Financial Statements

LOUISVILLE REGIONAL AIRPORT AUTHORITY

ANNUAL REPORT

June 30, 2009 and 2008

LOUISVILLE REGIONAL AIRPORT AUTHORITY

June 30, 2009 and 2008

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June 30, 2009 and 2008

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Mountjoy & Bressler, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Louisville Regional Airport Authority (the Authority) as of and for the years ended June 30, 2009 and 2008 and the discretely presented component unit of the Louisville Renaissance Zone Corporation as of and for the years ended June 30, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisville Regional Airport Authority as of June 30, 2009 and 2008, the financial position of the Louisville Renaissance Zone Corporation as of June 30, 2009 and 2008, and the respective changes in financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 12, 2009 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Mountjoy & Bressler, LLP

Louisville, Kentucky
October 12, 2009

LOUISVILLE REGIONAL AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Louisville Regional Airport Authority is a municipal corporation established by Chapter 77 of the 1928 Public Acts of the Commonwealth of Kentucky. The Authority was organized for and has its purpose, as set forth in Kentucky Revised Statutes Chapter 183, to establish, maintain, operate and expand airport and air navigation facilities either acquired by or placed under control of the Authority as provided by Kentucky law, and to promote and develop aviation. The Authority currently operates Louisville International Airport (SDF), primarily a commercial operations airport, and Bowman Field (LOU), primarily a general aviation and air traffic reliever airport to SDF. The management of the Authority offers readers of our financial statements the following narrative overview and analysis of our statistical and financial activities for the fiscal year ended June 30, 2009.

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.

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:

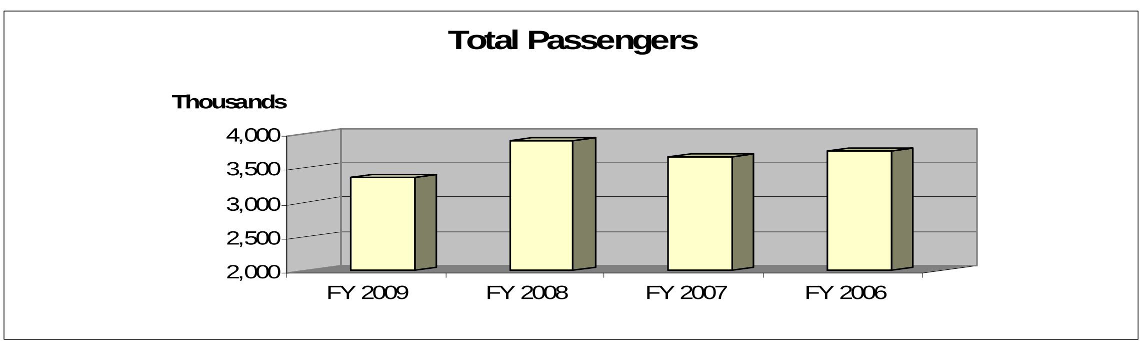
	FY 2009	FY 2008	FY 2007	FY 2006
Passengers				
Enplaned	1,682,284	1,956,868	1,839,166	1,883,500
Deplaned	1,678,874	1,945,714	1,824,428	1,877,186
Total	3,361,158	3,902,582	3,663,594	3,760,686
Landed Weight				
Passenger	2,148,742,098	2,485,816,845	2,233,506,863	2,359,068,586
Cargo	10,324,892,516	10,442,470,286	10,505,786,357	9,407,376,224
Total	12,473,634,614	12,928,287,131	12,739,293,220	11,766,444,810

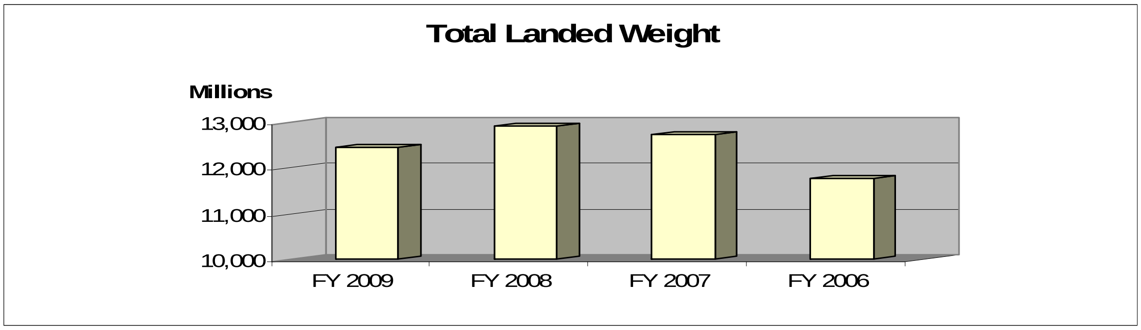
Louisville International's (SDF) status as a major worldwide cargo leader in terms of volume is best reflected by its current ranking of 3rd in North America and 9th worldwide. UPS continued their $1.0+ billion expansion to the UPS Worldport℠ facility. The expansion will be completed by the end of FY 2010 and will increase the sort capacity from 304,000 pieces per hour to 416,000 pieces per hour. UPS' cargo volume at SDF for fiscal year 2009 was 4.11 billion versus fiscal year 2008 of 4.50 billion pounds – a 9% decrease.

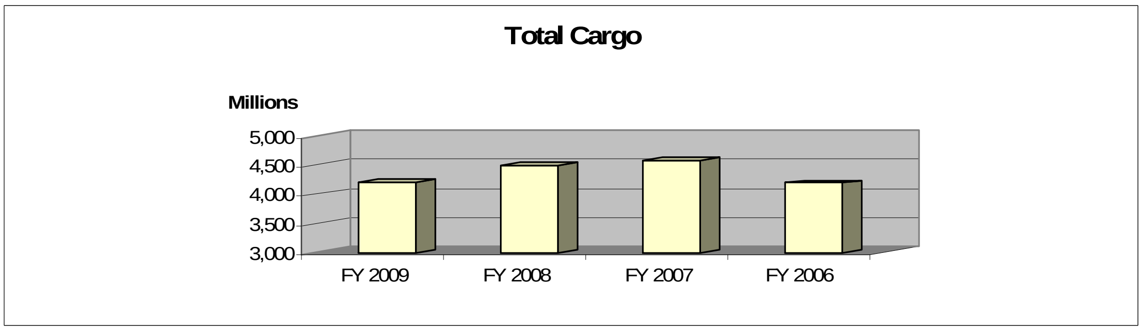
During FY 2009, passenger enplanements decreased by 14% compared to FY 2008. The decrease was the result of a significant nationwide reduction in airline seat capacity and a sharp reduction in consumer demand during the second half of the year. The decrease in capacity was driven by record high fuel prices during the summer of 2008 and a dramatic downturn in the economy during the fall of 2008. As a result, Louisville lost service by two airlines (Midwest and Frontier) and nonstop access to four destinations (Boston, MA, Denver, CO, Milwaukee, WI and Raleigh, NC). Overall, the decrease in travel volume reported in Louisville is on par with similarly sized airports across the nation.

During the year, airlines continued to transition from smaller first-generation regional jets with 37 to 50 seats to aircraft with 70 to 100 seats. Due to the high price of fuel, airlines expedited the transition to next generation aircraft by also retiring older, less fuel efficient narrow body aircraft such as DC-9 and some Boeing 737. Also, airlines have devoted significant resources to "right-sizing" aircraft and schedules to demand nationwide. We expect this trend to continue into FY 2010.

By the end of FY 2009, capacity reductions seemed to stabilize. However, consumer demand for air travel services will be difficult to predict over the next 18 to 24 months due to continued economic uncertainty.







Financial Highlights
(Versus Budget and Prior Year)

- Total Revenues for fiscal year 2009 were 4% less than fiscal year 2008 actual and 5% less than budget. Major contributors to this decrease are:
    - Landing Fees were approximately $600,000 greater than fiscal year 2008 and $60,000 greater than budget. Landing fees are based on costs of the airfield which is a break-even or "residual" cost center. Costs in the airfield were up approximately $650,000 over prior year primarily due to snow and ice removal costs which alone were up $390,000 and an airfield lights and cable repair project of approximately $220,000.
    - Leases for Land and Hangar Facilities were up approximately $1.0 million versus prior year and up $600,000 to budget. The majority of this increase is due to the lease of a new maintenance hangar facility to Compass Airlines and a land lease agreement with UPS.
    - Parking revenues were down approximately $3.0 million versus fiscal year 2008 and down $3.3 million versus budget. Parking revenues are historically tied to the increase or decrease enplanement activity which was down approximately 14.0% compared to fiscal year 2008.
    - Rental Car revenues were down approximately $600,000 versus fiscal year 2008 and down $1.1 million versus budget. Similarly to Parking, this is generally tied to an increase or decrease in passenger traffic.
    - Passenger Facility Charges (PFC) were approximately $1.5 million short of budget and $730,000 short of prior year. This is directly related to fewer people purchasing airline tickets.
    - Interest Income was approximately $2.8 million (54.2%) less than prior year. This is primarily due to the Federal Reserve's response to the economic downturn by lowering the Federal Funds rate. This reduction had rippling effects throughout the investment and banking industry.

