
Louisville Regional Airport Authority

Louisville, Kentucky

Financial Report with Supplementary Information June 30, 2023

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Independent Auditor's Report

To the Board of Directors
Louisville Regional Airport Authority

Report on the Audit of the Financial Statements

Opinions

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 year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority and its discretely presented component unit, Louisville Renaissance Zone Corporation, as of June 30, 2023 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Louisville Regional Airport Authority

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information, as identified in the table of contents, except for the schedule of insurance coverage; 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* (the "Uniform Guidance"); and the schedule of passenger facility charges, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, is presented for the purpose of additional analysis and is 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Louisville Regional Airport Authority

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the schedule of insurance coverage but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Authority's internal control over financial reporting and compliance.

Plante & Moreau, PLLC

November 2, 2023

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, 2023.

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.

Louisville Regional Airport Authority

Management's Discussion and Analysis (Continued)

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:

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>
Passengers				
Enplaned	2,106,658	1,916,194	981,446	1,529,350
Deplaned	<u>2,122,207</u>	<u>1,925,356</u>	<u>982,262</u>	<u>1,533,579</u>
Total	<u>4,228,865</u>	<u>3,841,550</u>	<u>1,963,708</u>	<u>3,062,929</u>
Landed Weight (lbs)				
Passenger	2,463,502,223	2,270,805,918	1,448,891,433	2,041,360,606
Cargo	<u>18,003,069,476</u>	<u>18,119,814,785</u>	<u>17,122,703,286</u>	<u>16,109,689,100</u>
Total	<u>20,466,571,699</u>	<u>20,390,620,703</u>	<u>18,571,594,719</u>	<u>18,151,049,706</u>
Total Cargo (lbs)	<u>6,450,882,943</u>	<u>6,805,491,918</u>	<u>6,728,965,066</u>	<u>6,205,191,508</u>

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 6.4 and 6.7 billion pounds for FY23 and FY22, respectively.

