Financial Statements

LOUISVILLE REGIONAL AIRPORT AUTHORITY

ANNUAL REPORT

June 30, 2010 and 2009

LOUISVILLE REGIONAL AIRPORT AUTHORITY

June 30, 2010 and 2009

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Mountjoy
Chilton
Medley

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, 2010 and 2009 and the discretely presented component unit of the Louisville Renaissance Zone Corporation as of and for the years ended June 30, 2010 and 2009 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, 2010 and 2009, the financial position of the Louisville Renaissance Zone Corporation as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2010, on our consideration of the Louisville Regional Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 33 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance
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2000 Meidinger Tower
462 South Fourth Street
Louisville, KY 40202

502.749.1900 Phone
502.749.1930 Fax
www.mcmcpa.com

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 Chilton Medley LLP

Mountjoy Chilton Medley LLP
Louisville, Kentucky
November 4, 2010

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, 2010.

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 2010	FY 2009	FY 2008	FY 2007
Passengers				
Enplaned	1,649,704	1,682,284	1,956,868	1,839,166
Deplaned	1,643,620	1,678,874	1,945,714	1,824,428
Total	3,293,324	3,361,158	3,902,582	3,663,594
Landed Weight				
Passenger	2,026,632,956	2,148,742,098	2,485,816,845	2,233,506,863
Cargo	10,414,748,871	10,324,892,516	10,442,470,286	10,505,786,357
Total	12,441,381,827	12,473,634,614	12,928,287,131	12,739,293,220

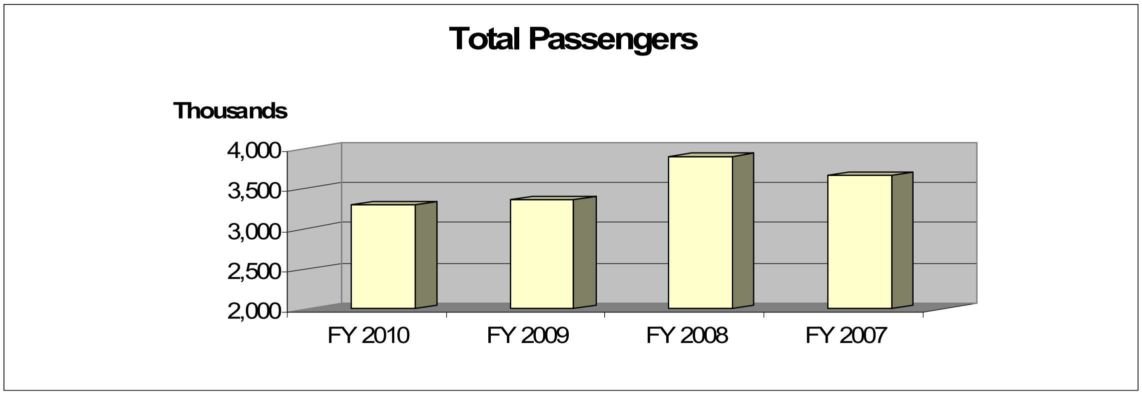
Louisville International's (SDF) status as a major worldwide cargo leader in terms of volume is best reflected by its current ranking of 3rd in North America and 7th worldwide which is up two places from last year. UPS concluded their \$1.0+ billion expansion to the UPS Worldport^{SM} facility in April 2010. The facility is the largest fully automated package handling system in the world. Currently the operation handles 130 aircraft daily and has a sort capacity up to 416,000 pieces per hour. UPS' cargo volume at SDF for FY10 was 4.51 billion pounds versus FY09 of 4.11 billion pounds – a 9.7% increase.

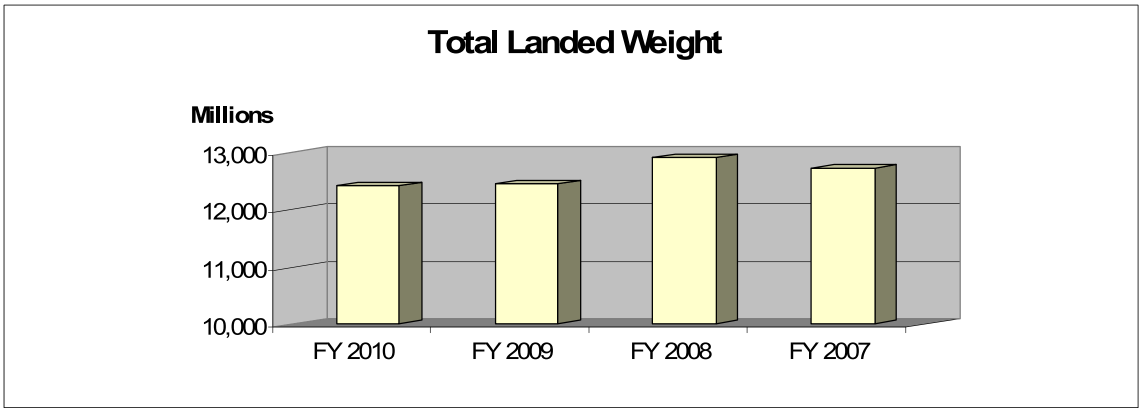
During FY10 passenger enplanements at Louisville International Airport decreased by 1.94% compared to FY09. The decline in passenger activity was influenced by the global economic retraction that began in the fall of 2008 and the resulting drop off in both business and leisure travel. The first six months of the Fiscal Year were marked by double-digit reductions in year over year passenger and flight activity. However, during the second half of the year activity stabilized and some signs of recovery emerged. During FY10 the airport re-introduced service by both Midwest Airlines and Frontier Airlines and launched new nonstop service to Milwaukee, WI and Denver, CO. It is worth noting that both Midwest and Frontier terminated service to the market during the fall of 2008 as the price of fuel hit new all-time highs and customer demand declined. As economic conditions improved during FY10 both airlines resumed service to the Louisville market and are performing well.

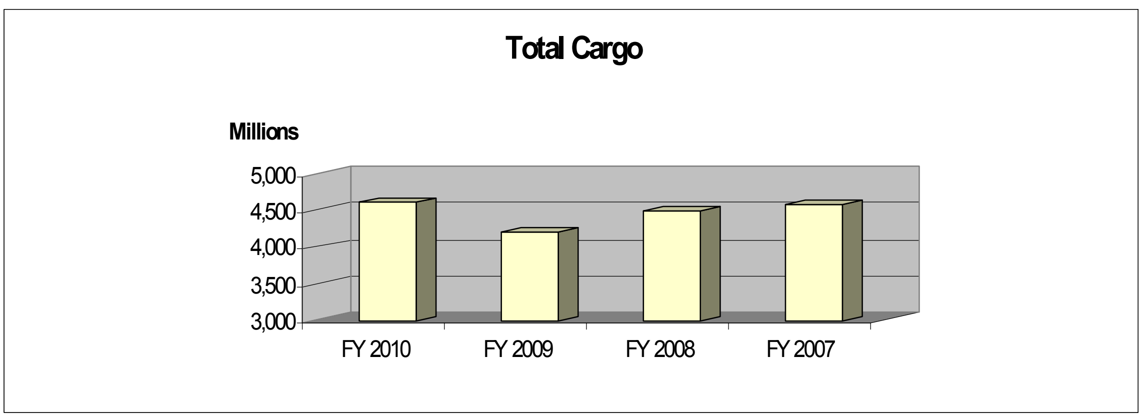
Also, during FY10, airlines continued to "right-size" their flight schedules, equipment and capacity in an effort to better manage inventory. These "right-sizing" techniques coupled with fleet rationalization associated with the Delta-Northwest Airlines merger resulted in higher overall load factors and fewer available seats at peak times. We expect these conditions to continue well into FY11.

