal year 2012 and funded by a portion of the debt was the continuing construction of Taxiway Alpha. A summary of changes in long-term debt and annual debt service requirements are found in Note 7 to the financial statements.

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

Respectfully submitted,

DM Caulk

Dorothy M. Caulk, CPA
Director of Finance and Accounting

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LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2012	2011	2012	2011
ASSETS				
Current assets, unrestricted				
Cash and equivalents	$ 8,745,149	$ 21,235,445	$ 1,929,724	$ 916,259
Investments, at amortized cost plus accrued interest	30,278,274	18,481,078	-	-
Fees and rentals receivable, net	4,690,378	4,023,780	2,389,944	1,847,169
Due from component unit	3,189,268	2,922,863	-	-
Supplies and prepaid expenses	905,215	1,303,552	-	-
Total unrestricted current assets	47,808,284	47,966,718	4,319,668	2,763,428
Current assets, restricted				
Cash and equivalents	32,593,557	34,696,680	-	-
Cash – land fund	735,342	1,995,125	-	-
Interest receivable	48,475	122,080	-	-
Grants receivable	1,040,329	1,308,088	-	-
Investments, at amortized cost plus accrued interest – land fund	1,997,803	3,862,276	-	-
Total restricted current assets	36,415,506	41,984,249	-	-
Total current assets	84,223,790	89,950,967	4,319,668	2,763,428
Noncurrent assets, unrestricted				
Capital assets not being depreciated	358,269,590	345,430,517	9,379,272	11,270,847
Depreciable capital assets, net	175,557,796	195,956,733	11,080,954	6,178,213
Deferred loan and bond cost, net of accumulated amortization of $8,712,097 as of 2012 and $7,546,079 as of 2011	12,706,355	13,838,640	2,943,176	3,138,304
Total unrestricted noncurrent assets	546,533,741	555,225,890	23,403,402	20,587,364
Noncurrent assets, restricted				
Cash – PFC fund	339,994	1,054,409	-	-
Cash and equivalents	6,336,149	20,523,865	-	-
Investments – PFC fund	5,000,073	3,471,989	-	-
Investments, at amortized cost plus accrued interest	36,237,988	22,381,765	-	-
Total restricted noncurrent assets	47,914,204	47,432,028	-	-
Total noncurrent assets	594,447,945	602,657,918	23,403,402	20,587,364
Total assets	$ 678,671,735	$ 692,608,885	$ 27,723,070	$ 23,350,792

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corp	
	June 30,		June 30,	
	2012	2011	2012	2011
LIABILITIES				
Current liabilities (payable from unrestricted current assets)				
Accounts payable	$ 7,708,697	$ 4,056,906	$ 183,030	$ 229,668
Due to the Authority	-	-	3,189,268	2,922,863
Accrued expenses and other	1,099,414	879,409	19,594	234,441
Loans payable	-	-	1,260,690	3,469,360
Deferred income	918,172	1,018,623	-	-
Total unrestricted current liabilities	9,726,283	5,954,938	4,652,582	6,856,332
Current liabilities (payable from restricted current assets)				
Bonds payable	18,715,000	17,680,000	-	-
Accounts payable	619,007	3,294,133	-	-
Accrued interest	6,448,663	6,191,411	-	-
Total restricted current liabilities	25,782,670	27,165,544	-	-
Total current liabilities	35,508,953	33,120,482	4,652,582	6,856,332
Long-term debt				
Bonds and loans payable	308,425,000	327,140,000	13,174,896	15,274,506
Other liabilities				
Deposit from UPS land option	7,819,551	7,819,551	-	-
Unamortized bond premium, net	8,693,645	9,524,773	-	-
Deposit from Commonwealth of Kentucky	18,724,824	18,724,824	-	-
Other liabilities	83,600	83,600	-	-
Revolving coverage (payable from restricted assets)	4,300,000	4,300,000	-	-
Total other liabilities	39,621,620	40,452,748	-	-
Total liabilities	$ 383,555,573	$ 400,713,230	$ 17,827,478	$ 22,130,838
NET ASSETS				
Invested in capital assets, net of related debt	$ 189,864,212	$ 180,281,660	$ -	$ -
Restricted for debt service	68,108,496	65,558,032	-	-
Restricted for capital projects	6,881,004	11,863,734	-	-
Unrestricted net assets	30,262,450	34,192,229	9,895,592	1,219,954
Total net assets	$ 295,116,162	$ 291,895,655	$ 9,895,592	$ 1,219,954

See accompanying notes to financial statements.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years ended June 30, 2012 and 2011

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2012	2011	2012	2011
Operating revenues				
Rentals and concessions	$ 41,649,697	$ 40,988,036	$ -	$ -
Landing and field use fees	18,543,247	18,966,757	-	-
Land sales, net of cost	-	-	7,137,290	-
Lease revenue	-	-	693,086	-
TIF revenues	-	-	2,409,637	1,337,673
Total operating revenues	60,192,944	59,954,793	10,240,013	1,337,673
Operating expenses				
Operations and general maintenance	14,689,347	14,246,841	-	-
Administrative, general, planning and engineering	9,659,417	9,741,372	454,280	198,557
Total operating and maintenance	24,348,764	23,988,213	454,280	198,557
Major maintenance	4,192,635	3,257,674	-	-
Depreciation and amortization	28,044,865	28,153,053	525,686	354,262
Total operating expenses	56,586,264	55,398,940	979,966	552,819
Operating income	3,606,680	4,555,853	9,260,047	784,854
Non-operating revenues (expenses)				
Investment earnings, net	1,226,404	1,156,827	375	710
Interest expense	(13,385,303)	(14,848,982)	(584,784)	(469,803)
Passenger facility charges	6,697,614	5,888,853	-	-
Net gain (loss) on disposal of assets	(1,895,415)	(18,100,046)	-	-
Other expenses	(167,190)	(189,595)	-	-
Net non-operating revenues (expenses)	(7,523,890)	(26,092,943)	(584,409)	(469,093)
(Loss) income before capital contributions	(3,917,210)	(21,537,090)	8,675,638	315,761
Capital contributions	7,137,717	10,937,848	-	-
Change in net assets	3,220,507	(10,599,242)	8,675,638	315,761
Net assets, beginning of year	291,895,655	302,494,897	1,219,954	904,193
Net assets, end of year	$ 295,116,162	$ 291,895,655	$ 9,895,592	$ 1,219,954