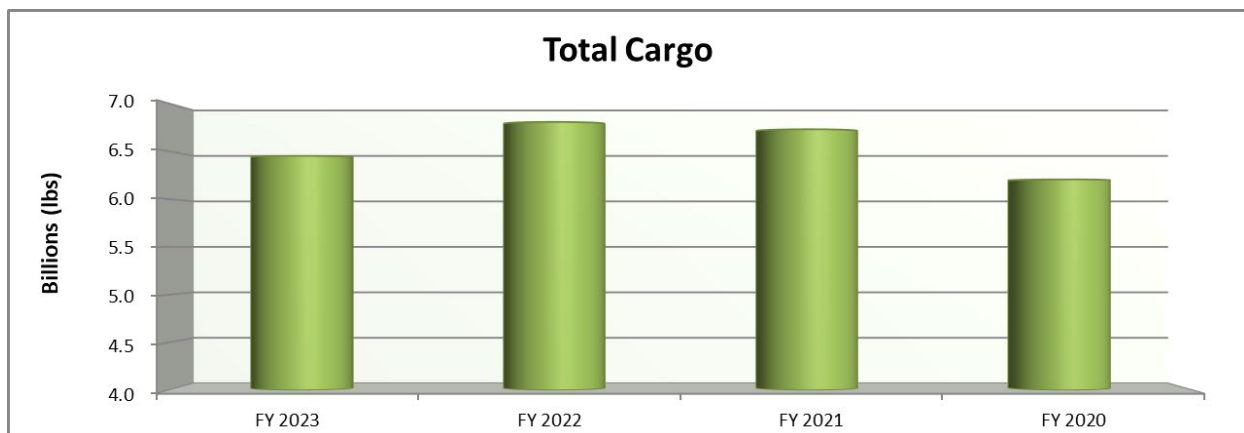
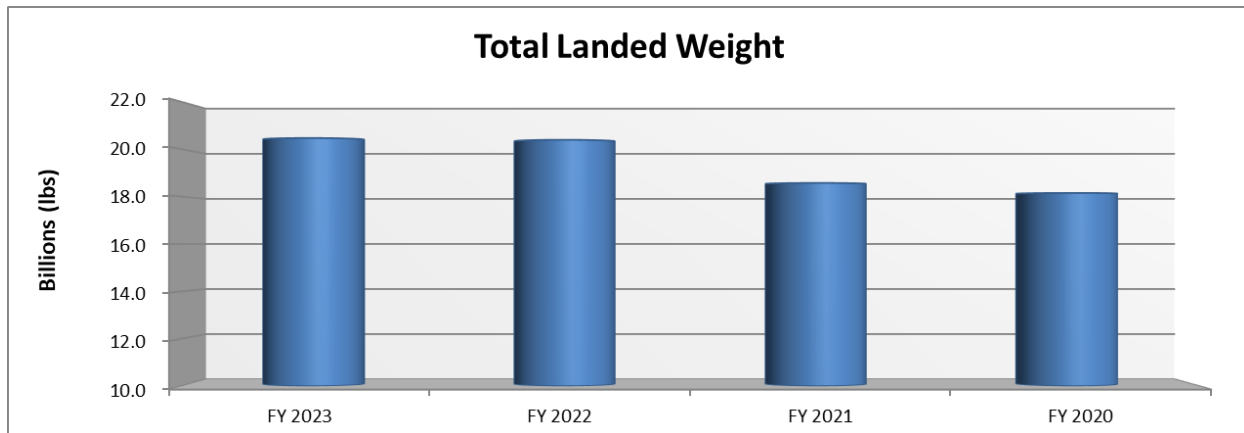
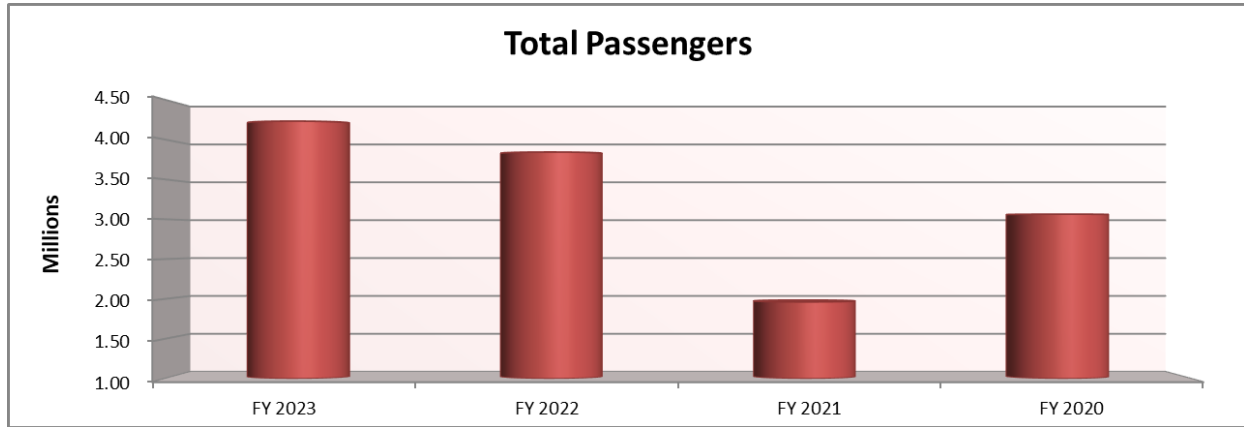
FY23 Passenger traffic at Louisville Muhammad Ali International Airport (SDF) increased 10% over the previous year, surpassing pre-pandemic levels and recording the busiest fiscal year of passenger traffic ever. Traffic growth continues to tremendously outpace the industry, as SDF is currently the fastest growing top 100 airport in the United States (YOY seat capacity). This growth is fueled by a diverse portfolio of new carriers, new routes, and expanded service on existing routes, culminating in 4th quarter capacity growth of nearly 30% YOY. Corporate travel has significantly recovered, but still lags leisure demand which remains at all-time highs and continues to grow in the market. With forward looking capacity continuing to trend upward, we expect FY24 traffic to meet or exceed FY23.

Louisville Muhammad Ali International Airport is served by eight airlines offering flights to more than 35 nonstop destinations including the region's top 30 domestic markets. With just one stop, travelers from across the region can reach more than 460 destinations in the U.S. and worldwide.

Louisville Regional Airport Authority

Management's Discussion and Analysis (Continued)

Statistical Graphs



Financial Highlights

(Versus Budget and Prior Year)

The Authority has continued to recover very well from the Covid-19 pandemic with FY23 SDF passenger traffic reaching record setting levels. Operating Revenues were \$7.4 million / 9.7% greater than FY22 and \$6.0 million / 7.7% greater than budgeted for FY23.