By the end of FY10, capacity reductions stabilized and newly added service was performing well. However, we expect that consumer demand for air travel services will continue to be a difficult behavior to predict over the next 18 to 24 months due to ongoing economic uncertainty. In addition, the announcement of further industry consolidation (United-Continental, Southwest-AirTran, Frontier-Midwest) will undoubtedly present unique challenges and opportunities over the next 24 months that are equally difficult to predict.

The following page provides key statistical information in graph form.


Total Passengers
Thousands
4,000
3,500
3,000
2,500
2,000
FY 2010
FY 2009
FY 2008
FY 2007


Total Landed Weight
Millions
13,000
12,000
11,000
10,000
FY 2010
FY 2009
FY 2008
FY 2007


Total Cargo
Millions
5,000
4,500
4,000
3,500
3,000
FY 2010
FY 2009
FY 2008
FY 2007

Financial Highlights
(Versus Budget and Prior Year)

- Total Revenues for FY10 were 6.4% less than FY09 actual and 3.8% less than budget. Major contributors to this decrease are:
  - Landing Fees were approximately $1.2 million less than FY09 actual and FY10 budget. Landing fees are based on costs of operating and maintaining the airfield which is a break-even or "residual" cost center. Final costs in the airfield were down approximately $1.4 million from 2009 actual. The primary reason was $1 million less in bond debt service due to lower interest rates on the Authority's 2002 A & B variable rate auction bonds. The remaining difference can be linked to lower snow and ice removal costs and an airfield lights and cable repair project completed in FY09.
  - Parking revenues were down approximately $650,000 versus FY09 and down $350,000 versus budget. Parking revenues are historically tied to the increase or decrease in enplanement activity which was down 1.9% compared to FY09.
  - Rental Car revenues were down approximately $200,000 versus FY09 and down $500,000 versus budget. Similarly to Parking, this is generally tied to an increase or decrease in passenger traffic.
  - Passenger Facility Charges (PFC) were approximately $170,000 short of budget and $150,000 short of prior year. This is directly related to fewer passengers purchasing airline tickets.
  - Interest Income was approximately $1.1 million less than prior year. This is primarily due to the Federal Reserve's continuance of keeping Federal Funds rate exceptionally low.

- Operating Expenses before Depreciation for FY10 were 7.6% less than budget and 8.1% less than FY09 actual. Major contributors to this decrease are:
  - Payroll, Fringe Benefits and Retirement contributions were under FY09 actual by $1.1 million and FY10 budget by $1.4 million. Major reasons for these reductions were staff reductions, wage and hiring freezes, overtime reduction and reduced medical insurance costs. The Authority pursued these reductions in an effort to respond to the unfavorable economic impacts to airlines.
  - Utility cost decreases of $450,000 to budget and $350,000 to FY09 actual were primarily due to energy conservation projects and initiatives such as the airfield lighting project which converted airfield lights to efficient LED lighting.

- Operating Income before Depreciation was $30.6 million which is $100,000 or 0.33% less than budgeted and $750,000 less than FY09 actual.
- Interest Expense is approximately $2.5 million less than prior year and budget. The variances are due primarily to our 2002 A & B bond variable rate interest costs.
- Net Loss before Capital Contributions was $7.3 million, which is $550,000 greater than budget and $3.1 million less than FY09 actual. These differences are tied to reduced revenues and expenses as explained earlier.
- Net Assets increased from prior year by $1.6 million to $302.5 million.

Financial Information

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

	2010	2009	2008
Assets:			
Unrestricted	$ 38,810,676	$ 37,069,668	$ 35,559,101
Restricted	93,138,130	96,362,878	95,521,779
Capital assets, net (includes In progress)	571,854,003	584,320,565	585,898,526
Other	14,272,522	15,466,923	15,373,157
Total Assets	718,075,331	733,220,034	732,352,563
Liabilities:			
Unrestricted	5,814,738	4,037,937	3,649,078
Restricted	25,063,730	26,183,791	29,238,500
Long Term Debt	345,100,000	361,990,000	367,050,000
Other	39,601,966	40,100,372	40,572,018
Total Liabilities	415,580,434	432,312,100	440,509,596
Net Assets			
Invested in capital assets, net of related debt	196,325,947	190,952,980	182,512,189
Restricted for debt services	66,965,002	66,427,361	71,947,380
Restricted for capital projects	14,012,964	18,152,562	16,349,215
Unrestricted net assets	25,190,984	25,375,031	21,034,183
Total Net Assets	$ 302,494,897	$ 300,907,934	$ 291,842,967

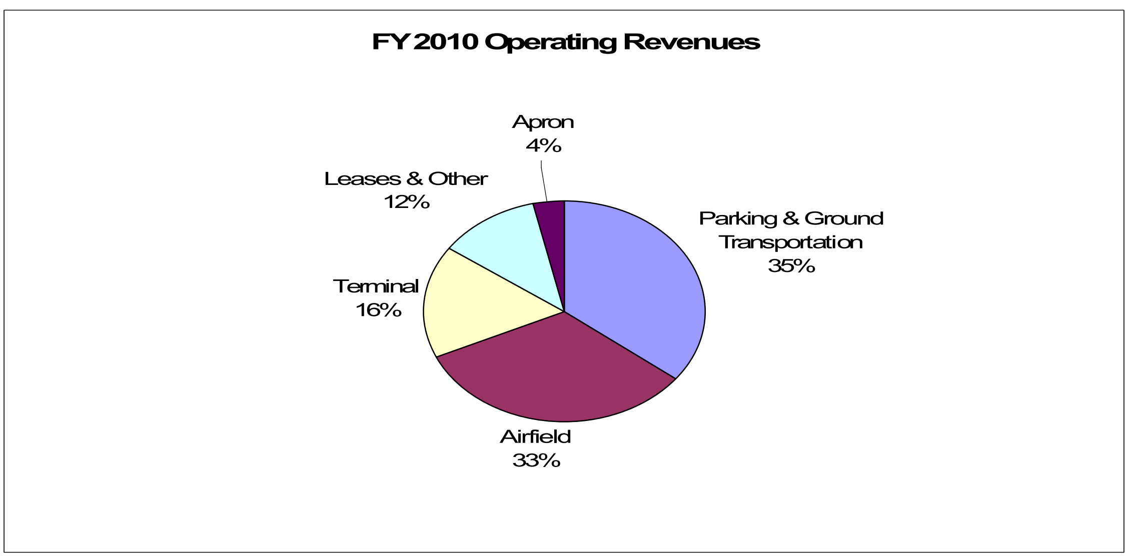
The decrease in Total Assets is primarily due to the current year's depreciation taken on capital assets. The decrease in Total Liabilities is primarily due to our usual reduction in outstanding bonds due to principal payments. Total Net Assets increased by $1.6 million.