- Operating Expenses before Depreciation for fiscal year 2009 were 5% less than budget and 4% greater than fiscal year 2008 actual. The Authority initiated cost cutting measures which resulted in expenses being under budget. The major reasons for increase over prior year are snow and ice removal costs and wage increases.
- Operating Income before Depreciation was $31.3 million which is $1.1 million (3.6%) less than budgeted and $4.0 million (11%) less than fiscal year 2008 actual.
- Interest Expense is approximately $1.5 million less than prior year and $600,000 less than budget. The variances are due primarily to our 2002 A & B bond variable rate debt ($950,000 under prior year, $740,000 under budget), 2008 A bonds which refunded our 1997A bonds and provided funds for the construction of a new aircraft maintenance facility ($220,000 over prior year, $377,000 over budget) and capitalized interest ($280,000 over prior year, $200,000 over budget).
- Net Loss before Capital Contributions was $10.3 million, which is $4.3 million greater than budget and $7.1 million greater than fiscal year 2008 actual. These decreases are primarily due to reduced revenues as explained earlier.
- Net Assets increased from prior year by $9.1 million to $300.9 million.

Financial Information

Statement of Net Assets

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

	June 30, 2009	June 30, 2008	June 30,2007
Assets:			
Unrestricted	$ 43,312,362	$ 35,559,101	$ 36,257,117
Restricted	90,120,184	95,521,779	93,149,377
Capital Assets (Includes In Progress)	584,320,565	585,898,526	591,575,906
Other	15,466,923	15,373,157	16,276,132
Total Assets	733,220,034	732,352,563	737,258,532
Liabilities:			
Unrestricted	4,037,937	3,649,078	10,769,233
Restricted	26,183,791	29,238,500	26,056,800
Long Term Debt	361,990,000	367,050,000	382,120,000
Other	40,100,372	40,572,018	42,258,234
Total Liabilities	432,312,100	440,509,596	461,204,267
Net Assets			
Invested in capital assets, net of related debt	279,946,400	282,163,832	270,978,416
Restricted for debt services	14,352,345	14,447,382	14,407,952
Restricted for capital projects	2,067,003	5,157,420	4,094,446
Unrestricted net assets (deficit)	4,542,186	(9,925,667)	(13,426,549)
Total Net Assets	$ 300,907,934	$ 291,842,967	$ 276,054,265

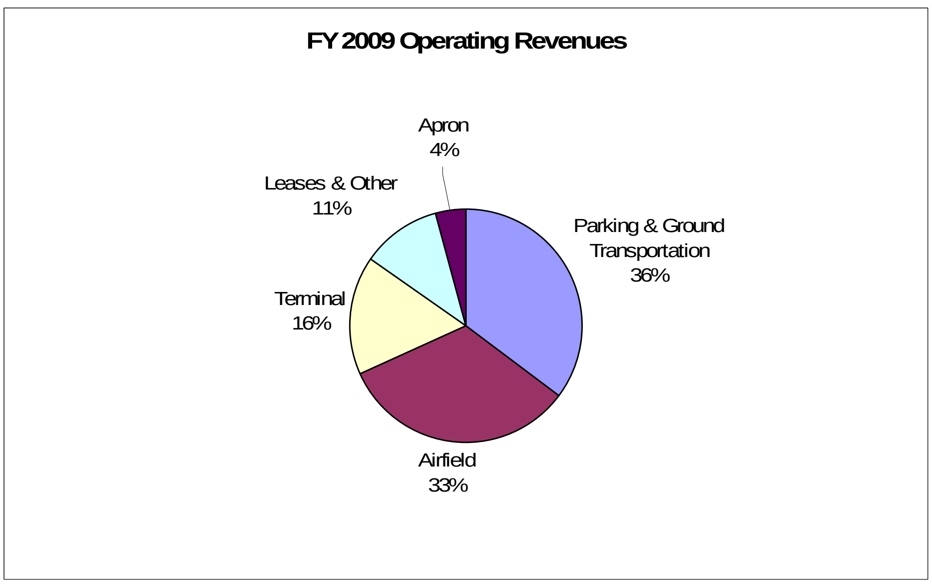
The decrease in Total Liabilities is primarily due to our usual reduction in outstanding bonds due to principal payments. Total Net Assets increased by $9.1 million.

Revenue

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

	2009 Actual	2009 Budget	2008 Actual	2007 Actual
Operating Revenues				
Landing and Field Use	$ 20,055,027	$ 19,993,581	$ 19,451,017	$ 18,555,278
Apron Area	2,475,485	2,318,712	2,388,789	2,453,481
Landside Terminal	6,392,306	6,854,701	6,627,976	4,958,446
Airside Terminal	3,578,675	3,630,500	3,714,006	3,355,087
Leases	6,254,383	5,646,046	5,308,619	5,161,625
Parking & Ground Transportation	21,324,462	24,656,800	24,322,650	22,638,830
Other	482,438	317,100	1,464,184	297,484
Total Operating Revenues	60,562,776	63,417,440	63,277,241	57,420,231
Non Operating Revenues				
Passenger Facility Charge	4,594,799	6,061,540	5,323,789	5,780,894
Interest Income	2,376,785	2,438,000	5,184,333	5,869,285
Total Non Operating Revenues	6,971,584	8,499,540	10,508,122	11,650,179
Total Revenues	$ 67,534,360	$ 71,916,980	$ 73,785,363	$ 69,070,410

The major contributors to total revenues' unfavorable decrease to budget and fiscal year 2008 have been explained earlier under Financial Highlights. The Authority also receives Capital Contributions from Federal & State Government grants and private donations. Capital Contributions received or accrued for fiscal year 2009 and 2008 were $19,419,520 and $19,045,903 respectively.

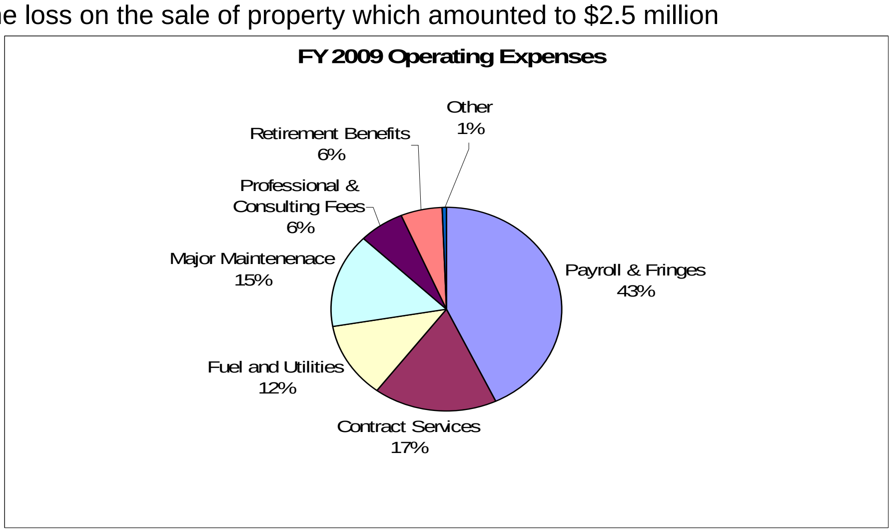


Expenses

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

	2009		2008	2007
	Actual	Budget	Actual	Actual
Operating Expenses:				
Payroll & Fringe Benefits	$ 12,614,186	$ 13,047,790	$ 11,845,399	$ 11,553,619
Contract Services	5,067,173	5,660,491	5,249,435	4,557,845
Fuel and Utilities	3,420,007	3,388,200	3,295,537	2,932,840
Professional & Consulting Fees	1,848,080	1,751,500	1,687,622	1,827,195
Retirement	1,693,751	1,910,000	1,903,329	1,526,698
Other	202,709	831,039	341,269	659,278
Total Operating Expenses before Major Maintenance and Depreciation	24,845,906	26,589,020	24,322,591	23,057,475
Major Maintenance	4,426,132	4,372,385	3,610,139	3,551,265
Total Operating Expenses before Depreciation	29,272,038	30,961,405	27,932,730	26,608,740
Non-Operating Expenses				
Interest Expense	17,785,333	18,329,961	19,308,182	19,660,090
Other	2,693,343	-	4,682	105,653,595
Total Non-Operating Expenses	20,478,676	18,329,961	19,312,864	125,313,685
Total Expenses before Depreciation	$ 49,750,714	$ 49,291,366	$ 47,245,594	$ 151,922,425