See accompanying notes to financial statements.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	Louisville Regional Airport Authority June 30,		Component Unit Louisville Renaissance Zone Corporation June 30,	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 59,425,895	$ 59,578,291	$ -	$ -
Land sales, lease revenue, and TIF revenues	-	-	2,556,161	1,110,108
Payments to suppliers	(18,117,939)	(20,134,215)	(661,918)	(173,341)
Payments to employees	(7,394,890)	(7,456,559)	-	-
Net cash flows provided by operating activities	33,913,066	31,987,517	1,894,243	936,767
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	7,405,476	9,657,767	-	-
Passenger facility charges	6,697,614	5,888,853	-	-
Acquisition and construction of capital assets	(23,280,054)	(13,847,426)	(5,656,315)	(1,527,956)
Proceeds from sale of assets	494,376	1,127,927	-	-
Proceeds from issuance of debt	-	37,170,000	5,145,857	1,435,196
Principal paid on capital debt	(17,680,000)	(54,340,000)	(248,076)	(1,492,583)
Net proceeds received from the Authority	-	-	260,381	309,037
Interest paid on capital debt, net of capitalized interest	(13,128,051)	(16,081,051)	(383,000)	(305,852)
Fees paid on bonds	(167,190)	(189,595)	-	-
Issuance costs of capital debt	(33,733)	(763,086)	-	-
Net cash flows used for capital and related financing activities	(39,691,562)	(31,376,611)	(881,153)	(1,582,158)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturities of investments	66,217,935	68,687,044	-	-
Cash advances to component unit	(260,381)	(309,037)	-	-
Purchase of investments	(91,534,965)	(68,269,608)	-	-
Investment income	600,574	2,233,251	375	710
Net cash flows provided by (used for) investing activities	(24,976,837)	2,341,650	375	710
Net increase (decrease) in cash and equivalents	(30,755,333)	2,952,556	1,013,465	(644,681)
Cash and equivalents, beginning of year	79,505,524	76,552,968	916,259	1,560,940
Cash and equivalents, end of year	$ 48,750,191	$ 79,505,524	$ 1,929,724	$ 916,259

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2012	2011	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 3,606,680	$ 4,555,853	$ 9,260,047	$ 784,854
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	28,044,865	28,153,053	525,686	354,262
Sale of land to relieve debt	-	-	(7,137,290)	-
Changes in assets and liabilities:				
Fees and rentals receivable	(666,598)	(497,189)	(542,775)	(227,565)
Deferred income	(100,451)	106,090	-	-
Supplies and prepaid expenses	398,337	(11,162)	-	-
Accounts payable	2,410,228	(390,803)	(211,425)	25,216
Accrued expenses and other	220,005	57,078	-	-
Deposit from UPS land option	-	14,597	-	-
Net cash provided by operating activities	$ 33,913,066	$ 31,987,517	$ 1,894,243	$ 936,767

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

The Authority has retainage and accounts payable related to construction in progress of approximately $2,650,000 and $4,083,000 as of June 30, 2012 and 2011, respectively. The Authority recorded a loss on sale of assets of approximately $1,895,000 and $18,100,000 as of June 30, 2012 and 2011, respectively.

The Authority capitalized interest expense offset by proceeds on loans payable of approximately $131,000 and $44,000 in 2012 and 2011, respectively.

LRZC financed the purchase of capital assets through accounts payable of approximately $161,000 and $139,000 in 2012 and 2011, respectively.

LRZC sold land with a book value of approximately $2.3 million to relieve loans payable of approximately $9.2 million and interest charges of approximately $215,000 in 2012.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Rentals and Concessions: These are revenues from airlines, fixed base operators, rental car companies, parking lot, food, gift shop and other commercial tenants. Leases generally are for terms from one to five years and require rentals based on the volume of business of the lessee, with specified minimum rentals.

Landing and Field Use Fees: These fees are generally from scheduled airlines and nonscheduled commercial aviation and are assessed based on the landed weight of the aircraft. The scheduled airline fee structure is assessed pursuant to use agreements between the Authority and the signatory airlines. The Authority entered into a Landing Fee Surcharge Agreement beginning July 1, 2003 with one of its commercial tenants to provide financial support for a terminal renovation project. The revenue generated from this agreement was approximately $530,000 for fiscal years 2012 and 2011.

Construction and Equipment Grants: Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), with certain matching funds provided by the Authority, the Commonwealth of Kentucky, or from other state allocations or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the Statement of Revenues, Expenses and Changes in Net 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 accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of the GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*," the Authority applies all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

(Continued)

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

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. See Note 16 for further LRZC disclosures.

Net Assets: The Authority's net assets are classified as follows:

Invested in Capital Assets – Net of Related Debt: The Authority's investment in capital assets, net of outstanding debt obligations related to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws, or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority's restricted assets are expendable.

Unrestricted Net Assets: Net assets whose use by the Authority is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board.

Release of Restricted Net Assets: When an expense or outlay is incurred for which both restricted and unrestricted net assets are available, the Authority's policy is to allow each departmental unit the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

Cash and Equivalents: For purposes of these financial statements, the Authority considers all highly liquid investments (including restricted assets and accrued interest) with a maturity of three months or less when purchased to be cash equivalents. Both restricted and unrestricted amounts are included on the statements of cash flows.

Fees and Rentals Receivable: Receivables are reported at present value less the estimated portion that is expected to be uncollectible. As of June 30, 2012 and 2011, the allowance for uncollectible accounts was $160,000 and $350,000, respectively.

Investments: Investment securities are recorded at amortized cost and are not materially different from fair value. Investments are made only in government-backed securities. All investments are held in the Authority's name. It is management's intention to reinvest all maturing funds.

Capital Assets: The Authority's property and facilities that were transferred from the United States Government in 1948 are stated at approximate reproduction costs in 1948. Other donated assets are stated at approximate market value at the date the assets were placed into service. Substantially all other assets are stated at cost. The interest carrying costs of facilities being constructed are capitalized during their construction period based on the Authority's average borrowing rate related to outstanding debt less interest income associated with the proceeds of such debt. Interest cost capitalized was approximately $131,000 and $44,000 during 2012 and 2011, respectively.

(Continued)

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

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

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

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

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.