Revenue

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

	2010		2009	2008
	Actual	Budget	Actual	Actual
Operating Revenues				
Landing and Field Use	$ 18,821,087	$ 20,015,051	$ 20,055,027	$ 19,451,017
Apron Area	2,148,070	2,368,926	2,475,485	2,388,789
Landside Terminal	5,926,732	6,091,111	6,392,306	6,627,976
Airside Terminal	3,423,724	3,441,519	3,578,675	3,714,006
Leases	6,255,242	6,206,827	6,254,383	5,308,619
Parking & Ground Transportation	20,479,497	21,342,700	21,324,462	24,322,650
Other	415,475	303,100	482,438	1,464,184
Total Operating Revenues	57,469,827	59,769,234	60,562,776	63,277,241
Non Operating Revenues				
Passenger Facility Charge	4,447,652	4,618,220	4,594,799	5,323,789
Interest Income	1,301,398	1,321,700	2,376,785	5,184,333
Total Non Operating Revenues	5,749,050	5,939,920	6,971,584	10,508,122
Total Revenues	$ 63,218,877	$ 65,709,154	$ 67,534,360	$ 73,785,363

The major contributors to total revenues' decrease to budget and FY09 have been explained earlier under Financial Highlights. The Authority also receives Capital Contributions from Federal & State Government grants and private donations. These grants are generally only available for use on eligible capital and major maintenance spending. Capital Contributions received or accrued for FY10 and FY09 were $8,890,235 and $19,419,520 respectively. Although Federal Government grants available to the Authority remained fairly level between FY09 and FY10, the reduction in Capital Contributions recognized is linked to reduced eligible spending in FY10. Unused Federal Grant funds from FY10 remain available for use by the Authority in future years.

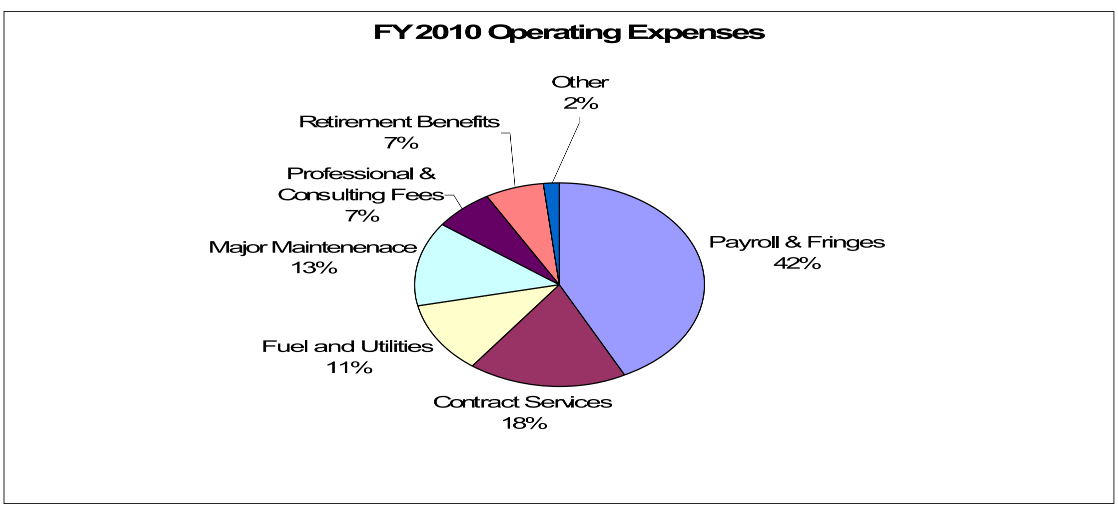


Expenses

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

	2010 Actual	2010 Budget	2009 Actual	2008 Actual
Operating Expenses:				
Payroll & Fringe Benefits	$ 11,460,450	$ 12,704,230	$ 12,614,186	$ 11,845,399
Contract Services	4,784,041	5,080,647	5,067,173	5,249,435
Fuel and Utilities	3,076,261	3,505,200	3,420,007	3,295,537
Professional & Consulting Fees	1,756,569	1,713,000	1,848,080	1,687,622
Retirement	1,784,805	1,990,478	1,693,751	1,903,329
Other	479,627	648,781	202,709	341,269
Total Operating Expenses before Major Maintenance and Depreciation	23,341,753	25,642,336	24,845,906	24,322,591
Major Maintenance	3,574,877	3,490,000	4,426,132	3,610,139
Total Operating Expenses before Depreciation	26,916,630	29,132,336	29,272,038	27,932,730
Non Operating Expenses				
Interest Expense	15,299,423	17,810,630	17,785,333	19,308,182
Other	130,138	-	2,693,343	4,682
Total Non Operating Expenses	15,429,561	17,810,630	20,478,676	19,312,864
Total Expenses before Depreciation	$ 42,346,191	$ 46,942,966	$ 49,750,714	$ 47,245,594

The Authority initiated several cost cutting measures in response to the airline industry being hampered by the economic downturn. Two of the largest areas of reduction were payroll and related benefits as well as utilities which were discussed earlier in the Financial Highlights section. There were two primary reasons Major Maintenance expenses for FY10 were $900,000 less than FY09. The largest reason was the Airfield Lighting project that was completed and incurred expenditures of $700,000 in FY09. The other reason was snow and ice removal costs that were $300,000 less than FY09, primarily due to a decrease in the cost of liquid deicer by $2.60 per gallon (FY09 - $7.30 versus FY10 - $4.70). Other Non-Operating Expense variance to FY09 actual was primarily from the loss on the sale of property in FY09 to UPS which amounted to $2.3 million.



Capital Assets. During fiscal year 2010, the Authority's capital spending and accruals totaled approximately $15,200,000. Major projects were: Noise Mitigation, Land Acquisition, Relocation and Sound Insulation - $6,821,000; Runways & Taxiways - $2,256,000; construction of Administrative, Parking and Terminal Projects - $4,295,000; and construction of the Emergency Operations Center - $900,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately $10,024,000.

Debt. Currently, the Authority has bonds outstanding of $361,990,000 of which $345,100,000 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 2010 and funded by a portion of the debt include construction of Taxiway Alpha and an Emergency Operations Center. 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	
	2010	2009	2010	2009
ASSETS				
Current Assets, Unrestricted				
Cash and equivalents	$ 16,647,315	$ 14,227,877	$ 1,560,940	$ 1,886,070
Investments, at amortized cost plus accrued interest	15,507,135	16,506,251	-	-
Fees and rentals receivable	2,754,212	2,952,295	1,619,604	490,636
Due from component unit	2,609,624	2,374,601	-	-
Supplies and prepaid expenses	1,292,390	1,008,644	-	-
Total unrestricted current assets	38,810,676	37,069,668	3,180,544	2,376,706
Current Assets, Restricted				
Cash and equivalents	38,204,175	38,789,738	-	-
Cash – Land Fund	3,072,567	3,930,608	-	-
Interest receivable	97,061	43,852	-	-
Grants receivable	28,007	676,901	-	-
Investments, at amortized cost plus accrued interest – Land Fund	5,000,238	5,001,585	-	-
Total restricted current assets	46,402,048	48,442,684	-	-
Total current assets	85,212,724	85,512,352	3,180,544	2,376,706
Noncurrent Assets, Unrestricted				
Capital assets not being depreciated	357,954,938	352,397,900	9,604,113	16,842,105
Depreciable capital assets, net	213,899,065	231,922,665	6,532,475	-
Deferred loan and bond cost, net of accumulated amortization of $6,349,111 as of 2010 and $5,163,413 as of 2009	14,272,522	15,466,923	3,333,431	2,684,636
Total unrestricted noncurrent assets	586,126,525	599,787,488	19,470,019	19,526,741
Noncurrent Assets, Restricted				
Cash – PFC Fund	883,110	2,067,004	-	-
Cash and equivalents	17,745,801	33,696,173	-	-
Investments – PFC Fund	3,000,143	3,000,363	-	-
Investments, at amortized cost plus accrued interest	25,107,028	9,156,654	-	-
Total restricted noncurrent assets	46,736,082	47,920,194	-	-
Total noncurrent assets	632,862,607	647,707,682	19,470,019	19,526,741
Total assets	$ 718,075,331	$ 733,220,034	$ 22,650,563	$ 21,903,447

