LOUISVILLE REGIONAL AIRPORT AUTHORITY
Louisville, Kentucky

FINANCIAL STATEMENTS
June 30, 2019

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Louisville Regional Airport Authority (the "Authority") and its discretely presented component unit, the Louisville Renaissance Zone Corporation (the "LRZC"), as of, and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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. The financial statements of the LRZC were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Authority as of June 30, 2019, and the respective changes in its financial position, and where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

We have previously audited the Authority's 2018 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated October 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedules of the Authority's proportionate share of the net pension liability, the schedule of the Authority's employer pension contributions, the schedules of the Authority's proportionate share of the net OPEB liability, and the schedules of the Authority's OPEB contributions as listed in the table of contents 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 the 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 obtain 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedule of revenues, expenses and changes in net position, the schedule of airport property, facilities, and equipment, and the schedule of insurance coverage and the schedule of expenditures of federal awards as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Louisville, Kentucky
October 16, 2019

Management's Discussion and Analysis

The Louisville Regional Airport Authority (Authority) is a municipal corporation established by Chapter 77 of the 1928 Public Acts of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statutes Chapter 183, the Authority's purpose is to establish, maintain, operate and expand airport and air navigation facilities and to promote and develop aviation. The Authority currently operates Louisville Muhammad Ali International Airport (SDF), primarily a commercial operations airport, and Bowman Field (LOU), primarily a general aviation and air traffic reliever airport to SDF. The operations of the Airports generate revenues from airport users to fund operating expenses and debt service requirements. Capital projects are funded through the receipt of federal and state grants, internally generated funds, the collection of Passenger Facility Charges ("PFCs"), and the periodic issuance of bonds.

The management of the Authority offers readers of our financial statements the following discussion and analysis of our statistical and financial activities of the Authority for the Fiscal Year ended June 30, 2019.

Basic Financial Statements

Our financial statements are prepared as a single enterprise fund using proprietary fund accounting that uses a similar basis of accounting as private-sector business enterprises. 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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a 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 Position presents information on Assets, Deferred Outflows, Liabilities, and Deferred Inflows with the difference between these reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Authority is improving or not.

The Statement of Revenues, Expenses and Changes in Net Position reports operating and non-operating revenues and expenses of the Authority 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 Position for the fiscal year. That change combined with last fiscal year's Net Position reconciles to the Net Position 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 discretely presented component unit named Louisville Renaissance Zone Corporation (LRZC). This legally separate component was incorporated by the Authority in 2003 and separately presents its own financial statements. It is important to read these statements in conjunction with the separate LRZC statements.

Statistical Information

The following chart and graphs on the following page reflects three key statistics of Louisville Muhammad Ali International Airport, which are the number of passengers going through the terminal, total weight of aircraft landing at the airport and total pounds of cargo going through the airport:

	FY 2019	FY 2018	FY 2017	FY 2016
Passengers				
Enplaned	2,047,746	1,818,676	1,681,796	1,679,092
Deplaned	2,046,311	1,814,897	1,681,762	1,680,462
Total	4,094,057	3,633,573	3,363,558	3,359,554
Landed Weight (lbs)				
Passenger	2,420,243,194	2,165,367,609	2,077,220,943	1,935,279,424
Cargo	15,075,710,754	14,046,871,436	13,092,379,076	12,407,034,542
Total	17,495,953,948	16,212,239,045	15,169,600,019	14,342,313,966
Total Cargo (lbs)	5,893,552,550	5,829,840,566	5,521,014,749	5,266,944,845

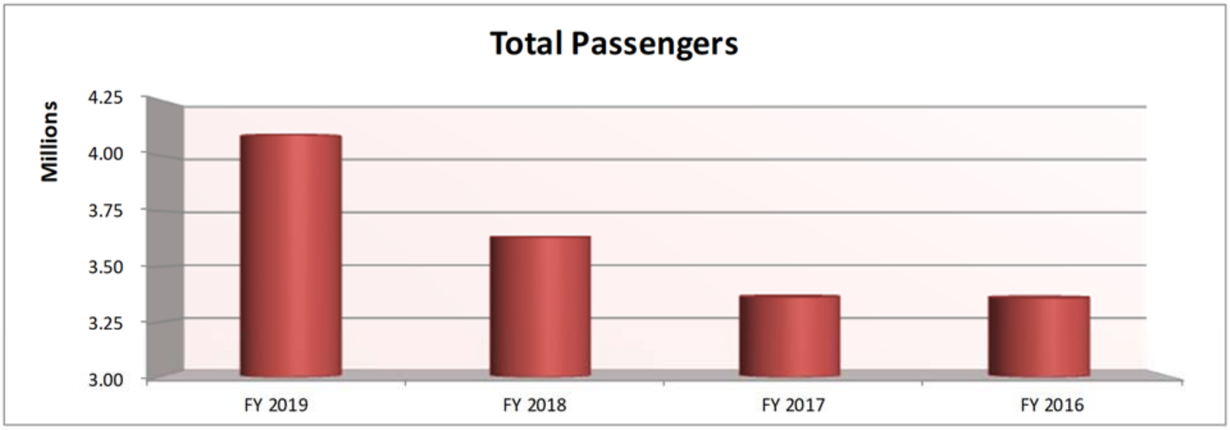
Louisville Muhammad Ali International's (SDF) status as a major worldwide cargo leader in terms of volume is best reflected by its current ranking of 3rd in North America and 7th worldwide. UPS' cargo volume at SDF was 5.8 and 5.7 billion pounds for FY19 and FY18, respectively.

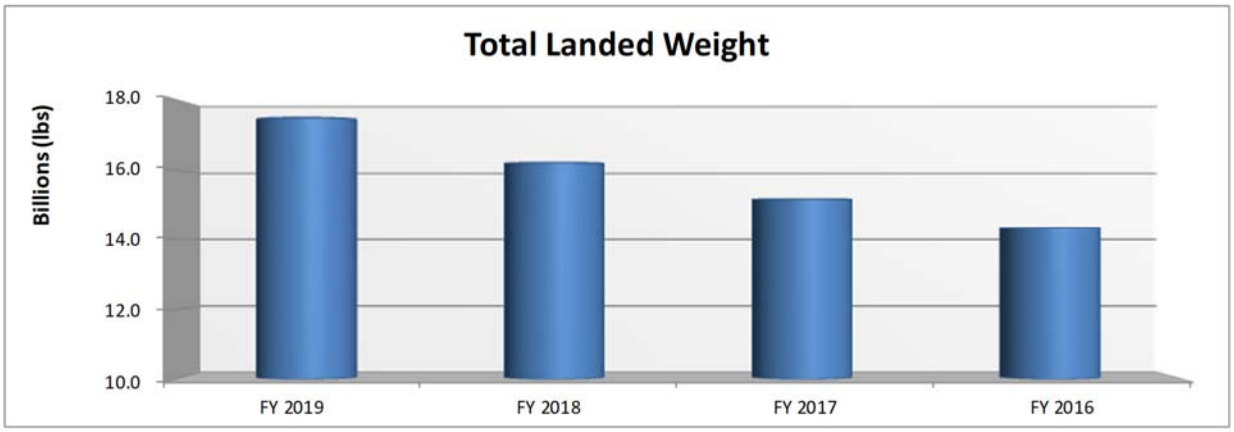
FY2019 passenger traffic at Louisville Muhammad Ali International Airport (SDF) increased 12.6% over the previous year. This passenger increase comes on the wings of a 12% capacity increase over the same period. During FY 2019, SDF saw the addition of Southwest service to Dallas and Houston, Frontier service to Orlando, Allegiant service to New Orleans and American Airlines service to Los Angeles; in addition to numerous capacity increases on existing routes. Increasing business traffic along with lower airfares provided by low cost carriers has allowed the market to have a healthy and sustainable mix of traffic growth.

Through FY2020, we expect to see a continued growth trend as airlines continue to respond to the strength of the market. Allegiant recently announced winter seasonal service to Sarasota beginning in November 2019, along with an extended season for New Orleans. Currently Q3-Q4 2019 capacity at SDF is up 6% YOY via a combination of new services and growth on existing routes.

Louisville Muhammad Ali International Airport is served by six airlines offering flights to more than 30 nonstop destinations including 19 of the region's top 20 domestic markets. With just one stop, travelers from across the region can reach more than 460 destinations in the U.S. and worldwide.

Statistical Graphs





Financial Highlights

(Versus Budget and Prior Year)

- Operating Revenues for FY19 were $5.0 million or 7.3% greater than FY18 and $4.1 million or 5.9% higher than budget. Major contributors are:
  - Landing fees were $1.9 million greater than FY18 and on target compared to budget. The primary reason for the increase over FY18 was anticipated and budgeted increases in airfield operating and maintenance costs that are then invoiced to the airlines.
  - Leases include revenues from the Fixed Based Operator at Louisville Muhammad Ali International Airport which continued to see increased revenues resulting in additional revenues to the Authority. This alone accounted for favorable variances of $670,000 to budget and $300,000 to FY18. In FY19 the Authority reclassified revenue received from the rental car companies for leased land and facilities from the Parking and Ground Transportation category to the Leases revenue category. This accounts for $770,000 of favorable variances to budget and prior year.
  - Parking and Ground Transportation revenues were up $1.9 million and $1.2 million over budget and FY18 respectively. The primary reason for this increase was due to the Authority changing the rental car customer contract fee from $5 per contract to initially a $2 per day in August 2018 then increasing to $4 per day in April 2019. This accounts for approximately $1.1 million of the variance to both budget and FY18. The remaining amounts are due to increased revenues realized in both parking and rental cars due to increased passenger traffic and rental car increase in revenue per transaction.
  - The primary reason Other revenues are less than FY18 is due to a decrease in assessments and collections on tenant audits resulting in approximately $800,000 of lower revenues.

- Non-Operating Revenues favorable variance to budget and prior year are mostly impacted by Interest Income and Passenger Facility Charges (PFC). Interest Income is favorable to budget primarily due to interest earnings on investments purchased with bond related funds and funds exceeding day to day operating expenses. Earnings on these accounts were approximately $1.8 million over budget. PFC's were greater than prior year by approximately $1.9 million due to increased passenger traffic and an increase in PFC collection level from $3.00 to $4.50 that went into effect in May 2019.

- Operating Expenses before Depreciation for FY19 were $2.0 million or 5.3% less than FY18 actual and $1.9 million or 5.0% lower than budget. The major contributors to these variances are:
  - Payroll and fringe benefits was $1.6 million less than budget and relatively flat compared to prior year. The primary reason for the variance to budget is the Authority has been undergoing a reorganization that has led to a streamlining and reduction of staffing levels. Most of these reductions were due to normal attrition.
  - Contract Services are approximately $1.7 million less than budget primarily due to anticipated cooperative advertising and air service credits that did not occur. This represents approximately $1.2 million of the variance. Another $560,000 is attributable to savings realized in the parking operation for two reasons. One is the operation's temporary staffing levels were consistently lower than budgeted. Additionally in March 2019 the airport entered into a concession agreement to outsource management of the parking operation which relieved the Authority from nearly all operating expenses related to the parking operation after that point.
  - Professional & Consulting Services were approximately $630,000 less than budget and $270,000 less than prior year. These are primarily related to increased utilization of in-house counsel which resulted in a decrease in external legal services of $465,000 to budget and $105,000 to prior year.