The Authority initiated several cost cutting measures in response to the airline industry being hampered by extremely high fuel costs during the first half of FY 2009 and the economic downturn. The largest reduction was the postponement of select budgeted major maintenance projects. One large expense which is categorized in major maintenance that we must incur is snow and ice removal. This subject's impact on airfield costs was partially discussed in the Total Revenue - Landing Fees explanation. In total this expenditure was $1.6 million which was $500K greater than last fiscal year and $1.2 million greater than budget. Primary reasons for the increase are the number of incidents and the increase in liquid deicer costs from $2.31 / gallon during the prior year's winter season to $7.30. Other Non-Operating Expense is primarily from the loss on the sale of property which amounted to $2.5 million



Capital Assets. During fiscal year 2009, the Authority's capital spending and accruals totaled approximately $29,928,000. Major projects were: Noise Mitigation, Land Acquisition, Relocation and Sound Insulation - $6,250,000; Runways & Taxiways - $9,623,000; construction of a Maintenance Hangar to be leased to Compass Airlines - $8,007,000; and construction of the Emergency Operations Center - $2,379,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately $34,598,000. Land with a book value of $3,863,000 that had been partially funded with federal grants was sold for $1,378,000 that resulted in a loss of $2,485,000.

Debt. Currently, the Authority has bonds outstanding of $378,075,000 of which $361,990,000 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. Major projects that were in process during fiscal year 2009 and funded by a portion of the debt include construction of Taxiway Alpha and an aircraft maintenance hangar. A summary of changes in long-term debt and annual debt service requirements are found in Note F to the financial statements.

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

Respectfully submitted,

Dorothy M Caulk

Dorothy M. Caulk, CPA
Director of Finance and Accounting

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS

	Louisville Regional Airport Authority June 30		Component Unit Louisville Renaissance Zone Corporation June 30	
	2009	2008	2009	2008
ASSETS				
Current Assets, Unrestricted				
Cash and equivalents	$ 20,470,571	$ 17,270,133	$ 1,886,070	$ 2,239,999
Investments, at amortized cost plus accrued interest	16,506,251	12,476,915	-	-
Fees and rentals receivable	2,952,295	2,901,710	490,636	385,580
Due from component unit	2,374,601	2,123,463	-	-
Supplies and prepaid expenses	1,008,644	786,880	-	-
Total unrestricted current assets	43,312,362	35,559,101	2,376,706	2,625,579
Current Assets, Restricted				
Cash and equivalents	32,547,044	29,808,835	-	-
Cash – Land Fund	3,930,608	9,478,360	-	-
Interest receivable	43,852	273,454	-	-
Grants receivable	676,901	3,858,802	-	-
Investments, at amortized cost plus accrued interest – Land Fund	5,001,585	-	-	-
Total restricted current assets	42,199,990	43,419,451	-	-
Total current assets	85,512,352	78,978,552	2,376,706	2,625,579
Noncurrent Assets, Unrestricted				
Capital assets not being depreciated	352,397,900	361,225,947	16,842,105	15,040,236
Depreciable capital assets, net	231,922,665	224,672,579	-	-
Deferred loan and bond cost, net of accumulated amortization of $5,163,413 in 2009 and $5,960,592 in 2008	15,466,923	15,373,157	2,684,636	2,886,878
Total unrestricted noncurrent assets	599,787,488	601,271,683	19,526,741	17,927,114
Noncurrent Assets, Restricted				
Cash – PFC Fund	2,067,004	5,157,420	-	-
Cash and equivalents	33,696,173	11,246,785	-	-
Investments – PFC Fund	3,000,363	-	-	-
Investments, at amortized cost plus accrued interest	9,156,654	35,698,123	-	-
Total restricted noncurrent assets	47,920,194	52,102,328	-	-
Total noncurrent assets	647,707,682	653,374,011	19,526,741	17,927,114
Total assets	$ 733,220,034	$ 732,352,563	$ 21,903,447	$ 20,552,693

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS -- CONTINUED

	Louisville Regional Airport Authority June 30 2009	2008	Component Unit Louisville Renaissance Zone Corporation June 30 2009	2008
LIABILITIES				
Current Liabilities (payable from unrestricted current assets)				
Accounts payable	$ 3,103,030	$ 2,540,770	$ 417,736	$ 267,269
Due to the Authority	-	-	2,374,601	2,123,463
Accrued expenses and other	807,738	994,123	317,438	441,908
Loans Payable	-	-	229,098	72,519
Deferred income	127,169	114,185	-	-
Total unrestricted current liabilities	4,037,937	3,649,078	3,338,873	2,905,159
Current Liabilities (payable from restricted current assets)				
Current portion of bonds and loans payable	16,085,000	15,070,000	-	-
Accounts payable	2,380,908	6,007,747	-	-
Accrued interest	7,717,883	8,160,753	-	-
Total restricted current liabilities	26,183,791	29,238,500	-	-
Total current liabilities	30,221,728	32,887,578	3,338,873	2,905,159
Long-Term Debt				
Bonds and loans payable	361,990,000	367,050,000	18,180,137	17,027,719
Other Liabilities				
Deposit from UPS Land Option	7,656,700	8,031,250	-	-
Unamortized bond premium, net	9,335,248	9,432,344	-	-
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	40,100,372	40,572,018	-	-
Total liabilities	432,312,100	440,509,596	21,519,010	19,932,878
Commitments and contingencies				
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	276,946,037	282,163,832	-	-
Restricted for debt service	14,352,345	14,447,382	-	-
Restricted for capital projects	5,067,366	5,157,420	-	-
Unrestricted net assets (deficit)	4,542,186	(9,925,667)	384,437	619,815
Total net assets	$ 300,907,934	$ 291,842,967	$ 384,437	$ 619,815

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Louisville Regional Airport Authority June 30		Component Unit Louisville Renaissance Zone Corporation June 30	
	2009	2008	2009	2008
Operating Revenues				
Rentals and concessions	$ 40,507,749	$ 43,826,224	$ -	$ -
Landing and field use fees	20,055,027	19,451,017	-	-
Land sales and TIF revenues	-	-	301,072	2,559,080
Total operating revenues	60,562,776	63,277,241	301,072	2,559,080
Operating Expenses				
Operations and general maintenance	16,669,526	16,319,440	-	641,860
Administrative, general, planning and engineering	8,176,380	8,003,151	179,729	263,379
	24,845,906	24,322,591	179,729	905,239
Major maintenance	4,426,132	3,610,139	-	-
Depreciation and amortization	28,138,199	29,796,970	-	-
Total operating expenses	57,410,237	57,729,700	179,729	905,239
Operating income	3,152,539	5,547,541	121,343	1,653,841
Non-Operating Revenues (Expenses)				
Investment earnings, net	2,376,785	5,184,333	9,160	18,372
Interest expense	(17,785,333)	(19,308,182)	(365,881)	(333,633)
Passenger facility charges	4,594,799	5,323,789	-	-
Net (loss) gain on disposal of assets	(2,485,109)	182,833	-	-
Other expenses	(208,234)	(187,515)	-	-
Net non-operating revenue (expense)	(13,507,092)	(8,804,742)	(356,721)	(315,261)
Income (loss) before capital contributions	(10,354,553)	(3,257,201)	(235,378)	1,338,580
Capital Contributions	19,419,520	19,045,903	-	-
Change in net assets	9,064,967	15,788,702	(235,378)	1,338,580
Net assets (deficit), beginning of year	291,842,967	276,054,265	619,815	(718,765)
Net assets, end of year	$ 300,907,934	$ 291,842,967	$ 384,437	$ 619,815