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS - CONTINUED

	Louisville Regional Airport Authority				Component Unit Louisville Renaissance Zone Corporation			
	June 30				June 30			
	2010		2009		2010		2009	
LIABILITIES								
Current Liabilities (payable from unrestricted current assets)								
Accounts payable	$	4,852,253	$	3,103,030	$	65,674	$	417,736
Due to the Authority		-		-		2,609,624		2,374,601
Accrued expenses and other		822,331		807,738		269,819		317,438
Loans payable		-		-		1,492,584		229,098
Deferred income		140,154		127,169		-		-
Total unrestricted current liabilities		5,814,738		4,037,937		4,437,701		3,338,873
Current Liabilities (payable from restricted current assets)								
Current portion of bonds and loans payable		16,890,000		16,085,000		-		-
Accounts payable		750,250		2,380,908		-		-
Accrued interest		7,423,480		7,717,883		-		-
Total restricted current liabilities		25,063,730		26,183,791		-		-
Total current liabilities		30,878,468		30,221,728		4,437,701		3,338,873
Long-Term Debt								
Bonds and loans payable		345,100,000		361,990,000		17,308,669		18,180,137
Other Liabilities								
Deposit from UPS Land Option		7,804,954		7,656,700		-		-
Unamortized bond premium, net		8,688,588		9,335,248		-		-
Deposit from Commonwealth of Kentucky		18,724,824		18,724,824		-		-
Other liabilities		83,600		83,600		-		-
Revolving coverage (payable from restricted assets)		4,300,000		4,300,000		-		-
Total other liabilities		39,601,966		40,100,372		-		-
Total liabilities	$	415,580,434	$	432,312,100	$	21,746,370	$	21,519,010
Commitments and contingencies								
NET ASSETS								
Invested in capital assets, net of related debt	$	196,325,947	$	190,952,980	$	-	$	-
Restricted for debt service		66,965,002		66,427,361		-		-
Restricted for capital projects		14,012,964		18,152,562		-		-
Unrestricted net assets		25,190,984		25,375,031		904,193		384,437
Total net assets	$	302,494,897	$	300,907,934	$	904,193	$	384,437

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30		June 30	
	2010	2009	2010	2009
Operating Revenues				
Rentals and concessions	$ 38,648,740	$ 40,507,749	$ -	$ -
Landing and field use fees	18,821,087	20,055,027	-	-
Land sales and TIF revenues	-	-	1,289,157	301,072
Total operating revenues	57,469,827	60,562,776	1,289,157	301,072
Operating Expenses				
Operations and general maintenance	14,043,337	16,669,526	-	-
Administrative, general, planning and engineering	9,298,416	8,176,380	148,752	179,729
	23,341,753	24,845,906	148,752	179,729
Major maintenance	3,574,877	4,426,132	-	-
Depreciation and amortization	28,175,958	28,138,199	236,174	-
Total operating expenses	55,092,588	57,410,237	384,926	179,729
Operating income	2,377,239	3,152,539	904,231	121,343
Non-Operating Revenues (Expenses)				
Investment earnings, net	1,301,398	2,376,785	1,252	9,160
Interest expense	(15,299,423)	(17,785,333)	(385,727)	(365,881)
Passenger facility charges	4,447,652	4,594,799	-	-
Net gain (loss) on disposal of assets	4,248	(2,485,109)	-	-
Other expenses	(134,386)	(208,234)	-	-
Net non-operating revenue (expense)	(9,680,511)	(13,507,092)	(384,475)	(356,721)
(Loss) income before capital contributions	(7,303,272)	(10,354,553)	519,756	(235,378)
Capital Contributions	8,890,235	19,419,520	-	-
Change in net assets	1,586,963	9,064,967	519,756	(235,378)
Net assets, beginning of year	300,907,934	291,842,967	384,437	619,815
Net assets, end of year	$ 302,494,897	$ 300,907,934	$ 904,193	$ 384,437

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

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30		June 30	
	2010	2009	2010	2009
Cash Flows From Operating Activities				
Receipts from customers and users	$ 57,594,126	$ 59,899,487	$ -	$ -
Land sales and TIF revenues	-	-	160,189	196,016
Payments to suppliers	(18,738,733)	(20,456,878)	(265,791)	(268,475)
Payments to employees	(7,621,485)	(8,385,888)	-	-
Net cash provided by (used for) operating activities	31,233,908	31,056,721	(105,602)	(72,459)
Cash Flows From Capital and Related Financing Activities				
Capital contributions	9,539,129	22,601,421	-	-
Passenger facility charges	4,447,652	4,594,799	-	-
Acquisition and construction of capital assets	(15,544,893)	(33,406,991)	(295,360)	(979,775)
Proceeds from sale of assets	53,500	1,378,187	-	-
Proceeds from issuance of debt	-	37,610,000	585,126	1,145,124
Principal paid on capital debt	(16,085,000)	(41,655,000)	(193,108)	(38,369)
Interest paid on capital debt, net of capitalized interest	(15,593,826)	(18,228,203)	(317,438)	(417,610)
Fees paid on bonds	(134,386)	(208,235)	-	-
Issuance costs of capital debt	8,703	703,413	-	-
Cash flows used for capital and related financing activities	(33,309,121)	(26,610,609)	(220,780)	(290,630)
Cash Flows From Investing Activities				
Proceeds from maturities of investments	46,964,833	79,256,313	-	-
Purchase of investments	(61,914,524)	(64,746,128)	-	-
Investment income	866,472	793,570	1,252	9,160
Net cash (used for) provided by investing activities	(14,083,219)	15,303,755	1,252	9,160
Net (Decrease) Increase in Cash and Equivalents	(16,158,432)	19,749,867	(325,130)	(353,929)
Cash and Equivalents, Beginning of Year	92,711,400	72,961,533	1,886,070	2,239,999
Cash and Equivalents, End of Year	$ 76,552,968	$ 92,711,400	$ 1,560,940	$ 1,886,070

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS - CONTINUED

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30		June 30	
	2010	2009	2010	2009
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
Operating income	$ 2,377,239	$ 3,152,539	$ 904,231	$ 121,343
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	28,175,958	28,138,199	236,174	-
Changes in assets and liabilities:				
Fees and rental receivable	(36,940)	(301,723)	(1,128,968)	(105,056)
Deferred income	12,985	12,984	-	-
Supplies and prepaid expenses	(283,746)	(221,764)	-	-
Accounts payable	825,565	837,421	(117,039)	(88,746)
Accrued expenses and other	14,593	(186,385)		-
Deposit from UPS land option	148,254	(374,550)	-	-
Net cash provided by (used for) operating activities	$ 31,233,908	$ 31,056,721	$ (105,602)	$ (72,459)

Noncash Investing, Capital and Related Financing Activities:

The Authority has retainage and accounts payable related to construction in progress of approximately $1,944,000 and $2,651,000 as of June 30, 2010 and 2009, respectively. The Authority recorded a gain on sale of assets of approximately $4,000 and a loss on sale of assets of approximately $2,485,000 as of June 30, 2010 and 2009, respectively.