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

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

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

New Financial Reporting Standards: The GASB has issued the following Statements:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for fiscal years beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local government so that they derive from a single source. The Authority has determined this Statement will have no effect on its financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which are effective for fiscal years beginning after December 15, 2011 and December 15, 2012, respectively. The objectives of these statements are to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and the reclassifications of amounts previously reported as assets and liabilities to deferred outflows of resources and deferred inflows of resources. The Authority has not yet determined the effect, if any, that the adoption of these Statements may have on its financial statements.

(Continued)

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

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, GASB Statement No. 66, *Technical Corrections – 2012*, and GASB Statements No. 67 and No. 68, *Accounting and Financial Reporting for Pensions*. The Authority has not yet determined the effect, if any, that the adoption of these Statements may have on its financial statements.

NOTE 2 – CASH AND EQUIVALENTS

All of the Authority's deposits are either insured or collateralized. All deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the Authority's name. The balances of each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. Through December 2012, non-interest bearing transactional based accounts will be fully insured by the FDIC as part of the Temporary Guarantee Liquidity Program for participating banks. 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:

	2012	2011
Cash on hand	$ 3,550	$ 3,550
Deposits with financial institutions	11,687,715	26,009,749
Repurchase agreements	37,068,926	53,492,225
	$ 48,760,191	$ 79,505,524

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

	2012	2011
Covered by federal depository insurance	$ 384,029	$ 368,535
Uninsured and collateralized	11,958,327	25,967,519
Bank balance	$ 12,342,356	$ 26,336,054
Carrying amount	$ 11,687,715	$ 26,009,749

(Continued)

NOTE 3 – INVESTMENTS

At June 30, 2012, the Authority's investment balances were as follows:

Investment Type	Amortized Cost	Maturity	Rating
Fannie Mae	$ 13,469,306	Weighted average 1.12 years	Aaa
Federal Home Loan Bank	51,263,193	Weighted average 0.64 years	Aaa
Freddie Mac	5,971,325	0.16 years	Aaa
Tennessee Valley Authority	700,853	0.71 years	Aaa
Federal Government Money Market	2,109,461	0.01 years	Aaa
	$ 73,514,138		

At June 30, 2011, the Authority's investment balances were as follows:

Investment Type	Amortized Cost	Maturity	Rating
Fannie Mae	$ 10,281,985	Weighted average 1.39 years	Aaa
Federal Home Loan Bank	20,346,752	Weighted average 1.18 years	Aaa
Freddie Mac	9,867,383	Weighted average 0.36 years	Aaa
Federal Farm Credit Bank	1,002,390	0.26 years	Aaa
Tennessee Valley Authority	702,063	1.71 years	Aaa
FDIC Structured Sale Guarantee Note	5,996,535	0.29 years	Aaa
	$ 48,197,108		

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

	2012	2011
Unrestricted investments	$ 30,278,274	$ 18,481,078
Restricted investments, current	1,997,803	3,862,276
Restricted investments, noncurrent	41,238,061	25,853,754
Total investments	$ 73,514,138	$ 48,197,108

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, the Authority is currently limited to investing unrestricted funds in U.S. Government obligations and agencies with a stated maturity of not more than one year; however, with CEO and CFO approval, maturity can be two years for the investment. Restricted investments, however, relate primarily to the scheduled repayment of bonds issued by the Authority. These investments mature such that proceeds from investments will become available in order to pay debt service.

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

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

(Continued)

NOTE 3 – INVESTMENTS (Continued)

Concentration of Credit Risk: Unrestricted funds invested in U.S. Government Agencies are not limited. At June 30, 2012 and 2011, approximately $30,278,274 and $12,485,000 were invested in U.S. Government agency obligations, respectively. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

NOTE 4 – RESTRICTED ASSETS

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

	Cash and Equivalents	Investments	Interest Receivable	Grants Receivable	Total
June 30, 2012					
Bond funds	$ 38,929,706	$ 27,427,190	$ -	$ 1,040,329	$ 67,397,225
Revolving debt-coverage	-	8,810,798	48,475	-	8,859,273
Land proceeds	735,342	1,997,803	-	-	2,733,145
PFC funds	339,994	5,000,073	-	-	5,340,067
	$ 40,005,042	$ 43,235,864	$ 48,475	$ 1,040,329	$ 84,329,710

	Cash and Equivalents	Investments	Interest Receivable	Grants Receivable	Total
June 30, 2011					
Bond funds	$ 55,220,545	$ 13,556,843	$ -	$ 1,308,088	$ 70,085,476
Revolving debt coverage	-	8,824,922	122,080	-	8,947,002
Land proceeds	1,995,125	3,862,276	-	-	5,857,401
PFC funds	1,054,409	3,471,989	-	-	4,526,398
	$ 58,270,079	$ 29,716,030	$ 122,080	$ 1,308,088	$ 89,416,277

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 highest annual aggregate debt service for the current or future fiscal year which approximated $8,800,000 at June 30, 2012 and 2011. 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, 2012 and 2011, this reimbursement amount was approximately $4,300,000.

(Continued)

NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority provides management services to LRZC. The amount due from LRZC was approximately $3,189,000 and $2,923,000 at June 30, 2012 and 2011, respectively.

In May 2011, the Authority sold 125 acres of land that was originally purchased under the Authority's voluntary land acquisition and relocation program using funds primarily from the Federal Aviation Administration's (FAA) Part 150 Noise Mitigation program to the LRZC, a related party. The land was deemed to have a fair market value of $1,100,000 by independent appraisers. The land had a net book value of approximately $24,000,000 at the time of sale, which included $4,800,000 of avigation easements that the Authority retained. Therefore, the Authority recorded a loss in 2011 of $18,100,000 related to this transaction. In June 2012, the Authority sold another 6.6 acres that was deemed to have a fair market value of $415,000 and a net book value of $3,000,000 which included $600,000 of avigation easements that the Authority retained. The Authority recorded a loss in 2012 of approximately $2,000,000 related to this transaction.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 284,731,557	$ 1,185,565	$ -	$ 285,917,122
Capital projects in progress:				
Construction projects	29,009,345	17,904,289	(7,609,887)	39,303,747
Land acquisition program	31,689,615	4,346,343	(2,987,237)	33,048,721
Total capital assets not being depreciated	345,430,517	23,436,197	(10,597,124)	358,269,590
Other capital assets:				
Land improvements	419,776,169	2,353,853	-	422,130,022
Buildings	134,886,896	3,610,436	-	138,497,332
Utility systems	41,231,324	-	-	41,231,324
Equipment (excluding automotive)	13,830,232	-	-	13,830,232
Vehicle and automotive equipment	9,311,006	653,340	(486,010)	9,478,336
Furniture and fixtures	5,036,156	-	-	5,036,156
Total other capital assets	624,071,783	6,617,629	(486,010)	630,203,402
Less accumulated depreciation for:				
Land improvements	298,618,592	19,020,886	(1,715)	317,637,763
Buildings	75,793,722	5,522,035	-	81,315,757
Utility systems	33,510,653	1,025,760	-	34,536,413
Equipment (excluding automotive)	8,490,382	943,148	-	9,433,530
Vehicle and automotive equipment	6,988,353	384,508	(486,010)	6,886,851
Furniture and fixtures	4,713,348	121,944	-	4,835,292
Total accumulated depreciation	428,115,050	27,018,281	(487,725)	454,645,606
Other capital assets, net	195,956,733	(20,400,652)	1,715	175,557,796
Net capital assets	$ 541,387,250	$ 3,035,545	$ (10,595,409)	$ 533,827,386