- Operating Revenues major contributors to the increased results were:
 - The largest increase was in Parking and Rental Car revenues. Increased passenger traffic was the primary reason each of these areas exceeded prior year results which also exceeded budgeted expectations. These revenues exceeded prior year by \$6.3 million / 28.7% and exceeded budget by \$5.5 million / 24.1%.
 - The next greatest increase was in the Terminal and again, was primarily attributable to increased passenger traffic. Total increases in the Terminal were \$1.0 million / 8.6% over prior year and \$650,000 / 5.4% over budget. Passenger-driven concession revenues from restaurants and gift shops combined to exceed prior year by \$1.2 million / 48.7% and budget by \$371,000 / 11.2%.
 - Landing fees were up slightly from the prior year by \$148,000 / 0.6% but came in below budget by \$1.2 million / (4.7%). Cargo airline landing fees were down over prior year by \$81,000 and under budget by \$1.1 million due primarily to cargo landed weights coming in under budgeted amounts. Passenger airlines were up \$229,000 over prior year but were slightly under budget by \$26,000.
- Non-Operating Revenues were \$6.2 million greater than prior year and budgeted amount for FY23.
 - The main contributor was an increase in Interest Income which was \$3.1 million greater than prior year and \$3.4 million greater budget.
 - Passenger Facility Charges (PFC) and Rental Car Customer Contract Fees (CCF) are tied to passenger traffic thus combined they had increases of \$3.3 million / 29.7% over prior year and \$2.3 million / 18.9% over budget.
- Operating Expenses before Depreciation for FY23 were \$2.4 million / 5.6% less than budget and \$2.8 million / 7.3% more than FY22. The major contributors to these variances are:
 - Retirement Expenses were \$772,000 less than prior year and \$4.9 million less than budgeted for FY23. This is primarily attributable to the requirements of GASB 68 and GASB 75 where the Authority is required to record an allocated portion of the Kentucky Public Pension Authority's (CERS) expenses and net liabilities for pensions and other post-employment benefits (OPEB). Recorded expenses attributable to these GASB's were \$2.4 million in FY23 and \$3.3 million in FY22. More detailed explanations may be found in Note 13 to these statements.
 - Contract Services were \$1.9 million more than prior year and \$550,000 more than budget. The largest variance to prior year was due to \$1.9 million more in Janitorial Services. The variance to budget can be attributed to higher than anticipated Airfield painting expenses.
 - Fuel and Utilities were greater than both budget and prior year by \$641,000 and \$597,000, respectively.

Louisville Regional Airport Authority

Management's Discussion and Analysis (Continued)

- Other expenses were above both prior year and budget by \$993,000 and \$658,000 respectively. The largest contributor to the overage is due to noncapital equipment exceeding budget by \$697,000 and prior year by \$609,000. This results from expensing equipment purchases that did not meet the capitalization threshold.
- Operating Income before Depreciation was \$42.3 million which is \$8.4 million greater than budget and \$4.6 million greater than FY22.
- Interest Expense is \$283,000 less than prior year, all attributable to reduced bond debt.
- Net Income before Capital Contributions was \$46.3 million, which is \$12.7 million above budget and \$11.4 million above FY22 results.
- Net Position increased from prior year by \$67.4 million to \$641.0 million.

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Louisville Regional Airport Authority

Management's Discussion and Analysis (Continued)

Below are summarized financial statements:

Authority's Net Position

	2023	2022
Assets:		
Current and other assets:		
Cash and investments	\$ 63,687,796	\$ 50,938,950
Receivables	28,365,608	36,870,828
Other assets	63,624,489	49,156,851
Capital assets (includes in progress)	709,267,703	668,200,697
Total assets	864,945,596	805,167,326
Deferred outflows	6,816,502	7,508,487
Total Assets and Deferred Outflows	871,762,098	812,675,813
Liabilities:		
Current Liabilities	23,562,188	26,864,618
Noncurrent Liabilities		
Due within one year		
Current portion of unamortized bond premiums	579,993	757,092
Loans payable from unrestricted current assets	1,383,497	-
Bonds and loans payable from restricted current assets	22,180,915	19,220,327
Due in more than one year	122,404,106	121,574,466
Net pension liability	28,573,911	27,342,388
Net OPEB Liability	7,854,794	8,240,885
Total Liabilities	206,539,404	203,999,776
Deferred inflows (Pension & OPEB)	5,965,681	8,635,585
Deferred inflows (Leases - GASB 87)	18,293,062	26,439,266
Total Liabilities and Deferred Inflows	230,798,147	239,074,627
Net Position		
Invested in capital assets, net of related debt	559,836,360	516,188,751
Restricted for capital projects	9,034,270	3,001,562
Restricted for debt service	47,119,891	38,355,985
Unrestricted	24,973,430	16,054,888
Total Net Position	<u>\$ 640,963,951</u>	<u>\$573,601,186</u>

