Louisville Regional Airport Authority

Louisville, Kentucky

Financial Report

with Supplemental Information

June 30, 2021 and 2020

Contents

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Independent Auditor's Report

To the Board of Directors
Louisville Regional Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Louisville Regional Airport Authority (the "Authority") and its discretely presented component unit, Louisville Renaissance Zone Corporation (the "Corporation"), as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Louisville Regional Airport Authority's 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 entity'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 entity'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 of Louisville Regional Airport Authority and its discretely presented component unit, Louisville Renaissance Zone Corporation, as of June 30, 2021 and 2020 and the respective changes in their financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Louisville Regional Airport Authority

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louisville Regional Airport Authority's basic financial statements. The other supplemental information, as identified in the table of contents; the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the schedule of passenger facility charges are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information (excluding the schedule of insurance coverage), the schedule of expenditures of federal awards, and the schedule of passenger facility charges are the responsibility of management and were derived from and relate 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 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 other supplemental information (excluding the schedule of insurance coverage), the schedule of expenditures of federal awards, and the schedule of passenger facility charges are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of insurance coverage has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021 on our consideration of Louisville Regional Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that 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 Authority's 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 Louisville Regional Airport Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 11, 2021

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, 2021.

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 reflect 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:

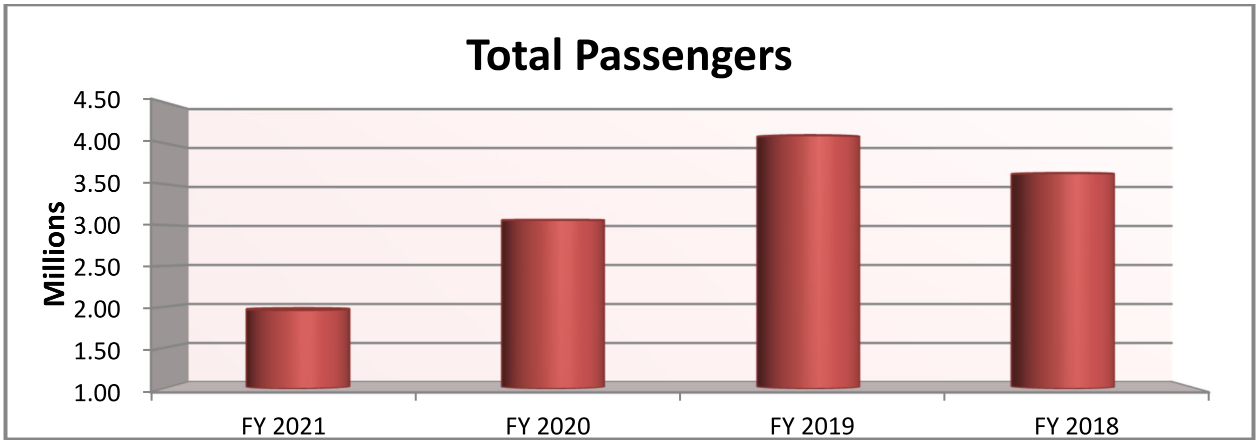
	FY 2021	FY 2020	FY 2019	FY 2018
Passengers				
Enplaned	981,446	1,529,350	2,047,746	1,818,676
Deplaned	982,262	1,533,579	2,046,311	1,814,897
Total	1,963,708	3,062,929	4,094,057	3,633,573
Landed Weight (lbs)				
Passenger	1,448,891,433	2,041,360,606	2,420,243,194	2,165,367,609
Cargo	17,122,703,286	16,109,689,100	15,075,710,754	14,046,871,436
Total	18,571,594,719	18,151,049,706	17,495,953,948	16,212,239,045
Total Cargo (lbs)	6,728,965,066	6,205,191,508	5,893,552,550	5,829,840,566

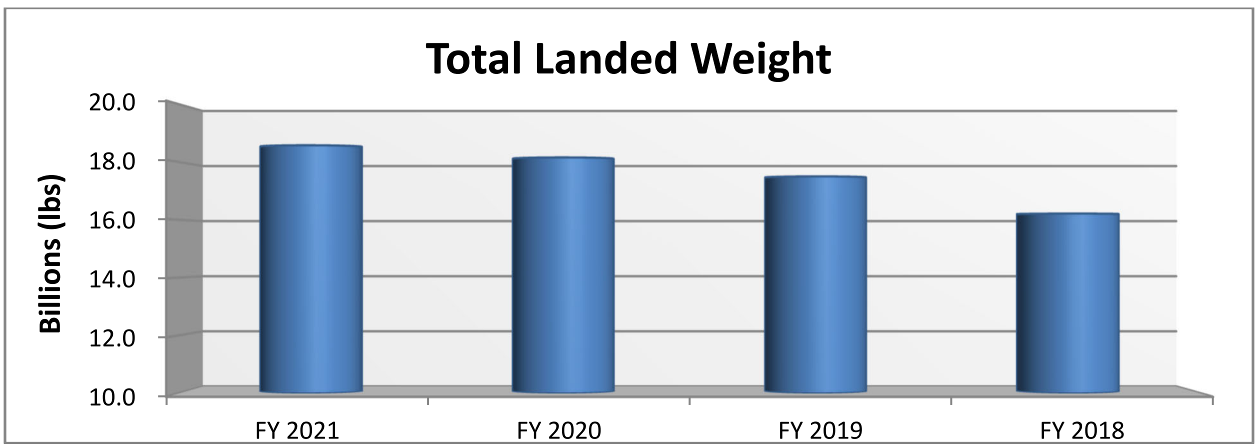
Louisville Muhammad Ali International's (SDF) status as a major worldwide cargo leader in terms of volume is best reflected by its current ranking of 3rd in North America and 5th worldwide. UPS' cargo volume at SDF was 6.6 and 6.1 billion pounds for FY21 and FY20, respectively.

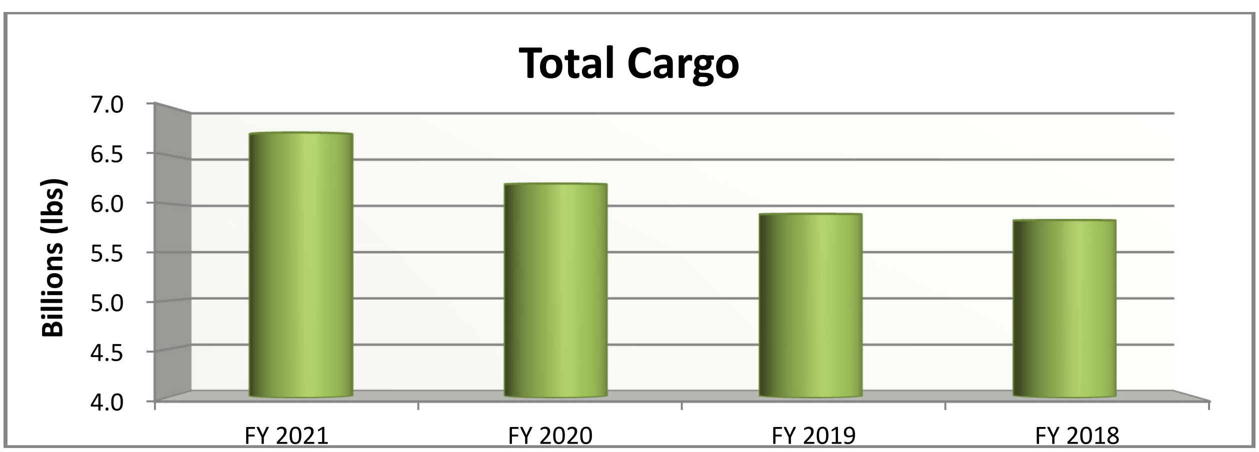
FY 2021 passenger traffic at Louisville Muhammad Ali International Airport (SDF) decreased 35% over the previous year due to severely suppressed demand caused by the Covid-19 Pandemic. While global and nationwide traffic remains somewhat suppressed due to Covid-19, traffic and capacity recovery at SDF have steadily outpaced the national average and regional peers through the recovery. We saw summer traffic recover to over 90% of pre-pandemic (record-breaking) levels. Additionally, SDF continued its pre-pandemic growth trajectory with the addition of two new airlines, the addition of 5 new routes, and increased competition on many high-demand leisure routes during FY21. While corporate traffic is seeing slow recovery, leisure demand to and from Louisville is at all-time highs. With forward looking capacity continuing to trend upward, we expect FY22 traffic to return to near record-breaking levels.

Louisville Muhammad Ali International Airport is served by eight airlines offering flights to more than 35 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)

The Authority continued to weather the unprecedented negative impacts of the Covid-19 pandemic on the airline industry throughout much of Fiscal Year 2021 with passenger counts beginning to show signs of recovery by spring. Due to the impact of the pandemic, passenger traffic at SDF reflected a decrease above 60% for the first 8 months of the year. The final four months of the year shows signs of rebound with each month exceeding the prior year to finish with an overall 35% year-over-year decrease. This decrease in passenger traffic did cause a decrease in Operating Revenues and is discussed further below.

In the Authority's initial response to the pandemic in FY20, all signatory airlines were allowed to defer rents and fees due for the last three months of FY20 with payment required in six equal monthly installments starting January 1, 2021. These deferred rents and fees totaled $7.0 million and is the primary reason for the high accounts receivable balance in the prior year. All deferred payments were received during FY21 allowing the accounts receivable balance to return to normal levels.

- Operating Revenues for FY21 were $5.2 million / 7.9% less than FY20 and $1.7 million / 2.9% higher than budget. Major contributors are:
  - Despite the pandemic's continued impact on the airline industry SDF saw a small increase in landing fees over prior year of $300,000 / 1.4% and was $1.1 million / 5.3% over budget. This is attributable to an increase in UPS' cargo activity which accounted for 90% of landed weight.
  - The area with the largest revenue loss to the Authority due to the pandemic was in Parking and Rental Cars which combined to end the year $5.2 million / 30.6% less than prior year but $310,000 / 2.7% over budget.
  - The Landside and Airside terminal areas saw a combined decrease in revenues of $300,000 / 3.6% compared to budget and $1.3 million / 12.6% less than FY20. The main reasons are the food & beverage and news & gift concessions that were impacted by passenger decreases caused by the pandemic. These combined for revenue decreases of $580,000 / 32.2% to budget and $1.1 million / 47.4% less than FY20.
- Non-Operating Revenues were also impacted by the Covid-19 pandemic and were $870,000 above budget but $24.8 million below prior year.
  - The main contributor to the decrease from prior year is that in FY 20, the federal government's CARES Act provided airports relief with funds to offset some of the losses due to the pandemic. The Authority received $21.1 million in CARES grant funds that are classified as nonoperating grants in FY20. The Authority used those funds for bond debt service that both reimbursed a portion of the FY20 deposits and deposited the remaining funds into non-refundable debt service accounts for a portion of FY21 debt service. This compares to only $23,000 in funds from CRSSA, a similar federal government program, received in FY21.
  - Passenger Facility Charges (PFC) and Rental Car Customer Contract Fees (CCF) are unfavorable to prior year by $2.7 million / 29.3% and to budget by $240,000 / 3.6%.

- Operating Expenses before Depreciation for FY21 were $5.2 million / 15.3% over budget and $1.4 million / 3.9% greater than FY120. The major contributors to these variances are:
    - Retirement Expenses exceed budget by $3.8 million due to expense allocations required under GASB 68 and GASB 75 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 budgeted the estimated contribution to be made rather than budgeting for this non-cash allocation. These allocated expenses plus the expense of the prior year's deferred contributions for FY21 and FY20 were $5.4 million and $5.6 million respectively for pensions and $1.4 million and $901,000 respectively for OPEB. More detailed explanations may be found in Note 14 to these statements.
    - Contract Services are nearly on track with budget and approximately $3.1M / 52.3% over FY20. This is primarily due to the reclassification of certain expenses previously categorized as Major Maintenance that are now presented as operating expenses. These expenses account for approximately $2.2 million of the variance to prior year which is primarily made up of snow removal costs in addition to airfield painting and rubber removal. Other contributors to the variance to prior year are an increase of $360,000 in marketing incentives and baggage screening system upgrades of $240,000.
    - Fuel and Utilities were below both budget and prior year by $275,000 and $495,000, respectively.
    - Professional & Consulting Services were approximately $226,000 less than budget due to lower than anticipated used of outside consultants and $53,000 more than prior year due primarily to an increase in Public Relations services.
    - Other expenses were below both budget and prior year by $476,000 and $560,000 respectively. Contributing to the favorable variance are decreases in travel and supplies spending.
    - Major Maintenance was $2.2 million more than budget and $210,000 less than prior year. The variance to budget is primarily due to unplanned but required repairs to the Engineered Materials Arresting System bed in the airfield.
- Operating Income before Depreciation was $22.2 million which is $3.4 million less than budget and $6.7 million less than FY20.
- Interest Expense is $1.1 million less than budget due to the Authority's practice of not budgeting for the non-cash amortization of bond premiums.
- Net Income before Capital Contributions was $5.4 million, which is $1.1 million below budget and $30.6 million below to FY20 results.
- Net Position increased from prior year by $26.5 million to $522.7 million.