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 279,308,390	$ 5,423,167	$ -	$ 284,731,557
Capital projects in progress:				
Construction projects	25,713,113	13,408,873	(10,112,641)	29,009,345
Land acquisition program	52,933,435	2,791,142	(24,034,962)	31,689,615
Total capital assets not being depreciated	357,954,938	21,623,182	(34,147,603)	345,430,517
Other capital assets:				
Land improvements	414,876,323	4,899,846	-	419,776,169
Buildings	134,652,592	234,304	-	134,886,896
Utility systems	38,247,196	3,148,320	(164,192)	41,231,324
Equipment (excluding automotive)	13,674,848	198,922	(43,538)	13,830,232
Vehicle and automotive equipment	8,643,783	801,832	(134,609)	9,311,006
Furniture and fixtures	5,036,156	-	-	5,036,156
Total other capital assets	615,130,898	9,283,224	(342,339)	624,071,783
Less accumulated depreciation for:				
Land improvements	279,502,563	19,116,029	-	298,618,592
Buildings	70,322,695	5,471,027	-	75,793,722
Utility systems	32,587,586	1,087,261	(164,194)	33,510,653
Equipment (excluding automotive)	7,562,327	971,582	(43,527)	8,490,382
Vehicle and automotive equipment	6,716,647	406,316	(134,610)	6,988,353
Furniture and fixtures	4,540,015	173,333	-	4,713,348
Total accumulated depreciation	401,231,833	27,225,548	(342,331)	428,115,050
Other capital assets, net	213,899,065	(17,942,324)	(8)	195,956,733
Net capital assets	$ 571,854,003	$ 3,680,858	$ (34,147,611)	$ 541,387,250

NOTE 7 – LONG-TERM DEBT

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

	2012	2011
1998 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 3.80% to 5.30% through July 1, 2025, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	$ 4,430,000	$ 4,800,000
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.	35,030,000	39,285,000

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

	2012	2011
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.	$ 2,160,000	$ 2,850,000
2002 Series A Revenue Bonds, various annual principal payments with interest payments at 35 day intervals at variable rates (0.372% - 0.570% for year ending June 30, 2012) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	38,650,000	39,800,000
2002 Series B Revenue Bonds, various annual principal payments with interest payments at 35 day intervals at variable rates (0.372% - 0.588% for year ending June 30, 2012) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue bonds, Bond Funds and Net Revenues.	30,950,000	31,875,000
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.	3,370,000	4,950,000
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.	5,330,000	5,670,000
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.	92,800,000	98,275,000
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.	47,870,000	47,870,000
2008 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 4.50% to 5.50% through July 1, 2038 secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	29,380,000	32,275,000

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

	2012	2011
2011 Series A Revenue Bonds, various annual principal payments with semiannual interest payments at rates ranging from 3.00% to 5.00% through July 1, 2020 secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	$ 32,905,000	$ 32,905,000
2011 Series B Revenue Bonds, various annual principal payments with semiannual interest payments at rates ranging from 3.00% to 4.00% through July 1, 2017 secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds, and Net Revenues.	4,265,000	4,265,000
Total debt	327,140,000	344,820,000
Less current portion	18,715,000	17,680,000
	$ 308,425,000	$ 327,140,000

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 344,820,000	$ -	$ (17,680,000)	$ 327,140,000	$ 18,715,000

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 361,990,000	$ 37,170,000	$ (54,340,000)	$ 344,820,000	$ 17,680,000

The total interest incurred for the years ended June 30, 2012 and 2011 was approximately $13,516,000 and $14,893,000, respectively. Approximately $131,000 and $44,000 was capitalized as a component of the cost of capital assets constructed during 2012 and 2011, respectively. Approximately $13,385,000 and $14,849,000 was charged to expense in 2012 and 2011, respectively.

In connection with the bond agreements, the Authority has to comply with a debt service coverage financial covenant. At June 30, 2012, the Authority was in compliance with this financial covenant.

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

Annual Debt Service Requirements: The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012, are as follows:

	Principal	Interest	Total
Year ended June 30,			
2013	$ 18,715,000	$ 16,354,000	$ 35,069,000
2014	19,650,000	15,380,000	35,030,000
2015	18,265,000	14,467,000	32,732,000
2016	19,065,000	13,631,000	32,696,000
2017	20,005,000	12,665,000	32,670,000
2018-2022	98,120,000	48,388,000	146,508,000
2023-2027	84,480,000	23,680,000	108,160,000
2028-2032	39,985,000	8,663,000	48,648,000
2033-2037	7,525,000	1,076,000	8,601,000
2038-2039	1,330,000	111,000	1,441,000
	$ 327,140,000	$ 154,415,000	$ 481,555,000

Outstanding Letters of Credit: At June 30, 2012 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, 2012 and 2011.