LRZC capitalized approximately $146,000 in 2010 and $202,000 in 2009 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 $530,000 and $532,000 for fiscal year 2010 and 2009, 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.

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, 2010 and 2009, the allowance for uncollectible accounts was $279,000 and $303,000, 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 $135,000 and $303,000 during 2010 and 2009, 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

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

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 2009 have been reclassified to conform to 2010 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 November 4, 2010, 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:

	2010	2009
Cash on hand	$ 3,550	$ 3,550
Deposits with financial institutions	25,611,794	26,400,046
Repurchase agreements	50,937,624	66,307,804
	$ 76,552,968	$ 92,711,400

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:

	2010	2009
Covered by federal depository insurance	$ 370,850	$ 372,241
Uninsured and collateralized	25,597,815	26,327,341
Bank balance	$ 25,968,665	$ 26,699,582
Carrying amount	$ 25,611,794	$ 26,400,046

NOTE C--INVESTMENTS

At June 30, 2010, the Authority's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Fannie Mae	$ 7,587,225	Weighted average 8.11 years	AAA
Federal Home Loan Bank	16,257,029	Weighted average 1.39 years	AAA
Freddie Mac	20,295,301	Weighted average 0.23 years	AAA
Federal Farm Credit Bank	3,771,719	Weighted average 2.72 years	AAA
Tennessee Valley Authority	703,270	2.71 years	AAA
	$ 48,614,544		

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		

NOTE C--INVESTMENTS--CONTINUED

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

	2010	2009
Unrestricted investments	$ 15,507,135	$ 16,506,251
Restricted investments, current	5,000,238	5,001,585
Restricted investments, noncurrent	28,107,171	12,157,017
Total investments	$ 48,614,544	$ 33,664,853

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 primarily to the scheduled repayment of bonds issued by the Authority. These investments mature such that proceeds from investments will become available in order to pay debt service.

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

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

Concentration of Credit Risk: Unrestricted funds invested in U.S. Government Agencies are limited to 50% of invested assets. At June 30, 2010, approximately $15,607,000 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:

	Cash and Equivalents	Investments	Interest Receivable	Grants Receivable	Total
June 30, 2010					
Bond Funds	$ 55,949,976	$ 16,264,999	$ -	28,007	$ 72,242,982
Revolving Debt Coverage	-	8,842,029	97,061	-	8,939,090
Land Proceeds	3,072,567	5,000,238	-	-	8,072,805
PFC Funds	883,110	3,000,143	-	-	3,883,253
	$ 59,905,653	$ 33,107,409	$ 97,061	$ 28,007	$ 93,138,130

	Cash and Equivalents	Investments	Interest Receivable	Grants Receivable	Total
June 30, 2009					
Bond Funds	$ 67,300,535	$ 5,500,000	$ -	$ 676,901	$ 73,477,436
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
	$ 78,483,523	$ 17,158,602	$ 43,852	$ 676,901	$ 96,362,878

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, 2010 and 2009. 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, 2010 and 2009, 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.

NOTE E--COMMITMENTS AND CONTINGENCIES--CONTINUED

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, 2010, capital projects in progress include approximately $53 million related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately $252 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.

<u>Deposit from Commonwealth of Kentucky</u>: 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, 2009, the Authority entered into a deed which transferred additional property to the Commonwealth at a value of $1,088,840. That deed was filed with the County Clerk of Jefferson County, Kentucky on May 15, 2009. The entire amount of these transfers reduced the related liability.

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

NOTE E--COMMITMENTS AND CONTINGENCIES--CONTINUED

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

NOTE F--DEBT

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

	2010	2009
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.	$ 8,300,000	$ 8,635,000
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.	73,400,000	77,230,000
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.	7,730,000	8,360,000
2002 Series A Revenue Bonds, various annual principal payments with interest payments at 35 day intervals at variable rates (0.702% at June 30, 2010) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	40,925,000	42,000,000
2002 Series B Revenue Bonds, various annual principal payments with interest payments at 35 day intervals at variable rates (0.700% at June 30, 2010) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	32,775,000	33,625,000

NOTE F--DEBT--CONTINUED

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

	2010	2009
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.	6,480,000	7,970,000
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.	6,000,000	6,320,000
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.	103,475,000	108,455,000
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.	35,035,000	37,610,000
Total debt	361,990,000	378,075,000
Less current portion	16,890,000	16,085,000
	$ 345,100,000	$ 361,990,000

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, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds	$ 378,075,000	$ -	$ (16,085,000)	$ 361,990,000	$ 16,890,000

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 total interest incurred for the year ended June 30, 2010 was $15,434,000. Of this amount, $135,000 was capitalized as a component of the cost of capital assets constructed during the year and approximately $15,299,000 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, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	$ 16,890,000	$ 16,920,000	$ 33,810,000
2012	17,680,000	16,016,000	33,696,000
2013	18,590,000	15,060,000	33,650,000
2014	19,530,000	14,072,000	33,602,000
2015	18,210,000	13,213,000	31,423,000
2016 – 2020	97,190,000	50,489,000	147,679,000
2021 – 2025	98,190,000	26,243,000	124,433,000
2026 – 2030	49,780,000	9,784,000	59,564,000
2031 – 2035	23,410,000	1,738,000	25,148,000
2036 – 2038	2,520,000	218,000	2,738,000
	$ 361,990,000	$ 163,753,000	$ 525,743,000

Outstanding Letters of Credit: At June 30, 2010 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, 2010 and 2009.

NOTE F--DEBT--CONTINUED

Louisville Renaissance Zone Corporation

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

	2010	2009
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.	$ 5,097,523	$ 5,290,631
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.	8,605,841	8,020,715
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	5,097,889
Total debt	18,801,253	18,409,235
Less current portion	1,492,584	229,098
	$ 17,308,669	$ 18,180,137

Annual Loan Repayment Requirements

The annual loan repayment requirements to maturity, including principal and interest, for long-term debt as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	$ 1,492,584	$ 305,851	$ 1,798,435
2012	2,882,573	259,515	3,142,088
2013	2,882,765	129,757	3,012,522
2014	719,956	-	719,956
2015	720,266	-	720,266
2016-2020	3,600,837	-	3,600,837
2021-2025	3,974,330	-	3,974,330
2026-2028	2,527,942	-	2,527,942
	$ 18,801,253	$ 695,123	$ 19,496,376

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, 2010 and 2009 totaled approximately $97,000 and $92,000, respectively and contributions to the 401(k) Plan for the same years were approximately $132,000 and $129,000, 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 $7,908,000 and $8,239,000, out of a total payroll of approximately $8,566,000 and $9,576,000 for the years ended June 30, 2010 and 2009, respectively.

For members participating prior to September 1, 2009 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.

NOTE I--DEFINED BENEFIT PENSION PLANS--CONTINUED

For members participating after September 1, 2009 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, 2009 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 16.16%, 13.50% and 16.17% of the covered employees' salaries for non-hazardous positions, and 32.97%, 29.50% and 33.87% for a hazardous position for 2010, 2009 and 2008, respectively. The contribution requirements for the year ended June 30, 2010 was approximately $2,089,000, consisting of $1,623,000 from the Authority and $466,000 from employees; 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; and for the year ended June 30, 2008 it was approximately $2,097,000, consisting of $1,642,000 from the Authority and $455,000 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, 2009. 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 for each year ending June 30, 2010 and 2009.