- In prior fiscal years the Authority adopted GASB 68 (FY15) and GASB 75 (FY18) which required recording the Kentucky County Employee Retirement System's (CERS) allocation of expenses and net liabilities for pensions and other post-employment benefits (OPEB) amongst all participating agencies. The Authority budgets the estimated contribution to be made rather than budgeting for this non-cash allocation which is the primary reason retirement expenses exceed budget. These allocated expenses plus the expense of the prior year's deferred contributions for FY19 and FY18 were $4.3 and $4.5 million respectively for pensions and $1.0 and $1.1 million respectively for OPEB. More detailed explanations may be found in Note 14 to these statements.
- Other expenses were $1.6 million over prior year and relatively flat compared to budget. The primary reason for this was the recovery of various Maintenance and Engineering department labor and operating expenses charged to projects and invoices to tenants that were less than prior year.
- Major Maintenance was $3.6 million less than prior year and $620,000 less than budget. The variance to prior year is due to two airfield maintenance projects totaling $3.5 million in FY18 which were completed FY18. The variance to budget is primarily due to $350,000 less snow removal costs than anticipated.

- Operating Income before Depreciation was $37.6 million which is $7.0 million greater than FY18 actual and $6.0 million greater than budget.

- Interest Expense is $1.4 million less than budget due to not budgeting the non-cash amortization of bond premiums.

- The Authority disposed of physical assets that resulted in a net loss on disposal of $4.6 million. This is discussed later in the Capital Assets section of this report.

- Net Income before Capital Contributions was $17.0 million, which is $14.7 million favorable to budget and $12.4 million favorable to FY18 results.

- Net Position increased from prior year by $42.6 million to $432.9 million.

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Financial Information

Statements of Net Position. The following schedule presents a summary of Net Position for the fiscal years ended June 30:

	2019	2018
Assets:		
Unrestricted	$ 120,388,925	$ 86,756,568
Restricted	64,978,909	58,659,699
Capital assets (includes in progress)	488,022,926	495,615,230
Total assets	673,390,760	641,031,497
Deferred outflows	8,474,175	10,595,404
Total Assets and Deferred Outflows	681,864,935	651,626,901
Liabilities:		
Unrestricted	13,960,592	10,134,830
Restricted	21,268,817	20,501,402
Long-term debt	163,110,000	179,520,000
Other	47,731,740	50,081,789
Total Liabilities	246,071,149	260,238,021
Deferred inflows	2,920,798	1,100,043
Total Liabilities and Deferred Inflows	248,991,947	261,338,064
Net Position		
Net investment in capital assets	291,577,171	286,077,121
Restricted for debt service	38,327,300	38,720,667
Restricted for capital projects	18,523,835	11,572,149
Unrestricted	84,444,682	53,918,900
Total Net Position	$ 432,872,988	$390,288,837

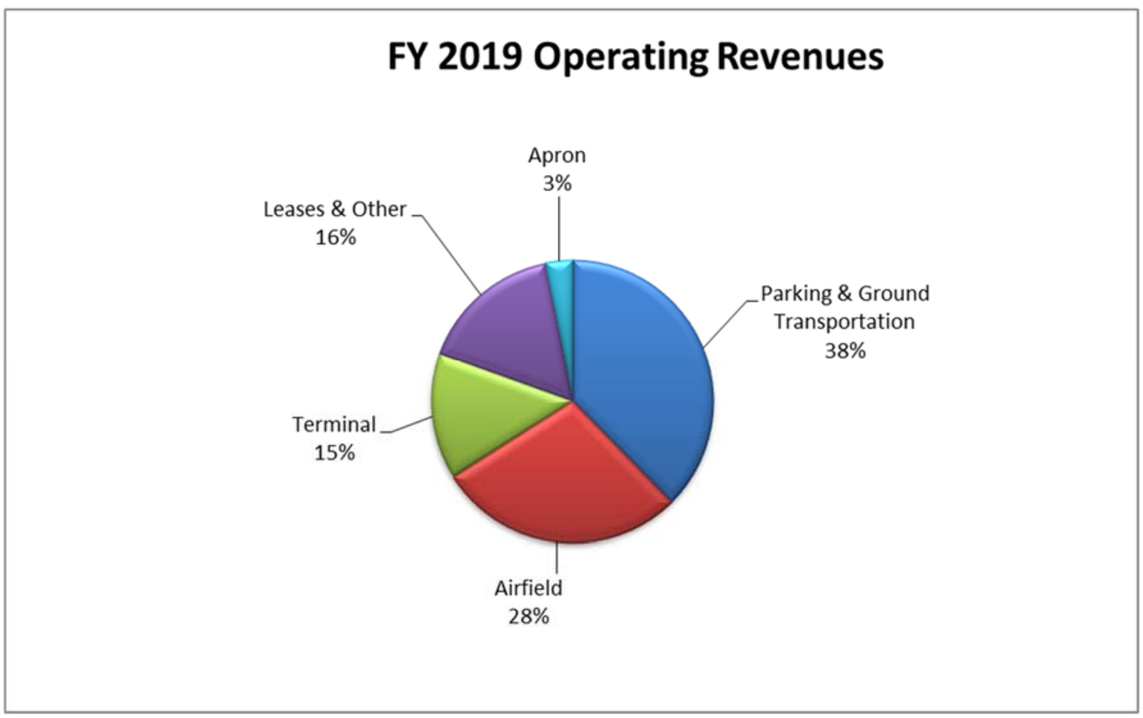
The Authority paid $16.0 million of outstanding bonds causing an overall reduction of Liabilities. The Deferred Outflows and Deferred Inflows above are also directly related to the allocation of CERS retirement and OPEB related activities per GASB 68 and 75. These were discussed earlier and will be discussed in more detail under Note 14 to these financial statements.

Total Net Position increased by $42.6 million.

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

	2019 Actual	2019 Budget	2018 Actual
Operating Revenues			
Landing and field use	$ 20,908,051	$ 20,917,696	$ 18,990,682
Apron area	2,309,448	2,088,777	1,807,669
Landside terminal	5,771,338	5,755,764	5,238,478
Airside terminal	4,903,625	4,673,495	4,066,574
Leases	11,704,644	10,027,296	10,881,672
Parking and ground transportation	27,741,426	25,871,343	26,588,335
Other	350,128	253,200	1,133,828
Total operating revenues	73,688,660	69,587,571	68,707,238
Non-Operating Revenues			
Passenger Facility Charge	5,833,884	4,849,000	3,980,839
Interest Income	3,155,738	1,323,310	1,702,569
Other	174,264	-	94,004
Total Non-Operating Revenues	9,163,886	6,172,310	5,777,412
Total Revenues	$ 82,852,546	$ 75,759,881	$ 74,484,650

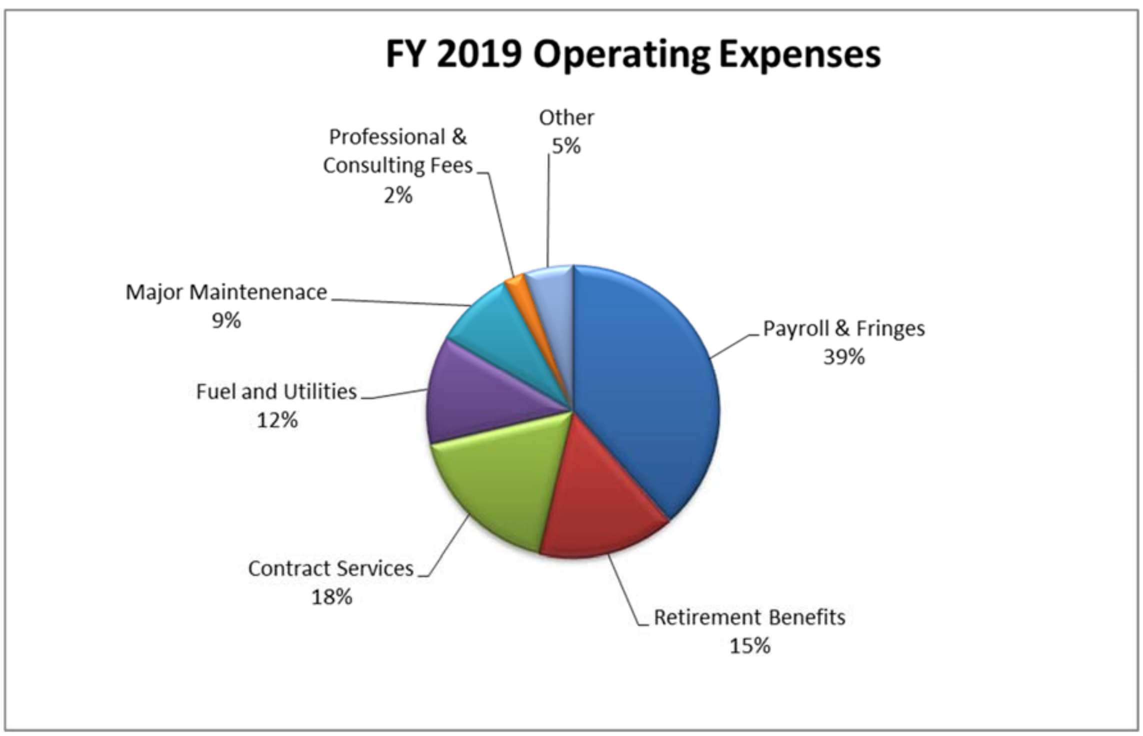
Discussion of the variances from budget and prior year are included earlier in the Financial Highlights section.



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

	2019		2018
	Actual	Budget	Actual
Operating expenses:			
Payroll and fringe benefits	$ 13,880,175	$ 15,445,019	$ 13,661,291
Contract services	6,335,601	8,062,400	6,060,056
Fuel and utilities	4,361,750	4,303,080	4,244,737
Professional and consulting fees	847,594	1,474,700	1,116,651
Retirement	5,481,733	2,858,254	5,857,464
Other	1,945,036	1,969,549	329,224
Total operating expenses before major maintenance and depreciation	32,851,889	34,113,002	31,269,423
Major maintenance	3,193,227	3,810,000	6,786,978
Total operating expenses before depreciation	36,045,116	37,923,002	38,056,401
Non-operating expenses			
Interest expense	6,284,031	7,655,549	6,659,466
Net loss on disposal of assets	4,566,773	-	-
Total non-operating expenses	10,850,804	7,655,549	6,659,466
Total expenses before depreciation	$ 46,895,920	$ 45,578,551	$ 44,715,867

Discussion of the variances from budget and prior year are included earlier in the Financial Highlights section.