Refunding Transaction: In 2011, the Authority issued $37,170,000 of 2011 Series A and B Bonds to refund certain maturities of the 1998 Series A and 2001 Series A and B Bonds totaling $37,450,000. The refunding transaction will change future debt service from $47,527,000 to $45,505,000 over the life of the bonds. This results in a cash flow savings of $2,022,000 and a net present value savings of $1,732,000 at 3.77%. The outstanding balance in substance defeased debt is $0 at June 30, 2012, due to full redemption of the refunded bonds on July 1, 2011.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Part 150 Land Acquisition Program: The Authority is acquiring certain residential properties surrounding the Louisville International Airport that are adversely impacted by noise. To accomplish this acquisition, the Authority has instituted 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)

NOTE 8 – 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, 2012, capital projects in progress include approximately $33 million related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately $259 million less $226 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 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 year 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, 2009, the Authority entered into a deed which transferred additional property to the Commonwealth at a value of $1,088,840. That deed was filed with the County Clerk of Jefferson County, Kentucky on May 15, 2009. The entire amount of these transfers reduced the related liability.

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

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

(Continued)

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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

In fiscal year 2009, the Authority transferred land valued at $374,550 in partial settlement of the advances. The Authority expects to transfer additional property in the future, as specified by UPS, in order to satisfy the remaining obligations under the agreements.

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

Risk Management: The Authority is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport has purchased commercial insurance to cover these risks. The amount of settlements has not exceeded coverage in any of the past two fiscal years.

The Authority is subject to federal, state, and local regulations in regards to the discharge of various materials into the environment. Costs are routinely incurred to remove, contain, and neutralize existing environmental contaminates and these costs are generally expensed as incurred. Future costs for existing conditions are not readily determinable and are not reflected in the financial statements.

NOTE 9 – SPECIAL FACILITY REVENUE BONDS (Conduit Debt)

Special Facility Revenue Bonds totaling $148,800,000 (UPS) and $15,500,000 (Airis / Federal Express) issued during fiscal year 1999 and $42,600,000 (UPS) issued in fiscal year 2006 (collectively, the Facility Bonds), were issued to finance the acquisition and construction of facilities of UPS and Airis / Federal Express (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. At June 30, 2012 and 2011, Special Facility Revenue Bonds outstanding aggregated $200,265,000 and $201,140,000, respectively.

Subsequent to year-end, Aero Term, the successor of Airis, elected to refinance the Airis / Federal Express Special Facility Revenue Bonds on September 24, 2012 through other financing. The bonds are no longer a conduit debt issue of the Authority.

(Continued)

NOTE 10 – DEFERRED COMPENSATION PLAN

The Authority offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k). The Plans are administered by ICMA Retirement Corporation and Kentucky Retirement Systems, are available to all Authority employees, and allow each employee to defer a portion of their salary until future years. The deferred compensation is not available to an employee until termination, retirement or death. Employee contributions to the 457 Plan for the years ended June 30, 2012 and 2011 totaled approximately $101,000 and $93,000, respectively, and contributions to the 401(k) Plan for the same years were approximately $127,000 and $122,000, respectively.

GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from the statement of net assets. The Authority, therefore, does not show these assets and liabilities on the statements of net assets.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

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

County Employees Retirement System of Kentucky

The eligible payroll for employees covered by the Plan was approximately $7,967,000 and $7,819,000, out of a total payroll of approximately $8,600,000 and $8,400,000 for the years ended June 30, 2012 and 2011, respectively.

For members participating prior to September 1, 2008 the following applies: Employees who retire at or after age 65 with 48 months of credited services are entitled to a retirement benefit, payable monthly for life, between 2.0% and 2.2% of their final compensation multiplied by his or her service credit. Final compensation is the average of the five fiscal years during which the employee had the highest average monthly salary. Benefits 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.

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

(Continued)

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Covered employees are required by state statute to contribute 5% of their salary to the CERS for a non-hazardous position and 8% for a hazardous position. Members with a participation date on or after September 1, 2008 will additionally contribute 1% to the KRS Insurance Fund, making the total contribution of their salaries 6% for non-hazardous and 9% for hazardous. The Authority was required by the same statute to contribute 18.96%, 16.93% and 16.16% of the covered employees' salaries for non-hazardous positions, and 35.76%, 33.25% and 32.97% for a hazardous position for 2012, 2011 and 2010, respectively. The contribution requirements for the year ended June 30, 2012 was approximately $2,305,000, consisting of $1,830,000 from the Authority and $475,000 from employees; for the year ended June 30, 2011 was approximately $2,130,000, consisting of $1,665,000 from the Authority and $465,000 from employees and for the year ended June 30, 2010 was approximately $2,089,000, consisting of $1,623,000 from the Authority and $466,000 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, 2011. The Commonwealth of Kentucky's Comprehensive Annual Financial Reports should be referred to for additional disclosures related to the CERS (www.kyret.ky.gov).

In addition to the above defined benefit pension plan, effective May 1, 2001, all then current Authority employees could elect to have the amounts listed as "single/lump sum value" rolled over from the prior retirement plan into a 401(k) account with the Kentucky Public Employees Deferred Compensation Authority on their behalf if they chose not to participate in the CERS Plan. Thereafter, the Authority will contribute the same percentage of their annual income that the Authority is required to pay to CERS for similarly situated employees. This amount will continue to be contributed into the 401(k) account as long as they are employed by the Authority as a full-time regular (or project) employee and under this option. Employee contributions are not mandatory. Under this option, an employee can make voluntary contributions up to the maximum allowable by law. The Authority made contributions of approximately $75,800 and $70,300 for each year ending June 30, 2012 and 2011, respectively.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plans described in Notes 10 and 11, the Authority offered postemployment health care benefits to all employees who retired from the Authority prior to May 1, 2001 on or after attaining age 55 with at least ten years of service and to all disabled employees with at least one year of service who were injured on the job. The Authority contributes between 95% and 100% of the amount of medical insurance premiums approved by the Authority for such retired and disabled employees and their dependents. These contributions are recognized by the Authority as they are made. The cost of providing such benefits was approximately $78,000 for 22 employees and $77,000 for 25 employees during 2012 and 2011, respectively. The Plan may be terminated at the election of the Board without notice.

(Continued)

NOTE 13 – PROPERTY LEASED TO OTHERS

The Authority leases land and terminal and other facilities to certain airlines and others. The terms of these leases range from 1 to 20 years. Some of the rentals and fees paid by certain airlines are based on the costs allocable to the respective cost centers including direct and indirect maintenance and operating expenses, major maintenance, capital equipment, amortization of the cost of capital improvements, annual revenue bond debt service, as well as any other adjustments needed to maintain the debt service coverage account or other deposits required under the Bond Resolution. Other leases contain fixed rents which may be subject to escalation. For the years ended June 30, 2012 and 2011, revenues from these leases were approximately $13.7 million and $13.8 million, respectively.