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Below are summarized financial statements:

Authority's Net Position

	2021	2020	2019
Assets:			
Current and other assets:			
Cash and investments	$ 66,015,482	$ 71,719,210	$112,400,207
Receivables	8,382,985	13,212,939	7,031,561
Other Assets	54,538,966	86,870,913	65,936,066
Capital assets (includes in progress)	608,786,319	565,602,574	488,022,926
Total assets	737,723,752	737,405,636	673,390,760
Deferred outflows	10,270,534	9,333,662	8,474,175
Total Assets and Deferred Outflows	747,994,286	746,739,298	681,864,935
Liabilities:			
Current Liabilities	21,871,524	33,501,744	18,819,409
Noncurrent Liabilities			
Due within one year			
Current porton of unamortized bond premium:	924,683	1,083,053	1,232,436
Bonds payable from restricted current assets	18,290,000	17,130,000	16,410,000
Due in more than one year	137,455,188	157,113,972	175,327,025
Net pension liability	33,887,527	30,668,157	26,520,450
Net OPEB Liability	10,590,053	7,626,835	7,761,829
Total Liabilities	223,018,975	247,123,761	246,071,149
Deferred inflows	2,282,712	3,425,681	2,920,798
Total Liabilities and Deferred Inflows	225,301,687	250,549,442	248,991,947
Net Position			
Invested in capital assets, net of related debt	443,709,114	371,526,055	291,577,171
Restricted for debt service	39,021,641	54,633,970	38,327,300
Restricted for capital projects	7,284,746	23,983,351	18,523,835
Unrestricted	32,677,098	46,046,480	84,444,682
Total Net Position	$522,692,599	$496,189,856	$432,872,988

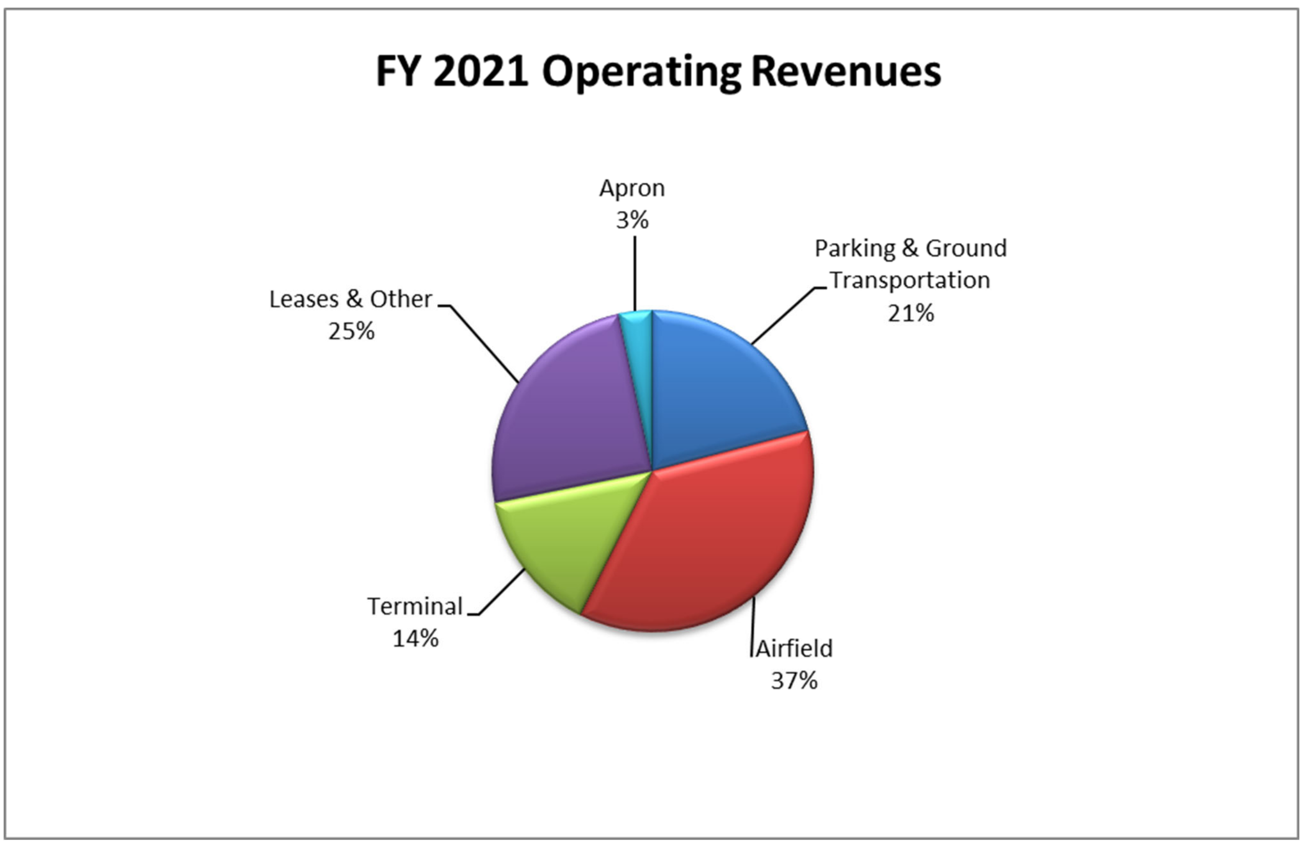
Authority's Changes in Net Position

	2021	2020	2019
Operating Revenues	$ 61,119,776	$ 66,335,153	$ 70,998,081
Operating Expenses	58,676,201	57,131,431	54,996,511
Operating Income	2,443,575	9,203,722	16,001,570
Non-operating Revenues (Expenses)	2,994,046	26,826,322	1,003,661
Income before capital contributions	5,437,621	36,030,044	17,005,231
Capital contributions	21,065,122	27,286,824	25,578,920
Change in Net Position	26,502,743	63,316,868	42,584,151
Net Position - Beginning of year, as adjusted	496,189,856	432,872,988	390,288,837
Net Position - End of year	**$ 522,692,599**	**$ 496,189,856**	**$ 432,872,988**

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

	2021		2020	2019
	Actual	Budget	Actual	Actual
Operating Revenues				
Landing and field use	$ 22,302,337	$ 21,268,406	$ 22,022,507	$ 20,908,051
Apron area	2,085,981	2,131,409	2,468,988	2,309,448
Landside terminal	4,985,472	5,109,670	5,504,186	5,771,338
Airside terminal	3,831,310	4,037,775	4,585,453	4,903,625
Leases	10,550,887	9,783,800	13,331,989	11,704,644
Parking and ground transportation	12,792,305	12,680,130	18,116,021	25,050,847
Other	4,571,484	4,365,246	306,009	350,128
Total operating revenues	61,119,776	59,376,436	66,335,153	70,998,081
Non-Operating Revenues				
Passenger Facility Charge	4,286,694	4,346,000	5,827,096	5,833,884
Customer Contract Fee	2,188,730	2,368,650	3,375,579	2,690,579
Interest Income	579,115	678,000	2,677,085	3,155,738
Non-Capital Grants	23,000	-	21,147,352	-
Other	1,181,366	-	55,226	174,264
Total Non-Operating Revenues	8,258,905	7,392,650	33,082,338	11,854,465
Total Revenues	$ 69,378,681	$ 66,769,086	$ 99,417,491	$ 82,852,546

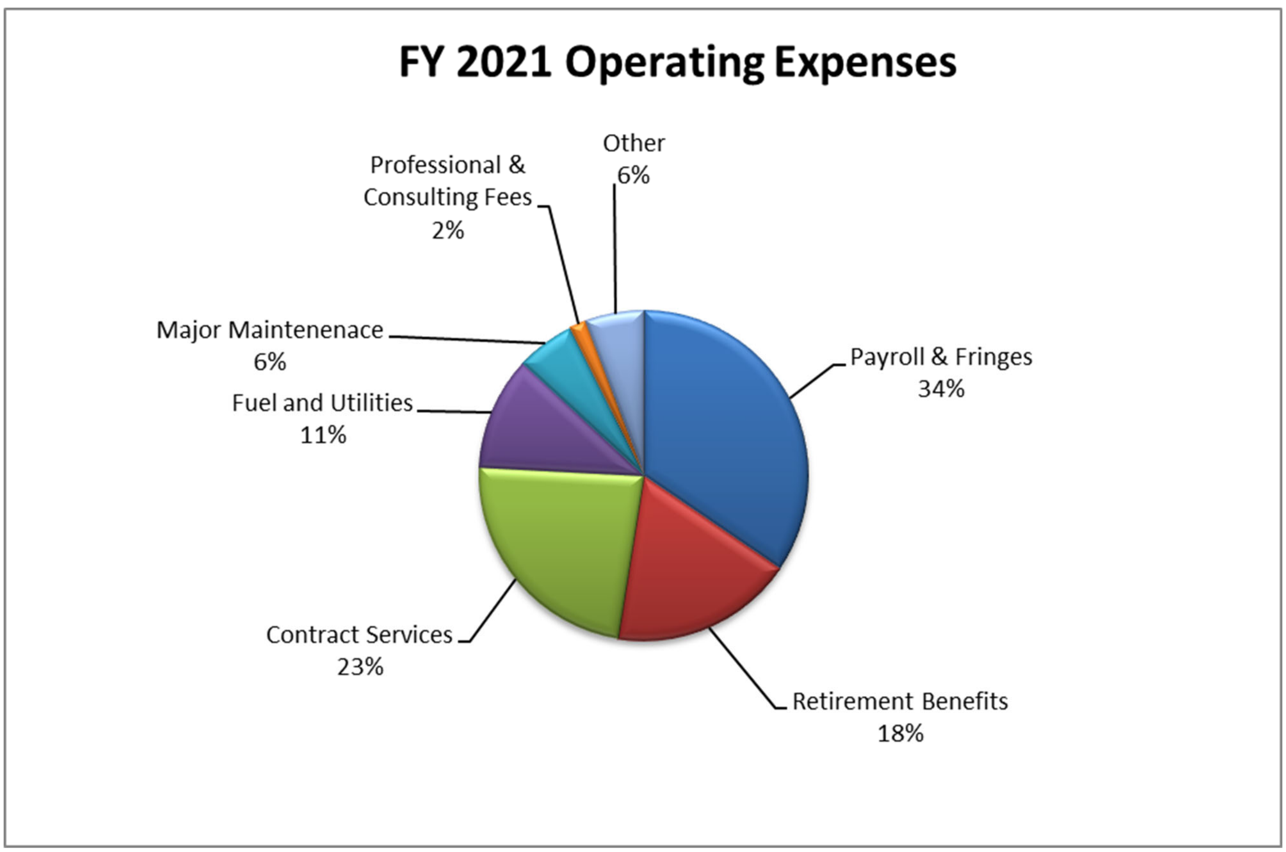
Discussion of the variances from budget and prior year are included above in the Financial Highlights section.



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

	2021 Actual	2021 Budget	2020 Actual	2019 Actual
Operating expenses:				
Payroll and fringe benefits	$ 13,427,743	$ 13,414,442	$ 14,165,201	$ 13,880,175
Contract services	9,060,308	8,982,140	5,948,536	6,335,601
Fuel and utilities	4,332,397	4,608,000	4,827,758	4,361,750
Professional and consulting fees	650,072	876,250	596,589	847,594
Retirement	7,011,311	3,167,760	6,716,020	5,481,733
Other	2,216,799	2,692,866	2,777,625	1,945,036
Total operating expenses before major maintenance and depreciation	36,698,630	33,741,458	35,031,729	32,851,889
Major maintenance	2,213,916	-	2,425,516	3,193,227
Total Operating Expenses before Depreciation	38,912,546	33,741,458	37,457,245	36,045,116
Non-operating expenses				
Interest expense	5,264,859	6,347,911	5,803,384	6,284,031
Net loss on disposal of assets	-	-	452,632	4,566,773
Total non-operating expenses	5,264,859	6,347,911	6,256,016	10,850,804
Total expenses before depreciation	$ 44,177,405	$ 40,089,369	$ 43,713,261	$ 46,895,920

Discussion of the variances from budget and prior year are included above 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 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 FY21 the Authority recorded Capital Contributions of approximately $21,100,000 million for payments received or accrued primarily from FAA grants. Unused FAA grant funds from FY21 remain available for use by the Authority in future years.