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS

	Louisville Regional Airport Authority June 30		Component Unit Louisville Renaissance Zone Corporation June 30	
	2009	2008	2009	2008
Cash Flows From Operating Activities				
Receipts from customers and users	$ 59,899,487	$ 62,607,814	$ -	$ -
Land sales and TIF revenues		-	196,016	2,173,500
Payments to suppliers	(20,456,878)	(24,589,336)	(268,475)	(251,783)
Payments to employees	(8,385,888)	(7,862,331)	-	-
Net cash provided by (used for) operating activities	31,056,721	30,156,147	(72,459)	1,921,717
Cash Flows From Capital and Related Financing Activities				
Capital contributions	22,601,421	17,994,988	-	-
Passenger facility charges	4,594,799	5,323,789	-	-
Acquisition and construction of capital assets	(33,406,991)	(24,403,028)	(1,397,385)	(7,110,709)
Proceeds from sale of assets	1,378,187	182,957	-	-
Proceeds from issuance of debt	37,610,000	-	1,145,124	7,404,406
Principal paid on capital debt	(41,655,000)	(14,410,000)	(38,369)	-
Interest paid on capital debt, net of capitalized interest	(18,228,203)	(19,488,559)	-	-
Fees paid on bonds	(208,235)	(187,629)	-	-
Issuance costs of capital debt	703,413	(137,838)	-	-
Cash flows (used for) provided by capital and related financing activities	(26,610,609)	(35,125,320)	(290,630)	293,697
Cash Flows From Investing Activities				
Proceeds from maturities of investments	79,256,313	56,436,018	-	-
Purchase of investments	(64,746,128)	(32,343,300)	-	-
Investment income	793,570	5,183,170	9,160	5,759
Net cash provided by investing activities	15,303,755	29,275,888	9,160	5,759
Net Increase (Decrease) in Cash and Equivalents	19,749,867	24,306,715	(353,929)	2,221,173
Cash and Equivalents, Beginning of Year	72,961,533	48,654,818	2,239,999	18,826
Cash and Equivalents, End of Year	$ 92,711,400	$ 72,961,533	$ 1,886,070	$ 2,239,999

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS - CONTINUED

	Louisville Regional Airport Authority June 30		Component Unit Louisville Renaissance Zone Corporation June 30	
	2009	2008	2009	2008
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
Operating income	$ 3,152,539	$ 5,547,541	$ 121,343	$ 1,653,841
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	28,138,199	29,796,970	-	-
Changes in assets and liabilities:				
Fees and rental receivable	(301,723)	(682,412)	(105,056)	(385,580)
Deferred income	12,984	12,985	-	-
Supplies and prepaid expenses	(221,764)	(87,874)	-	-
Accounts payable	837,421	(4,592,114)	(88,746)	653,456
Accrued expenses and other	(186,385)	161,051	-	-
Deposit from UPS land option	(374,550)	-	-	-
Net cash provided by (used for) operating activities	$ 31,056,721	$ 30,156,147	$ (72,459)	$ 1,921,717

Noncash Investing, Capital and Related Financing Activities:

The Authority has retainage and accounts payable related to construction in progress of approximately $2,651,000 and $6,553,000 as of June 30, 2009 and 2008, respectively. The Authority recorded a loss on sale of assets of approximately $2,485,000 and a gain on sale of assets of approximately $183,000 as of June 30, 2009 and 2008, respectively.

LRZC has capitalized approximately $202,000 of loan amortization costs that is offset by proceeds on loans payable.

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

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

> Rentals and Concessions: These are revenues from airlines, fixed base operators, rental car companies, parking lot, food, gift shop and other commercial tenants. Leases generally are for terms from one to five years and require rentals based on the volume of business of the lessee, with specified minimum rentals.
>
> Landing and Field Use Fees: These fees are generally from scheduled airlines and nonscheduled commercial aviation and are assessed based on the landed weight of the aircraft. The scheduled airline fee structure is assessed pursuant to use agreements between the Authority and the signatory airlines. The Authority entered into a Landing Fee Surcharge Agreement beginning July 1, 2003 with one of its commercial tenants to provide financial support for a terminal renovation project. The revenue generated from this agreement was approximately $532,000 and $531,000 for fiscal year 2009 and 2008, respectively.
>
> Construction and Equipment Grants: Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Authority (FAA), with certain matching funds provided by the Authority, the Commonwealth of Kentucky, or from other state allocations or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.
>
> Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

A summary of the significant accounting policies consistently applied in the accompanying financial statements is presented to assist in the understanding the Authority's financial statements.

Basis of Accounting: The Authority is accounted for as an enterprise fund. The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Authority has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting and Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has further elected not to apply FASB pronouncements issued after November 30, 1989, in accordance with GASB Statement No. 20.

Continued

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

Basis of Accounting (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.

LRZC is a non-stock, non-profit public property corporation set up to oversee an area that is bordered at the north by Fern Valley Road, the east by I-65, the south by I-265, and the west by CSX railroad. This area can be developed for commercial or industrial uses. The LRZC entered into an Interlocal Cooperation Agreement with the Louisville Metro Government and the Commonwealth of Kentucky whereby funding will be provided by Tax Incremental Financing (TIF). The Authority's Board members also serve as the LRZC's Board. This causes the relationship between the Authority and the LRZC to be related entities resulting in the need for including a discretely presented component unit in the statements of the Authority.

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

Fees and Rentals Receivable: Receivables are reported at their fair value and are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2009 and 2008, the allowance for uncollectible accounts was $303,000 and $324,000, respectively.

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

Capital Assets: The Authority's property and facilities that were transferred from the United States Government in 1948 are stated at approximate reproduction costs in 1948. Other donated assets are stated at approximate market value at the date the assets were placed into service. Substantially all other assets are stated at cost. The interest carrying costs of facilities being constructed are capitalized during their construction period based on the Authority's average borrowing rate related to outstanding debt less interest income associated with the proceeds of such debt. Interest cost capitalized was approximately $303,000 and $21,000 during 2009 and 2008, respectively.

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

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

Continued

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

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

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

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

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

Reclassifications: Certain amounts from 2008 have been reclassified to conform to 2009 presentation with no impact to the increase in net assets for the year.

Subsequent Events:
The Authority evaluated events occurring between the end of its most recent fiscal year and October 12, 2009, the date the financial statements were issued.

NOTE B--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 2013, 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:	2009	2008
Cash on hand	$ 3,550	$ 3,575
Deposits with financial institutions	26,400,046	31,811,786
Repurchase agreements	66,307,804	41,146,172
	$ 92,711,400	$ 72,961,533

Continued

NOTE B--CASH AND EQUIVALENTS--CONTINUED

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

Covered by federal depository insurance	$ 372,241	$ 283,450
Uninsured and collateralized	26,327,341	32,531,130
Bank balance	$ 26,699,582	$ 32,814,580
Carrying amount	$ 26,400,046	$ 31,811,786

NOTE C--INVESTMENTS

At June 30, 2009, the Authority's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Fannie Mae	$ 1,500,000	Weighted average 9.11 years	AAA
Federal Home Loan Bank	12,455,688	Weighted average 0.27 years	AAA
Freddie Mac	19,004,688	Weighted average 0.17 years	AAA
Tennessee Valley Authority	704,477	3.71 years	AAA
	$ 33,664,853		

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

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

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

	2009	2008
Unrestricted investments	$ 16,506,251	$ 12,476,915
Restricted investments, current	5,001,585	-
Restricted investments, noncurrent	12,157,017	35,698,123
Total investments	$ 33,664,853	$ 48,175,038

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

Continued

NOTE C—INVESTMENTS--CONTINUED

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

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

Concentration of Credit Risk: Unrestricted funds invested in U.S. Government Agencies are limited to 50% of invested assets. At June 30, 2009, approximately $16,506,000 was invested in U.S. Government agency obligations. Domestic bank obligations may not exceed 35% of invested assets per issuer.

NOTE D--RESTRICTED ASSETS

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

June 30, 2009	Cash and Equivalents	Investments	Interest Receivable	Grants Receivable	Total
Bond Funds	$ 61,057,841	$ 5,500,000	$ -	$ 676,901	$ 67,234,742
Revolving Debt Coverage	5,185,376	3,656,654	43,852	-	8,885,882
Land Proceeds	3,930,608	5,001,585	-	-	8,932,193
PFC Funds	2,067,004	3,000,363	-	-	5,067,367
	$ 72,240,829	$ 17,158,602	$ 43,852	$ 676,901	$ 90,120,184

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

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, 2009 and $8,700,000 at June 30, 2008. 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, 2009 and 2008, this reimbursement amount was approximately $4,300,000.