The Authority also enters into rental agreements with concessionaires for food and beverage, news and gift, rental car facilities, advertising and others. Generally, the agreements are for terms from 1 to 5 years and provide for a concession fee equal to the greater of a percentage of gross revenues or a minimum monthly guarantee (MMG). Certain agreements are subject to a variable MMG. Other agreements provide for a concession fee that is contingent on sales. For the years ended June 30, 2012 and 2011, revenues from such agreements were approximately $9.0 million and $8.7 million, respectively. Revenues from contingent rentals that are made up primarily of the excess over MMG and sales only based agreements were $2.2 million and $2.4 million for 2012 and 2011, respectively.

All land and facility leases and concession agreements are accounted for as operating leases. Future revenues under these agreements, based on fixed terms or on FY12 actual rates and assuming current agreements are carried to contractual termination are as follows:

	Land and Facilities	Concessions	Total
Year ended June 30,			
2013	$ 13,539,000	$ 7,629,000	$ 21,168,000
2014	12,781,000	7,545,000	20,326,000
2015	12,740,000	7,530,000	20,270,000
2016	4,611,000	2,387,000	6,998,000
2017	3,051,000	-	3,051,000
Thereafter	18,729,000	-	18,729,000
	$ 65,451,000	$ 25,091,000	$ 90,542,000

NOTE 14 – PASSENGER FACILITY CHARGES

The Aviation Safety and Capacity Expansion Act of 1990 authorized domestic airports to impose a Passenger Facility Charge (PFC) on passengers. The Authority is approved by the FAA to impose a PFC on enplaning revenue passengers of $3.00 through November 2010, increasing to $4.50 in December 2010.

The FAA has authorized the Authority to collect total net PFC revenue of $110,570,137 to be applied as follows:

For direct payment on capital project costs	$ 23,291,197
To be applied to the debt service and related costs on the 2001 Series A and B Bonds issued to finance PFC approved project costs	87,278,940
	$ 110,570,137

(Continued)

NOTE 14 – PASSENGER FACILITY CHARGES (Continued)

During the years ended June 30, 2012 and 2011, amounts of approximately $6,698,000 and $5,889,000, respectively, were received in passenger facility charges.

NOTE 15 – MAJOR CUSTOMERS

During fiscal years 2012 and 2011, the Authority earned approximately 26% of its operating revenues from one customer in each year.

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION NOTES TO FINANCIAL STATEMENTS

Organization: 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.

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

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 10,664,932	$ 415,000	$ (2,280,463)	$ 8,799,469
Construction projects	605,915	5,402,315	(5,428,427)	579,803
Total capital assets not being depreciated	11,270,847	5,817,315	(7,708,890)	9,379,272
Other capital assets:				
Land improvements	3,654,595	5,428,427	-	9,083,022
Utility systems	3,114,054	-	-	3,114,054
Total other capital assets	6,768,649	5,428,427	-	12,197,076
Less accumulated depreciation	(590,436)	(525,686)	-	(1,116,122)
Other capital assets, net	6,178,213	4,902,741	-	11,080,954
Net capital assets	$ 17,449,060	$ 10,720,056	$ (7,708,890)	$ 20,460,226

(Continued)

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

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 9,550,023	$ 1,114,909	$ -	$ 10,664,932
Construction projects	54,090	551,825	-	605,915
Total capital assets not being depreciated	9,604,113	1,666,734	-	11,270,847
Other capital assets:				
Land improvements	3,654,595	-	-	3,654,595
Utility systems	3,114,054	-	-	3,114,054
Total other capital assets	6,768,649	-	-	6,768,649
Less accumulated depreciation	(236,174)	(354,262)	-	(590,436)
Other capital assets, net	6,532,475	(354,262)		6,178,213
Net capital assets	$ 16,136,588	$ 1,312,472	$ -	$ 17,449,060

Long-Term Debt: LRZC has three loans payable to United Parcel Service (UPS) and one note payable to Louisville Paving as listed below:

	2012	2011
Loan payable to UPS 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. Paid in full	$ -	$ 5,440,377
Loan payable to UPS to be paid in fourteen annual installments of principal, beginning September 21, 2008 and maturing on September 21, 2021. Repayments on this loan are to be made solely from specified proceeds of LRZC activities.	5,720,294	8,205,600
Loan payable to UPS to be paid in seven annual installments of principal beginning September 21, 2021 and maturing on September 21, 2027. Repayments on this loan are to be made solely from specified proceeds of LRZC activities.	5,097,889	5,097,889
Loan payable to be paid to Louisville Paving in sixty monthly installments of $75,062, including interest at 6.5%, beginning March 1, 2012 and maturing on February 1, 2017. Repayments on this loan are secured by an assignment of certain rents.	3,617,403	-
Total loans payable	14,435,586	18,743,866
Less current portion	1,260,690	3,469,360
Long-term portion	$ 13,174,896	$ 15,274,506

(Continued)

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

Annual Loan Repayment Requirements: The annual loan repayment requirements to maturity, including principal and interest, as of June 30, 2012, are estimated as follows:

	Principal	Interest	Total
Year ended June 30,			
2013	$ 1,260,690	$ 214,939	$ 1,475,629
2014	1,306,471	169,010	1,475,481
2015	1,355,724	120,005	1,475,729
2016	1,407,999	67,717	1,475,716
2017	1,161,136	14,377	1,175,513
2018-2022	2,887,480	-	2,887,480
2023-2027	4,213,397	-	4,213,397
2028	842,689	-	842,689
	$ 14,435,586	$ 586,048	$ 15,021,634

Operating Lease of a Lessor: The LRZC entered into an operating lease with Ford Motor Company for 14.593 acres of land and land improvements that commenced on July 7, 2011 with an original term through December 2016 and an option to renew for five years. The lease includes ground rent, improvement rent, and commission rent components. The approximate future minimum lease payments to be received in each of the five succeeding years and thereafter under noncancelable operating leases are as follows:

Year ended June 30,	
2013	$ 1,094,837
2014	1,097,410
2015	1,100,034
2016	1,102,710
2017	483,669
	$ 4,878,660

Lease revenue recognized during the year ended June 30, 2012 was $693,086. The net book value of the property subject to the lease was $4,100,000 at June 30, 2012.

SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year ended June 30, 2012
(With comparative totals for 2011)

	2012			
	Louisville International	Bowman Field	Total	2011 Total
Operating revenues				
Landing and field use fees	$ 18,502,809	$ 40,438	$ 18,543,247	$ 18,966,757
Terminal area	9,437,654	81,944	9,519,598	9,688,877
Apron area	2,015,649	-	2,015,649	2,169,824
Parking and ground transportation	22,482,342	-	22,482,342	22,084,267
Aviation related facility leases	3,191,273	1,359,084	4,550,357	4,478,996
Land leases and other	1,960,419	169,860	2,130,279	2,109,152
Airport services	239,809	29,202	269,011	278,031
Other revenue	672,269	10,192	682,461	178,889
Total operating revenues	58,502,224	1,690,720	60,192,944	59,954,793
Operating expenses				
Operations and general maintenance				
Salaries, wages	7,133,186	355,978	7,489,164	7,484,722
Contracts	3,250,451	63,503	3,313,954	3,268,091
Utilities and fuel supplies	2,978,637	367,380	3,346,017	3,281,457
Supplies and other	906,495	177,305	1,083,800	929,593
Costs recovered from tenants	(535,095)	(8,493)	(543,588)	(717,022)
Total operations and general maintenance	13,733,674	955,673	14,689,347	14,246,841
Administrative, general, planning and engineering	9,094,113	565,304	9,659,417	9,741,372
Total operating expenses before major maintenance and depreciation	22,827,787	1,520,977	24,348,764	23,988,213
Major maintenance	3,889,641	302,994	4,192,635	3,257,674
Depreciation and amortization	26,842,033	1,202,832	28,044,865	28,153,053
Total operating expenses	53,559,461	3,026,803	56,586,264	55,398,940
Operating income (loss)	4,942,763	(1,336,083)	3,606,680	4,555,853
Non-operating revenues (expenses) and capital contributions				
Investment earnings, net	1,226,439	(35)	1,226,404	1,156,827
Interest expense	(13,385,303)	-	(13,385,303)	(14,848,982)
Passenger facility charge	6,697,614	-	6,697,614	5,888,853
Net (loss) gain on disposal of assets	(1,895,415)	-	(1,895,415)	(18,100,046)
Other expenses	(182,190)	15,000	(167,190)	(189,595)
Capital contributions	7,106,083	31,634	7,137,717	10,937,848
Net non-operating revenues (expenses)	(432,772)	46,599	(386,173)	(15,155,095)
Changes in net assets	$ 4,509,991	$ (1,289,484)	$ 3,220,507	$ (10,599,242)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT
June 30, 2012

	Cost					Accumulated Depreciation				
	Balance July 1, 2011	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2012	Balance July 1, 2011	Provisions	Retirements/ Adjustments	Balance June 30, 2012	Net Balance June 30, 2012
Louisville International Airport										
Land	$ 283,816,589	$ -	$ -	$ 1,185,565	$ 285,002,154	$ -	$ -	$ -	$ -	$ 285,002,154
Land improvements – runways, taxiways, and aprons	305,669,721	-	-	1,385	305,671,106	209,787,007	12,697,438	(771)	222,483,674	83,187,432
Land improvements – ground transportation and other	98,640,507	-	-	2,352,468	100,992,975	81,960,246	5,506,020	-	87,466,266	13,526,709
Buildings	122,633,094	-	-	1,618,659	124,251,753	67,047,477	5,143,316	282	72,191,075	52,060,678
Utility systems	41,106,788	-	-	-	41,106,788	33,389,557	1,025,115	-	34,414,672	6,692,116
Equipment (excluding automotive)	13,555,666	-	-	-	13,555,666	8,232,094	934,655	-	9,166,749	4,388,917
Vehicles and automotive equipment	8,489,932	-	(486,010)	653,339	8,657,261	6,167,279	384,508	(486,010)	6,065,777	2,591,484
Furniture and fixtures	5,036,156	-	-	-	5,036,156	4,713,348	121,944	-	4,835,292	200,864
Capital projects in progress	60,371,077	20,077,430	(2,389,791)	(6,138,968)	71,919,748	-	-	-	-	71,919,748
Total Louisville International Airport	939,319,530	20,077,430	(2,875,801)	(327,552)	956,193,607	411,297,008	25,812,996	(486,499)	436,623,505	519,570,102
Bowman Field										
Land	914,968	-	-	-	914,968	12,420	2,070	-	14,490	900,478
Land improvements – runways, taxiways, and aprons	14,923,405	-	-	-	14,923,405	6,572,994	788,528	(944)	7,360,578	7,562,827
Land improvements – ground transportation and other	542,536	-	-	-	542,536	285,924	26,831	-	312,755	229,781
Buildings	12,253,802	-	-	1,991,777	14,245,579	8,746,245	378,719	(282)	9,124,682	5,120,897
Utility systems	124,536	-	-	-	124,536	121,096	645	-	121,741	2,795
Equipment (excluding automotive)	274,566	-	-	-	274,566	258,288	8,493	-	266,781	7,785
Vehicles and automotive equipment	821,075	-	-	-	821,075	821,074	-	-	821,074	1
Construction in progress	327,882	2,173,203	-	(2,068,365)	432,720	-	-	-	-	432,720
Total Bowman Field	30,182,770	2,173,203	-	(76,588)	32,279,385	16,818,041	1,205,286	(1,226)	18,022,101	14,257,284
Total Louisville International Airport and Bowman Field	$ 969,502,300	$ 22,250,633	$ (2,875,801)	$ (404,140)	$ 988,472,992	$ 428,115,049	$ 27,018,282	$ (487,725)	$ 454,645,606	$ 533,827,386

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
June 30, 2012

	Expiration Date	Amount of Coverage
Chartis Aviation:		
General airport liability	07/31/2012	$ 250,000,000
Optional war risk and other perils	07/31/2012	150,000,000
Optional TRIA	07/31/2012	250,000,000
FM Global:		
All risk property	07/31/2012	500,000,000
Hartford Fire Insurance Company:		
Automobile coverage	07/31/2012	1,000,000
CV Starr:		
Public officials' liability covering board members and all employees	07/31/2012	10,000,000
Chubb Insurance Group:		
All risk unlicensed equipment floater	07/31/2012	8,878,371
Blanket travel accident	07/31/2012	125,000
KEMI:		
Worker's compensation	07/31/2012	Statutory Limitations
Employer's liability	07/31/2012	1,000,000
Fidelity and Deposit Co. of Maryland		
Fidelity and crime covering board members and all employees	07/31/2012	
Employee dishonesty		500,000
Forgery/alteration		100,000
Theft		100,000
Travelers Insurance Company:		
Pension trust liability covering fiduciaries of the authority retirement plans	08/01/2012	1,000,000
Starr Indemnity:		
Accidental policy covering airport volunteers	01/01/2013	15,000 per person
Axis Surplus Ins. Co.:		
Cyber liability	03/01/2013	1,000,000

Note: The Authority approved and has comparable policies in place for those policies listed above that have an expiration date between June 30, 2012 and the submission of these statements.