Capital Contributions. The Authority receives Capital Contributions routinely in the form of payments from Federal Aviation Administration (FAA) grants that are generally only available for use on eligible capital and major maintenance spending. Other transactions that classify as Capital Contributions may consist of donations or transfers of land, property, and funds from any entity including private companies, state or local governments, or other governmental agencies. During FY19, the Authority recorded Capital Contributions of approximately $25,600,000 million for payments received or accrued from FAA grants. Unused FAA grant funds from FY19 remain available for use by the Authority in future years.

Capital Assets. During fiscal year 2019, the Authority's capital spending and accruals totaled approximately $20,391,000. Major projects were: Runways & Taxiways - $13,173,000; Terminal Projects - $3,679,000; Noise Mitigation, Land Acquisition, Relocation and Sound Insulation - $1,900,000 and Other Facility Projects and Equipment Purchases - $1,639,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately $11,793,000.

During fiscal year 2019, the capital asset disposition by the Authority was the sale of land acquired in relation to the FAA approved Part 150 Noise Mitigation, Land Acquisition and Relocation Program. The Authority received proceeds of $3,475,000 on land with a book value of approximately $8,089,000 resulting in a $4,613,000 loss. As explained in Note 8, as part of this program the Authority developed a subdivision outside of noise-impacted areas to assist residents in finding replacement housing. The land sold was the remaining developable residential lots in Phases I and II of this subdivision.

A summary of capital asset activity can be found in Note 6 to the financial statements and in the Supplemental Schedule of Airport Property, Facilities and Equipment.

Debt. Currently, the Authority has bonds outstanding of $179,520,000 of which $16,410,000 is considered a current liability. 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. A summary of changes in long-term debt and annual debt service requirements are found in Note 7 to the financial statements.

Requests for Information. The financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any information contained in this report may be directed to the Director of Finance and Accounting, 700 Administration Drive, Louisville, KY 40209.

Respectfully submitted,

D M Caulk

Dorothy M. Caulk, CPA, CM
Director of Finance and Accounting

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2019
(With Summarized Financial Information as of June 30, 2018)

	Louisville Regional Airport Authority June 30, 2019	Louisville Regional Airport Authority June 30, 2018	Component Unit Louisville Renaissance Zone Corporation June 30, 2019	Component Unit Louisville Renaissance Zone Corporation June 30, 2018
ASSETS				
Current assets, unrestricted				
Cash and equivalents	7,523,513	$ 9,448,734	$ 1,837,180	$ 1,126,514
Investments	104,876,694	62,873,335	31,859,840	27,675,228
Land held for sale	-	-	758,727	217,382
Grants receivable	2,114,938	9,172,300	-	-
Fees and rentals receivable, net	4,905,371	4,080,329	4,756,822	3,631,371
Due from component unit	11,252	18,230	-	-
Supplies and prepaid expenses	957,162	1,163,640	-	-
Total unrestricted current assets	120,388,930	86,756,568	39,212,569	32,650,495
Current assets, restricted				
Cash and equivalents	22,301,649	13,945,795	-	-
Cash and equivalents – PFC fund	303,146	2,111,063	-	-
Cash and equivalents – land fund	835,116	191,215	-	-
Interest receivable	-	2,201	-	-
Investments	6,300,236	8,297,000	-	-
Investments – PFC fund	8,475,185	3,006,222	-	-
Investments – land fund	6,973,115	3,989,326	-	-
Total restricted current assets	45,188,447	31,542,822	-	-
Total current assets	165,577,377	118,299,390	39,212,569	32,650,495
Noncurrent assets, unrestricted				
Fees receivable	-	-	9,100,000	7,700,000
Capital assets not being depreciated	339,802,814	338,839,083	9,351,615	10,566,401
Depreciable capital assets, net	148,220,112	156,776,141	17,161,589	18,586,111
Total unrestricted noncurrent assets	488,022,926	495,615,224	35,613,204	36,852,512
Noncurrent assets, restricted				
Cash and equivalents	135,085	9,671	-	-
Investments	19,655,372	27,107,212	-	-
Total restricted noncurrent assets	19,790,457	27,116,883	-	-
Total noncurrent assets	507,813,383	522,732,107	35,613,204	36,852,512
Total assets	673,390,760	641,031,497	74,825,773	69,503,007
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	5,945,534	7,489,883	-	-
OPEB related	2,528,641	3,105,521	-	-
Total deferred outflows of resources	8,474,175	10,595,404	-	-
Total assets and deferred outflows	$ 681,864,935	$ 651,626,901	$ 74,825,773	$ 69,503,007

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2019
(With Summarized Financial Information as of June 30, 2018)

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corp	
	June 30,		June 30,	
	2019	2018	2019	2018
LIABILITIES				
Current liabilities (payable from unrestricted current assets)				
Accounts payable	$ 11,366,545	$ 7,375,562	$ 74,451	$ 165,747
Accounts payable - Authority	-	-	11,252	18,230
Accrued expenses and other	1,012,394	1,377,096	216,285	-
Loans payable	-	-	-	1,656,926
Unearned income	1,581,653	1,382,172	-	-
Total unrestricted current liabilities	13,960,592	10,134,830	301,988	1,840,903
Current liabilities (payable from restricted current assets)				
Bonds payable	16,410,000	15,955,000	-	-
Accounts payable	1,031,043	479,519	-	-
Accrued interest on bonds	3,827,774	4,066,883	-	-
Total restricted current liabilities	21,268,817	20,501,402	-	-
Total current liabilities	35,229,409	30,636,232	301,988	1,840,903
Long-term debt				
Bonds and loans payable, with premium	163,110,000	179,520,000	-	-
Other liabilities				
Deposit from UPS land option	444,101	444,101	-	-
Unamortized bond premium, net	7,063,536	8,435,054	-	-
Deposit from Commonwealth of Kentucky	1,641,824	1,641,824	-	-
Revolving coverage (payable from restricted assets)	4,300,000	4,300,000	-	-
Net pension liability	26,520,450	26,066,724	-	-
Net OPEB liability	7,761,829	9,194,086	-	-
Total other liabilities	47,731,740	50,081,789	-	-
Total liabilities	246,071,149	260,238,021	301,988	1,840,903
DEFERRED INFLOWS OF RESOURCES				
Pension related	1,178,189	574,447	-	-
OPEB related	1,742,609	525,596	-	-
Total deferred inflows of resources	2,920,798	1,100,043	-	-
Total liabilities and deferred inflows	$ 248,991,947	$ 261,338,064	$ 301,988	$ 1,840,903
NET POSITION				
Net investment in capital assets	$ 291,577,171	$ 286,077,121	$ -	$ -
Restricted for debt service	38,327,300	38,720,667	-	-
Restricted for capital projects	18,523,835	11,572,149	-	-
Unrestricted net position	84,444,682	53,918,900	74,523,785	67,662,104
Total net position	$ 432,872,988	$ 390,288,837	$ 74,523,785	$ 67,662,104

See accompanying notes to financial statements.

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LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019
(With Summarized Financial Information for the year ended June 30, 2018)

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating revenues				
Rentals and concessions	$ 52,780,609	$ 49,716,556	$ 202,983	$ 199,481
Landing and field use fees	20,908,051	18,990,682	-	-
TIF revenues	-	-	6,970,466	3,530,000
Land sales net of cost, and other	-	-	819,658	2,851,891
Total operating revenues	73,688,660	68,707,238	7,993,107	6,581,372
Operating expenses				
Operations and general maintenance	18,741,270	17,250,297	-	-
Administrative, general, planning engineering, and program	14,110,619	14,019,126	463,548	199,127
Total operating and maintenance	32,851,889	31,269,423	463,548	199,127
Major maintenance	3,193,227	6,786,978	-	-
Depreciation and amortization	18,951,395	25,134,515	1,369,557	1,317,172
Total operating expenses	54,996,511	63,190,916	1,833,105	1,516,299
Operating income	18,692,149	5,516,322	6,160,002	5,065,073
Non-operating revenues (expenses)				
Investment earnings, net	3,155,738	1,702,569	701,679	338,438
Interest expense	(6,284,031)	(6,659,466)	-	-
Passenger facility charges	5,833,884	3,980,839	-	-
Net gain (loss) on disposal of assets	(4,566,773)	87,696	-	-
Other revenues	174,264	6,308	-	-
Net non-operating revenues (expenses)	(1,686,918)	(882,054)	701,679	338,438
Income before capital contributions	17,005,231	4,634,268	6,861,681	5,403,511
Capital contributions	25,578,920	18,483,295	-	-
Change in net position	42,584,151	23,117,563	6,861,681	5,403,511
Net position, beginning of year	390,288,837	367,171,274	67,662,104	62,258,593
Net position, end of year	$ 432,872,988	$ 390,288,837	$ 74,523,785	$ 67,662,104

See accompanying notes to financial statements.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2019
(With Summarized Financial Information for the year ended June 30, 2018)

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 73,866,674	$ 67,886,750	$ -	$ -
Land sales, lease revenue, and TIF revenues	-	-	6,316,553	7,948,095
Payments to suppliers and others	(22,712,470)	(33,865,873)	(338,560)	(500,769)
Payments to employees	(8,948,363)	(8,938,687)	-	-
Net cash flows provided by operating activities	42,205,841	25,082,190	5,977,993	7,447,326
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	32,636,282	14,482,018	-	-
Passenger facility charges	5,833,884	3,980,839	-	-
Acquisition and construction of capital assets	(18,639,324)	(12,587,022)	(120,491)	(3,639,581)
Proceeds from sale of assets	3,501,814	87,696	-	-
Principal paid on capital debt	(15,955,000)	(18,240,000)	(1,656,925)	(3,440,964)
Interest paid on capital debt, net of capitalized interest	(6,523,140)	(6,846,270)	-	-
Other fees and proceeds	174,264	6,308	-	-
Net cash flows used for capital and related financing activities	1,028,780	(19,116,431)	(1,777,416)	(7,080,545)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturities of investments	179,320,082	87,350,932	35,557,414	26,882,922
Investment income	3,157,939	1,700,368	701,679	338,438
Purchase of investments	(220,327,589)	(105,953,308)	(39,742,026)	(31,535,969)
Cash advances or payments with component unit	6,978	(1,665)	(6,978)	1,665
Net cash flows used for investing activities	(37,842,590)	(16,903,673)	(3,489,911)	(4,312,944)
Net increase (decrease) in cash and equivalents	5,392,031	(10,937,914)	710,666	(3,946,163)
Cash and equivalents, beginning of year	25,706,478	36,644,392	1,126,514	5,072,677
Cash and equivalents, end of year	$ 31,098,509	$ 25,706,478	$ 1,837,180	$ 1,126,514

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2019
(With Summarized Financial Information for the year ended June 30, 2018)

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2019	2018	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 18,692,149	$ 5,516,322	$ 6,160,002	$ 5,065,073
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	18,951,395	25,134,513	1,369,557	1,317,172
Changes in assets and liabilities:				
Fees and rentals receivable	(825,042)	(643,747)	(2,525,451)	(89,036)
Unearned income	199,481	(176,741)	-	-
Supplies and prepaid expenses	206,478	(48,427)	-	-
Accounts payable	4,542,507	(4,598,322)	(91,296)	(210,182)
Contributions payable	-	-	216,285	-
Accrued expenses and other	438,873	(101,408)	-	(91,460)
Land	-	-	848,896	1,455,759
Net cash provided by operating activities	$ 42,205,841	$ 25,082,190	$ 5,977,993	$ 7,447,326

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

The Authority has retainage and accounts payable related to construction in progress of approximately $8,220,000 as of June 30, 2019. The Authority recorded a loss on the sale of assets of approximately $4,567,000 as of June 30, 2019.