Authority's Changes in Net Position

	2023	2022
Operating Revenues	\$ 83,155,720	\$ 75,773,650
Operating Expenses	68,295,712	62,786,284
Operating Income	14,860,008	12,987,366
Non-operating Revenues (Expenses)	31,451,630	21,955,909
Income before Capital Contributions	46,311,638	34,943,275
Capital Contributions	21,051,127	15,965,312
Change in Net Position	67,362,765	50,908,587
Net Position - Beginning of year, as adjusted	573,601,186	522,692,599
Net Position - End of year	<u>\$ 640,963,951</u>	<u>\$ 573,601,186</u>

Louisville Regional Airport Authority

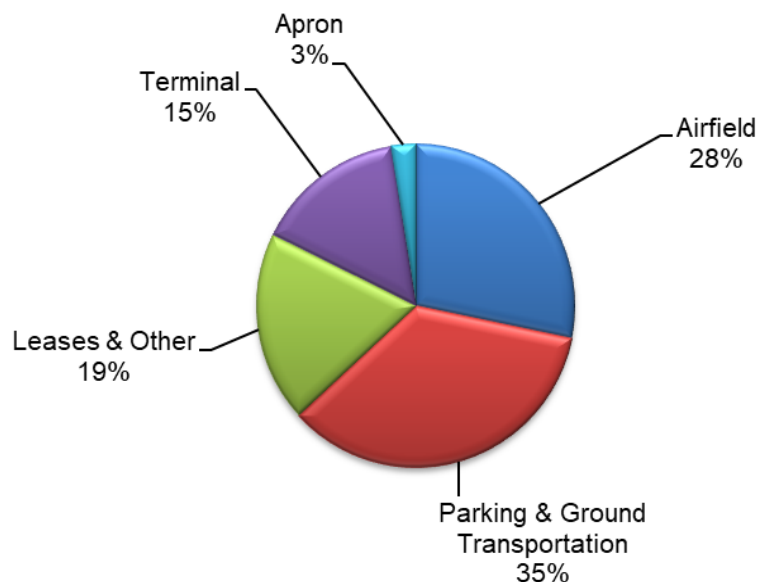
Management's Discussion and Analysis (Continued)

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

	2023		2022
	Actual	Budget	Actual
Operating Revenues			
Landing and field use	\$ 23,484,376	\$ 24,638,996	\$ 23,355,759
Apron area	2,106,725	2,083,451	3,134,749
Terminal Areas	12,630,198	11,983,550	11,627,626
Parking and ground transportation	29,006,014	23,340,000	22,528,703
Aviation facility and land leases	14,319,660	13,785,000	13,664,445
Non-aviation facility and land leases	1,136,267	1,131,000	1,112,510
Other	472,480	243,000	349,858
Total operating revenues	83,155,720	77,204,997	75,773,650
Non-operating Revenues			
Passenger Facility Charge	8,419,866	8,435,385	7,635,961
Customer Contract Fee	5,884,226	3,600,000	3,396,088
Interest Income	3,719,485	331,000	648,537
Non-Capital Grants	17,755,091	17,315,302	17,736,324
Other	97,659		275,755
Total Non-Operating Revenues	35,876,327	29,681,687	29,692,665
Total Revenues	<u>\$ 119,032,047</u>	<u>\$ 106,886,684</u>	<u>\$ 105,466,315</u>