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 $100,000 for 26 employees and $108,000 for 32 employees during 2010 and 2009, 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, 2010, are as follows:

Year Ended June 30,	
2011	$ 10,205,595
2012	9,926,890
2013	9,765,506
2014	9,569,830
2015	9,220,396
Thereafter	22,634,185
	$ 71,322,402

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, 2010 and 2009 were approximately $7,842,000 and $7,897,000, respectively.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

NOTE L--CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 278,753,222	$ 555,168	$ -	$ 279,308,390
Capital projects in progress:				
Construction projects	26,347,084	8,464,747	(9,098,718)	25,713,113
Land acquisition program	47,297,594	5,635,841	-	52,933,435
Total capital assets not being depreciated	352,397,900	14,655,756	(9,098,718)	357,954,938
Other capital assets:				
Land improvements	355,304,789	62,403,517	(2,831,983)	414,876,323
Buildings	188,602,828	555,222	(54,505,458)	134,652,592
Utility systems	35,058,893	3,188,303	-	38,247,196
Equipment (excluding automotive)	13,340,621	666,839	(332,612)	13,674,848
Vehicle and automotive equipment	7,658,961	1,178,215	(193,393)	8,643,783
Furniture and fixtures	6,162,172	-	(1,126,016)	5,036,156
Total other capital assets at historical cost	606,128,264	67,992,096	(58,989,462)	615,130,898
Less accumulated depreciation for:				
Land improvements	219,386,424	60,116,139	-	279,502,563
Buildings	106,795,361	7,966,501	(44,439,167)	70,322,695
Utility systems	30,301,368	2,286,218	-	32,587,586
Equipment (excluding automotive)	6,113,170	1,449,157	-	7,562,327
Vehicle and automotive equipment	6,583,256	275,341	(141,950)	6,716,647
Furniture and fixtures	5,026,020	274,614	(760,619)	4,540,015
Total accumulated depreciation	374,205,599	72,367,970	(45,341,736)	401,231,833
Other capital assets, net	231,922,665	(4,375,874)	(13,647,726)	213,899,065
Net capital assets	$ 584,320,565	$ 10,279,882	$ (22,746,444)	$ 571,854,003
Louisville Renaissance Zone Corporation:				
Capital assets not being depreciated:				
Land	$ 4,709,677	$ 4,840,346	$ -	$ 9,550,023
Construction projects	12,132,428	-	(12,078,338)	54,090
Total capital assets not being depreciated	16,842,105	4,840,346	(12,078,338)	9,604,113
Other capital assets:				
Land improvments	-	3,654,595	-	3,654,595
Utility Systems	-	3,114,054	-	3,114,054
Total other capital assets at historical costs	-	6,768,649	-	6,768,649
Less accumulated depreciation	-	236,174	-	236,174
Other capital assets, net	-	6,532,475	-	6,532,475
Net capital assets	$ 16,842,105	$ 11,372,821	$ (12,078,338)	$ 16,136,588

NOTE L--CAPITAL ASSETS--CONTINUED

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	24,195,344	(34,788,581)	26,347,084
Land acquisition program	41,939,979	5,732,165	(374,550)	47,297,594
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

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, 2010		June 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and equivalents	$ 76,552,968	$ 76,552,968	$ 92,701,084	$ 92,701,084
Investments	48,614,544	48,614,544	33,675,169	33,675,169
Bonds payable	361,990,000	434,506,711	378,075,000	437,589,954

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 passenger facility charge on enplaning revenue passengers of $3.00 through November 2010, increasing to $4.50 in December 2010.
The FAA has authorized the Authority to collect total net PFC revenue of $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, 2010 and 2009, amounts of approximately $4,448,000 and $4,595,000, 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 $2,607,000 and $2,375,000 at June 30, 2010 and June 30, 2009, respectively.

NOTE P--MAJOR CUSTOMERS

During fiscal years 2010 and 2009, the Authority earned approximately 27% of its operating revenues from one customer in each year.

SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2010 with comparative totals for 2009

	2010			2009
	Louisville International	Bowman Field	Total	Total
Operating Revenues				
Landing and field use fees	$ 18,802,637	$ 18,450	$ 18,821,087	$ 20,055,027
Terminal area	9,258,494	91,962	9,350,456	9,970,981
Apron area	2,148,070	-	2,148,070	2,475,485
Parking and ground transportation	20,479,497	-	20,479,497	21,324,462
Aviation related facility leases	2,945,463	1,359,069	4,304,532	3,881,091
Land leases and other	1,812,849	137,861	1,950,710	2,373,292
Airport services	202,416	25,199	227,615	263,461
Other revenue	176,137	11,723	187,860	218,977
Total operating revenues	55,825,563	1,644,264	57,469,827	60,562,776
Operating Expenses				
Operations and general maintenance				
Salaries, wages	7,281,971	362,773	7,644,744	8,361,921
Contracts	3,043,132	34,739	3,077,871	4,156,418
Utilities and fuel supplies	2,490,723	405,168	2,895,891	3,148,695
Supplies and other	705,911	176,851	882,762	1,601,061
Costs recovered from tenants	(448,132)	(9,799)	(457,931)	(598,569)
Total operations and general maintenance	13,073,605	969,732	14,043,337	16,669,526
Administrative, general, planning and engineering	8,747,057	551,359	9,298,416	8,176,380
Total operating expenses before major maintenance and depreciation	21,820,662	1,521,091	23,341,753	24,845,906
Major maintenance	3,525,716	49,161	3,574,877	4,426,132
Depreciation and amortization	27,104,310	1,071,648	28,175,958	28,138,199
Total operating expenses	52,450,688	2,641,900	55,092,588	57,410,237
Operating Income (Loss)	3,374,875	(997,636)	2,377,239	3,152,539
Non-Operating Revenues (Expenses) and Capital Contributions				
Investment earnings, net	1,299,074	2,324	1,301,398	2,376,785
Interest expense	(15,299,423)	-	(15,299,423)	(17,785,333)
Passenger facility charge	4,447,652	-	4,447,652	4,594,799
Net (loss) gain on disposal of assets	4,248	-	4,248	(2,485,109)
Other expenses	(152,370)	17,984	(134,386)	(208,234)
Capital contributions	8,382,552	507,683	8,890,235	19,419,520
Non-operating revenues and expenses	(1,318,267)	527,991	(790,276)	5,912,428
Change in net assets	$ 2,056,608	$ (469,645)	$ 1,586,963	$ 9,064,967

See accompanying independent auditor's report.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT

June 30, 2010

	Cost					Accumulated Depreciation				
	Balance July 1, 2009	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2010	Balance July 1, 2009	Provisions	Retirements/ Adjustments	Balance June 30, 2010	Net Balance June 30, 2010
Louisville International Airport:										
Land	$ 277,921,055	$ 220,779	$ -	$ 251,588	$ 278,393,422	$ -	$ -	$ -	$ -	$ 278,393,422
Land improvements - runways, taxiways, and aprons	307,813,922	-	-	(2,831,983)	304,981,939	185,921,152	9,703,165	1,084,914	196,709,231	108,272,708
Land improvements - ground transportation and other	33,758,496	-	-	60,838,000	94,596,496	28,215,026	983,195	47,534,208	76,732,429	17,864,067
Buildings	176,984,854	-	-	(54,505,458)	122,479,396	98,676,590	7,666,471	(44,383,253)	61,959,808	60,519,588
Utility systems	34,934,356	194,670	-	2,993,633	38,122,659	30,181,562	442,856	1,842,717	32,467,135	5,655,524
Equipment (excluding automotive)	13,090,504	594,952	(62,446)	(243,708)	13,379,302	5,910,965	789,171	598,263	7,298,399	6,080,903
Vehicles and automotive equipment	6,784,564	88,779	(140,069)	1,089,436	7,822,710	5,711,414	272,785	(88,626)	5,895,573	1,927,137
Furniture and fixtures	6,162,172	-	-	(1,126,016)	5,036,156	5,026,019	274,614	(760,619)	4,540,014	496,142
Capital projects in progress	72,681,063	12,747,930	-	(6,798,513)	78,630,480	-	-	-	-	78,630,480
Total Louisville International Airport	$ 930,130,986	$ 13,847,110	$ (202,515)	$ (333,021)	- $ 943,442,560	$ 359,642,728	$ 20,132,257	$ 5,827,604	$ 385,602,589	$ 557,839,971

Continued

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT

June 30, 2010

	Cost					Accumulated Depreciation				
	Balance July 1, 2009	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2010	Balance July 1, 2009	Provisions	Retirements/ Adjustments	Balance June 30, 2010	Net Balance June 30, 2010
Bowman Field:										
Land	$ 832,167	$ -	$ -	$ 82,801	$ 914,968	$ -	$ -	$ 10,350	$ 10,350	$ 904,618
Land improvements - runways, taxiways, and aprons	13,590,278	-	-	1,165,074	14,755,352	5,132,495	565,094	93,870	5,791,459	8,963,893
Land improvements - ground transportation and other	142,093	-	-	400,443	542,536	117,750	4,772	136,571	259,093	283,443
Buildings	11,617,974	-	-	555,222	12,173,196	8,118,772	300,030	(55,914)	8,362,888	3,810,308
Utility systems	124,536	-	-	-	124,536	119,806	645	-	120,451	4,085
Equipment (excluding automotive)	250,114	-	(26,458)	71,887	295,543	202,206	13,579	48,144	263,929	31,614
Vehicles and automotive equipment	874,399	-	-	(53,324)	821,075	871,841	2,556	(53,324)	821,073	2
Construction in progress	963,617	1,352,656	-	(2,300,204)	16,069	-	-	-	-	16,069
Total Bowman Field	28,395,178	1,352,656	(26,458)	(78,101)	29,643,275	14,562,870	886,676	179,697	15,629,243	14,014,032
Total Louisville International Airport and Bowman Field	$ 958,526,164	$ 15,199,766	$ (228,973)	$ (411,122)	$ 973,085,835	$ 374,205,598	$ 21,018,933	$ 6,007,301	$ 401,231,832	$ 571,854,003

See accompanying independent auditor’s report.

Louisville Regional Airport Authority

SCHEDULE OF INSURANCE COVERAGE

June 30, 2010

	Expiration Date	Amount of Coverage	
Chartis Aviation:			
General airport liability	7/31/2010	$ 250,000,000	
Optional war risk & other perils	7/31/2010	50,000,000	
Optional TRIA	7/31/2010	250,000,000	
FM Global:			
All risk property	7/31/2010	500,000,000	
Hartford Fire Insurance Company:			
Automobile coverage	7/31/2010	1,000,000	
CV Starr:			
Public officials' liability covering board members and all employees	7/31/2010	10,000,000	
Chubb Insurance Group:			
All risk unlicensed equipment floater	7/31/2010	10,249,894	
Blanket travel accident	7/31/2011	125,000	
KEMI:			
Worker's compensation	7/31/2010	Statutory Limitations	
Employer's liability		1,000,000	
Fidelity and Deposit Co of Maryland:			
Fidelity and crime covering board members and all employees	7/31/2010		
Employee dishonesty		500,000	
Forgery/alteration		100,000	
Theft		100,000	
Travelers Insurance Company:			
Pension trust liability covering fiduciaries of the Authority retirement plans	7/31/2010	1,000,000	
Starr Indemnity:			
Accidental policy covering airport volunteers	1/1/2011	15,000	per person
Axis Surplus Ins. Co.:			
Cyber Liability	3/1/2011	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, 2010 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, 2010

	1997 Series A Revenue Bond Funds
	Construction Fund
Bond Fund Balances, July 1, 2009	$ 3,305,651
Additions:	
Deposits	-
Interest earned	599
Capital expenditures	(714,243)
Transfers from (to) other funds	-
Bond Fund Balances, June 30, 2010	$ 2,592,007

See accompanying independent auditor's report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	1998 Series A Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2009	$ 549,838	$ 763,930
Additions:		
Deposits	-	-
Investment earnings	42	4,703
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(756,803)	-
Transfers from (to) other funds	763,888	(4,703)
Bond Fund Balances, June 30, 2010	$ 556,965	$ 763,930

See accompanying independent auditor's report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	2001 Series A Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2009	$ 5,950,716	$ 8,070,356
Additions:		
Deposits	-	-
Investment earnings	449	59,487
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(7,970,894)	-
Transfers from (to) other funds	8,069,907	(59,487)
Bond Fund Balances, June 30, 2010	$ 6,050,178	$ 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, 2010

	2001 Series B Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2009	$ 840,632	$ 1,057,913
Additions:		
Deposits	-	-
Investment earnings	62	17,243
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(1,037,088)	-
Transfers from (to) other funds	1,057,850	(7,029)
Bond Fund Balances, June 30, 2010	$ 861,456	$ 1,068,127

See accompanying independent auditor’s report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	2002 Series A Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2009	$ 1,110,239	$ 3,179,435
Additions:		
Deposits	-	-
Investment earnings	77	14,300
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(1,379,297)	-
Transfers from (to) other funds	1,431,684	(7,748)
Bond Fund Balances, June 30, 2010	$ 1,162,703	$ 3,185,987

See accompanying independent auditor's report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	2002 Series B Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2009	$ 877,731	$ 2,545,305
Additions:		
Deposits	-	-
Investment earnings	62	13,350
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(1,093,056)	-
Transfers from (to) other funds	1,118,378	(11,750)
Bond Fund Balances, June 30, 2010	$ 903,115	$ 2,546,905

See accompanying independent auditor's report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	2003 Series A Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2009	$ 1,642,643	$ 1,790,585
Additions:		
Deposits	-	-
Investment earnings	112	15,469
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(1,772,935)	-
Transfers from (to) other funds	1,652,000	127,837
Bond Fund Balances, June 30, 2010	$ 1,521,820	$ 1,933,891

See accompanying independent auditor's report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	2003 Series B Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2009	$ 450,851	$ 582,103
Additions:		
Deposits	-	-
Investment earnings	34	2,899
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(576,903)	-
Transfers from (to) other funds	536,498	42,672
Bond Fund Balances, June 30, 2010	$ 410,480	$ 627,674

See accompanying independent auditor’s report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	2003 Series C Bond Funds	
	Debt Service Fund	Debt Service Reserve
Bond Fund Balances, July 1, 2009	$ 7,749,911	$ 10,575,443
Additions:		
Deposits	-	-
Investment earnings	584	88,631
Deductions:		
Capital expenditures	-	-
Bond principal and interest payments	(10,410,498)	-
Transfers from (to) other funds	9,783,308	598,377
Bond Fund Balances, June 30, 2010	$ 7,123,305	$ 11,262,451