Capital Assets. During fiscal year 2021, the Authority's capital spending and accruals totaled approximately $65,200,000. Major projects were: Runways & Taxiways $22,000,000; Rental Car Improvements $14,076,000; Terminal and Parking Projects $11,775,000; Security Modernization $11,300,000; Sound Insulation and Noise Mitigation $3,069,000; and Other Facility Projects and Equipment Purchases $2,957,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately $84,993,000.

During fiscal year 2021, the primary capital asset disposition by the Authority was the sale of land previously acquired in relation to the FAA approved Part 150 Noise Mitigation, Land Acquisition and Relocation Program. The Authority received proceeds of $993,683 on land with a book value of $28,113. The transfer of the land includes avigation easements, airport servitudes and other deed restrictions on the property which severely restrict the use and consequently the value of the property and give the Authority these rights in perpetuity. The Avigation Easements associated with this property were not significant and offset the proceeds for a net gain of $971,192.

A summary of capital asset activity can be found in Note 5 to the financial statements and in the Supplemental Schedule of Airport Property, Facilities and Equipment.

Debt. Currently, the Authority has bonds outstanding of $145,980,000 of which $18,290,000 is considered a current liability. Future net revenues of the Authority are pledged to pay debt service on all 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 6 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,

DM Caulk

Dorothy M. Caulk, CPA, CM

Director of Finance and Accounting

Statement of Net Position

June 30, 2021 and 2020

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	2021	2020	2021	2020
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	$ 66,015,482	$ 47,206,476	$ 48,683,650	$ 6,193,445
Investments (Note 3)	-	24,512,734	-	40,052,933
Receivables:				
Grants receivable	3,476,712	5,442,080	-	-
Fees, rentals, and other - Net	4,906,273	7,770,859	6,594,424	5,901,302
Land held for sale	-	-	-	225,656
Supplies and prepaid expenses	758,623	435,686	-	-
Restricted cash and equivalents (Notes 3 and 4)	23,783,583	21,021,082	-	-
Total current assets	98,940,673	106,388,917	55,278,074	52,373,336
Noncurrent assets:				
Restricted assets:				
Cash and equivalents (Notes 3 and 4)	6,234,603	12,023,694	-	-
Investments (Notes 3 and 4)	23,762,157	53,390,455	-	-
Capital assets:				
Assets not subject to depreciation (Note 5)	359,803,896	374,448,880	11,293,294	9,691,608
Assets subject to depreciation - Net (Note 5)	248,982,423	191,153,690	14,788,390	16,156,478
Fees receivable	-	-	11,600,000	7,600,000
Total noncurrent assets	638,783,079	631,016,719	37,681,684	33,448,086
Total assets	737,723,752	737,405,636	92,959,758	85,821,422
Deferred Outflows of Resources				
Deferred pension costs (Note 14)	5,796,686	6,372,087	-	-
Deferred OPEB costs (Note 14)	4,473,848	2,961,575	-	-
Total deferred outflows of resources	10,270,534	9,333,662	-	-

See notes to financial statements.

Statement of Net Position (Continued)

June 30, 2021 and 2020

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	2021	2020	2021	2020
Liabilities				
Current liabilities:				
Accounts payable	$ 13,010,867	$ 26,434,496	$ 563,710	$ 16,518
Accrued liabilities and other	1,508,201	1,327,507	1,051	17,408
Unearned revenue	1,858,873	1,848,659	-	-
Accounts payable from restricted current assets	2,319,627	373,172	-	-
Accrued interest payable from restricted current assets	3,173,956	3,517,910	-	-
Current portion of unamortized bond premiums	924,683	1,083,053	-	-
Bonds payable from restricted current assets (Note 6)	18,290,000	17,130,000	-	-
Total current liabilities	41,086,207	51,714,797	564,761	33,926
Noncurrent liabilities:				
Bonds payable and unamortized bond premium - Net of current portion (Note 6)	131,513,364	150,728,047	-	-
Net pension liability (Note 14)	33,887,527	30,668,157	-	-
Net OPEB liability (Note 14)	10,590,053	7,626,835	-	-
Other noncurrent liabilities	5,941,824	6,385,925	-	-
Total noncurrent liabilities	181,932,768	195,408,964	-	-
Total liabilities	223,018,975	247,123,761	564,761	33,926
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 14)	484,404	887,857	-	-
Deferred OPEB cost reductions (Note 14)	1,798,308	2,537,824	-	-
Total deferred inflows of resources	2,282,712	3,425,681	-	-
Net Position				
Net investment in capital assets	443,709,114	371,526,051	25,552,496	25,848,086
Restricted:				
Restricted for capital projects	7,284,746	23,983,351	-	-
Restricted for debt service	39,021,641	54,633,970	-	-
Unrestricted	32,677,098	46,046,484	66,842,501	59,939,410
Total net position	**$ 522,692,599**	**$ 496,189,856**	**$ 92,394,997**	**$ 85,787,496**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2021 and 2020

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	2021	2020	2021	2020
Operating Revenue				
Rentals and concessions	$ 38,817,441	$ 44,312,648	$ 326,000	$ 323,685
Landing and field use fees	22,302,335	22,022,505	-	-
TIF revenue	-	-	6,514,000	10,073,449
Land sales - Net of cost	-	-	1,202,873	2,162,099
Total operating revenue	61,119,776	66,335,153	8,042,873	12,559,233
Operating Expenses				
Operations and general maintenance	22,133,076	20,322,008	-	-
Administrative, general, planning, and engineering	14,565,554	14,709,721	257,299	507,300
Total operating and maintenance	36,698,630	35,031,729	257,299	507,300
Major maintenance	2,213,916	2,425,516	-	-
Depreciation	19,763,655	19,674,186	1,368,088	1,416,365
Total operating expenses	58,676,201	57,131,431	1,625,387	1,923,665
Operating Income	2,443,575	9,203,722	6,417,486	10,635,568
Nonoperating Revenue (Expense)				
Investment income - Net	579,115	2,677,085	190,015	628,143
Interest expense	(5,264,859)	(5,803,384)	-	-
Passenger facility charges	4,286,694	5,827,096	-	-
Customer contract fees	2,188,730	3,375,579	-	-
Gain (loss) on sale of assets	1,040,412	(452,632)	-	-
Nonoperating grants	23,000	21,147,352	-	-
Other revenue	140,954	55,226	-	-
Total nonoperating revenue	2,994,046	26,826,322	190,015	628,143
Income - Before capital contributions	5,437,621	36,030,044	6,607,501	11,263,711
Capital Contributions	21,065,122	27,286,824	-	-
Change in Net Position	26,502,743	63,316,868	6,607,501	11,263,711
Net Position - Beginning of year	496,189,856	432,872,988	85,787,496	74,523,785
Net Position - End of year	**$ 522,692,599**	**$ 496,189,856**	**$ 92,394,997**	**$ 85,787,496**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Receipts from customers and users	$ 63,994,576	$ 63,747,923
Payments to suppliers	(19,594,431)	(17,916,372)
Payments to employees	(16,048,524)	(16,940,338)
Net cash and cash equivalents provided by operating activities	28,351,621	28,891,213
Cash Flows from Capital and Related Financing Activities		
Capital contributions	23,030,490	14,600,821
Passenger facility charges	4,286,694	5,827,096
Customer contract fees	2,188,730	3,375,579
Proceeds from sale of capital assets	618,802	759,220
Acquisition and construction of capital assets	(73,756,156)	(72,802,578)
Principal and interest paid on capital debt	(23,821,866)	(23,755,684)
Other fees and proceeds	140,954	55,226
Nonoperating grants	23,000	21,147,352
Net cash and cash equivalents used in capital and related financing activities	(67,289,352)	(50,792,968)
Cash Flows from Investing Activities		
Interest received on investments	579,115	2,677,085
Purchases of investment securities	(11,100,023)	(328,713,450)
Proceeds from sale and maturities of investment securities	65,241,055	397,090,863
Net cash and cash equivalents provided by investing activities	54,720,147	71,054,498
Net Increase in Cash and Cash Equivalents	15,782,416	49,152,743
Cash and Cash Equivalents - Beginning of year	80,251,252	31,098,509
Cash and Cash Equivalents - End of year	**$ 96,033,668**	**$ 80,251,252**
Classification of Cash and Cash Equivalents		
Current cash and cash equivalents	$ 66,015,482	$ 47,206,476
Current restricted cash and equivalents	23,783,583	21,021,082
Noncurrent restricted cash and equivalents	6,234,603	12,023,694
Total cash and cash equivalents	**$ 96,033,668**	**$ 80,251,252**

Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 2,443,575	$ 9,203,722
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:		
Depreciation and amortization	19,763,655	19,674,186
Changes in assets and liabilities:		
Fees and rentals receivable and unearned income	2,874,800	(2,587,230)
Supplies and prepaid expenses	(322,937)	521,476
Accounts payable	(798,007)	(1,861,828)
Net pension or OPEB liability	6,182,588	4,012,713
Deferrals related to pension or OPEB	(2,079,841)	(354,604)
Accrued and other liabilities	287,788	282,778
Total adjustments	25,908,046	19,687,491
Net cash and cash equivalents provided by operating activities	**$ 28,351,621**	**$ 28,891,213**
Significant Noncash Transactions		
Avigation easement acquired from sale of capital assets	$ -	$ 302,963
Approximate amount of retainage and accounts payable related to construction in progress	12,710,000	23,490,000
Capital contributions from reversion of FedEx and Hangar 10 buildings	-	9,360,000
Land option liability relieved from sale of capital assets	444,101	-

Note 1 - Nature of Business

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 the Louisville metropolitan area, seven members appointed by the mayor of the Louisville metropolitan area, and three members appointed by the governor of the Commonwealth of Kentucky.

The Authority is responsible for the operation of Louisville Muhammad Ali 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 as follows:

Rentals and Concessions

Rentals and concessions are revenue from airlines, fixed base operators, rental car companies, parking lots, food services, gift shops, and other commercial tenants. Leases generally are for terms from 1 to 20 years and may require rentals based on the volume of business of the lessee, with specified minimum rentals.

Landing and Field Use Fees

Landing and field use fees generally are 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 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 revenue when all applicable eligibility requirements are met. Typically this occurs when 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 revenue, expenses, and changes in net position, after nonoperating revenue and expenses, as capital contributions.

Note 2 - Significant Accounting Policies

Reporting Entity

The accompanying financial statements present the Authority and its discretely presented component unit, Louisville Renaissance Zone Corporation (the "Corporation"). The Corporation is reported in a separate column to emphasize that it is legally separate from the Authority.

Refer to Note 16 for further disclosures related to the Corporation. Complete financial reports can be obtained at its administrative offices at 700 Administration Drive, Louisville, KY 40209.

Note 2 - Significant Accounting Policies (Continued)

Accounting and Reporting Principles

The Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Authority:

Basis of Accounting

Proprietary funds, which include enterprise and internal service funds, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority is classified as an enterprise fund.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Both restricted and unrestricted amounts are included on the statement of cash flows.

Investments

Investments are reported at amortized cost. Investments are made only in government-backed securities. All investments are held in the Authority's name.

Fees and Rentals Receivable

Receivables are reported at present value less the estimated portion that is expected to be uncollectible. As of June 30, 2021 and 2020, the allowance for uncollectible accounts was $100,000.

Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than $50,000 and an estimated useful life of three years or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Authority's property and facilities that were transferred from the United States government in 1948 are stated at approximate reproduction costs in 1948. Donated capital assets are recorded at estimated acquisition value at the date the assets were placed in service. 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 2021 or 2020.

Capital assets are depreciated using the straight-line method over the following useful lives:

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

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

Note 2 - Significant Accounting Policies (Continued)

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. 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. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Net Position Flow Assumption

The Authority will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy 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.