NOTE E--COMMITMENTS AND CONTINGENCIES

Part 150 Land Acquisition Program: The Authority is acquiring certain residential properties surrounding the Louisville International Airport that are adversely impacted by noise. To accomplish this acquisition, the Authority has instituted a FAA approved Part 150 voluntary acquisition and relocation program. Under this program, residents in the noise-impacted areas may sell their property to the Authority at its appraised value. The Authority will also make a replacement housing payment, if applicable, and pay most closing and moving expenses. Once vacated, all residential and ancillary structures are demolished or moved from the noise-impacted area.

To assist residents in finding replacement housing, the Authority, in conjunction with the FAA, has developed an Innovative Housing Program at Heritage Creek. Through this program, the Authority has developed a subdivision located outside the noise-impacted areas, which consist of moderately priced houses similar to the houses of the residents seeking replacement. Residents participating in this program may exchange their residential property in the noise-impacted area for similar property in the new subdivision. This program will provide approximately 450 replacement lots at an estimated cost of $26 million. This program was initially funded partially by a special grant from the FAA of $10 million with remaining costs being paid with surplus funds of the Authority.

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, 2009, capital projects in progress include approximately $47 million related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately $246 million less $199 million of costs related to land which has been sold or optioned for sale.

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

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

During Fiscal 1999, the Authority received an additional $20,000,000 from the Commonwealth to acquire residential property under its Part 150 Land Acquisition Program. The Authority, in turn, agreed to transfer certain property to the Commonwealth. The Authority has a "Lease in Anticipation of Transfer" with the Commonwealth relating to this property.

On September 3, 2003, the Authority entered into a deed which transferred property to the Commonwealth at a value of $10,386,337. The deed was filed with the County Clerk of Jefferson County, Kentucky on December 30, 2004. On March 27, 2008, the Authority entered into a deed which transferred additional property to the Commonwealth at a value of $1,088,840. That deed was filed with the County Clerk of Jefferson County, Kentucky on May 15, 2008. The entire amount of these transfers reduced the related liability.

NOTE E--COMMITMENTS AND CONTINGENCIES--CONTINUED

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

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

NOTE F--DEBT

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

	2009	2008
1997 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 5.75% to 6.50% through July 1, 2017, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues, refinanced in fiscal year 2009	$ -	$ 28,740,000
1998 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 3.80% to 5.00% through July 1, 2025, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	8,635,000	8,955,000
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	77,230,000	80,875,000
2001 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 4.00% to 5.50% through July 1, 2031, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	8,360,000	8,965,000

Continued

NOTE F--DEBT--CONTINUED

Bonds payable consists of the following at June 30 (Continued):

	2009	2008
2002 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at variable rates (0.63% at June 30, 2009) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	$ 42,000,000	$ 43,025,000
2002 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at variable rates (0.62% at June 30, 2009) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	33,625,000	34,450,000
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	7,970,000	9,410,000
2003 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.00% to 4.60% through July 1, 2023, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues	6,320,000	6,630,000
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	108,455,000	113,200,000
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	37,610,000	-
Total debt	378,075,000	382,120,000
Less current portion	16,085,000	15,070,000
	$ 361,990,000	$ 367,050,000

Continued

NOTE F--DEBT--CONTINUED

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds	$ 382,120,000	$ 37,610,000	$ (41,655,000)	$ 378,075,000	$16,085,000

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

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

The total interest incurred for the year ended December 31, 2009 was $18,088,729. Of this amount, $303,396 was capitalized as a component of the cost of capital assets constructed during the year and approximately $17,785,000 was charged to expense.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2009, are as follows:

Year Ended June 30	Principal	Interest	Total
2010	$ 16,085,000	$ 18,289,767	$ 34,374,767
2011	16,890,000	17,726,378	34,616,378
2012	17,680,000	16,920,283	34,600,283
2013	18,590,000	16,015,903	34,605,903
2014	19,530,000	15,059,753	34,589,753
2015 – 2019	96,480,000	60,706,333	157,186,333
2020 – 2024	104,225,000	36,138,813	140,363,813
2025 – 2029	54,705,000	14,547,313	69,252,313
2030 – 2034	30,820,000	4,198,113	35,018,113
2035 – 2038	3,070,000	524,975	3,594,975
	$ 378,075,000	$ 200,127,631	$ 578,202,631

Outstanding Letters of Credit: At June 30, 2009 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, 2009 and 2008.

Continued

NOTE F--DEBT--CONTINUED

Louisville Renaissance Zone Corporation

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

	2009	2008
Loan payable to be paid in five annual installments of principal and accrued interest payable at 6%, beginning August 12, 2008 and maturing on August 12, 2012.	$ 5,290,631	$ 5,329,000
Loan payable to be paid in fourteen annual installments of principal, beginning September 21, 2008 and maturing on September 21, 2021. Repayments on this loan are to be made solely from specified proceeds of LRZC activities.	8,020,715	7,589,017
Loan payable to be paid in seven annual installments of principal beginning September 21, 2021 and maturing on September 21, 2027. Repayments on this loan are to be made solely from specified proceeds of LRZC activities.	5,097,889	4,182,221
Total debt	18,409,235	17,100,238
Less current portion	229,098	72,519
	$ 18,180,137	$ 17,027,719

Annual Loan Repayment Requirements

The annual loan repayment requirements to maturity, including principal and interest, for long-term debt as of June 30, 2009, are as follows:

Year Ended June 30	Principal	Interest	Total
2010	$ 229,098	$ 317,438	$ 546,536
2011	1,438,669	305,851	1,744,520
2012	2,828,685	259,515	3,088,200
2013	2,828,863	129,757	2,958,620
2014	666,067	-	666,067
2015-2019	3,331,329	-	3,331,329
2020-2024	3,700,708	-	3,700,708
2025-2028	3,385,816	-	3,385,816
	$ 18,409,235	$ 1,012,561	$ 19,421,796

NOTE G--SPECIAL FACILITY REVENUE BONDS

Special Facility Revenue Bonds totaling $108,800,000 and $15,500,000 issued during FY 1999 and $42,600,000 issued in FY 2006 (collectively, the Facility Bonds), were issued to finance the acquisition and construction of facilities of United Parcel Service and Airis (collectively, the Companies). Although taking the legal form of a financing lease between the Authority and the Companies, the substance of these arrangements is that the Facility Bonds constitute special and limited obligations and do not constitute a debt, liability or general obligation of the Authority or a pledge of Authority revenues. Repayment of the Facility Bonds and related interest is unconditionally the obligation of the Companies. As such, no liability relating to the Facility Bonds is included in the accompanying financial statements.

NOTE H--DEFERRED COMPENSATION PLAN

The Authority offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k). The Plans are administered by ICMA Retirement Corporation and Kentucky Retirement Systems, are available to all Authority employees, and allow each employee to defer a portion of their salary until future years. The deferred compensation is not available to an employee until termination, retirement or death. Employee contributions to the 457 Plan for the years ended June 30, 2009 and 2008 totaled approximately $92,000 and $95,000, respectively and contributions to the 401(k) Plan for the same years were approximately $129,000 and $130,000, respectively.

NOTE I--DEFINED BENEFIT PENSION PLANS

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

County Employees Retirement System of Kentucky

The eligible payroll for employees covered by the Plan was approximately $8,239,000 and $7,853,000, out of a total payroll of approximately $9,576,000 and $8,961,000 for the years ended June 30, 2009 and 2008, 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.

Continued

NOTE I--DEFINED BENEFIT PENSION PLANS--CONTINUED

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 members age and years of service equal 87. Any hazardous employee with twenty-five years of service may retire at any time with full benefits. Vested employees with at least 120 months of service may retire at or after age sixty and receive reduced retirement benefits. The CERS also provides health, death and disability benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute 5% of their salary to the CERS for a non-hazardous position and 8% for a hazardous position. Members with a participation date on or after September 1, 2008 will additionally contribute 1% to the KRS Insurance Fund, making the total contribution of their salaries 6% for non-hazardous and 9% for hazardous. The Authority was required by the same statute to contribute 13.50%, 16.17% and 13.19% of the covered employees' salaries for non-hazardous positions, and 29.50%, 33.87% and 28.21% for a hazardous position for 2009, 2008 and 2007, respectively. The contribution requirements for the year ended June 30, 2009 was approximately $2,025,000, consisting of $1,531,000 from the Authority and $494,000 from employees; for the year ended June 30, 2008 was approximately $2,097,000, consisting of $1,642,000 from the Authority and $455,000 from employees; and for the year ended June 30, 2007 it was approximately $1,784,000, consisting of $1,335,000 from the Authority and $449,000 from employees.