OTHER REQUIRED INFORMATION

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

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

We have audited the accompanying financial statements of the Louisville Regional Airport Authority (the "Authority") and the discretely presented component unit of the Louisville Renaissance Zone Corporation (the "LRZC") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 12, 2012. 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. The financial statements of the LRZC were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated October 12, 2012.

This report is intended solely for the information and use of the members of the Board of the Authority, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
October 12, 2012

Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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
Louisville, Kentucky

Compliance

We have audited the Louisville Regional Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2012. 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 non-compliance 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, 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 and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
October 12, 2012

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, 2012	(Unaudited) Accumulated Expenditures
U.S. Department of Transportation						
Direct Programs:						
Federal Aviation Administration						
Airport Improvement						
	20.106	3-21-0031-82	Various Airport Projects and Purchase of Equipment	$ 1,243,185	$ 63,065	$ 1,243,185
	20.106	3-21-0031-83	Taxiway Echo (Phase I), Various Airfield Projects and Purchase of Equipment	3,454,353	-	3,454,353
	20.106	3-21-0031-84	Taxiway A (Phase III), Various Airfield Projects and Purchase of Equipment	6,834,772	4,789,615	5,752,328
	20.106	3-21-0031-87	Various Airfield Projects	2,613,553	-	2,613,553
	20.106	3-21-0031-88	Acquire Land	5,000,000	1,000,000	4,000,000
	20.106	3-21-0031-89	Acquire Land	1,772,439	-	1,772,439
	20.106	3-21-0031-90	Taxiway A (Phase IV), Various Airfield Projects and Purchase of Equipment	13,101,152	1,521,162	4,188,662
	20.106	3-21-0031-91	Taxiway A (Phase IV), Various Airfield Projects and Purchase of Equipment	6,628,193	-	-
Bowman Field						
	20.106	3-21-0032-18	Taxiway Lima (Phase II) and Acquire Easement	1,330,000	31,634	1,102,172
	20.106	3-21-0032-19	Acquire Easement	68,073	-	2,033
	20.106	3-21-0032-21	Acquire Easement	50,000	-	-
Total U.S. Department of Transportation				42,095,720	7,405,476	24,128,725

See accompanying note to schedule of expenditures of federal awards.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2012

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, 2012	(Unaudited) Accumulated Expenditures
U.S. Department of Homeland Security						
	97.090	HSTS0208HSLR259	Law Enforcement Officer Reimbursement Program	$ 643,641	$ 158,866	$ 569,951
	97.072	HSTS0208HCAN449	TSA National Explosives Detection Canine Team	1,002,500	294,779	796,279
				1,646,141	453,645	1,366,230
Pass-Through Funds:						
Federal Emergency Management Agency/Commonwealth of Kentucky Emergency Management						
	97.036	FEMA-1818DRKY	Public Disaster Assistance (Ice Storm)	456,631	-	410,968
	97.036	FEMA-1855DRKY	Public Disaster Assistance (Flood)	37,767	-	37,767
				494,398	-	448,735
Total U.S. Department of Homeland Security				2,140,539	453,645	1,814,965
Total Expenditures of Federal Awards.				$ 44,236,259	$ 7,859,121	$ 25,943,690

See accompanying note to schedule of expenditures of federal awards.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: 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 __√__ No

Non-compliance material to financial statements noted? ____ Yes __√__ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ____ Yes __√__ No

Significant deficiencies identified that are not considered to be material weakness(es)? ____ Yes __√__ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) Circular A-133? ____ Yes __√__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	U.S. Department of Transportation Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? __√__ Yes ____ No

PART II: FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended June 30, 2012.

PART III: FEDERAL AWARD FINDINGS

There were no findings for the year ended June 30, 2012.

PART IV: PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended June 30, 2011.

Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE (PFC) PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

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

We have audited the Louisville Regional Airport Authority's (the Authority) compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2012. 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 non-compliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2012.

Internal Control Over Compliance

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 the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, 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.

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, 2012, and have issued our report thereon dated October 12, 2012. Our audit was performed for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charges collected and expended is fairly stated in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the members of the Board of the Authority, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
October 12, 2012

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program	Record of Decision	Impose Authority	Use Authority	PFC Collected	Interest Collected	Expenditures
U.S. Department of Transportation						
Passenger Facility Charge Program						
	97-01-C-00-SDF	$ 90,600,000	$ 90,600,000	$ 79,384,434	$ 737,700	$ 55,474,556
	01-02-C-00-SDF	10,012,140	10,012,140	-	-	10,012,140
	03-03-C-00-SDF	5,666,800	5,666,800	-	-	5,666,800
	06-04-C-00-SDF	1,267,315	1,267,315	-	-	1,253,136
	08-05-C-00-SDF	900,000	900,000	-	-	726,813
	11-06-C-00-SDF	2,123,882	2,123,882	-	-	1,646,378
Totals		$ 110,570,137	$ 110,570,137	$ 79,384,434	$ 737,700	$ 74,779,823

Summary of Auditor's Results

We have issued an unqualified opinion, dated October 12, 2012 on the financial statements of Louisville Regional Airport Authority as of and for the year ended June 30, 2012.

Our audit disclosed no material weaknesses or significant deficiencies that are considered to be material weaknesses in relation to internal control over financial reporting or internal control over the passenger facility charge program.

Our audit disclosed no instances of non-compliance which are material to Louisville Regional Airport Authority's financial statements.

We have issued an unqualified opinion, dated October 12, 2012 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.

SCHEDULE OF PRIOR AUDIT PASSENGER FACILITY CHARGES
FINDINGS AND THEIR RESOLUTION
Year ended June 30, 2012

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.