Grants

The Authority was awarded federal Airport Coronavirus Response Grant Program (ACRGP) funding of approximately $11,500,000 during 2021. The Authority drew down $23,000 of its entire allotment of ACRGP funding during 2021 and used the funding for operating expenditures at Bowman Field. The Authority was also awarded Coronavirus Aid, Relief, and Economic Security (CARES) Act grant funding of approximately $21,000,000 during 2020. The Authority drew down its entire allotment of CARES Act funding during 2020 and made an irrevocable deposit into its debt service fund. Revenue from grants is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses as capital contributions.

Pension and Other Postemployment Benefit Costs

For the purpose of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, pension expense, and OPEB expense, information about the fiduciary net position of County Employees' Retirement System (CERS) and additions to/deductions from the CERS fiduciary net position have been determined on the same basis as they are reported by CERS. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms.

Unearned Income

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

Note 2 - Significant Accounting Policies (Continued)

Enterprise Funds Operating Classification

Enterprise funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which changes accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Authority's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Authority's financial statements for the June 30, 2021 fiscal year but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 2 - Significant Accounting Policies (Continued)

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The requirements of the standard will be applied retrospectively and were originally effective for the Authority's financial statements for the June 30, 2022 fiscal year but were extended to June 30, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In March 2020, the GASB issued Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services, such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2023.

Note 3 - Cash, Cash Equivalents, and Investments

The Authority reports its restricted and unrestricted investments at amortized cost. Unrestricted and restricted deposits and investments are reported in the financial statements as follows:

	2021	2020
Cash on hand	$ 250	$ 550
Deposits with financial institutions	73,494,357	59,354,666
Repurchase agreements and cash equivalents	22,539,061	20,901,764
U.S. Treasury	11,756,357	37,065,809
U.S. government agency securities	12,005,800	40,831,652
Total deposits and investments	$ 119,795,825	$ 158,154,441

Note 3 - Cash, Cash Equivalents, and Investments (Continued)

Unrestricted and restricted deposits and investments are presented on the statement of net position under the following captions for the years ended June 30:

	2021	2020
Current assets:		
Cash and cash equivalents	$ 66,015,482	$ 47,206,476
Investments	-	24,512,734
Restricted cash and cash equivalents	23,783,583	21,021,082
Noncurrent assets:		
Restricted cash and cash equivalents	6,234,603	12,023,694
Restricted investments	23,762,157	53,390,455
Total deposits and investments	$ 119,795,825	$ 158,154,441

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. 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. At year end, the Authority had no uninsured or uncollateralized deposits.

	2021	2020
Covered by federal depository insurance	$ 495,000	$ 495,000
Uninsured and collateralized	74,021,577	59,076,369
Bank balance	$ 74,516,577	$ 59,571,369
Carrying amount	$ 73,494,357	$ 59,354,666

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. The Authority's investments are held by the Authority's agent in the Authority's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy minimizes interest rate risk by limiting investing of unrestricted funds to U.S. government obligations and agencies with a stated maturity of no 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, 2021 and 2020 was 2.03 years and 1.16 years, respectively.

Note 3 - Cash, Cash Equivalents, and Investments (Continued)

Credit Risk

The Authority's investment policy minimizes credit risk by investing only in U.S. Treasurys or other debt securities backed by the U.S. government.

Concentration of Credit Risk

The Authority's investment policy minimizes concentration of credit risk by limiting domestic bank obligations to 35 percent of invested assets per issuer or 50 percent of total invested assets for all issuers. Unrestricted funds invested in U.S. government agencies are not limited. At June 30, 2021 and 2020, approximately $12,000,000 and $40,800,000, respectively, was invested in U.S. government agency obligations.

Note 4 - Restricted Assets

The Authority's bond covenants require the Authority to restrict assets equal to 25 percent of the highest annual aggregate debt service for the current or future fiscal year, which was approximately $6,200,000 at June 30, 2021 and 2020. Upon maturity of the debt, the portion of these assets that was funded by the airlines will be credited to the appropriate airline cost centers. As of June 30, 2021 and 2020, this reimbursement amount was approximately $4,300,000.

At June 30, 2021 and 2020, restricted assets are composed of the following:

	2021			
	Current Cash and Equivalents	Noncurrent Cash and Equivalents	Investments	Total
Bond funds	$ 21,463,956	$ 888,845	$ 17,598,092	$ 39,950,893
Revolving debt coverage	-	186,260	6,164,065	6,350,325
Land proceeds	-	1,803,714	-	1,803,714
PFC funds	2,319,627	3,161,405	-	5,481,032
Other	-	194,379	-	194,379
Total	$ 23,783,583	$ 6,234,603	$ 23,762,157	$ 53,780,343

	2020			
	Current Cash and Equivalents	Noncurrent Cash and Equivalents	Investments	Total
Bond funds	$ 20,647,910	$ 2,032,095	$ 35,216,955	$ 57,896,960
Revolving debt coverage	-	156,619	6,173,840	6,330,459
Land proceeds	-	1,632,773	6,999,552	8,632,325
PFC funds	373,172	8,037,158	5,000,108	13,410,438
Other	-	165,049	-	165,049
Total	$ 21,021,082	$ 12,023,694	$ 53,390,455	$ 86,435,231

Note 5 - Capital Assets

Capital asset activity of the Authority's business-type activities was as follows:

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 299,921,400	$ 7,401,060	$ -	$ 307,322,460
Capital projects in progress:				
Construction projects	59,381,536	65,035,590	(80,924,581)	43,492,545
Land acquisition program	15,145,944	148,220	(6,305,273)	8,988,891
Total capital assets not being depreciated	374,448,880	72,584,870	(87,229,854)	359,803,896
Capital assets being depreciated:				
Land improvements	579,906,529	66,100,332	(465,563)	645,541,298
Buildings	161,237,189	2,560,545	(145,556)	163,652,178
Utility systems	42,431,580	3,760,334	(208,881)	45,983,033
Equipment (excluding automotive)	20,511,251	4,997,647	(618,062)	24,890,836
Vehicles and automotive equipment	13,098,268	173,530	(498,141)	12,773,657
Furniture and fixtures	6,593,712	-	(266,643)	6,327,069
Total capital assets being depreciated	823,778,529	77,592,388	(2,202,846)	899,168,071
Accumulated depreciation:				
Land improvements	440,687,905	12,522,326	(465,563)	452,744,668
Buildings	123,824,589	4,675,174	(145,556)	128,354,207
Utility systems	40,113,485	310,723	(208,881)	40,215,327
Equipment (excluding automotive)	15,488,156	1,101,377	(618,062)	15,971,471
Vehicles and automotive equipment	8,795,161	808,397	(498,141)	9,105,417
Furniture and fixtures	3,715,543	345,658	(266,643)	3,794,558
Total accumulated depreciation	632,624,839	19,763,655	(2,202,846)	650,185,648
Net capital assets being depreciated	191,153,690	57,828,733	-	248,982,423
Net capital assets	$ 565,602,570	$ 130,413,603	$ (87,229,854)	$ 608,786,319

Note 5 - Capital Assets (Continued)

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:				
Land	$ 299,618,436	$ 302,964	$ -	$ 299,921,400
Capital projects in progress:				
Construction projects	23,740,911	89,442,521	(53,801,896)	59,381,536
Land acquisition program	16,443,467	217,292	(1,514,815)	15,145,944
Total capital assets not being depreciated	339,802,814	89,962,777	(55,316,711)	374,448,880
Capital assets being depreciated:				
Land improvements	532,164,500	50,315,349	(2,573,320)	579,906,529
Buildings	152,446,956	8,790,233	-	161,237,189
Utility systems	42,082,346	349,234	-	42,431,580
Equipment (excluding automotive)	22,798,564	-	(2,287,313)	20,511,251
Vehicles and automotive equipment	10,250,981	3,152,948	(305,661)	13,098,268
Furniture and fixtures	8,647,946	-	(2,054,234)	6,593,712
Total capital assets being depreciated	768,391,293	62,607,764	(7,220,528)	823,778,529
Accumulated depreciation:				
Land improvements	430,845,963	12,415,262	(2,573,320)	440,687,905
Buildings	119,279,099	4,545,490	-	123,824,589
Utility systems	39,480,717	632,768	-	40,113,485
Equipment (excluding automotive)	16,678,284	1,097,186	(2,287,314)	15,488,156
Vehicles and automotive equipment	8,466,260	634,561	(305,660)	8,795,161
Furniture and fixtures	5,420,858	348,919	(2,054,234)	3,715,543
Total accumulated depreciation	620,171,181	19,674,186	(7,220,528)	632,624,839
Net capital assets being depreciated	148,220,112	42,933,578	-	191,153,690
Net capital assets	$ 488,022,926	$ 132,896,355	$ (55,316,711)	$ 565,602,570

Construction Commitments

The Authority has active construction projects at year end. The projects primarily include the phased replacement of passenger boarding bridges, security and operations modernization, airfield improvements, rental car area improvements, equipment storage building, noise mitigation programs, and other projects. At year end, the Authority's commitments with contractors were approximately $55,357,000.

Note 6 - Long-term Debt

Long-term debt activity for the years ended June 30, 2021 and 2020 can be summarized as follows:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Other debt:					
Revenue bonds	$ 163,110,000	$ -	$ (17,130,000)	$ 145,980,000	$ 18,290,000
Unamortized bond premiums	5,831,100	-	(1,083,053)	4,748,047	924,683
Total other debt	$ 168,941,100	$ -	$ (18,213,053)	$ 150,728,047	$ 19,214,683

Note 6 - Long-term Debt (Continued)

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Other debt:					
Revenue bonds	$ 179,520,000	$ -	$ (16,410,000)	$ 163,110,000	$ 17,130,000
Unamortized bond premiums	7,063,536	-	(1,232,436)	5,831,100	1,083,053
Total other debt	$ 186,583,536	$ -	$ (17,642,436)	$ 168,941,100	$ 18,213,053

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. The Authority has pledged substantially all of its revenue, net of operating expenses, to repay the revenue bonds listed below. Proceeds from the bonds provided financing for airfield and terminal improvements, the construction of the parking garage, and other capital assets. The bonds are payable solely from the net revenue from the Authority. Annual principal and interest payments on the bonds are expected to require less than 80 percent of net revenue. The total principal and interest remaining to be paid on the bonds is listed below. Principal and interest paid for the current year and total net revenue were $23,821,866 and $31,184,696, respectively. Principal and interest paid in 2020 and total net revenue were $23,755,685 and $41,385,291, respectively.

The Airport System Revenue Master Bond Resolution (the "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, 2021 and 2020, management believes the Authority was in compliance with this financial covenant. Additionally, the bonds are subject to federal arbitrage regulations. As of June 30, 2021 and 2020, there were no liabilities 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) the trustee has the right to prioritize application of revenue and other moneys, and (3) the 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 revenue, consist of the following at June 30:

Purpose	Interest Rates	Maturing	Outstanding at June 30, 2021	Outstanding at June 30, 2020
2014 Series A Revenue Bonds, various annual principal payments	2% to 5%	July 1, 2032	$ 71,495,000	$ 80,810,000
2014 Series B Revenue Bonds, various annual principal payments	2% to 5%	July 1, 2023	1,235,000	1,610,000
2014 Series C Revenue Bonds, various annual principal payments	0.25% to 4.6%	July 1, 2038	73,250,000	80,690,000
Total revenue bonds payable			145,980,000	163,110,000
Less current portion			(18,290,000)	(17,130,000)
Total long term bonds payable			$ 127,690,000	$ 145,980,000

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds are as follows:

Years Ending June 30	Other Debt Principal	Other Debt Interest	Total
2022	$ 18,290,000	$ 5,971,452	$ 24,261,452
2023	19,140,000	5,187,406	24,327,406
2024	20,035,000	4,343,681	24,378,681
2025	12,480,000	3,653,656	16,133,656
2026	13,135,000	3,124,755	16,259,755
2027-2031	44,115,000	8,979,084	53,094,084
2032-2036	16,885,000	1,322,838	18,207,838
2037-2039	1,900,000	133,890	2,033,890
Total	$ 145,980,000	$ 32,716,762	$ 178,696,762

In previous years, the Authority defeased certain bonds by completing an advance refunding through 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 debt. As of June 30, 2020, there was $1,860,000 of bonds outstanding that were considered defeased and continued to be serviced with the related refunding proceeds that were held in trust. All bonds outstanding that were considered defeased were fully paid during 2021.