LRZC financed the purchase of capital assets through accounts payable of approximately $63,000 in fiscal year 2019.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Rentals and Concessions: These are revenues from airlines, fixed base operators, rental car companies, parking lot, food, gift shop and other commercial tenants. Leases generally are for terms from one to twenty years and may 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.

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

Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the Statement of Revenues, Expenses and Changes in Net Position, after non-operating revenues and expenses as capital contributions.

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

Basis of Accounting: The Authority is accounted for as an enterprise fund. The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

The Authority has adopted GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The adoption of this statement requires the Authority to discretely present the legally separate, tax-exempt Louisville Renaissance Zone Corporation (LRZC) as a component unit of the Authority. See Note 16 for further LRZC disclosures.

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

Net Position: The Authority's net position is classified as follows:

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

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

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

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

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

Risk Management: The Authority is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport has purchased commercial insurance to cover these risks. There were no significant reductions in insurance coverage and no settlements that exceeded insurance coverage in any of the past three years. See Supplemental Schedule of Insurance for the types of risks and insurance coverage in place.

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

Fees and Rentals Receivable: Receivables are reported at present value less the estimated portion that is expected to be uncollectible. As of June 30, 2019, the allowance for uncollectible accounts was $50,000.

Investments: Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. 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 acquisition 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. There were no interest costs capitalized in 2019.

(Continued)

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

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

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

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

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

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.

Pensions and Other Postemployment Benefits ("OPEB"): For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to or deductions from the CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Adoption of New Accounting Pronouncements: During fiscal year 2019, the Authority adopted the following accounting pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement,* issued April 2018

Adoption of these statements did not have a significant impact on the Authority's financial position or results of operations.

Recent Accounting Pronouncements: The GASB has issued the following statements not yet required to be adopted by the Board that management will evaluate for future year implementation.

- GASB Statement No. 84, *Fiduciary Activities*, issued January 2017. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 87, *Leases*, issued June 2017. The provisions of this Statement are effective for periods beginning after December 15, 2019.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

(Continued)

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

- GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61).* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019. The provisions of this Statement are effective for reporting periods beginning after December 15, 2020.

The Authority's management has not yet determined the effect, if any, the implementation of these statements will have on the Authority's financial statements.

NOTE 2 – CASH AND EQUIVALENTS

All of the Authority's deposits are either insured or collateralized. All deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the Authority's name. The balances of each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. 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. Repurchase agreements are recorded at cost.

Unrestricted and restricted cash and equivalents consist of the following at June 30:

	2019
Cash on hand	$ 550
Deposits with financial institutions	10,725,100
Repurchase agreements and cash equivalents	20,372,859
	$ 31,098,509

Unrestricted and restricted cash balances are presented on the Statement of Net Position under the following captions for the year ended June 30:

	2019
Cash and equivalents, unrestricted	$ 7,523,513
Cash and equivalents, restricted	22,301,649
Cash and equivalents – PFC fund, restricted	303,146
Cash and equivalents – land fund, restricted	835,116
Cash and equivalents – non-current, restricted	135,085
Total cash and equivalents	$ 31,098,509

NOTE 2 – CASH AND EQUIVALENTS (Continued)

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

	2019
Covered by federal depository insurance	$ 495,000
Uninsured and collateralized	11,648,353
Bank balance	$ 12,143,353
Carrying amount	$ 10,725,100

NOTE 3 – INVESTMENTS

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

2019:

Investment Type	Investment Balances	Maturity	Rating
Federal National Mortgage Association	$ 20,310,840	8/28/2019	Aaa
Federal Home Loan Bank	53,483,043	10/29/2019 through 6/26/2020	Aaa
Federal Home Loan Bank-Discount Note	17,652,958	8/16/2019 through 12/17/2019	
Federal Home Loan Mortgage Corporation	19,655,372	6/24/2021 through 6/26/2023	Aaa
US Treasury Note	9,965,307	12/15/2019 through 12/19/2019	Aaa
Farmer Mac	25,213,082	2/28/2020	Aaa
	$ 146,280,602		

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

	2019
Unrestricted investments, current	$ 104,876,694
Restricted investments, current	21,748,536
Restricted investments, noncurrent	19,655,372
Total investments	$ 146,280,602

Fair Value Measurement: The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

(Continued)

NOTE 3 – INVESTMENTS (Continued)

The Authority has the following recurring fair value measurements as of June 30, 2019:

- Federal National Mortgage Association of $20,310,840 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Bank Domestic Bonds of $71,136,001 is valued using a matrix pricing model (Level 2 inputs)
- Federal Home Loan Mortgage Corporation Bonds of $19,655,372 is valued using a matrix pricing model (Level 2 inputs)
- United States Treasury Notes of $9,965,308 is valued using a matrix pricing model (Level 2 inputs)
- Farmer Mac Bonds of $25,312,082 is valued using a matrix pricing model (Level 2 inputs)

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, the Authority is currently limited to investing unrestricted funds in U.S. Government obligations and agencies with a stated maturity of not more than one year; however, with CEO and CFO approval, maturity can be two years for the investment. Restricted investments, however, relate primarily to the scheduled repayment of bonds issued by the Authority. These investments mature such that proceeds from investments will become available in order to pay debt service. The weighted average maturity of investments at June 30, 2019 was .93 years.

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 not limited. At June 30, 2019, approximately $104,876,694 was invested in U.S. Government agency obligations. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

NOTE 4 – RESTRICTED ASSETS

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

	Cash and Equivalents	Investments	Total
June 30, 2019			
Bond funds	$ 22,259,742	$ 19,803,628	$ 42,063,370
Revolving debt-coverage	53,704	6,151,980	6,205,684
Land proceeds	835,116	6,973,115	7,808,231
PFC funds	303,146	8,475,185	8,778,331
Other	123,288	-	123,288
	$ 23,574,996	$ 41,403,908	$ 64,978,904

(Continued)

NOTE 4 – RESTRICTED ASSETS (Continued)

Bond covenants require the Authority to restrict assets equal to 25% of the highest annual aggregate debt service for the current or future fiscal year, which was approximately $6,200,000 at June 30, 2019. Upon maturity of the debt, the portion of these assets, which were funded by the airlines will be credited to the appropriate airline cost centers. As of June 30, 2019, this reimbursement amount was approximately $4,300,000.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority provides management and construction oversight services to LRZC. The amount due from LRZC was approximately $11,000 at June 30, 2019.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 298,362,955	$ 1,255,481	$ -	$ 299,618,436
Capital projects in progress				
Construction projects	36,067,678	19,205,695	(12,594,674)	42,678,699
Land acquisition program	4,408,450	1,185,733	(8,088,504)	(2,494,321)
Total capital assets not being depreciated	338,839,083	21,646,909	(20,683,178)	339,802,814
Other capital assets:				
Land improvements	524,117,458	8,047,042	-	532,164,500
Buildings	151,784,506	662,450	-	152,446,956
Utility systems	41,420,724	1,150,326	(488,704)	42,082,346
Equipment (excluding automotive)	22,862,190	108,246	(171,872)	22,798,564
Vehicle and automotive equipment	10,959,186	316,803	(1,025,008)	10,250,981
Furniture and fixtures	8,969,521	252,967	(574,542)	8,647,946
Total other capital assets	760,113,585	10,537,834	(2,260,126)	768,391,293
Less accumulated depreciation for:				
Land improvements	419,086,130	11,759,833	-	430,845,963
Buildings	114,764,763	4,514,336	-	119,279,099
Utility systems	39,310,535	658,886	(488,704)	39,480,717
Equipment (excluding automotive)	15,698,533	1,141,506	(161,755)	16,678,284
Vehicle and automotive equipment	8,823,574	535,343	(892,657)	8,466,260
Furniture and fixtures	5,653,909	341,491	(574,542)	5,420,858
Total accumulated depreciation	603,337,444	18,951,395	(2,117,658)	620,171,181
Other capital assets, net	156,776,141	(8,413,561)	(142,468)	148,220,112
Net capital assets	$ 495,615,224	$ 13,233,348	$ (20,825,646)	$ 488,022,926

(Continued)

NOTE 7 – LONG-TERM DEBT

Bonds Payable: From time to time, the Authority may issue bonds for capital construction or to refund prior bond issues. The Authority's bonds payable include the issuance of $249,130,000 of General Airport Revenue Refunding Bonds, Series 2014A, 2014B and 2014C (collectively the "Series 2014 Bonds") with maturities through July 1, 2038. These bonds, along with other available funds of the Authority, refunded all then outstanding bonds, which were considered to be defeased and removed from liabilities. There was a portion of the refunded / defeased bonds that were an insubstance defeased debt. The principal amount outstanding of insubstance defeased debt was $3,630,000 at June 30, 2019.

The Airport System Revenue Master Bond Resolution adopted by the Authority's Board requires the Authority to restrict a certain amount of assets as discussed in Note 4. The Resolution also requires the Authority to comply with a debt service coverage financial covenant. At June 30, 2019, the Authority was in compliance with this financial covenant. Additionally, the bonds are subject to federal arbitrage regulations. As of June 30, 2019, there was no liability for arbitrage rebate. The Airport System Revenue Master Bond Resolution adopted by the Authority's Board requires the Authority to restrict a certain amount of assets as discussed in Note 4. The Resolution also requires the Authority to comply with a debt service coverage financial covenant. At June 30, 2019, the Authority was in compliance with this financial covenant. Additionally, the bonds are subject to federal arbitrage regulations. As of June 30, 2019, there was no liability for arbitrage rebate. The Resolution also contains the following key provisions in case of an Event of default that has not been remedied: 1) the Bonds are not subject to acceleration as to the payment of principal or interest or other payment, 2) Trustee has the right to prioritize application of revenues and other moneys, and 3) Trustee has the right to appoint a receiver based upon filing of judicial proceedings. Bonds payable, which are parity bonds secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues, consists of the following at June 30:

	2019
2014 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at fixed rates ranging from 2.00% to 5.00% through July 1, 2032.	$ 89,595,000
2014 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at fixed rates ranging from 2.00% to 5.00% through July 1, 2023.	1,970,000
2014 Series C Revenue Bonds, various annual principal payments with semi-annual interest payments at fixed rates ranging from 0.25% to 4.60% through July 1, 2038.	87,955,000
Total revenue bonds payable	179,520,000
Less: current portion	(16,410,000)
Total long-term debt	$ 163,110,000

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 195,475,000	$ -	$(15,955,000)	$ 179,520,000	$ 16,410,000

The total interest incurred and expensed for the year ended June 30, 2019 was approximately $7,656,000. No interest was capitalized during 2019.