See accompanying independent auditor’s report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	2005 Series A Bond Funds	
	Debt Service Fund	Construction Fund
Bond Fund Balances, July 1, 2009	$ 1,157,703	$ 4,164,778
Additions:		
Deposits	-	-
Investment earnings	105	897
Deductions:		
Capital expenditures	-	1,561,811
Bond principal and interest payments	(2,315,406)	-
Transfers from (to) other funds	2,315,301	-
Bond Fund Balances, June 30, 2010	$ 1,157,703	$ 5,727,486

See accompanying independent auditor's report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	2008 Series A Bond Funds	
	Debt Service Fund	Construction Fund
Bond Fund Balances, July 1, 2009	$ 3,523,894	$ 1,222,458
Additions:		
Deposits	-	-
Investment earnings	263	136
Deductions:		
Capital expenditures	-	(606,474)
Bond principal and interest payments	(4,414,850)	-
Transfers from (to) other funds	4,541,650	-
Bond Fund Balances, June 30, 2010	$ 3,650,957	$ 616,120

See accompanying independent auditor's report.

Louisville Regional Airport Authority

SCHEDULE OF CHANGES IN BOND FUND BALANCES (CONTINUED)

Year ended June 30, 2010

	Gross Revenue Fund
Bond Fund Balances, July 1, 2009	$ -
Additions:	
Deposits	-
Investment earnings	27
Deductions:	
Capital expenditures	-
Bond principal and interest payments	31,948,506
Transfers from (to) other funds	(31,948,533)
Bond Fund Balances, June 30, 2010	$ -

See accompanying independent auditor's report.

OTHER REQUIRED INFORMATION

Mountjoy
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Medley

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, 2010 and have issued our report thereon dated November 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

2000 Meidinger Tower
462 South Fourth Street
Louisville, KY 40202

502.749.1900 Phone
502.749.1930 Fax
www.mcmcpa.com

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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* (CONTINUED)

<u>Compliance and Other Matters (continued)</u>

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.

Mountjoy Chilton Medley LLP

Mountjoy Chilton Medley LLP
Louisville, Kentucky
November 4, 2010

Mountjoy
Chilton
Medley

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Louisville Regional Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2010. 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, 2010.

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

2000 Meidinger Tower
462 South Fourth Street
Louisville, KY 40202

502.749.1900 Phone
502.749.1930 Fax
www.mcmcpa.com

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)

Internal Control Over Compliance (continued)

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Chilton Medley LLP

Mountjoy Chilton Medley LLP
Louisville, Kentucky
November 4, 2010

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

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, 2010	Accumulated Expenditures
U.S. Department of Transportation						
Direct Program:						
Airport Improvement Program:						
Louisville International Airport						
	20.106	3-21-0031-76	Various Airport Projects and Purchase of Equipment	$ 16,946,436	$ 203,806	$ 16,946,436
	20.106	3-21-0031-78	Taxiway A (Phase I), Various Airfield Projects & Purchase of Equipment	10,419,971	388,818	10,419,971
	20.106	3-21-0031-80	Taxiway A (Phase II), Airfield Lighting (Phase II)	12,951,842	1,695,639	12,951,842
	20.106	3-21-0031-81	Acquire Land for Noise Compatibility Provide Relocation Assistance	10,000,000	1,000,000	10,000,000
	20.106	3-21-0031-82	Various Airport Projects and Purchase of Equipment	1,306,250	49,228	1,243,185
	20.106	3-21-0031-83	Taxiway Echo (Phase I), Various Airfield Projects & Purchase of Equipment	3,454,353	716,121	1,184,331
	20.106	3-21-0031-84	Taxiway A (Phase III) Various Airfield Projects & Purchase of Equipment	6,834,772	630,488	630,488
	20.106	3-21-0031-87	Various Airfield Projects	2,613,553	-	-
	20.106	3-21-0031-88	Acquire Land	5,000,000	3,000,000	3,000,000
Bowman Field:						
	20.106	3-21-0032-17	Update Airport Layout Plan	150,000	-	150,000
	20.106	3-21-0032-18	Taxiway Lima (Phase II)	1,330,000	1,060,357	1,070,538
	20.106	3-21-0032-19	Install Airport Guidance Signs	68,073	-	-
Total U.S. Department of Transportation				71,075,250	8,744,457	57,596,791

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year ended June 30, 2010

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, 2010	Accumulated Expenditures
U.S. Department of Homeland Security						
	97.090	HSTS0208HSLR259	Law Enforcement Officer Reimbursement Program	643,641	116,252	316,699
	97.072	HSTS0208HCAN449	TSA National Explosives Detection Canine Team	1,002,500	233,447	408,447
Total U.S. Department of Homeland Security				1,646,141	349,699	725,146
Total Direct Funds				72,721,391	9,094,156	58,321,937
Pass-Through Funds:						
U.S. Department of Homeland Security						
Federal Emergency Management Agency / *Commonwealth of Kentucky Emergency Management*						
	97.036	FEMA - 1818 DR KY	Public Disaster Assistance (Ice Storm)	456,631	410,968	410,968
	97.036	FEMA - 1855 DR KY	Public Disaster Assistance (Flood)	37,767	37,767	37,767
Total U.S. Department of Homeland Security Pass-Through Funds				494,398	448,735	448,735
Total Pass-Through Funds				494,398	448,735	448,735
Total Federal Awards				$ 73,215,789	$ 9,542,891	$ 58,770,672

See accompanying independent auditor’s report and note to the schedule of expenditures of federal awards

LOUISVILLE REGIONAL AIRPORT AUTHORITY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

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, 2010

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, 2010

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, 2010. 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, 2010.

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.

2000 Meidinger Tower
462 South Fourth Street
Louisville, KY 40202

502.749.1900 Phone
502.749.1930 Fax
www.mcmcpa.com

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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 (CONTINUED)

<u>Schedule of Expenditures of Passenger Facility Charges</u>

We have audited the financial statements of the Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated November 4, 2010. 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 Chilton Medley LLP

Mountjoy Chilton Medley LLP
Louisville, Kentucky
November 4, 2010

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED

Year ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program	Record of Decision	Impose Authority	Use Authority	PFC Collected	Interest Collected	Expenditures
U.S. Department of Transportation						
Passenger Facility Charge Program	97-01-C-00-SDF	$ 90,600,000	$ 90,600,000	$ 67,141,856	$ 714,734	$ 46,312,984
	01-02-C-00-SDF	10,012,140	10,012,140	-	-	10,012,140
	03-03-C-00-SDF	5,666,800	5,666,800	-	-	5,666,800
	06-04-C-00-SDF	1,267,315	1,267,315	-	-	1,253,136
	08-05-C-00-SDF	900,000	900,000	-	-	726,813
Totals		$ 108,446,255	$ 108,446,255	$ 67,141,856	$ 714,734	$ 63,971,873

See accompanying independent auditor's report.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF PASSENGER FACILITY CHARGES FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2010

Summary of Auditor's Results

We have issued an unqualified opinion, dated November 4, 2010 on the financial statements of Louisville Regional Airport Authority as of and for the year ended June 30, 2010.

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 November 4, 2010 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, 2010

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.