Note 7 - Contingent Liabilities

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 2019, the remaining developable lots in Phase I and II of the subdivision were sold to an outside developer.

Note 7 - Contingent Liabilities (Continued)

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, 2021, capital projects in progress include approximately $9,000,000 related to the Part 150 land acquisition program, which consists of total project expenditures to date of approximately $292,300,000 less $283,300,000 of costs related to land that has been sold or optioned for sale. At June 30, 2020, capital projects in progress include approximately $15,100,000 related to the Part 150 land acquisition program, which consists of total project expenditures to date of approximately $292,100,000 less $277,000,000 of costs related to land that has been sold or optioned for sale.

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

Deposit from Commonwealth of Kentucky

In September 1994, the Authority and the Commonwealth of Kentucky (the "Commonwealth") entered into a Memorandum of Understanding (M.O.U.) in which the Commonwealth agreed to relieve the Authority from its future obligations (principal and interest) pertaining to the 1982 and 1988 Commonwealth of Kentucky Economic Development Bonds (Bonds) in exchange for the construction and transfer of property and other assets, as specified in the M.O.U. The Bonds with a recorded amount of $9,820,125 were retired in the year ended 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 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 that 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 that transferred 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 that transferred property to the Commonwealth at a value of $16,200,000. The deed was filed with the county clerk of Jefferson County, Kentucky on June 25, 2013. On June 9, 2016, the Authority entered into a deed that transferred property to the Commonwealth at a value of $883,000. The deed was filed with the county clerk of Jefferson County, Kentucky on June 27, 2016. The entire amount of these transfers reduced the related liability. There were no transfers of property to the Commonwealth in 2021 and 2020.

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

Note 7 - Contingent Liabilities (Continued)

Deposit from UPS Land Option

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 nonbinding 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 was 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 totals $162,851.

In 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 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. In 2021, the Authority transferred land valued at $993,683 to UPS, which fully satisfied the Authority’s remaining obligation under this agreement and resulted in additional proceeds of $593,973.

Litigation

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

Note 8 - Service Concession Arrangement for Parking Management

During 2019, the Authority entered into an agreement with a transport company to operate and collect user fees from the parking facilities for the next 10 years. Under the initial terms of the agreement, the third party was to pay the Authority the greater of a tiered percentage of gross receipts ranging from 82 to 87.5 percent or a minimum annual guarantee ranging from $13.1 million to $13.5 million over the course of the arrangement, with adjustments of minimum guarantee required based on stated decrease in enplanements. Given this revenue is contingent upon some variables, revenue is recognized when the event upon which the payments are dependent occurs, according to the terms of the agreement. As such, there are no receivables or deferred inflows of resources recorded at June 30, 2021 and 2020. The third party is required to manage and operate the parking facilities and shuttle bus services in accordance with the Parking Management Concession Agreement. The third party was required to provide a minimum capital investment in the New Parking Access and Revenue Control System of $1.5 million. In 2021, the Parking Management Concession Agreement was amended to adjust the minimum annual guarantee to $1 million and a range from $7 million to $13.5 million based on enplanements for 2022 through 2029.

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 revenue. 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, 2021 and 2020, 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, and 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 that may be subject to escalation. For the years ended June 30, 2021 and 2020, revenue from these leases was approximately $21,000,000 and $19,600,000, respectively.

The Authority also enters into rental agreements with concessionaires for food and beverage, news and gifts, rental car facilities, advertising, and others. Generally, the agreements are for terms from one to seven years and provide for a concession fee equal to the greater of a percentage of gross revenue, 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 years ended June 30, 2021 and 2020, revenue from such agreements was approximately $17,200,000 and $23,400,000, respectively. Revenue from contingent rentals that are made up primarily of the excess over minimum guarantees and sales-only-based agreements was approximately $6,900,000 and $4,800,000 for 2021 and 2020, respectively.

All land leases, facility leases, and concession agreements are accounted for as operating leases. Future revenue under these agreements, based on fixed terms or on 2021 actual rates, assuming current agreements are carried to contractual termination, are as follows:

Years Ending June 30	Land and Facilities	Concessions	Total
2022	$ 20,993,834	$ 10,949,027	$ 41,192,922
2023	10,911,011	10,834,150	31,353,734
2024	10,872,363	9,878,567	30,308,497
2025	10,805,447	8,085,849	27,713,064
2026	10,581,411	2,180,975	20,231,171
Thereafter	48,758,820	2,666,667	56,170,285
Total	$ 112,922,886	$ 44,595,235	$ 206,969,673

Note 11 - Passenger Facility Charges

The Aviation 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 $147,558,198 to be applied as follows:

For direct payment on capital project costs	$ 76,285,146
To be applied to the debt service and related costs on bonds issued to finance PFC-approved project costs	71,273,052
Total	$ 147,558,198

During the years ended June 30, 2021 and 2020, the Authority recognized passenger facility charge revenue of approximately $4,287,000 and $5,827,000, respectively.

Note 12 - Major Customer

During fiscal years 2021 and 2020, the Authority earned approximately 36 and 30 percent, respectively, of its operating revenue from one customer.

Note 13 - Deferred Compensation and 401(k) Plans

Noncontributory Plan

The Authority sponsors a 457 plan for substantially all employees. The plan provides for employees to defer a portion of their salary until future years. The plan is administered by ICMA Retirement Corporation and Kentucky Public Employees Deferred Compensation Authority (KPEDCA). Employee contributions to the 457 plan totaled $220,000 and $204,000 for the years ended June 30, 2021 and 2020, respectively.

Contributory Plans

The Authority also sponsors a 401(k) plan for substantially all employees. The plan provides for employees to defer a portion of their salary until future years. The plan is administered by ICMA Retirement Corporation and Kentucky Public Employees Deferred Compensation Authority. Employee contributions to the 401(k) plan totaled $272,000 and $218,000 for the years ended June 30, 2021 and 2020, respectively. In July 2019, the Authority adopted a joinder agreement to participate in the Kentucky Public Employees 401(k) plan for which it has not previously made employer matching contributions by establishing a 401(a) plan. The Authority will contribute 50 percent of employee contributions up to a maximum match of $7,500. The employer matching contributions are fully vested after four years of employment. The Authority's contributions to the plan totaled approximately $186,000 and $174,000 for the year ended June 30, 2021 and 2020, respectively.

In 2001, the Authority adopted the County Employees' Retirement System of Kentucky 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 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 contributions up to $17,500 ($23,000 if over age 50). Pretax contribution limits include combined employee and employer contributions. The Authority's contributions to the plan totaled $27,000 for the years ended June 30, 2021 and 2020. Participating employees fall under the non-hazardous employee category.

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan

Plan Description

All full-time and eligible part-time employees of the Authority hired after May 1, 2001 are required to participate in a defined benefit plan under the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. The benefits are provided through the Non-hazardous Normal Retirement Fund, a cost-sharing, multiple-employer plan administered by the County Employees' Retirement System; the Hazardous Retirement Fund, a cost-sharing, multiple-employer plan administered by CERS; the Non-hazardous Insurance Fund, a cost-sharing, multiple-employer plan administered by CERS; and the Hazardous Insurance Fund, a cost-sharing, multiple-employer plan administered by CERS. CERS provides pensions and health care coverage for regular full-time members employed by positions of each participating county, city, and school board and any additional eligible local agencies electing to participate in CERS.

General Information about the Pension and OPEB Plan

Under the provisions of Kentucky Revised Statute Section 78.520, a nine-member board of trustees (the "Board") administers CERS. Another nine-member board of trustees called the Kentucky Retirement Systems (KRS) will oversee the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS). KPPA is the administrative entity comprising the office of counselors and professional staff. KPPA is governed by a third board composed of eight members who are trustees from CERS and KRS. 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 CERS also administers the 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 KPPA. The assets of the Insurance Fund are invested as a whole. KPPA 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 Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or it may be found at the KPPA website at www.kyret.ky.gov.

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.

<u>Non-hazardous Retirement Fund</u>

The following applies to members whose participation began before August 1, 2004:

Age and service requirement: Age 65 with at least one month of non-hazardous 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 percent 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 fiscal years of salary. If the number of months of service credit during the five-year period is less than 48, one 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.

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

The following applies to members whose participation began on or after August 1, 2004 but before September 1, 2008:

Age and service requirement: Age 65 with at least one month of non-hazardous 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 percent, multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five fiscal years of salary. If the number of months of service credit during the five-year period is less than 48, one 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.

The following applies to members whose participation began on or after September 1, 2008 but before January 1, 2014:

Age and service requirement: Age 65 with 60 months of non-hazardous duty service credit or age 57 if age plus service equals at least 87

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00 percent 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 complete fiscal years of salary. Each fiscal year used to determine final compensation must contain 12 months of service credit.

The following applies to members whose participation began on or after January 1, 2014:

Age and service requirement: Age 65 with 60 months of non-hazardous 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 percent of creditable compensation, and the member's employer contributes 4 percent 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 percent. If the system's geometric average net investment return for the previous five years exceeds 4 percent, then the hypothetical account will be credited with an additional amount of interest equal to 75 percent of the amount of the return that exceeds 4 percent. 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, including 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.

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

Hazardous Retirement Fund

The following applies to members whose participation began before September 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 percent, multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest three fiscal years of salary. If the number of months of service credit during the three-year period is less than 24, one 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.

The following applies to members whose participation began on or after September 1, 2008 but before January 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+ to 20 years	1.50
20+ to 25 years	2.25
25+ years	2.50

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

The following applies to members whose participation began on or after January 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 percent of creditable compensation, and the member's employer contributes 7.50 percent 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 percent. If the system's geometric average net investment return for the previous five years exceeds 4 percent, then the hypothetical account will be credited with an additional amount of interest equal to 75 percent of the amount of the return that exceeds 4 percent. 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, including 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.

OPEB Benefits Provided

The information below summarizes the major OPEB benefit provisions of CERS for the Non-hazardous Insurance Fund and the Hazardous Insurance Fund. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

The following applies to members whose participation began before July 1, 2003:

Eligibility: Recipient of a retirement allowance

Benefit: Fixed percentage of health insurance premium for non-hazardous members only and hazardous members and 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

The following applies to members whose participation began on or after January 1, 2003 but before September 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 non-hazardous and $15 hazardous, adjusted annually, per year of earned service

The following applies to members whose participation began on or after September 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 non-hazardous and $15 hazardous, adjusted annually, per year of earned service

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.

The Authority's contractually required contribution rate for the years ended June 30, 2021 and 2020 was 24.06 percent (19.30 percent allocated to pension and 4.76 percent allocated to OPEB), as set by KRS of each non-hazardous employee's annual payroll. The Authority's contractually required contribution rate for the years ended June 30, 2021 and 2020 was 39.58 percent (30.06 percent allocated to pension and 9.52 percent allocated to OPEB), as set by KRS of each hazardous employee's annual payroll. Administrative costs of KRS are financed through employer contributions and investment earnings.

Contributions to the plan from the Authority were $2,561,896 ($2,019,799 related to pension and $542,097 related to OPEB) and $2,693,322 ($2,125,919 related to pension and $567,403 related to OPEB) for the years ended June 30, 2021 and 2020, respectively. The OPEB contributions amount does not include the implicit subsidy reported in the amount of $195,919 and $85,461 for 2021 and 2020, respectively.

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

The following applies to members whose participation began before September 1, 2008:

Non-hazardous members' contributions equal 5 percent of all creditable compensation, and hazardous contributions equal 8 percent of all creditable compensation. Interest paid on the members' accounts is currently 2.5 percent and, per statute, shall not be less than 2.0 percent. Members are entitled to a full refund of contributions with interest.

The following applies to members whose participation began on or after September 1, 2008:

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

The following applies to members whose participation on or after January 1, 2014:

Non-hazardous members' contributions equal 6 percent of all creditable compensation, with 5 percent being credited to the members' accounts and 1 percent deposited to the KRS 401(h). Hazardous contributions equal 9 percent of all creditable compensation, with 8 percent being credited to the members' accounts and 1 percent deposited to the KRS 401(h) account. Members are entitled to a full refund of contributions and interest on the members' portion of the hypothetical account; however, the 1 percent contributed to the insurance fund is nonrefundable.

Net Pension Liability

KRS chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date. The total pension liability (TPL) used to determine the Authority's proportionate share of the net pension liability at June 30, 2021 for both plans was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020. The total pension liability used to determine the Authority's proportionate share of the net pension liability at June 30, 2020 for both plans was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019.