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

Annual Debt Service Requirements: The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2019, are as follows:

	Principal	Interest	Total
Year ended June 30,			
2020	$ 16,410,000	$ 7,655,549	$ 24,065,549
2021	17,130,000	7,035,821	24,165,821
2022	18,290,000	6,347,911	24,637,911
2023	19,140,000	5,594,993	24,734,993
2024	20,035,000	4,779,818	24,814,818
2025-2029	53,325,000	14,422,281	67,747,281
2030-2034	32,155,000	4,314,370	36,469,370
2035-2039	3,035,000	431,344	3,466,344
	$ 179,520,000	$ 50,582,086	$ 230,102,086

Outstanding Letters of Credit: During parts of the fiscal year 2019, 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 agreement was canceled during fiscal year 2019 and there is no outstanding balance at June 30, 2019.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

To assist residents in finding replacement housing, the Authority, in conjunction with the FAA, developed an Innovative Housing Program at Heritage Creek. Through this program, the Authority 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 who participated in this program exchanged their residential property in the noise-impacted area for similar property in the new subdivision. This program provided approximately 450 replacement lots at an estimated cost of $28 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. During FY19, the remaining developable lots in Phase I and II of the subdivision were sold to an outside developer.

Upon completion of the Part 150 Land Acquisition Program, approximately 2,200 residential properties will have been acquired at an estimated cost of $297 million. This includes costs of residences acquired, replacement housing payments, demolition and other related costs. At June 30, 2019, capital projects in progress include approximately $16,443,467 related to the Part 150 Land Acquisition Program, which consists of total project expenditures to date of approximately $291,916,389 less $275,472,922 million of costs related to land which has been sold or optioned for sale.

(Continued)

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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 totaled $10,200,000, which was 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.

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. On June 24, 2013, the Authority entered into a deed which transferred property to the Commonwealth at a value of $16,200,000. The deed was filed with the County Clerk of Jefferson County on June 25, 2013. On June 9, 2016, the Authority entered into a deed which transferred property to the Commonwealth at a value of $883,000. The deed was filed with the County Clerk of Jefferson County on June 17, 2016. The entire amount of these transfers reduced the related liability. There were no transfers of property to the Commonwealth in 2019.

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

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

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

In fiscal 2009, the Authority transferred land valued at $374,550 in partial settlement of the advances. In April 2014, the Authority and UPS executed a Superseding Agreement of Sale. This agreement designated specific tracts of land that, when transferred, will satisfy a majority of the remaining obligations. In fiscal 2016, the Authority transferred land valued at $7,375,450 that satisfied a majority of this obligation. The 2014 agreement also extended the date to exercise the final remaining option to March 31, 2017 and allowed a credit back to UPS per acre, provided UPS does not exercise the final remaining option or if UPS exercises the option but there is not sufficient land owned by the Authority to transfer the entire option acres to UPS. Notice of intent to exercise a portion of the remaining option was received by the 2017 expiration date. The final reconciliation of acres is being undertaken and is conditioned upon receiving FAA consent and other regulatory approvals. At this time, the Authority is not able to estimate the additional expenses or the potential loss on impairment which may be required when the transaction is finalized.

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 position or cash flow.

NOTE 9 – SPECIAL FACILITY REVENUE BONDS (CONDUIT DEBT)

Special Facility Revenue Bonds totaling $148,800,000 issued during fiscal year 1999 and $42,600,000 issued in fiscal year 2006 (collectively, the Facility Bonds), were issued to finance the acquisition and construction of facilities for UPS. Although taking the legal form of a financing lease between the Authority and UPS, 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 UPS. As such, no liability relating to the Facility Bonds is included in the accompanying financial statements. At June 30, 2019, Special Facility Revenue Bonds outstanding aggregated $191,400,000.

NOTE 10 – PROPERTY LEASED TO OTHERS

The Authority leases land, terminal and other facilities to certain airlines and others with varying terms. Some of the rentals and fees paid by certain airlines are based on the costs allocable to the respective cost centers including direct and indirect maintenance and operating expenses, major maintenance, capital equipment, amortization of the cost of capital improvements, annual revenue bond debt service, as well as any other adjustments needed to maintain the debt service coverage account or other deposits required under the Bond Resolution. Other leases contain fixed rents which may be subject to escalation. For the year ended June 30, 2019, revenues from these leases were approximately $17,500,000.

The Authority also enters into rental agreements with concessionaires for food and beverage, news and gift, rental car facilities, advertising and others. Generally, the agreements are for terms from 1 to 7 years and provide for a concession fee equal to the greater of a percentage of gross revenues, a minimum monthly guarantee (MMG) or minimum annual guarantee (MAG). Certain agreements are subject to a variable MMG. Other agreements provide for a concession fee that is contingent on sales. For the year ended June 30, 2019, revenues from such agreements were approximately $19,500,000. Revenues from contingent rentals that are made up primarily of the excess over minimum guarantees and sales only based agreements were approximately $4,400,000 for 2019.

(Continued)

NOTE 10 – PROPERTY LEASED TO OTHERS (Continued)

All land leases, facility leases, and concession agreements are accounted for as operating leases. Future revenues under these agreements, based on fixed terms or on 2019 actual rates and assuming current agreements are carried to contractual termination are as follows:

	Land and Facilities	Concessions	Total
Year ended June 30,			
2020	$ 16,745,007	$ 23,343,529	$ 40,088,536
2021	15,875,745	17,728,947	33,604,692
2022	7,929,268	16,393,742	24,323,010
2023	6,950,576	16,342,736	23,293,312
2024	6,839,141	15,355,652	22,194,793
Thereafter	22,369,665	63,000,000	85,369,665
	$ 76,709,402	$152,164,606	$ 228,874,008

NOTE 11 – PASSENGER FACILITY CHARGES

The Aviation Safety and Capacity Expansion Act of 1990 authorized domestic airports to impose a Passenger Facility Charge (PFC) on passengers at levels ranging from $1.00 to $4.50. Effective May 1, 2019, the PFC imposed by the Authority increased from $3.00 to $4.50.

The FAA has authorized the Authority to collect total net PFC revenue of $132,613,021 to be applied as follows:

For direct payment on capital project costs	$ 61,339,969
To be applied to the debt service and related costs on bonds issued to finance PFC approved project costs	71,273,052
Total Authorized	$ 132,613,021

During the year ended June 30, 2019, the Authority recognized passenger facility charge revenues of approximately $5,834,000.

NOTE 12 – MAJOR CUSTOMER

During fiscal year 2019, the Authority earned approximately 24% of its operating revenues from one customer.

NOTE 13 – DEFERRED COMPENSATION AND 401(K) PLANS

Noncontributory Plan: The Authority offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k). The Plans are available to all Authority employees, and allow each employee to defer a portion of their salary until future years. The Plans are administered by ICMA Retirement Corporation and Kentucky Public Employees Deferred Compensation Authority (KPEDCA). Employee contributions to the 457 Plan for the year ended June 30, 2019 totaled approximately $118,000 and employee contributions to the 401(k) Plan for the same year was approximately $132,000.

(Continued)

NOTE 13 – DEFERRED COMPENSATION AND 401(K) PLANS (Continued)

Contributory Plan: In 2001, the Authority adopted the County Employees Retirement System of Kentucky (CERS) as the Authority's retirement plan (see Note 14). At that time, employees were given the option to enroll in CERS or in a supplemental defined contribution 401(k) cash option provided through KPEDCA. For employees who opted into the supplemental plan, the Authority made employer contributions on behalf of employees that were based on the same contribution percentage amount calculated annually by CERS for employer contributions initially to the 401(k) plan at KPEDCA and since January 2015 to a 457 plan at ICMA. The ICMA plan will also accept optional employee contributions up to $17,500 ($23,000 if over age 50 or older). Pre-tax contribution limits include combined employee and employer contributions.

The employer contribution to the supplemental plan for the year ended June 30, 2019 was approximately $39,000. Participating employees fall under the Nonhazardous employee category.

Government GAAP allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from the statement of net position. The Authority, therefore, does not show these assets and liabilities on the statements of net position.

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING - CERS

All employees hired after May 1, 2001 are required to participate in a defined benefit plan administered by CERS under the Kentucky Retirement Systems (KRS), a cost-sharing multiple-employer public employee retirement system which consists of two plans; Nonhazardous and Hazardous. All eligible Authority employees as of May 1, 2001 could elect to participate in either CERS or a supplemental defined contribution plan (see Note 13).

County Employees Retirement System

General Information about the Pension and OPEB Plan: All full-time and eligible part-time employees of the Authority participate in CERS, a cost-sharing, multiple-employer defined benefit pension plan administered by KRS, an agency of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the Board) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs.

The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. KRS and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

CERS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Basis of Accounting: For purposes of measuring the net pension and other post employment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Retirement Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Nonhazardous Normal Retirement:

***Members whose participation began before 8/1/2004*:**

Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 8/1/2004, but before 9/1/2008:

Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008 but before 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
26+ - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: Each year that a member is an active contributing member to the System, the member contributes 5% of creditable compensation, and the member's employer contributes 4% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year.

Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Hazardous Normal Retirement:

Members whose participation began before 9/1/2008:

Age and Service Requirement: Age 55 with at least one month of hazardous duty service credit, or at any age with 20 or more years of service credit.

Benefit: If a member has at least 60 months of service, the monthly benefit is 2.50% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest three (3) fiscal years of salary. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used. If a member has less than 60 months of service, the monthly benefit is the actuarial equivalent of two times the member’s contributions with interest.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Members whose participation began on or after 9/1/2008 but before 1/1/2014:

Age and Service Requirement: Age 60 with at least 60 months of hazardous duty service credit, or at any age with 25 or more years of service credit.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.30%
10+ - 20 years	1.50%
20+ - 25 years	2.25%
25+ years	2.50%

Final compensation is calculated by taking the average of the highest three (3) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 60 with at least 60 months of hazardous duty service credit, or at any age with 25 or more years of service credit.

Benefit: Each year that a member is an active contributing member to the System, the member contributes 8% of creditable compensation, and the member's employer contributes 7.50% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. This hypothetical account will earn interest annually on both the member’s and employer’s contribution at a minimum rate of 4%. If the System’s geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year.

Upon retirement, the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

OPEB Benefits Provided: The information below summarizes the major OPEB benefit provisions of CERS. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

***Members whose participation began before 7/1/2003*:**

Eligibility: Recipient of a retirement allowance

Benefit: Fixed percentage of health insurance premium for nonhazardous members only and hazardous members & dependents based on years of service.

Service Credit	Percent of Premium Paid
Less than 4 years	0%
4 - 9 years	25%
10 - 14 years	50%
15 - 19 years	75%
20 or more years	100%

Members whose participation began on or after 1/1/2003, but before 9/1/2008:

Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: Subsidy consisting of a monthly contribution of a fixed dollar amount of $10 Nonhazardous and $15 Hazardous, adjusted annually, per year of earned service.