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, 2008. The Commonwealth of Kentucky's Comprehensive Annual Financial Reports should be referred to for additional disclosures related to the County Employees Retirement System (www.kyret.com).

In addition to the above defined benefit pension plan, effective May 1, 2001, all then current Authority employees could elect to have the amounts listed as "single/lump sum value" rolled over from the prior retirement plan into a 401(k) account with the Kentucky Public Employees Deferred Compensation Authority on their behalf if they chose not to participate in the CERS Plan. Thereafter, the Authority will contribute the same percentage of their annual income that the Authority is required to pay to CERS for similarly situated employees. This amount will continue to be contributed into the 401(k) account as long as they are employed by the Authority as a full-time regular (or project) employee and under this option. Employee contributions are not mandatory. Under this option, an employee can make voluntary contributions up to the maximum allowable by law. The Authority made contributions of approximately $69,000 and $102,000 for the years ending June 30, 2009 and 2008, respectively.

NOTE J--OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plans described in Notes H and I, the Authority offered post employment health care benefits to all employees who retired from the Authority prior to May 1, 2001 on or after attaining age 55 with at least ten years of service and to all disabled employees with at least one year of service who were injured on the job. The Authority contributes between 83% and 100% of the amount of medical insurance premiums approved by the Authority for such retired and disabled employees and their dependents. These contributions are recognized by the Authority as they are made. The cost of providing such benefits was approximately $108,000 for 32 employees and $82,000 for 32 employees during 2009 and 2008, respectively. The Plan may be terminated at the election of the Board without notice.

NOTE K--PROPERTY LEASED TO OTHERS

The Authority leases a portion of its property, facilities and equipment under operating lease agreements for concessions and other commercial purposes. Future minimum rental revenues to be received under these operating leases as of June 30, 2009, are as follows:

Year Ended June 30	
2010	$ 7,572,460
2011	4,300,725
2012	3,815,218
2013	3,674,842
2014	3,586,711
Thereafter	16,845,089
	$ 39,795,045

The Authority also leases property through contingent rentals. Revenues from these contingent rentals arise primarily from a percentage of the lessees' gross revenues in excess of minimum guarantees. Several lease agreements provide a minimum lease concession. Contingent rentals for the years ended June 30, 2009 and 2008 were approximately $3,984,000 and $3,784,000, respectively.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2009 and 2008

NOTE L--CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

Louisville Regional Airport Authority:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 282,345,647	$ 128,119	$ (3,720,544)	$ 278,753,222
Capital projects in progress:				
Construction projects	36,940,321	29,927,509	(31,442,587)	35,425,243
Land acquisition program	41,939,979	-	(3,720,544)	38,219,435
Total capital assets not being depreciated	361,225,947	30,055,628	(38,883,675)	352,397,900
Other capital assets:				
Land improvements	328,576,422	26,728,367	-	355,304,789
Buildings	182,254,747	6,370,540	(22,459)	188,602,828
Utility systems	34,845,169	213,724	-	35,058,893
Equipment (excluding automotive)	12,499,778	1,157,108	(316,265)	13,340,621
Vehicle and automotive equipment	7,658,961	-	-	7,658,961
Furniture and fixtures	6,162,172	-	-	6,162,172
Total other capital assets at historical cost	571,997,249	34,469,739	(338,724)	606,128,264
Less accumulated depreciation for:				
Land improvements	203,854,685	15,531,739	-	219,386,424
Buildings	97,361,034	9,456,786	(22,459)	106,795,361
Utility systems	29,646,203	655,165	-	30,301,368
Equipment (excluding automotive)	5,548,492	880,943	(316,265)	6,113,170
Vehicle and automotive equipment	6,319,702	263,554	-	6,583,256
Furniture and fixtures	4,594,554	431,466	-	5,026,020
Total accumulated depreciation	347,324,670	27,219,653	(338,724)	374,205,599
Other capital assets, net	224,672,579	7,250,086	-	231,922,665
Net capital assets	$ 585,898,526	$37,305,714	$ (38,883,675)	$ 584,320,565

Louisville Renaissance Zone Corporation:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 4,709,677	$ -	$ -	$ 4,709,677
Construction projects	10,330,559	1,801,869	-	12,132,428
Net capital assets	$ 15,040,236	$ 1,801,869	$ -	$ 16,842,105

Continued

NOTE L--CAPITAL ASSETS--CONTINUED

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

Louisville Regional Airport Authority:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 280,455,252	$ 1,890,395	$ -	$ 282,345,647
Capital projects in progress:				
Construction projects	28,748,763	14,696,096	(6,504,538)	36,940,321
Land acquisition program	33,079,465	9,949,354	(1,088,840)	41,939,979
Total capital assets not being depreciated	342,283,480	26,535,845	(7,593,378)	361,225,947
Other capital assets:				
Land improvements	329,174,889	2,459,602	(3,058,073)	328,576,418
Buildings	181,540,134	902,519	(187,906)	182,254,747
Utility systems	34,762,975	82,194	-	34,845,169
Equipment (excluding automotive)	12,444,417	55,361	-	12,499,778
Vehicle and automotive equipment	8,643,765	-	(984,802)	7,658,963
Furniture and fixtures	5,290,134	872,038	-	6,162,172
Total other capital assets at historical cost	571,856,314	4,371,714	(4,230,781)	571,997,247
Less accumulated depreciation for:				
Land improvements	190,799,929	16,112,829	(3,058,073)	203,854,685
Buildings	88,157,439	9,391,501	(187,906)	97,361,034
Utility systems	27,986,934	1,659,269	-	29,646,203
Equipment (excluding automotive)	4,704,283	844,209	-	5,548,492
Vehicle and automotive equipment	7,039,525	264,979	(984,802)	6,319,702
Furniture and fixtures	3,875,778	718,774	-	4,594,552
Total accumulated depreciation	322,563,888	28,991,561	(4,230,781)	347,324,668
Other capital assets, net	249,292,426	(24,619,847)	-	224,672,579
Net capital assets	$ 591,575,906	$ 1,915,998	$ (7,593,378)	$ 585,898,526

Louisville Renaissance Zone Corporation:

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

NOTE M--FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	June 30, 2009		June 30, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and equivalents	$ 92,701,084	$ 92,701,084	$ 72,961,533	$ 72,961,533
Investments	33,675,169	33,675,169	48,175,038	48,175,038
Bonds payable	378,075,000	437,589,954	382,120,000	427,106,282

NOTE N--PASSENGER FACILITY CHARGES

The Aviation Safety and Capacity Expansion Act of 1990 authorized domestic airports to impose a Passenger Facility Charge (PFC) on passengers. The Authority is approved by the FAA to impose a $3.00 passenger facility charge on enplaning revenue passengers. The FAA has authorized the Authority to collect total net PFC revenue of $108,446,255 to be applied as follows:

For direct payment on capital project costs	$ 21,167,315
To be applied to the debt service and related costs on the 2001 Series A & B Bonds issued to finance PFC approved project costs	87,278,940
	$ 108,446,255

During the years ended June 30, 2009 and 2008, amounts of approximately $4,595,000 and $5,324,000, respectively were received in passenger facility charges.

NOTE O--RELATED PARTY TRANSACTION

The Authority provides management services to LRZC. The amount due from LRZC was approximately $2,375,000 and $2,123,000 at June 30, 2009 and June 30, 2008, respectively.

NOTE P--MAJOR CUSTOMERS

During fiscal years 2009 and 2008, the Authority earned approximately 27% and 24%, respectively, of its operating revenues from one customer.

SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2009 with comparative totals for 2008

	2009			
	Louisville International	Bowman Field	Total	2008 Total
Operating Revenues				
Landing and field use fees	$ 20,036,872	$ 18,155	$ 20,055,027	$ 19,451,017
Terminal area	9,893,364	77,617	9,970,981	10,341,982
Apron area	2,475,485	-	2,475,485	2,388,789
Parking and ground transportation	21,324,462	-	21,324,462	24,322,650
Aviation related facility leases	2,593,526	1,287,565	3,881,091	3,470,529
Land leases and other	2,229,606	143,686	2,373,292	1,838,090
Airport services	242,016	21,445	263,461	257,892
Other revenue	211,971	7,006	218,977	1,206,292
Total operating revenues	59,007,302	1,555,474	60,562,776	63,277,241
Operating Expenses				
Operations and general maintenance				
Salaries, wages	7,975,644	386,277	8,361,921	7,901,739
Contracts	4,132,018	24,400	4,156,418	4,309,641
Utilities and fuel supplies	2,787,268	361,427	3,148,695	3,022,060
Supplies and other	1,354,885	246,176	1,601,061	1,498,446
Costs recovered from tenants	(555,379)	(43,190)	(598,569)	(412,446)
Total operations and general maintenance	15,694,436	975,090	16,669,526	16,319,440
Administrative, general, planning and engineering	7,623,225	553,155	8,176,380	8,003,151
Total operating expenses before major maintenance and depreciation	23,317,661	1,528,245	24,845,906	24,322,591
Major maintenance	4,354,960	71,172	4,426,132	3,610,139
Depreciation and amortization	27,150,454	987,745	28,138,199	29,796,970
Total operating expenses	54,823,075	2,587,162	57,410,237	57,729,700
Operating Income (Loss)	4,184,227	(1,031,688)	3,152,539	5,547,541
Non-Operating Revenues (Expenses) and Capital Contributions				
Investment earnings, net	2,374,721	2,064	2,376,785	5,184,333
Interest expense	(17,785,333)	-	(17,785,333)	(19,308,182)
Passenger facility charge	4,594,799	-	4,594,799	5,323,789
Net (loss) gain on disposal of assets	(2,485,109)	-	(2,485,109)	182,833
Other expenses	(208,234)	-	(208,234)	(187,515)
Capital contributions	18,787,416	632,104	19,419,520	19,045,903
Non-operating revenues and expenses	5,278,260	634,168	5,912,428	10,241,161
Increase (decrease) in net assets	$ 9,462,487	$ (397,520)	$ 9,064,967	$ 15,788,702

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT

June 30, 2009

	Cost					Accumulated Depreciation				
	Balance July 1, 2008	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2009	Balance July 1, 2008	Provisions	Retirements/ Adjustments	Balance June 30, 2009	Net Balance June 30, 2009
Louisville International Airport										
Land	$ 281,513,480	$ -	$(3,720,544)	$ 128,119	$277,921,055	$ -	$ -	$ -	$ -	$ 277,921,055
Land improvements - runways, taxiways, and aprons	283,137,744	-	-	24,676,180	307,813,924	172,266,194	13,654,958	-	185,921,152	121,892,772
Land improvements - ground transportation and other	32,331,594	-	-	1,426,902	33,758,496	26,973,935	1,241,091	-	28,215,026	5,543,470
Buildings	170,976,094	-	-	6,008,760	176,984,854	89,543,397	9,133,193	-	98,676,590	78,308,264
Utility systems	34,720,633	-	-	213,724	34,934,357	29,527,042	654,520	-	30,181,562	4,752,795
Equipment (excluding automotive)	12,249,663	-	(316,265)	1,157,108	13,090,506	5,363,810	863,419	(316,265)	5,910,964	7,179,542
Vehicles and automotive equipment	6,784,563	-	-	-	6,784,563	5,455,529	255,886	-	5,711,415	1,073,148
Furniture and fixtures	6,162,172	-	-	-	6,162,172	4,594,554	431,465	-	5,026,019	1,136,153
Capital projects in progress	78,154,246	28,701,823	(374,550)	(33,800,459)	72,681,060	-	-	-	-	72,681,060
Total Louisville International Airport	$ 906,030,189	$ 28,701,823	$ (4,411,359)	$ (189,666)	$ 930,130,987	$ 333,724,461	$ 26,234,532	$ (316,265)	$ 359,642,728	$ 570,488,259

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT--CONTINUED

June 30, 2009

	Cost					Accumulated Depreciation				
	Balance July 1, 2008	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2009	Balance July 1, 2008	Provisions	Retirements/ Adjustments	Balance June 30, 2009	Net Balance June 30, 2009
Bowman Field:										
Land	$ 832,167	$ -	$ -	$ -	$ 832,167	$ -	$ -	$ -	$ -	$ 832,167
Land improvements - runways, taxiways, and aprons	12,964,991	-	-	625,285	13,590,276	4,501,655	630,841	-	5,132,496	8,457,780
Land improvements - ground transportation and other	142,093	-	-	-	142,093	112,901	4,849	-	117,750	24,343
Buildings	11,278,653	-	(22,459)	361,780	11,617,974	7,817,637	323,593	(22,458)	8,118,772	3,499,202
Utility systems	124,536	-	-	-	124,536	119,161	645	-	119,806	4,730
Equipment (excluding automotive)	250,115	-	-	-	250,115	184,682	17,524	-	202,206	47,909
Vehicles and automotive equipment	874,398	-	-	-	874,398	864,173	7,668	-	871,841	2,557
Construction in progress	726,054	1,225,686	-	(988,122)	963,618	-	-	-	-	963,618
Total Bowman Field	27,193,007	1,225,686	(22,459)	(1,057)	28,395,177	13,600,209	985,120	(22,458)	14,562,871	13,832,306
Total Louisville International Airport and Bowman Field	$ 933,223,196	$ 29,927,509	$ (4,433,818)	$ (190,723)	$ 958,526,164	$347,324,670	$ 27,219,652	$ (338,723)	$ 374,205,599	$ 584,320,565

See accompanying independent auditor’s report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF INSURANCE COVERAGE

June 30, 2009

	Expiration Date	Amount of Coverage	
ACE USA:			
General airport liability	07/31/09	$ 100,000,000	
ACE USA / Lloyds of London:			
Excess coverage	07/31/09	150,000,000	
FM Global:			
All risk property	07/31/09	500,000,000	
Hartford Fire Insurance Company:			
Automobile coverage	07/31/09	1,000,000	
AIG:			
Public officials' liability covering board members and all employees	07/31/09	10,000,000	
Chubb Insurance Group:			
All risk unlicensed equipment floater	07/31/09	8,756,609	
KEMI:			
Worker's compensation	07/31/09	Statutory Limitations	
Employer's liability		1,000,000	
Fidelity and Deposit Co of Maryland:			
Fidelity and crime covering board members and all employees	07/31/09		
Employee dishonesty		500,000	
Forgery/alteration		100,000	
Theft		100,000	
Travelers Insurance Company:			
Pension trust liability covering fiduciaries of the Authority retirement plans	07/31/09	1,000,000	
Chubb Insurance Group:			
Blanket travel accident	07/31/11	625,000	Aggregate
		125,000	per person
Qbe Insurance:			
Accidental policy covering airport volunteers	01/01/10	15,000	per person
Axis Surplus Ins. Co.:			
Cyber Liability	03/01/10	1,000,000	

Note: The Authority approved and has policies in place for those policies listed above that have an expiration date between June 30, 2009 and the submission of these statements.
See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES

Year ended June 30, 2009

	1997 Series A Revenue Bond Funds	
	Debt Service Fund	Construction Fund
Bond Fund Balances, July 1, 2008	$ 3,071,900	$ -
Additions:		
Deposits	-	-
Investment earnings	-	19,027
Deductions:		
Capital expenditures	-	(703,208)
Bond principal and interest payments	(30,197,364)	-
Transfers from other funds	27,125,464	3,989,832
Bond Fund Balances, June 30, 2009	$ -	$ 3,305,651

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	1998 Series A Revenue Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2008	$ 542,198	$ -
Additions:		
Deposits	-	-
Investment earnings	1,862	-
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(757,035)	-
Transfers from other funds	762,813	763,930
Bond Fund Balances, June 30, 2009	$ 549,838	$ 763,930

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	2001 Series A Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2008	$ 5,856,841	$ -
Additions:		
Deposits	-	-
Investment earnings	19,930	
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(7,977,556)	-
Transfers from other funds	8,051,501	8,070,356
Bond Fund Balances, June 30, 2009	$ 5,950,716	$ 8,070,356

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	2001 Series B Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2008	$ 829,244	$ -
Additions:		
Deposits	-	-
Investment earnings	2,728	-
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(1,039,875)	-
Transfers from other funds	1,048,535	1,057,913
Bond Fund Balances, June 30, 2009	$ 840,632	$ 1,057,913

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	2002 Series A Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2008	$ 1,202,364	$ -
Additions:		
Deposits	-	-
Investment earnings	4,074	
Deductions:		
Other expenditures	(112,519)	-
Bond principal and interest payments	(2,424,026)	-
Transfers from other funds	2,440,346	3,179,435
Bond Fund Balances, June 30, 2009	$ 1,110,239	$ 3,179,435

See accompanying independent auditor’s report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	2002 Series B Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2008	$ 955,518	$ -
Additions:		
Deposits	-	-
Investment earnings	3,425	-
Deductions:		
Other expenditures	(90,043)	-
Bond principal and interest payments	(1,927,613)	-
Transfers from other funds	1,936,444	2,545,305
Bond Fund Balances, June 30, 2009	$ 877,731	$ 2,545,305