The Authority's proportionate share of the plan's net pension liability is $33,887,527 and $30,668,157 as of June 30, 2021 and 2020, respectively. The Authority's proportionate share of the CERS plan was approximately 0.305 percent for non-hazardous and 0.349 percent for hazardous service employees at June 30, 2021 and was approximately 0.290 percent for non-hazardous and 0.371 percent for hazardous service employees at June 30, 2020. The liability was distributed based on the respective years of actual employer contributions to the plan.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2021 and 2020, the Authority recognized pension expense of $5,404,119 ($3,985,769 for non-hazardous and $1,418,350 for hazardous service employees) and $5,536,225 ($3,636,818 for non-hazardous and $1,899,407 for hazardous service employees), respectively, from all plans.

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

At June 30, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 909,001	$ -	$ 956,735	$ 86,297
Changes in assumptions	1,311,436	-	3,061,533	-
Net difference between projected and actual earnings on pension plan investments	821,725	-	-	474,225
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	734,725	484,404	227,900	327,335
Total included in future pension expense	3,776,887	484,404	4,246,168	887,857
Employer contributions to the plan subsequent to the measurement date	2,019,799	-	2,125,919	-
Total	$ 5,796,686	$ 484,404	$ 6,372,087	$ 887,857

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.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2021	$ 1,535,899
2022	1,079,075
2023	371,326
2024	306,183
Total	$ 3,292,483

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

Net OPEB Liability

At June 30, 2021, the Authority reported a liability of $10,590,053 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, which used update procedures to roll forward the estimated liability to June 30, 2020. The Authority's proportion of the net OPEB liability was based on the Authority's actuarially required contribution for the year ended June 30, 2020 relative to all other contributing employers. At June 30, 2021, the Authority’s proportion was 0.305 percent for non-hazardous and 0.349 percent for hazardous, which was an increase of 0.015 and decrease of 0.022 percent, respectively, from its proportion measured as of June 30, 2019.

At June 30, 2020, the Authority reported a liability of $7,626,835 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which used update procedures to roll forward the estimated liability to June 30, 2019. The Authority's proportion of the net OPEB liability was based on the Authority's actuarially required contribution for the year ended June 30, 2019 relative to all other contributing employers. At June 30, 2020, the Authority’s proportion was 0.290 percent for non-hazardous and 0.371 percent for hazardous, which was an increase of 0.001 and 0.003 percent, respectively, from its proportion measured as of June 30, 2018.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2021 and 2020, the Authority recognized OPEB expense of $1,500,822 ($1,045,236 for non-hazardous and $455,586 for hazardous service employees) and $900,441 ($535,193 for non-hazardous and $365,247 for hazardous service employees), respectively.

At June 30, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,341,284	$ 1,553,593	$ -	$ 1,983,825
Changes in assumptions	1,807,210	10,762	2,274,096	14,857
Net difference between projected and actual earnings on pension plan investments	387,948	-	-	374,626
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	199,390	233,953	13,252	164,516
Total included in future OPEB expense	3,735,832	1,798,308	2,287,348	2,537,824
Employer contributions to the plan subsequent to the measurement date	738,016	-	674,227	-
Total	$ 4,473,848	$ 1,798,308	$ 2,961,575	$ 2,537,824

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2021	$ 497,456
2022	516,956
2023	475,003
2024	444,693
2025	3,416
Total	$ 1,937,524

Actuarial Assumptions

The total pension and OPEB liabilities in the actuarial valuation were determined using the following actuarial assumptions applied to all periods included in the measurement:

	2021			
	Non-hazardous Retirement Fund	Hazardous Retirement Fund	Non-hazardous Insurance Fund	Hazardous Insurance Fund
Inflation	2.30%	2.30%	2.30%	2.30%
Salary increases (including inflation)	3.30% to 10.30% (varies by service)	3.55% to 19.05% (varies by service)	3.30% to 10.30% (varies by service)	3.55% to 19.05% (varies by service)
Investment rate of return (net of investment expenses)	6.25%	6.25%	6.25%	6.25%
Mortality rates - Active members	Pub-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Mortality rates - Healthy retired members	System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Mortality rates - Disabled members	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Payroll growth rate	2.00%	2.00%	2.00%	2.00%
Health care trend rates pre-65	N/A	N/A	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Health care trend rates post-65	N/A	N/A	Initial trend starting at 2.90% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years	Initial trend starting at 2.90% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

The total pension liability in the previous actuarial valuations was determined using the following actuarial assumptions applied to all periods included in the measurement:

	2020			
	Non-hazardous Retirement Fund	Hazardous Retirement Fund	Non-hazardous Insurance Fund	Hazardous Insurance Fund
Inflation	2.30%	2.30%	2.30%	2.30%
Salary increases (including inflation)	3.30% to 10.30% (varies by service)	3.55% to 19.05% (varies by service)	3.30% to 10.30% (varies by service)	3.55% to 19.05% (varies by service)
Investment rate of return (net of investment expenses)	6.25%	6.25%	6.25%	6.25%
Mortality rates - Active members	Pub-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Mortality rates - Healthy retired members	System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Mortality rates - Disabled members	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Payroll growth rate	2.00%	2.00%	2.00%	2.00%
Health care trend rates pre-65	N/A	N/A	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Health care trend rates post-65	N/A	N/A	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years

The actuarial assumptions used in the June 30, 2018 actuarial valuation date valuation were based on the results of an actuarial experience study for the period from July 1, 2013 through 2018.

Discount Rate

<u>Non-hazardous and Hazardous Retirement Fund</u>

The discount rate of 6.25 percent used to measure the total pension liability at June 30, 2021 and 2020 was determined after considering a projection of the cash flows to determine whether the future contributions over the remaining 23-year amortization period of the unfunded actuarial accrued liability will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees. 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.

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

Non-hazardous and Hazardous Insurance Fund

The discount rates of 5.34 percent for non-hazardous and 5.30 percent for hazardous at June 30, 2021 and 5.68 percent for non-hazardous and 5.69 percent for hazardous at June 30, 2020 used to measure the total OPEB liability at the respective dates were determined after considering a projection of the cash flows to determine whether the future contributions over the remaining 23-year amortization period of the unfunded actuarial accrued liability will be sufficient to allow the OPEB plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees. The June 30, 2021 discount rate determination used an expected rate of return of 6.25 percent and a municipal bond rate of 2.45 percent, as reported in Fidelity Index’s 20-Year Municipal GO AA Index as of June 30, 2020. The June 30, 2020 discount rate determination used an expected rate of return of 6.25 percent and a municipal bond rate of 3.13 percent, as reported in Fidelity Index’s 20-Year Municipal GO AA Index as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of KRS’ actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS’ trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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 2013 through 2018, is outlined in a report dated April 18, 2019. 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 on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the June 30, 2020 measurement date for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Non-hazardous and Hazardous Retirement and Insurance Plans

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equity	18.75 %	4.50 %
Non-U.S. equity	18.75	5.25
Private equity	10.00	6.65
Specialty credit/High yield	15.00	3.90
Core bonds	13.50	(0.25)
Cash	1.00	(0.75)
Real estate	5.00	5.30
Opportunistic	3.00	2.25
Real return	15.00	3.95

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

Best estimates of arithmetic real rates of return as of the June 30, 2019 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Non-hazardous and Hazardous Retirement and Insurance Plans

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equity	18.75 %	4.30 %
Non-U.S. equity	18.75	4.80
Private equity	10.00	6.65
Specialty credit/High yield	15.00	2.60
Core bonds	13.50	1.35
Cash	1.00	0.20
Real estate	5.00	4.85
Opportunistic	3.00	2.97
Real return	15.00	4.10

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority as of June 30, 2021, calculated using the discount rate of 6.25 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.25%)	Current Discount Rate (6.25%)	1 Percentage Point Increase (7.25%)
Net pension liability of the Non-hazardous Retirement Fund	$ 28,812,738	$ 23,363,872	$ 18,852,003
Net pension liability of the Hazardous Retirement Fund	13,005,739	10,523,655	8,497,619
Total	$ 41,818,477	$ 33,887,527	$ 27,349,622

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

The following presents the net pension liability of the Authority as of June 30, 2020, calculated using the discount rate of 6.25 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.25%)	Current Discount Rate (6.25%)	1 Percentage Point Increase (7.25%)
Net pension liability of the Non-hazardous Retirement Fund	$ 25,544,759	$ 20,424,102	$ 16,156,084
Net pension liability of the Hazardous Retirement Fund	12,807,368	10,244,055	8,142,509
Total	$ 38,352,127	$ 30,668,157	$ 24,298,593

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority's Non-hazardous Insurance Fund as of June 30, 2021, calculated using the discount rate of 5.34 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (4.34%)	Current Discount Rate (5.34%)	1 Percentage Point Increase (6.34%)
Net OPEB liability of the Non-hazardous Insurance Fund	$ 9,462,597	$ 7,365,571	$ 5,643,214

The following presents the net OPEB liability of the Authority's Hazardous Insurance Fund as of June 30, 2021, calculated using the discount rate of 5.30 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (4.30%)	Current Discount Rate (5.30%)	1 Percentage Point Increase (6.30%)
Net OPEB liability of the Hazardous Insurance Fund	$ 4,377,150	$ 3,224,482	$ 2,295,665

The following presents the net OPEB liability of the Authority's Non-hazardous Insurance Fund as of June 30, 2020, calculated using the discount rate of 5.68 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (4.68%)	Current Discount Rate (5.68%)	1 Percentage Point Increase (6.68%)
Net OPEB liability of the Non-hazardous Insurance Fund	$ 6,542,001	$ 4,883,590	$ 3,517,169

Note 14 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

The following presents the net OPEB liability of the Authority's Hazardous Insurance Fund as of June 30, 2020, calculated using the discount rate of 5.69 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (4.69%)	Current Discount Rate (5.69%)	1 Percentage Point Increase (6.69%)
Net OPEB liability of the Hazardous Insurance Fund	$ 3,827,379	$ 2,743,245	$ 1,863,242

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Authority at June 30, 2021, calculated using the health care cost trend rate, as well as what the Authority's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability of the Non-hazardous Insurance Fund	$ 5,702,793	$ 7,365,571	$ 9,383,391
Net OPEB liability of the Hazardous Insurance Fund	2,304,309	3,224,482	4,355,754
Total	$ 8,007,102	$ 10,590,053	$ 13,739,145

The following presents the net OPEB liability of the Authority at June 30, 2020, calculated using the health care cost trend rate, as well as what the Authority's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability of the Non-hazardous Insurance Fund	$ 3,631,951	$ 4,883,590	$ 6,401,351
Net OPEB liability of the Hazardous Insurance Fund	1,908,791	2,743,245	3,761,233
Total	$ 5,540,742	$ 7,626,835	$ 10,162,584

Assumption Changes

Since the prior measurement date, an experience study was conducted, and several assumptions that affect the measurement of the total pension liability changed, including the following:

- The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect the plan's anticipated long-term health care cost increases.
- The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

Note 15 - Other Postemployment Benefit Plan

The Authority provides OPEB for all employees who retired from the Authority prior to May 1, 2001 (the Authority's entry into CERS) on or after attaining age 55 with at least 10 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 percent 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 $38,000 for 10 employees during 2021 and $37,000 for 11 employees during 2020. The plan may be terminated at the election of the Board without notice.

Note 16 - Louisville Renaissance Zone Corporation

Organization

Louisville Renaissance Zone Corporation is governed by an 11-member board of directors consisting of the same individuals as the authority board. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within the Corporation.

The Corporation is a nonstock, nonprofit public property corporation set up to carry out the public purposes of the Authority to promote and develop aviation and air transportation 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 Corporation is a component unit of the Authority.

The Corporation entered into an interlocal cooperation agreement with the government of the Louisville metropolitan area and the Commonwealth of Kentucky whereby funding will be provided by TIF. Under this agreement, the Corporation is to acquire property, construct, and maintain improvements to accomplish approved public purposes. The Corporation has approval for an initial project totaling $41.7 million primarily for land acquisition and infrastructure improvements. In 2018, approval was received for an additional project totaling $30.5 million primarily for further infrastructure improvements. Upon completion of these projects, approval for additional projects may be requested based on TIF funding availability.

Accounting and Reporting Principles

The Corporation follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Corporation:

Basis of Accounting

The Corporation uses the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at amortized cost. Investments are made only in government-backed securities. All investments are held in the Authority's name.