Members whose participation began on or after 9/1/2008:

Eligibility: Recipient of a retirement allowance with at least 180 months of service at retirement

Benefit: Subsidy consisting of a monthly contribution of a fixed dollar amount of $10 Nonhazardous and $15 Hazardous, adjusted annually, per year of earned service.

Employer & Employee Contributions: The Authority was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal year ended June 30, 2019, participating employers contributed 21.48% (16.22% allocated to pension and 5.26% allocated to OPEB) as set by KRS of each Nonhazardous employee's creditable compensation, and 35.33% (24.86% allocated to pension and 10.47% allocated to OPEB) for Hazardous plan members. Administrative costs of KRS are financed through employer contributions and investments earnings.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

The Authority has met 100% of its contribution funding requirement for the fiscal year ended June 30, 2019. Employer pension contributions were $2,347,248 ($1,733,931 related to pension and $613,317 related to OPEB) for the year ended June 30, 2019. The OPEB contributions amount does not include the implicit subsidy reported in the amount of $72,378.

Members whose participation began before 9/1/2008:

Nonhazardous member's contributions equal 5% of all creditable compensation and Hazardous contributions equal 8% of all creditable compensation.

Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Members entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Nonhazardous member's contributions equal 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Retiree Medical Benefit Account. Hazardous contributions equal 9% of all creditable compensation, with 8% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Members entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation on or after 1/1/2014:

Nonhazardous member's contributions equal 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h). Hazardous contributions equal 9% of all creditable compensation, with 8% being credited to the member's account and 1% deposited to the KRS 401(h) Account.

Members entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

Pension Information

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2017. An expected total pension liability was determined at June 30, 2018 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Discount rate assumptions:

(a) **Discount rate**: The discount rate used to measure the total pension liability was 6.25%.

(b) **Projected cash flows:** The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

(c) **Long-term rate of return**: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(d) **Municipal bond rate**: The discount rate determination does not use a municipal bond rate.

(e) **Periods of projected benefit payments**: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

(f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap	5.00%	4.50%
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Global Credit	2.00	3.75
High Yield	7.00	5.50
Emerging Market Debt	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

(g) **Sensitivity Analysis**: This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the Authority's allocated portion of the net pension liability ("NPL") of the System, calculated using the discount rate of 6.25 percent, as well as what the Authority's allocated portion of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Authority's net pension liability - Nonhazardous	$ 22,169,389	$ 17,610,177	$ 13,790,356
Authority's net pension liability - Hazardous	11,163,988	8,910,273	7,047,155
Total	$ 33,333,377	$ 26,520,450	$ 20,837,511

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Employer's Portion of the Collective Net Pension Liability: The Authority's proportionate share of the Plan's net pension liability, as indicated in the prior table, is $26,520,450. The Authority's proportionate share of the CERS plan was approximately 0.289% for Nonhazardous and 0.368% for Hazardous service employees. The liability was distributed based on 2018 actual employer contributions to the plan. The Authority's prior year proportionate share of the CERS plan was approximately 0.287% for Nonhazardous and 0.414% for Hazardous service employees.

Measurement Date**:** June 30, 2017 is the actuarial valuation date and June 30, 2018 is the measurement date upon which the total pension liability is based.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have not changed except during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

Changes Since Measurement Date**:** There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension Expense: The Authority was allocated pension expense of $2,922,221 for Nonhazardous and $1,415,255 for Hazardous service employees.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. The table below provides a summary of the deferred inflows and outflows as of the Measurement Date. For year ending June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,283,502	$ 257,776
Change of assumptions	2,669,495	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	258,606	608,753
Differences between expected and actual investment earning on plan investments	-	311,660
	4,211,603	1,178,189
Contributions subsequent to the measurement date	1,733,931	-
Total	$ 5,945,534	$ 1,178,189

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $1,733,931 will be recognized as a reduction of net pension liability in the year ending June 30, 2020. The remainder of the deferred outflows of resources are amortized over five years with remaining amortization as follows:

2020	$ 2,400,781
2021	1,091,527
2022	(324,141)
2023	(134,753)
	$ 3,033,414

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

OPEB Information

Total OPEB Liability: The total other postemployment benefits plan ("OPEB") was determined by an actuarial valuation as of June 30, 2017 rolled forward to 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.05 percent, average
Investment rate of return	6.25 percent
Healthcare trend rates	
Pre-65	Initial trend starting at 7.00 percent at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 12 years.
Post-65	Initial trend starting at 5.00 percent at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Discount rate assumptions:

(a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.85% for nonhazardous and 5.97% for hazardous, which was increased from the 5.84% for nonhazardous and 5.96% for hazardous discount rate used in the prior year.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

(b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability.

(c) **Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(d) **Municipal Bond Rate**: The discount rate determination used a municipal bond rate of 3.62% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018.

(e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

(f) **Assumed Asset Allocations**: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap	5.00%	4.50%
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Global Credit	2.00	3.75
High Yield	7.00	5.50
Emerging Market Debt	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	100.00%	

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

The long-term expected rate of return on OPEB plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

(g) **Sensitivity Analysis**: This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

The following presents the Authority's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.85% percent, as well as what the Authority's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85 percent) or 1-percentage-point higher (6.85 percent) than the current rate for non-hazardous:

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
Net OPEB liability – Non-Hazardous	$ 6,669,460	$ 5,134,937	$ 3,827,804

The following presents the Authority's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.97% percent, as well as what the Authority's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.97 percent) or 1-percentage-point higher (6.97 percent) than the current rate for hazardous:

	1% Decrease (4.97%)	Current Discount Rate (5.97%)	1% Increase (6.97%)
Net OPEB liability - Hazardous	$ 3,651,509	$ 2,626,892	$ 1,806,659

The following presents the Authority's allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the Authority's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for non-hazardous:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability – Non-Hazardous	$ 3,823,011	$ 5,134,937	$ 6,681,320

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

The following presents the Authority's allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the Authority's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for hazardous:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability - Hazardous	$ 1,789,040	$ 2,626,892	$ 3,664,606

Employer's Portion of the Collective OPEB Liability: The Authority's proportionate share of the net OPEB liability, as indicated in the prior table, is $7,761,829. The Authority's proportionate share of the CERS plan was approximately 0.289% for Nonhazardous and 0.368% for Hazardous service employees. The net OPEB liability was distributed based on 2018 actual employer contributions to the plan. The Authority's prior year proportionate share of the CERS plan was approximately 0.287% for Nonhazardous and 0.414% for Hazardous service employees.

Measurement Date: June 30, 2017 is the actuarial valuation date and June 30, 2018 is the measurement date upon which the total pension liability is based.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have not changed except during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense: The Authority was allocated OPEB expense of $654,695 for Nonhazardous and $379,588 for Hazardous service employees.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

(Continued)

NOTE 14 – DEFINED BENEFIT PENSION AND OTHER POST EMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 891,972
Change of assumptions	1,831,644	19,050
Changes in proportion and differences between employer contributions and proportionate shares of contributions	11,302	228,159
Differences between expected and actual investment earning on plan investments	-	603,428
	1,842,946	1,742,609
Contributions subsequent to the measurement date	685,695	-
Total	$ 2,528,641	$ 1,742,609

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $685,695, which include the implicit subsidy reported of $72,378, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2020	$ 114,310
2021	114,310
2022	(30,669)
2023	(19,432)
2024	(45,020)
Thereafter	(33,162)
	$ 100,337

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS

In addition to the deferred compensation and pension and OPEB benefit plans described in Notes 13 and 14, the Authority offered postemployment health care benefits to all employees who retired from the Authority prior to May 1, 2001 (Authority's entry into CERS) on or after attaining age 55 with at least ten years of service and to all disabled employees with at least one year of service who were injured on the job. The Authority contributes between 95% and 100% of the amount of medical insurance premiums approved by the Authority for such retired and disabled employees and their dependents. These contributions are recognized by the Authority as they are made. The cost of providing such benefits was approximately $46,000 for 11 employees during 2019. The Plan may be terminated at the election of the Board without notice.

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION

Organization: The LRZC is a non-stock, non-profit public property corporation set up to carry out the public purposes of the Louisville Regional Airport Authority ("Authority") to promote and develop aviation and air transport, and/or establish, operate or expand any airport or air navigation facilities. This includes identifying, developing, acquiring, financing and accomplishing public projects within the Development Area and serving as the agency of Tax Increment Financing ("TIF") and public project development within the Development Area and for the acquisition and financing of public projects for and on behalf of the Authority.

The LRZC entered into an Interlocal Cooperation Agreement with the Louisville Metro Government and the Commonwealth of Kentucky whereby funding will be provided by TIF. Under this agreement, LRZC is to acquire property, construct, and maintain improvements to accomplish approved public purposes. The LRZC has approval for an initial project totaling $41.7 million primarily for land acquisition and infrastructure improvements. In FY 2018, approval was received for an additional project totaling $30.3 million primarily for further infrastructure improvements. Upon completion of these projects, approval for additional projects may be requested based on TIF funding availability.

The Authority's Board members also serve as LRZC's Board, however LRZC is legally separate from the Authority, there is no financial benefit or burden relationship, activities of the LRZC are managed separately, and LRZC benefits the community. These characteristics support LRZC being defined as a discretely presented component unit in the Authority's financial statements.

Investments: Investments are recorded at fair value. Investments are made only in government-backed securities. All investments are held in the Authority's name. It is management's intention to reinvest all maturing funds.

Land Held for Sale: As a public property corporation, land may be available for either lease or sale. The book value of land intended to be sold within one year is reclassified from Capital Assets to Land Held for Sale.

Net Assets Classification: The LRZC reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions totaled $74,523,785 at June 30, 2019. There were no net assets with donor restrictions as of June 30, 2019.

The LRZC entered into an agreement with Louisville Regional Airlift Development, Inc. ("LRAD") as of June 24, 2019 to contribute a portion of financial support towards LRAD's minimum revenue guarantee program. Their program was established to share upfront risk with airlines who agree to provide nonstop air service between the Louisville Muhammad Ali International Airport and specific key markets. The Board approved designating conditional contributions up to $900,000 towards eligible obligations incurred by LRAD under the program. Of the designated contributions, the amount due to LRAD is approximately $216,000 as of June 30, 2019 based on conditions met during the year. The amount of net assets without donor restrictions designated by the Board remaining was approximately $684,000 as of June 30, 2019.

Functional Allocation of Expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. All expenses have been allocated among the program services and management and general categories based on the personnel and expenses assigned to the respective activities. The LRZC has no fundraising activities.

The statements of activities report certain categories of expenses attributable to the program and supporting functions of the LRZC. The LRZC reports under one program – promote aviation development.

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

The purposes for the program are to accomplish the public purposes of the Authority including public project development within the Development Area to promote aviation and air transport development, establishing, operating or expanding any airport or air navigation facilities, and public project development for and on behalf of the Authority. The table below presents these functional expenses (program and supporting activities) by their natural classification for the year ended June 30, 2019.

