Louisville Renaissance Zone Corporation

(a component unit of Louisville Regional Airport Authority)

Financial Report

June 30, 2021 and 2020

Contents

plante moran

Plante & Moran, PLLC
Suite 300
537 E. Pete Rose Way
Cincinnati, OH 45202-3578
Tel: 513.595.8800
Fax: 513.595.8806
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Louisville Renaissance Zone Corporation

We have audited 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 "Corporation"), as of and for the years ended June 30, 2021 and 2020, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 11, 2021, which contained an unmodified opinion on the financial statements of the business-type activities of the Authority and its discretely presented component unit. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to October 11, 2021.

In Relation to Opinion on Accompanying Financial Schedules

The accompanying schedule of full accrual net position and schedule of full accrual revenue, expenses, and changes in net position of Louisville Renaissance Zone Corporation are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

October 11, 2021

Louisville Renaissance Zone Corporation

Schedule of Full Accrual Net Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 48,683,650	$ 6,193,445
Investments (Note 2)	-	40,052,933
Fees receivable - Net	6,594,424	5,901,302
Land held for sale	-	225,656
Total current assets	55,278,074	52,373,336
Noncurrent assets:		
Capital assets:		
Assets not subject to depreciation (Note 3)	11,293,294	9,691,608
Assets subject to depreciation - Net (Note 3)	14,788,390	16,156,478
Fees receivable	11,600,000	7,600,000
Total noncurrent assets	37,681,684	33,448,086
Total assets	92,959,758	85,821,422
Liabilities		
Current liabilities:		
Accounts payable	563,710	16,518
Accrued liabilities and other	1,051	17,408
Total liabilities	564,761	33,926
Net Position		
Net investment in capital assets	25,552,496	25,848,086
Unrestricted	66,842,501	59,939,410
Total net position	**$ 92,394,997**	**$ 85,787,496**

See notes to financial schedules.

Louisville Renaissance Zone Corporation

Schedule of Full Accrual Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenue		
TIF revenue	$ 6,514,000	$ 10,073,449
Lease revenue	326,000	323,685
Land sales - Net of costs	1,202,873	2,162,099
Total operating revenue	8,042,873	12,559,233
Operating Expenses		
Management and general	257,299	507,300
Depreciation	1,368,088	1,416,365
Total operating expenses	1,625,387	1,923,665
Operating Income	6,417,486	10,635,568
Nonoperating Revenue - Investment income - Net	190,015	628,143
Change in Net Position	6,607,501	11,263,711
Net Position - Beginning of year	85,787,496	74,523,785
Net Position - End of year	**$ 92,394,997**	**$ 85,787,496**

See notes to financial schedules.

Note 1 - Significant Accounting Policies

Reporting Entity

Louisville Renaissance Zone Corporation (the "Corporation") is governed by an 11-member board of directors which consists of the same individuals as the Louisville Regional Airport Authority (the "Authority") board. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial schedules.

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 development area overseen by the Corporation is bordered at the north by Fern Valley Road, at the east by I-65, at the south by I-265, and at the west by CSX railroad. This area is being developed for commercial or industrial uses.

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.

Basis of Accounting

The schedules of the Corporation presented in this report reflect 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

<u>Cash and Cash Equivalents</u>

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

<u>Investments</u>

Investments are reported at amortized cost. Short-term investments are reported at cost, which approximates fair value. Investments are stated at fair value. Investments are made only in government-backed securities. All investments are held in the Corporation's name.

<u>Land Held for Sale</u>

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.

Note 1 - Significant Accounting Policies (Continued)

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, as well as any differences between actual collections and prior estimates.

Use of Estimates

The preparation of the accompanying financial schedules 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 schedules and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

The Corporation'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 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 (FDIC) 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 did 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 $15,000,000 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 3 - Capital Assets

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

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 7,418,564	$ 329,050	$ (8,538)	$ 7,739,076
Construction in progress	2,273,044	1,332,484	(51,310)	3,554,218
Total capital assets not being depreciated	9,691,608	1,661,534	(59,848)	11,293,294
Capital assets being depreciated:				
Land improvements	22,167,437	-	-	22,167,437
Utility systems	3,665,309	-	-	3,665,309
Total capital assets being depreciated	25,832,746	-	-	25,832,746
Accumulated depreciation	9,676,268	1,368,088	-	11,044,356
Net capital assets being depreciated	16,156,478	(1,368,088)	-	14,788,390
Net capital assets	$ 25,848,086	$ 293,446	$ (59,848)	$ 26,081,684

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:				
Land	$ 6,965,194	$ 695,000	$ (241,630)	$ 7,418,564
Construction in progress	2,386,421	297,877	(411,254)	2,273,044
Total capital assets not being depreciated	9,351,615	992,877	(652,884)	9,691,608
Capital assets being depreciated:				
Land improvements	22,167,437	-	-	22,167,437
Utility systems	3,254,054	-	411,255	3,665,309
Total capital assets being depreciated	25,421,491	-	411,255	25,832,746
Accumulated depreciation	8,259,902	1,416,366	-	9,676,268
Net capital assets being depreciated	17,161,589	(1,416,366)	411,255	16,156,478
Net capital assets	$ 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.

Note 4 - Operating Leases - Lessor

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

Future minimum rent on noncancelable leases as of June 30, 2021 for each of the next five years, and in the aggregate, is 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.