Note 16 - Louisville Renaissance Zone Corporation (Continued)

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 at the time that land is initially acquired is classified as land held for sale.

Fees Receivable

Receivables represent TIF requests submitted to or earned from state and local governments. At June 30, 2021, fees receivable include TIF revenue calculated based on detailed information obtained from the state and local governments through December 31, 2018. Additionally TIF receivables have been recorded for estimated TIF revenue earned through calendar year 2020 for both state and local 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, 2021, management has estimated all amounts to be fully collectible.

Capital Assets

Capital assets, which include land, construction projects, land improvements, and utility systems, are reported in the schedule of full accrual net position. Capital assets are defined by the Corporation as assets with an initial individual cost of more than $50,000 and an estimated useful life of three years or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 Corporation is depreciating land improvements and utility systems over periods of 10 to 20 years. The assets are reviewed for impairment when events indicate the carrying amount may not be recoverable.

Net Position

Net position of the Corporation is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Revenue

The Corporation recognizes revenue from land sales upon transfer of title. Revenue from the TIF agreements is 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 and any differences between actual collections and prior estimates.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 16 - Louisville Renaissance Zone Corporation (Continued)

Deposits and Investments

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation's investment policy states that all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Corporation's agents in the Corporation's name. The balances of each institution are insured by the Federal Deposit Insurance Corporation up to $250,000 per bank. The Corporation'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 Corporation or by the Corporation's agent in the Corporation's name. Repurchase agreements are recorded at cost. At year end, the Corporation had no uninsured or uncollateralized deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation does not have a policy for custodial credit risk. At June 30, 2021 and 2020, the Corporation does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Corporation's investment policy minimizes interest rate risk by limiting investing of funds to 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

The Corporation's investment policy minimizes credit risk by investing only in U.S. Treasurys or other debt securities backed by the U.S. government.

Concentration of Credit Risk

The Corporation's investment policy minimizes concentration of credit risk by limiting domestic bank obligations to 35 percent of invested assets per issuer or 50 percent of total invested assets for all issuers. At June 30, 2020, approximately $15,200,000 was invested in U.S. government agency obligations. At June 30, 2021, the Corporation was not invested in U.S. government agency obligations, as all of the Corporations funds were held as cash and cash equivalents.

Note 16 - Louisville Renaissance Zone Corporation (Continued)

Capital Assets

Capital asset activity for the Corporation for the years ended June 30, 2021 and 2020 was as follows:

	2021				2020			
	Beginning Balance	Increases	Decreases	Ending Balance	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:								
Land	$ 7,418,564	$ 329,050	$ (8,538)	$ 7,739,076	$ 6,965,194	$ 695,000	$ (241,630)	$ 7,418,564
Construction projects	2,273,044	1,332,484	(51,310)	3,554,218	2,386,421	297,877	(411,254)	2,273,044
Total capital assets not being depreciated	9,691,608	1,661,534	(59,848)	11,293,294	9,351,615	992,877	(652,884)	9,691,608
Other capital assets:								
Land improvements	22,167,437	-	-	22,167,437	22,167,437	-	-	22,167,437
Utility systems	3,665,309	-	-	3,665,309	3,254,054	-	411,255	3,665,309
Total other capital assets	25,832,746	-	-	25,832,746	25,421,491	-	411,255	25,832,746
Less accumulated depreciation	(9,676,268)	(1,368,088)	-	(11,044,356)	(8,259,902)	(1,416,366)	-	(9,676,268)
Other capital assets - Net	16,156,478	(1,368,088)	-	14,788,390	17,161,589	(1,416,366)	411,255	16,156,478
Net capital assets	$ 25,848,086	$ 293,446	$ (59,848)	$ 26,081,684	$ 26,513,204	$ (423,489)	$ (241,629)	$ 25,848,086

Construction Commitments

The Corporation has active construction projects at year end. The projects primarily include the industrial speculative building and interchange final design projects. At year end, the Corporation's commitments with contractors were approximately $17,971,000.

Operating Leases - Lessor

The Corporation leases approximately 20 acres of land under an operating lease expiring in December 2026.

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

Years Ending June 30	Amount
2022	$ 248,753
2023	252,864
2024	257,921
2025	263,079
2026	268,341
Thereafter	118,598
Total	$ 1,409,556

Lease revenue recognized during the years ended June 30, 2021 and 2020 was $326,000 and $323,685, respectively. The net book value of the property subject to the lease was $2,867,233 and $3,179,904 at June 30, 2021 and 2020, respectively.

Note 17 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance to cover these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. See the supplemental schedule of insurance coverage for the types of risks and insurance coverage in place.

Required Supplemental Information

Required Supplemental Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability - Non-Hazardous
County Employees' Retirement System - Non-Hazardous

Last Seven Fiscal Years

Fiscal Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.30500 %	0.29000 %	0.28900 %	0.28700 %	0.28200 %	0.28900 %	0.27300 %
Authority's proportionate share of the net pension liability	$ 23,363,872	$ 20,424,102	$ 17,610,177	$ 16,799,402	$ 13,899,653	$ 12,422,062	$ 8,841,000
Authority's covered payroll	$ 7,829,265	$ 7,442,953	$ 7,151,045	$ 7,095,652	$ 6,825,340	$ 6,848,747	$ 6,300,048
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	298.42 %	274.41 %	246.26 %	236.76 %	203.65 %	181.38 %	140.33 %
Plan fiduciary net position as a percentage of total pension liability	47.81 %	50.45 %	53.54 %	53.32 %	55.50 %	59.97 %	66.80 %

The amounts presented for each fiscal year were determined as of the prior year end, which is the measurement date of the related liability.

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability - Hazardous
County Employees' Retirement System - Hazardous

Last Seven Fiscal Years

Fiscal Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.35000 %	0.37100 %	0.36800 %	0.41400 %	0.40100 %	0.39800 %	0.40700 %
Authority's proportionate share of the net pension liability	$ 10,523,655	$ 10,244,055	$ 8,910,273	$ 9,267,322	$ 6,874,186	$ 6,115,791	$ 4,893,000
Authority's covered payroll	$ 2,045,479	$ 2,118,602	$ 2,054,672	$ 2,438,047	$ 2,228,906	$ 2,175,463	$ 2,111,137
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	514.48 %	483.53 %	433.66 %	380.11 %	308.41 %	281.13 %	231.77 %
Plan fiduciary net position as a percentage of total pension liability	44.11 %	46.63 %	49.26 %	49.78 %	53.95 %	57.52 %	63.46 %

The amounts presented for each fiscal year were determined as of the prior year end, which is the measurement date of the related liability.

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability - Non-Hazardous
County Employees' Retirement System - Non-Hazardous

Last Four Fiscal Years

Fiscal Years Ended June 30

	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.30500 %	0.29000 %	0.28900 %	0.40500 %
Authority's proportionate share of the net OPEB liability	$ 7,365,571	$ 4,883,590	$ 5,131,937	$ 5,769,822
Authority's covered-employee payroll	$ 7,829,265	$ 7,442,953	$ 7,151,045	$ 7,095,652
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	94.08 %	65.61 %	71.76 %	81.31 %
Plan fiduciary net position as a percentage of total OPEB liability	51.67 %	60.44 %	57.62 %	52.39 %

The amounts presented for each fiscal year were determined as of the prior year end, which is the measurement date of the related liability.

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability - Hazardous
County Employees' Retirement System - Hazardous

Last Four Fiscal Years

Fiscal Years Ended June 30

	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.34900 %	0.37100 %	0.36800 %	0.41400 %
Authority's proportionate share of the net OPEB liability	$ 3,224,482	$ 2,743,245	$ 2,626,892	$ 3,424,264
Authority's covered-employee payroll	$ 2,045,479	$ 2,118,602	$ 2,054,672	$ 2,438,047
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	157.64 %	129.48 %	127.85 %	140.45 %
Plan fiduciary net position as a percentage of total OPEB liability	58.84 %	64.44 %	64.24 %	58.99 %

The amounts presented for each fiscal year were determined as of the prior year end, which is the measurement date of the related liability.

See notes to required supplemental information.

Required Supplemental Information
Schedule of Pension Contributions - Non-Hazardous
County Employees' Retirement System - Non-Hazardous

Last Seven Fiscal Years

Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 1,392,553	$ 1,511,048	$ 1,207,247	$ 1,035,471	$ 989,843	$ 847,707	$ 873,265
Contributions in relation to the statutorily required contribution	1,392,553	1,511,048	1,207,247	1,035,471	989,843	847,707	873,265
Contribution Excess	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Authority's Covered Payroll	$ 7,215,303	$ 7,829,265	$ 7,442,953	$ 7,151,045	$ 7,095,652	$ 6,825,340	$ 6,848,747
Contributions as a Percentage of Covered Payroll	19.30 %	19.30 %	16.22 %	14.48 %	13.95 %	12.42 %	12.75 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of Pension Contributions - Hazardous
County Employees' Retirement System - Hazardous

Last Seven Fiscal Years

Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 627,245	$ 614,871	$ 526,684	$ 456,137	$ 529,300	$ 451,576	$ 450,973
Contributions in relation to the statutorily required contribution	627,245	614,871	526,684	456,137	529,300	451,576	450,973
Contribution Excess	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Authority's Covered Payroll	$ 2,086,644	$ 2,045,479	$ 2,118,602	$ 2,054,672	$ 2,438,047	$ 2,228,906	$ 2,175,463
Contributions as a Percentage of Covered Payroll	30.06 %	30.06 %	24.87 %	22.20 %	21.71 %	20.26 %	20.73 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of OPEB Contributions - Non-Hazardous
County Employees' Retirement System - Non-Hazardous

Last Four Fiscal Years

Years Ended June 30

	2021	2020	2019	2018
Statutorily required contribution	$ 343,448	$ 372,673	$ 391,499	$ 336,099
Contributions in relation to the statutorily required contribution	343,448	372,673	391,499	336,099
Contribution Excess	**$ -**	**$ -**	**$ -**	**$ -**
Authority's Covered Payroll	$ 7,215,303	$ 7,829,265	$ 7,442,953	$ 7,151,045
Contributions as a Percentage of Covered Payroll	4.76 %	4.76 %	5.26 %	4.70 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of OPEB Contributions - Hazardous
County Employees' Retirement System - Hazardous

Last Four Fiscal Years

Years Ended June 30

	2021	2020	2019	2018
Statutorily required contribution	$ 198,649	$ 194,730	$ 221,818	$ 192,112
Contributions in relation to the statutorily required contribution	198,649	194,730	221,818	192,112
Contribution Excess	**$ -**	**$ -**	**$ -**	**$ -**
Authority's Covered Payroll	$ 2,086,644	$ 2,045,479	$ 2,118,602	$ 2,054,672
Contributions as a Percentage of Covered Payroll	9.52 %	9.52 %	10.47 %	9.35 %

See notes to required supplemental information.

Pension Information

<u>Benefit Changes</u>

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 percent of the member's final rate of pay to 75 percent 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 percent of the member's final pay rate to 50 percent of average pay for one child, 65 percent of average pay for two children, or 75 percent of average pay for three children.

<u>Changes in Assumptions</u>

The 2019 valuation, which is used to determine the Authority's proportionate share of the net pension liability at June 30, 2020, updated certain assumptions, including a change in the mortality tables used. For active members, the mortality tables used is the Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the Pub-2010 Disabled Mortality table is used, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The assumed rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 experience study.

The 2017 valuation, which is used to determine the Authority's proportionate share of the net pension liability at June 30, 2018, updated certain assumptions, including a decreased investment rate of return from 7.50 to 6.25 percent. The assumed rate of inflation was reduced from 3.25 to 2.30 percent. The payroll growth assumption was reduced from 4.00 to 2.00 percent.

The 2015 valuation, which is used to determine the Authority's proportionate share of the net pension liability at June 30, 2016, updated certain assumptions, including a decrease in the assumed investment rate of return from 7.75 to 7.50 percent. The assumed rate of inflation was reduced from 3.50 to 3.25 percent. The assumed rate of wage inflation was reduced from 1.00 to 0.75 percent. The payroll growth assumption was reduced from 4.50 to 4.00 percent. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50 percent for males and 30 percent 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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four 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.

OPEB Information

<u>Benefit Changes</u>

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 percent of the insurance premium for spouses and children of all active members who die in the line of duty.