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	2003 Series A Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2008	$ 1,614,243	$ -
Additions:		
Deposits	-	-
Investment earnings	5,059	-
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(1,766,885)	-
Transfers from other funds	1,790,226	1,790,585
Bond Fund Balances, June 30, 2009	$ 1,642,643	$ 1,790,585

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	2003 Series B Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2008	$ 444,725	$ -
Additions:		
Deposits	-	-
Investment earnings	1,481	-
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(575,577)	-
Transfers from other funds	580,222	582,103
Bond Fund Balances, June 30, 2009	$ 450,851	$ 582,103

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	2003 Series C Bond Funds		
	Debt Service Fund	Debt Service Reserve	Construction Fund
Bond Fund Balances, July 1, 2008	$ 7,634,967	$ -	$ 812,958
Additions:			
Deposits	-	-	-
Investment earnings	25,974	81,253	7,496
Deductions:			
Capital expenditures	-	-	(820,132)
Bond principal and interest payments	(10,404,879)	-	-
Transfers from (to) other funds	10,493,849	10,494,190	(322)
Bond Fund Balances, June 30, 2009	$ 7,749,911	$10,575,443	$ -

See accompanying independent auditor’s report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	2005 Series A Bond Funds	
	Debt Service Fund	Construction Fund
Bond Fund Balances, July 1, 2008	$ 1,157,703	$ 5,686,174
Additions:		
Deposits	-	-
Investment earnings	4,660	44,212
Deductions:		
Capital expenditures	-	(1,565,608)
Bond principal and interest payments	(2,315,406)	-
Transfers from other funds	2,310,746	-
Bond Fund Balances, June 30, 2009	$ 1,157,703	$ 4,164,778

See accompanying independent auditor’s report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	2008 Series A Bond Funds		
	Debt Service Fund	Cost of Issuance	Construction Fund
Bond Fund Balances, July 1, 2008	$ -	$ -	$ -
Additions:			
Deposits	27,082,910	534,996	9,931,585
Investment earnings	47,363	1,494	40,176
Deductions:			
Cost of issue or capital expenditures	-	(527,849)	(8,516,252)
Bond principal and interest payments	(801,288)	-	-
Transfers to other funds	(22,805,091)	(8,641)	(233,051)
Bond Fund Balances, June 30, 2009	$ 3,523,894	$ -	$ 1,222,458

See accompanying independent auditor's report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	Gross Revenue Fund
Bond Fund Balances, July 1, 2008	$ -
Additions:	-
Deposits	-
Investment earnings	
Deductions:	
Capital expenditures	-
Bond principal and interest payments	32,906,800
Transfers to other funds	(32,906,800)
Bond Fund Balances, June 30, 2009	$ -

See accompanying independent auditor’s report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN BOND FUND BALANCES--CONTINUED

Year ended June 30, 2009

	Aggregate Debt Service Reserve Fund
Bond Fund Balances, July 1, 2008	$ 32,497,526
Additions:	
Deposits	-
Investment earnings	559,361
Deductions:	
Capital expenditures	-
Bond principal and interest payments	-
Transfers to other funds	(33,056,887)
Bond Fund Balances, June 30, 2009	$ -

See accompanying independent auditor's report

OTHER REQUIRED INFORMATION

Mountjoy & Bressler, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the accompanying financial statements of the Louisville Regional Airport Authority (the Authority) and the discretely presented component unit of the Louisville Renaissance Zone Corporation as of and for the year ended June 30, 2009 and have issued our report thereon dated October 12, 2009. 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.

<u>Internal Control Over Financial Reporting</u>

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

Louisville, Kentucky
October 12, 2009

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

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

Compliance

We have audited the compliance of the Louisville Regional Airport Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

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

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

Mountjoy & Bressler, LLP

Louisville, Kentucky
October 12, 2009

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2009

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, 2009	Accumulated Expenditures
U.S. Department of Transportation						
Direct Program:						
Airport Improvement Program:						
Louisville International Airport						
	20.106	3-21-0031-72	Extend Runway (Phase II) West Runway Overrun	$ 5,077,331	$ 63,138	$ 5,036,541
	20.106	3-21-0031-76	Various Airport Projects and Purchase of Equipment	16,946,436	280,600	16,742,630
	20.106	3-21-0031-78	Taxiway A (Phase I), Various Airfield Projects & Purchase of Equipment	10,419,971	834,088	10,031,153
	20.106	3-21-0031-80	Taxiway A (Phase II), Airfield Lighting (Phase II)	11,262,472	10,432,224	11,256,203
	20.106	3-21-0031-81	Acquire Land for Noise Compatibility Provide Relocation Assistance	10,000,000	9,000,000	9,000,000
	20.106	3-21-0031-82	Various Airport Projects and Purchase of Equipment	1,243,185	1,193,957	1,193,957
	20.106	3-21-0031-83	Taxiway Echo (Phase I), Various Airfield Projects & Purchase of Equipment	3,003,785	468,210	468,210
Bowman Field:						
	20.106	3-21-0032-16	Construct T/W Lima (Phase I)	1,709,449	4,222	1,602,181
	20.106	3-21-0032-17	Update Airport Layout Plan	150,000	74,753	150,000
	20.106	3-21-0032-18	Taxiway Lima (Phase II)	1,330,000	10,181	10,181
Total Louisville International Airport and Bowman Field				$ 61,142,629	$ 22,361,373	$ 55,491,056

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--CONTINUED

Year ended June 30, 2009

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, 2009	Accumulated Expenditures
U.S. Department of Homeland Security						
	N/A	HSTS0407ACT0217	CCTV Enhancements	$ 259,000	$ 240,048	$ 259,000
	97.090	HSTS0208HSLR259	Law Enforcement Officer Reimbursement Program	643,641	137,171	185,661
	97.072	HSTS0208HCAN449	TSA National Explosives Detection Canine Team	1,002,500	175,000	175,000
Total Louisville International Airport and Bowman Field				1,905,141	552,219	619,661
Grand Total				$ 63,047,770	$ 22,913,592	$ 56,110,817

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified			
Internal control over financial reporting:				
• Material weakness(es) identified?	____	yes	✓	no
• Significant deficiencies identified that are not considered to be material weakness(es)?	____	yes	✓	none reported
Non-compliance material to financial statements noted?	____	yes	✓	no

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	____	yes	✓	no
• Significant deficiencies identified that are not considered to be material weakness(es)?	____	yes	✓	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____	yes	✓	no

Identification of major programs:

CFDA Number(s)	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

Section II-Financial Statement Findings

No matters were reported.

Section III-Federal Award Findings and Questioned Costs

No matters were reported.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS AND THEIR RESOLUTION

Year ended June 30, 2009

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

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

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

We have audited the compliance of Louisville Regional Airport Authority (the Authority) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2009. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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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, 2009, and have issued our report thereon dated October 12, 2009. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of passenger facility charges collected and expended is presented for purposes of additional analysis as specified in the Guide and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Mountjoy & Bressler, LLP

Louisville, Kentucky
October 12, 2009

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED

Year ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program	Record of Decision	Impose Authority	Use Authority	PFC Collected	Interest Earned	Expenditures
U.S. Department of Transportation						
Passenger Facility Charge Program						
	97-01-C-00-SDF	$ 40,000,000	$ 40,000,000	$ 39,533,869	$ 466,131	$ 40,000,000
	97-01-C-01-SDF	50,600,000	50,600,000	23,250,187	242,174	1,585,956
	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	-	-	1,160,099
	08-05-C-00-SDF	900,000	900,000	-	-	-
Totals		$ 108,446,255	$ 108,446,255	$ 62,784,056	$ 708,305	$ 58,424,995

See accompanying independent auditor’s report

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF PASSENGER FACILITY CHARGES FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

Summary of Auditor's Results

We have issued an unqualified opinion, dated October 12, 2009 on the financial statements of Louisville Regional Airport Authority as of and for the year ended June 30, 2009.

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

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

We have issued an unqualified opinion, dated October 12, 2009 on Louisville Regional Airport Authority's compliance for the passenger facility charge program.

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

Findings Relating to the Financial Statements

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

Findings and Questioned Costs for the Passenger Facility Charge Program

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF PRIOR AUDIT PASSENGER FACILITY CHARGES FINDINGS
AND THEIR RESOLUTION

Year ended June 30, 2009

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.