	Promote Aviation Development	Management and General	2019 Total	2018 Total
Professional services and contracts	$ 102,783	$ 107,332	$ 210,115	$ 187,796
Contributions	216,285	-	216,285	-
Depreciation	1,369,557	-	1,369,557	1,317,172
Other	37,118	30	37,148	11,331
Total	$ 1,725,743	$ 107,362	$ 1,833,105	$ 1,516,299

Fees Receivable: Receivables represent TIF requests submitted to or earned from state and local governments. At June 30, 2019, fees receivable include TIF revenue calculated based on detailed information obtained from both local and state governments through calendar year 2016. Additionally, TIF receivables have been recorded for estimated TIF revenue earned through calendar year 2018 for both local and state governments for which detailed information is not yet available to calculate. Amounts not expected to be collected within one year are reported as long-term receivables. Receivables are reported at fair value and are reduced by the estimated portion that is expected to be uncollectible. Interest is not normally charged on receivables. As of June 30, 2019, management has estimated all amounts to be fully collectible.

Revenues: LRZC recognizes revenue from land sales upon transfer of title. Revenue from the TIF agreements are recognized when reasonably measurable and determinable based on the terms of the respective agreements.

TIF revenue included in operating revenue represents the estimated TIF revenue earned in the most recent calendar year as well as any differences between actual collections and prior estimates.

Investments: At June 30, 2019, LRZC's investment balances were as follows:

Investment Type	Investment Balances	Maturity	Rating
Federal National Mortgage Association	$ 15,232,379	8/28/2019	Aaa
Federal Home Loan Bank	8,541,859	10/29/2019 through 4/30/2020	Aaa
Federal Home Loan Bank-Discount Note	3,042,985	12/17/2019	Aaa
Farmer Mac	5,042,617	2/28/2020	Aaa
	$ 31,859,840		

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

Fair Value Measurement: The LRZC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The LRZC's investments are based on a matrix pricing model (Level 2 inputs) for fair value measurement as of June 30, 2019.

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, LRZC is currently limited to investing unrestricted funds in U.S. Government obligations and agencies with a stated maturity of not more than one year; however, with CEO and CFO approval, maturity can be two years for the investment.

Credit Risk: LRZC 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, LRZC 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 not limited. At June 30, 2019, approximately $31,900,000 was invested in U.S. Government agency obligations, respectively. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

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

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 8,354,254	$ -	$ (1,389,060)	$ 6,965,194
Construction projects	2,212,147	174,274	-	2,386,421
Total capital assets not being depreciated	10,566,401	174,274	(1,389,060)	9,351,615
Other capital assets:				
Land improvements	22,222,402	-	(54,965)	22,167,437
Utility systems	3,254,054	-	-	3,254,054
Total other capital assets	25,476,456	-	(54,965)	25,421,491
Less accumulated depreciation	(6,890,345)	(1,369,557)	-	(8,259,902)
Other capital assets, net	18,586,111	(1,369,557)	(54,965)	17,161,589
Net capital assets	$ 29,152,512	$ (1,195,283)	$ (1,444,025)	$ 26,513,204

(Continued)

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION (Continued)

Leases: LRZC entered into an operating lease with Ford Motor Company for 14.593 acres of land and land improvements that commenced in July 2011 with an original term through December 2016 and an option to renew for five years. The lease was subsequently amended in April 2012, April 2013, and November 2016. Collectively, these amendments increased the land area leased by approximately 5.510 acres, exercised the initial 5-year option extending the term until December 2021, and added an additional 5-year option.

The approximate future minimum lease payments to be received in each of the years remaining under the original term are as follows:

	Total
Year ended June 30,	
2020	$ 206,978
2021	211,355
2022	93,398
	$ 511,731

Lease revenue recognized during the year ended June 30, 2019 was $202,983. The net book value of the property subject to the lease was approximately $2,622,086 at June 30, 2019.

Liquidity and Availability of Resources: The Authority's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets at year-end:	
Cash	$ 1,837,180
Investments	31,859,840
Fees and rentals receivable, net	13,856,822
Total financial assets	47,553,842
Less amounts not available for general expenditure within one year:	
Cash designated for contribution to LRAD	(900,000)
Fees and rentals receivables due in more than one year	(9,100,000)
Financial assets available to meet general expenditures within one year	$37,553,842

As part of the Authority's liquidity management, the Authority invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The intent of the above financial assets is for long-term aviation promotion and development of aviation and air transportation projects.

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REQUIRED SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2019

	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.289%	0.287%	0.282%	0.289%	0.273%
Authority's proportionate share of the net pension liability	$ 17,610,177	$ 16,799,402	$ 13,899,653	$ 12,422,062	$ 8,841,000
Authority's covered payroll	$ 7,151,045	$ 7,095,652	$ 6,825,340	$ 6,848,747	$ 6,300,048
Authority's proportion of the net pension liability as a percentage of its covered payroll	246.260%	236.756%	203.648%	181.377%	140.332%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.32%	55.50%	59.97%	66.80%

Notes:

1) The amounts presented for each fiscal year were determined as of the prior year end which is the valuation date of the related liability.
2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

Changes in Assumptions and Benefit Terms from 2018 to 2019: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

Changes in Assumptions and Benefit Terms from 2017 to 2018: The assumed investment rate of return was decreased from 7.50% to 6.25%. The assumed rate of inflation was reduced from 3.25% to 2.30%. Payroll growth assumption was reduced from 4.00% to 2.00%

Note: There were no changes from 2016 to 2017.

Changes in Assumptions and Benefit Terms from 2015 to 2016: The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
June 30, 2019

	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.368%	0.414%	0.401%	0.398%	0.407%
Authority's proportionate share of the net pension liability	$ 8,910,273	$ 9,267,322	$ 6,874,186	$ 6,115,791	$ 4,893,000
Authority's covered payroll	$ 2,054,672	$ 2,438,047	$ 2,228,906	$ 2,175,463	$ 2,111,137
Authority's proportion of the net pension liability as a percentage of its covered payroll	433.659%	380.112%	304.411%	281.126%	231.771%
Plan fiduciary net position as a percentage of the total pension liability	49.26%	49.78%	53.95%	57.52%	63.46%

Notes:

1) The amounts presented for each fiscal year were determined as of the prior year end which is the valuation date of the related liability.
2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.
3) The same changes in assumptions and benefit terms exist for hazardous and nonhazardous as indicated on prior page.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2019

	2019	2018
Authority's proportion of the net OPEB liability Non-hazardous	0.289%	0.405%
Authority's proportionate share of the net OPEB liability	$ 5,131,937	$ 5,769,822
Authority's covered payroll	$ 7,151,045	$ 7,095,652
Authority's proportion of the net OPEB liability as a percentage of its covered payroll	71.76%	81.31%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%

Notes:

1) The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.
2) This is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

<u>Changes in Assumptions and Benefit Terms from 2018 to 2019:</u> Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have not changed except during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – HAZARDOUS
June 30, 2019

	2019	2018
Authority's proportion of the net OPEB liability Hazardous	0.368%	0.414%
Authority's proportionate share of the net OPEB liability	$ 2,626,892	$ 3,424,264
Authority's covered payroll	2,054,672	$ 2,438,047
Authority's proportion of the net OPEB liability as a percentage of its covered payroll	127.85%	140.45%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	58.99%

Notes:

1) The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.
2) This is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

<u>Changes in Assumptions and Benefit Terms from 2018 to 2019:</u> Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have not changed except during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S EMPLOYER PENSION CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2019

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 1,207,247	$ 1,035,471	$ 989,843	$ 847,707	$ 873,265
Contributions in relation to the statutorily required contribution	(1,207,247)	(1,035,471)	(989,843)	(847,707)	(873,265)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%
Authority's covered payroll	$ 7,442,953	$ 7,151,045	$ 7,095,652	$ 6,825,340	$ 6,848,747
Contributions as a percentage of its covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%

Note:

1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S EMPLOYER PENSION CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
June 30, 2019

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 526,684	$ 456,137	$ 529,300	$ 451,576	$ 450,973
Contributions in relation to the statutorily required contribution	(526,684)	(456,137)	(529,300)	(451,576)	(450,973)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%
Authority's covered payroll	$ 2,118,002	$ 2,054,672	$ 2,438,047	$ 2,228,906	$ 2,175,463
Contributions as a percentage of its covered payroll	24.87%	22.20%	21.71%	20.26%	20.73%

Note:

1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S EMPLOYER OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2019

	2019	2018
Statutorily required contribution	$ 391,499	$ 336,099
Contributions in relation to the statutorily required contribution	(391,499)	(336,099)
Annual contribution deficiency (excess)	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100%	100%
Authority's covered payroll	$ 7,442,593	$ 7,151,045
Contributions as a percentage of its covered payroll	5.26%	4.70%

Note:

1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Authority is presenting information for those years for which information is available.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S EMPLOYER OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – HAZARDOUS
June 30, 2019

	2019	2018
Statutorily required contribution	$ 221,818	$ 192,112
Contributions in relation to the statutorily required contribution	(221,818)	(192,112)
Annual contribution deficiency (excess)	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100%	100%
Authority's covered payroll	$ 2,118,002	$ 2,054,672
Contributions as a percentage of its covered payroll	10.47%	8.35%

Note:

1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Authority is presenting information for those years for which information is available.

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SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019
(With comparative totals for the year ended June 30, 2018)

	2019			
	Louisville International	Bowman Field	Total	2018 Total
Operating revenues				
Landing and field use fees	$ 20,849,796	$ 58,255	$ 20,908,051	$ 18,990,682
Terminal area	10,523,670	151,293	10,674,963	9,305,052
Apron area	2,309,447	-	2,309,447	1,807,669
Parking and ground transportation	27,741,427	-	27,741,427	26,588,335
Aviation related facility leases	7,382,075	1,453,271	8,835,346	8,787,850
Land leases and other	2,851,697	17,601	2,869,298	2,093,822
Airport services	211,367	47,937	259,304	255,892
Other revenue	84,251	6,573	90,824	877,936
Total operating revenues	71,953,730	1,734,930	73,688,660	68,707,238
Operating expenses				
Operations and general maintenance				
Salaries, wages	8,342,900	560,885	8,903,785	8,831,136
Contracts	3,608,270	66,592	3,674,862	3,328,359
Utilities and fuel supplies	3,783,788	552,565	4,336,353	4,069,523
Supplies and other	2,315,444	79,272	2,394,716	1,685,591
Reimbursed costs	(567,470)	(976)	(568,446)	(664,312)
Total operations and general maintenance	17,482,932	1,258,338	18,741,270	17,250,297
Administrative, general, planning and engineering	13,373,934	736,685	14,110,619	14,019,126
Total operating expenses before major maintenance and depreciation	30,856,866	1,995,023	32,851,889	31,269,423
Major maintenance	2,806,267	386,960	3,193,227	6,786,978
Depreciation and amortization	17,760,320	1,191,075	18,951,395	25,134,515
Total operating expenses	51,423,453	3,573,058	54,996,511	63,190,916
Operating income (loss)	20,530,277	(1,838,128)	18,692,149	5,516,322
Non-operating revenues (expenses) and capital contributions				
Investment earnings, net	3,152,046	3,692	3,155,738	1,702,569
Interest expense	(6,284,031)	-	(6,284,031)	(6,659,466)
Passenger facility charge	5,833,884	-	5,833,884	3,980,839
Net loss on disposal of assets	(4,566,773)	-	(4,566,773)	87,696
Other revenues	174,264	-	174,264	6,308
Capital contributions	25,197,417	381,503	25,578,920	18,483,295
Net non-operating revenues	23,506,807	385,195	23,892,002	17,601,241
Changes in net position	$ 44,037,084	$ (1,452,933)	$ 42,584,151	$ 23,117,563