Other Supplemental Information

Louisville Regional Airport Authority

Combining Schedule of Revenues, Expenses and Changes in Net Postion

Years Ended June 30, 2021 and 2020

	2021			
	Louisville International	Bowman Field	Total	2020 Total
Operating revenues				
Landing and field use fees	$ 22,258,192	$ 44,143	$ 22,302,335	$ 22,022,505
Terminal area	8,661,669	155,112	8,816,781	10,089,635
Apron area	2,085,981	0	2,085,981	2,468,996
Parking and ground transportation	12,792,305	0	12,792,305	18,116,021
Aviation related facility leases	9,041,466	1,509,429	10,550,895	9,707,644
Land leases and other	4,241,002	72,024	4,313,026	3,624,346
Airport services and other revenue	213,571	44,882	258,453	306,006
Total operating revenues	59,294,186	1,825,590	61,119,776	66,335,153
Operating expenses				
Operations and general maintenance				
Salaries, wages	8,480,536	616,031	9,096,567	9,299,799
Contracts	6,641,666	73,547	6,715,213	3,965,731
Utilities and fuel supplies	2,446,067	54,192	2,500,259	4,827,760
Supplies and other	3,764,236	568,160	4,332,396	2,749,582
Reimbursed costs	(511,359)	0	(511,359)	(520,864)
Total operations and general maintenance	20,821,146	1,311,930	22,133,076	20,322,008
Administrative, general, planning and engineering	14,464,304	101,250	14,565,554	14,709,721
Total operating expenses before major maintenance and depreciation	35,285,450	1,413,180	36,698,630	35,031,729
Major maintenance	2,114,726	99,190	2,213,916	2,425,516
Depreciation and amortization	18,107,118	1,656,537	19,763,655	19,674,186
Total operating expenses	55,507,294	3,168,907	58,676,201	57,131,431
Operating income (loss)	3,786,892	(1,343,317)	2,443,575	9,203,722
Non-operating revenues (expenses) and capital contributions				
Investment earnings, net	575,884	3,231	579,115	2,677,085
Interest expense	(5,264,859)	-	(5,264,859)	(5,803,384)
Passenger facility charge	4,286,694	-	4,286,694	5,827,096
Customer contract fees	2,188,730	-	2,188,730	3,375,579
Net income (loss) on disposal of assets	1,040,412	-	1,040,412	(452,632)
Nonoperating grants	-	23,000	23,000	21,147,352.00
Other revenues	140,954	-	140,954	55,226
Capital contributions	20,604,277	460,845	21,065,122	27,286,824
Net non-operating revenues and capital contributions	23,572,092	487,076	24,059,168	54,113,146
Changes in net position	$ 27,358,984	$ (856,241)	$ 26,502,743	$ 63,316,868

Schedule of Airport Property, Facilities and Equipment

Year Ended June 30, 2021

	Cost					Accumulated Depreciation				
	Balance July 1, 2020	Additions	Retirements	Tranfers/ Adjustments	Balance June 30, 2021	Balance July 1, 2020	Provisions	Retirements/ Adjustments	Balance June 30, 2021	Net Balance June 30, 2021
Louisville International Airport										
Land	$ 297,750,951	$ -	$ -	$ 6,277,159	$ 304,028,110	$ -	$ -	$ -	$ -	$ 304,028,110
Land Improvements - runways, taxiways, and aprons	441,945,733	-	(168,190)	29,102,215	470,879,758	322,252,324	9,948,772	(168,190)	332,032,906	138,846,852
Land improvements - ground transportation and other	115,727,864	-	(34,085)	30,232,852	145,926,631	104,471,813	1,383,474	(34,085)	105,821,202	40,105,429
Buildings	145,592,620	-	(66,409)	2,173,384	147,699,595	111,077,908	4,269,786	(66,409)	115,281,285	32,418,310
Utility systems	41,655,309	-	(182,487)	3,760,334	45,233,156	39,934,638	278,136	(182,487)	40,030,287	5,202,869
Equipment (excluding automotive)	20,135,525		(528,804)	4,997,647	24,604,368	15,207,146	1,090,552	(528,804)	15,768,894	8,835,474
Vehicles and automotive equipment	12,249,999		(349,618)	173,530	12,073,911	8,098,403	790,740	(349,618)	8,539,525	3,534,386
Furniture and fixtures	6,593,712		(266,643)	-	6,327,069	3,715,543	345,658	(266,643)	3,794,558	2,532,511
Capital projects in progress	68,408,926	62,327,268	(28,114)	(78,826,226)	51,881,854	-	-	-	-	51,881,854
Total Louisville International Airport	1,150,060,639	62,327,268	(1,624,350)	(2,109,105)	1,208,654,452	604,757,775	18,107,118	(1,596,236)	621,268,657	587,385,795
Bowman Field										
Land	2,170,449	-	-	1,123,901	3,294,350	-	-	-	-	3,294,350
Land Improvements - runways, taxiways, and aprons	21,513,357	-	(169,686)	6,765,265	28,108,936	13,351,016	1,154,313	(169,686)	14,335,643	13,773,293
Land improvements - ground transportation and other	719,575	-	(93,602)	-	625,973	612,752	35,767	(93,602)	554,917	71,056
Buildings	15,644,569	-	(79,147)	387,161	15,952,583	12,746,681	405,388	(79,147)	13,072,922	2,879,661
Utility systems	776,271	-	(26,394)	-	749,877	178,847	32,587	(26,394)	185,040	564,837
Equipment (excluding automotive)	375,726	-	(89,258)	-	286,468	281,010	10,825	(89,258)	202,577	83,891
Vehicles and automotive equipment	848,269	-	(148,523)	-	699,746	696,758	17,657	(148,523)	565,892	133,854
Capital projects in progress	6,118,554	2,856,543	-	(8,375,515)	599,582	-	-	-	-	599,582
Total Bowman Field	48,166,770	2,856,543	(606,610)	(99,188)	50,317,515	27,867,064	1,656,537	(606,610)	28,916,991	21,400,524
Total Louisville International Airport and Bowman Field	$ 1,198,227,409	$ 65,183,811	$ (2,230,960)	$ (2,208,293)	$ 1,258,971,967	$ 632,624,839	$ 19,763,655	$ (2,202,846)	$ 650,185,648	$ 608,786,319

Schedule of Insurance Coverage

Year Ended June 30, 2021

	Expiration Date	Amount of Coverage
AIG Aerospace		
General airport liability, including optional war risk and other perils & TRIA	7/31/2021	$ 250,000,000
Zurich American Insurance Company		
All risk property	7/31/2021	600,000,000
Unlicensed equipment	7/31/2021	15,000,000
AIG – New Hampshire Insurance Company		
Business Auto (Fleet Policy)	7/31/2021	1,000,000
ACE American Insurance Company		
Cyber – Privacy & Network Liability	7/31/2021	1,000,000
Axis Surplus Insurance Co.		
Media professional liability/errors and omissions	7/31/2021	1,000,000
Chubb Insurance Group/Federal Insurance Co.		
Blanket travel accident	7/31/2023	125,000
Fidelity and Deposit Co. of Maryland		
Commercial Crime		
Employee Theft	7/31/2023	1,000,000
Other	7/31/2023	100,000
Travelers Casualty & Surety Company of America		
Fiduciary Responsibility	8/1/2022	1,000,000
Starr Indemnity and Liability Co.		
Public officials' liability covering board members and all employees	7/31/2021	10,000,000
Employment Practices Liability	7/31/2021	10,000,000
KEMI		
Worker's compensation	7/31/2021	Statutory Limitations
Employer's liability	7/31/2021	1,000,000
ACE American Insurance Co.		
Accident on Volunteers (Ambassadors)	7/31/2021	500,000 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, 2021 and the submission of these statements.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Louisville Regional Airport Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Louisville Regional Airport Authority (the "Authority") and its discretely presented component unit, Louisville Renaissance Zone Corporation (the "LRZC"), as of and for the year ended June 30, 2021, 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 11, 2021.

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) as a basis for designing 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 Authority'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 from 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 financial statements. 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.*

To Management and the Board of Directors
Louisville Regional Airport Authority

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 11, 2021

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Report on Compliance for the Major Federal Program and Passenger Facility Charge Program; Report on Internal Control Over Compliance Required by the Uniform Guidance and the *Passenger Facility Charge Audit Guide for Public Agencies*

Independent Auditor's Report

To the Board of Directors
Louisville Regional Airport Authority

Report on Compliance for Each Major Federal Program and Passenger Facility Charge Program

We have audited Louisville Regional Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2021. In addition, we audited compliance with the applicable requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration for the year ended June 30, 2021. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The Authority's passenger facility charge program is identified in the schedule of expenditures of passenger facility charges.

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 program and the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs and the passenger facility charge program 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; 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* (the "Uniform Guidance"); and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"). Those standards, the Uniform Guidance, and the Guide 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 or 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 on compliance for each major federal program and the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program and Passenger Facility Charge 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 the major federal program and the passenger facility charge program for the year ended June 30, 2021.

To the Board of Directors
Louisville Regional Airport Authority

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 and 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 each major federal program and the passenger facility charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 or the passenger facility charge 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 or the passenger facility charge 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 and the *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 11, 2021

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Grant Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Transportation - Airport Improvement Program:				
Louisville International:				
Rehabilitate Runways/Lighting	20.106	3-21-0031-104-2017	$ -	$ 641,883
Master Plan Update	20.106	3-21-0031-107-2019	-	361,705
Noise Mitigation Measures	20.106	3-21-0031-108-2019	-	1,259,997
Rehabilitate Runways/Lighting	20.106	3-21-0031-109-2019	-	5,996,474
Rehabilitate Runways/Lighting	20.106	3-21-0031-110-2020	-	13,881,577
Noise Mitigation Measures	20.106	3-21-0031-112-2020	-	424,918
Bowman Field:				
Airfield Lighting	20.106	3-21-0032-026-2018	-	105,578
Install Airfield Guidance Signs	20.106	3-21-0032-027-2019	-	358,357
COVID-19 - Airport Coronavirus Response Grant Program	20.106	3-21-0032-029-2021	-	23,000
Total U.S. Department of Transportation			-	23,053,489
U.S. Department of Justice - Criminal Division Equitable Sharing Program	16.922	N/A	-	87,845
Total Federal Expenditures			**$ -**	**$ 23,141,334**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Louisville Regional Airport Authority (the "Authority") under programs of the federal government for the year ended June 30, 2021. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported at the time reimbursements are received. Such expenditures are recognized following 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Expenditures of Passenger Facility Charges

Year Ended June 30, 2021

	Impose & Use Authority	June 30, 2020 Program Total	FY 2021 Activity	June 30, 2021 Program Total
Revenue				
Collections		$ 122,215,690	$ 3,329,696	$ 125,545,386
Interest		1,136,538	11,115	1,147,653
Total Revenue		123,352,227	3,340,811	126,693,039
Disbursements				
FAA Aplication Number				
Open applications as of June 30, 2021:				
17-12-C-00-SDF	3,524,248	2,849,897	438,917	3,288,814
19-13-C-00-SDF	17,750,000	-	811,911	811,911
20-14-C-00-SDF	9,634,000	-	3,845,265	3,845,265
21-15-C-00-SDF	10,018,596	-	6,634,662	6,634,662
	40,926,844	2,849,897	11,730,755	14,580,652
Closed applications as of June 30, 2021:				
97-01-C-00-SDF	75,594,112	75,594,112	-	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
12-07-C-00-SDF	1,944,883	1,944,883	-	1,944,883
14-08-C-00-SDF	4,625,565	4,625,565	-	4,625,565
14-09-C-00-SDF	2,150,000	2,150,000	-	2,150,000
16-10-C-00-SDF	2,295,277	2,295,277	-	2,295,277
17-11-C-00-SDF	-	460,537	(460,537)	-
	106,631,354	107,091,891	(460,537)	106,631,354
Total	147,558,198	109,941,788	11,270,218	121,212,006
Net PFC Revenue (Total Revenue - Total Disbursements)		$ 13,410,439	$ (7,929,407)	$ 5,481,033

Note 1 - Significant Accounting Policy

The accompanying schedule of passenger facility charges is prepared on the basis of cash receipts and cash disbursements. Under the cash basis of accounting, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

PFC receipts are deposited into an interest-bearing checking account.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	____ Yes __X__ No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes __X__ None reported
Noncompliance material to financial statements noted?	____ Yes __X__ None reported

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	____ Yes __X__ No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes __X__ None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	____ Yes __X__ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
20.106	Airport Improvement Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ Yes ____ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None