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT
June 30, 2019

	Cost					Accumulated Depreciation				
	Balance July 1, 2018	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2018	Balance July 1, 2018	Provisions	Retirements/ Adjustments	Balance June 30, 2019	Net Balance June 30, 2019
Louisville International Airport										
Land	$ 297,447,987	$ -	$ -	$ -	$ 297,447,987	$ -	$ -	$ -	$ -	$ 297,447,987
Land improvements – runways, taxiways, and aprons	391,570,028	-	-	6,653,890	398,223,918	303,320,738	9,902,042	-	313,222,780	85,001,138
Land improvements – ground transportation and other	113,159,561	-	-	164,033	113,323,594	103,400,767	1,121,113	-	104,521,880	8,801,714
Buildings	136,567,025	-	-	662,450	137,229,475	102,828,685	4,094,339	-	106,923,024	30,306,451
Utility systems	41,296,188	-	(488,704)	498,591	41,306,075	39,185,999	637,162	(488,704)	39,334,457	1,971,618
Equipment (excluding automotive)	22,594,710	-	(171,872)	-	22,422,838	15,431,053	1,138,800	(161,755)	16,408,098	6,014,740
Vehicles and automotive equipment	10,287,492	-	(1,025,008)	217,105	9,479,589	8,151,881	525,373	(892,657)	7,784,597	1,694,992
Furniture and fixtures	8,969,522	-	(574,542)	252,967	8,647,947	5,653,909	341,491	(574,542)	5,420,858	3,227,089
Capital projects in progress	33,760,546	18,726,966	(8,088,504)	(9,145,347)	35,253,661	-	-	-	-	35,253,661
Total Louisville International Airport	1,055,653,059	18,726,966	(10,348,630)	(696,311)	1,063,335,084	577,973,032	17,760,320	(2,117,658)	593,615,694	469,719,390
Bowman Field										
Land	914,968	-	-	1,255,481	2,170,449	-	-	-	-	2,170,449
Land improvements – runways, taxiways, and aprons	18,668,295	-	-	1,229,119	19,897,414	11,838,019	692,144	-	12,530,163	7,367,251
Land improvements – ground transportation and other	719,575	-	-	-	719,575	526,606	44,534	-	571,140	148,435
Buildings	15,217,482			-	15,217,482	11,936,080	419,997	-	12,356,077	2,861,405
Utility systems	124,536	-	-	651,735	776,271	124,536	21,724	-	146,260	630,011
Equipment (excluding automotive)	267,480	-	-	108,246	375,726	267,480	2,706	-	270,186	105,540
Vehicles and automotive equipment	671,693	-	-	99,698	771,392	671,693	9,970	-	681,663	89,729
Construction in progress	6,715,582	1,664,461	-	(3,449,327)	4,930,716	-	-	-	-	4,930,716
Total Bowman Field	43,299,611	1,664,461	-	(105,048)	44,859,025	25,364,414	1,191,075	-	26,555,489	18,303,536
Total Louisville International Airport and Bowman Field	$ 1,098,952,670	$ 20,391,427	$ (10,348,630)	$ (801,360)	$ 1,108,194,109	$ 603,337,446	$ 18,951,395	$ (2,117,658)	$ 620,171,183	$ 488,022,926

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
June 30, 2019

	Expiration Date	Amount of Coverage
AIG Aerospace		
General airport liability	07/31/2019	$ 250,000,000
Optional war risk and other perils	07/31/2019	150,000,000
Option TRIA	07/31/2019	250,000,000
Zurich American Insurance Company		
All risk property	07/31/2019	600,000,000
Unlicensed equipment	07/31/2019	15,000,000
AIG – New Hampshire Insurance Company		
Business Auto (Fleet Policy)	07/31/2019	1,000,000
ACE American Insurance Company		
Cyber – Privacy & Network Liability	07/31/2019	1,000,000
Axis Surplus Insurance Co.		
Media professional liability/errors and omissions	07/31/2019	1,000,000
Chubb Insurance Group/Federal Insurance Co.		
Blanket travel accident	07/31/2021	125,000
Fidelity and Deposit Co. of Maryland		
Commercial Crime		
Employee Theft	07/31/2021	1,000,000
Other	07/31/2021	100,000
Travelers Casualty & Surety Company of America		
Fiduciary Responsibility	08/01/2019	1,000,000
Starr Indemnity and Liability Co.		
Public officials' liability covering board members and all employees	07/31/2019	10,000,000
Employment Practices Liability	07/31/2019	10,000,000
KEMI		
Worker's compensation	07/31/2019	Statutory Limitations
Employer's liability	07/31/2019	1,000,000
U.S. Fire Insurance Company		
Accident on Volunteers (Ambassadors)	07/31/2019	100,000 per person

Note: The Authority approved and has comparable policies in place for those policies listed above that have an expiration date between June 30, 2019 and the submission of these statements.

OTHER REQUIRED INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA No.	Federal Project Number	Project Description	Total Federal Program or Award Amount (Unaudited)	Expenditures for the Year ended June 30, 2019	Accumulated Expenditures (Unaudited)
U.S. Department of Transportation						
Direct Programs:						
Federal Aviation Administration -		Airport Improvement Program				
Louisville International						
	20.106	3-21-0031-95-2013	Noise Mitigation and Relocation	$ 18,118,943	$ 845,812	$ 18,118,943
	20.106	3-21-0031-98-2014	Rehabilitate Runways	4,157,280	95,411	4,157,280
	20.106	3-21-0031-100-2014	Noise Mitigation	6,478,184	5,711,004	6,478,184
	20.106	3-21-0031-101-2016	Rehabilitate Runways	4,098,976	23,797	3,689,078
	20.106	3-21-0031-102-2016	Rehabilitate Terminal Apron	8,600,000	-	7,704,829
	20.106	3-21-0031-103-2017	Rehabilitate Runways	4,269,831	2,436,353	4,269,831
	20.106	3-21-0031-104-2017	Rehabilitate Runways	11,250,669	9,093,247	10,608,785
	20.106	3-21-0031-105-2018	Rehabilitate Runways	21,055,246	13,017,503	13,017,503
	20.106	3-21-0031-106-2018	Airport Master Plan Study	2,250,000	1,218,268	1,218,268
Bowman Field						
	20.106	3-21-0032-23-2014	Conduct Environmental Assessment	316,526	-	316,526
	20.106	3-21-0032-26-2018	Airfield Lighting	1,172,498	194,886	194,886
Total U.S. Department of Transportation				81,768,153	32,636,281	69,774,113
U.S. Department of Homeland Security						
	97.090	HSTS0216HSLR912	Law Enforcement Officer Reimbursement Program	232,811	66,856	164,873
	97.072	HSTS0216HNCP476	TSA National Explosives Detection Canine Team	808,000	298,333	784,365
Total U.S. Department of Homeland Security				1,040,811	365,189	942,238
U.S. Department of Justice						
	16.922	KY0566900	Criminal Division Equitable Sharing Program	145,930	-	43,228
Total U.S. Department of Justice				145,930	-	43,228
Total Expenditures of Federal Awards				$ 82,954,894	$ 33,001,470	$ 70,766,579

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs received by the Louisville Regional Airport Authority (the Authority). The Authority's reporting entity is defined in Note 1 to the audited financial statements. There were no subrecipient expenditures or loan payments during 2019.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Authority has elected not to use the 10% de minimus indirect cost rate as allowed under Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S 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
Louisville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Louisville Regional Airport Authority (the "Authority") and the discretely presented component unit of the Louisville Renaissance Zone Corporation (the "LRZC"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 16, 2019. The financial statements of the LRZC were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the LRZC.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report

The purpose of this report is solely 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 the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Louisville, Kentucky
October 16, 2019

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Louisville Regional Airport Authority's (the "Authority"), compliance with the types of compliance requirements described in the *OMB 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Louisville, Kentucky
October 16, 2019

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
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:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2CFR200.516(a)?	____ 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:	$ 990,044	
Auditee qualified as low-risk auditee?	√ Yes	____ No

PART II: FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended June 30, 2019.

PART III: FEDERAL AWARD FINDINGS

There were no findings for the year ended June 30, 2019.

(Continued)

There were no findings for the year ended June 30, 2018.

Crowe LLP
Independent Member Crowe Global

INDEPENDENDENT AUDITOR'S 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
Louisville, Kentucky

Report on Compliance of Passenger Facility Charges

We have audited the Louisville Regional Airport Authority's (the "Authority") compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration ("Guide"), that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2019.

Management's Responsibility

Management of the Authority is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

Opinion on Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 16, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Guide and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charges collected and expended is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

Louisville, Kentucky
October 16, 2019

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year ended June 30, 2019

	Impose & Use Authority	Program Total at July 1, 2018	FY 2019 Activity	Program Total at June 30, 2019
Revenue				
PFC Collections		$ 106,545,112	$ 5,354,793	$ 115,290,005
Interest		828,874	137,835	966,709
Total Revenue		107,325,493	5,492,629	116,256,714
Disbursements				
FAA Application Number				
Open applications as of June 30, 2019:				
12-07-C-00-SDF*	2,775,000	1,933,255	11,628	1,944,883
14-08-C-00-SDF*	5,203,144	4,341,284	-	4,341,284
16-10-C-00-SDF	2,345,000	1,985,326	1,573	1,986,899
17-11-C-00-SDF	3,250,000	196,951	263,586	460,537
17-12-C-00-SDF	3,524,248	424,353	554,796	979,149
19-13-C-00-SDF	17,750,000	-	-	-
	34,847,392	85,625,281	831,583	9,712,752
Closed applications as of June 30, 2019:				
97-01-C-00-SDF*	75,594,112	74,594,112	1,000,000	75,594,112
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*	1,253,136	1,253,136	-	1,253,136
08-05-C-00-SDF*	726,822	726,822	-	726,822
11-06-C-00-SDF*	2,362,619	2,362,619	-	2,362,619
14-09-C-00-SDF*	2,150,000	2,150,000	-	2,150,000
	97,765,629	20,021,517	1,000,000	97,765,629
Total	132,613,021	105,646,798	1,831,583	107,478,381
Net PFC Revenue		$ 5,117,288	$ 3,661,046	$ 8,778,333
PFC Account Balance		$ 5,117,288		$ 8,778,333

*As amended

Summary of Auditor's Results

We have issued an unmodified opinion, dated October 16, 2019 on the financial statements of Louisville Regional Airport Authority as of and for the year ended June 30, 2019.

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

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

We have issued an unmodified opinion, dated October 16, 2019 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.

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.