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

FY 2023 Operating Revenues



Louisville Regional Airport Authority

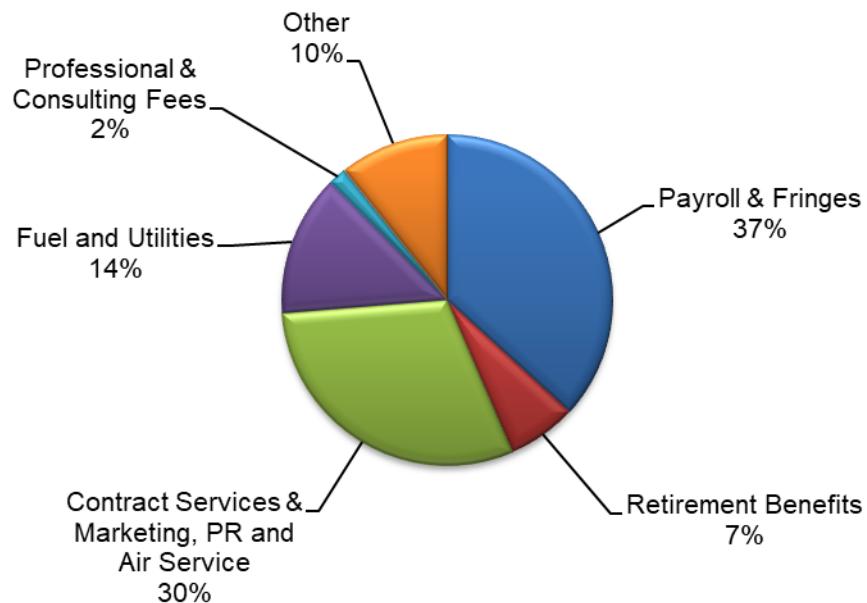
Management's Discussion and Analysis (Continued)

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

	2023		2022
	Actual	Budget	Actual
Operating Expenses:			
Payroll and fringe benefits	\$ 15,035,132	\$ 14,500,000	\$ 13,438,630
Contract services, marketing and PR	12,346,173	11,559,310	12,102,903
Fuel and utilities	5,670,544	5,029,500	5,073,201
Professional and consulting fees	718,091	856,500	604,400
Retirement	2,749,257	7,640,323	3,521,144
Other	4,358,269	3,700,177	3,365,157
Total Operating Expenses before Depreciation	40,877,466	43,285,810	38,105,435
Non-operating Expenses			
Interest expense	4,387,252	4,394,809	4,670,310
Net loss on disposal of assets	37,445	-	3,066,446
Total non-operating expenses	4,424,697	4,394,809	7,736,756
Total Expenses before Depreciation	\$ 45,302,163	\$ 47,680,619	\$ 45,842,191

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

FY 2023 Operating Expenses



Louisville Regional Airport Authority

Management's Discussion and Analysis (Continued)

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 FY23 the Authority recorded Capital Contributions of approximately \$21.0 million for payments received or accrued primarily from FAA grants. Unused FAA grant funds awarded from FY23 remain available for use by the Authority in future years.

Capital Assets. During fiscal year 2023, the Authority's capital spending and accruals totaled approximately \$69,900,000. Major projects were the Terminal and Parking Projects \$28,600,000; Runways & Taxiways \$15,300,000; Geothermal Heating System \$11,400,00; Boarding Bridge Replacements \$4,400,000; Sound Insulation and Noise Mitigation \$2,200,000; and Other Facility Projects and Equipment Purchases \$8,000,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately \$49,500,000.

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 \$108.6 million of which \$20.0 million 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.

During fiscal year 2023, the Authority drew down the balance of the \$30.0 million term loan that is to be used for PFC approved projects. As of June 30, 2023, the Authority has an outstanding balance on this loan of \$29.4 million of which \$3.5 million is considered a current liability. Restricted PFC funds will be used to pay this debt. The Authority also has a \$40 million unsecured line of credit, payable from unrestricted funds. As of June 30, 2023, the Authority has not made a draw on this loan.

Additional information on the Authority's outstanding debt, 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,

Dorothy M. Caulk, CPA, CM

Director of Finance and Accounting

Louisville Regional Airport Authority

Statement of Net Position

June 30, 2023

	Louisville Regional Airport Authority	Component Unit Louisville Renaissance Zone Corporation
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 32,687,379	\$ 21,350,105
Investments (Note 3)	31,000,417	6,502,938
Receivables:		
Leases receivable (Note 15)	7,935,344	229,320
Grants receivable	4,032,365	-
Fees, rentals, and other - Net	5,903,746	6,945,258
Supplies and prepaid expenses	762,907	-
Restricted cash and cash equivalents (Notes 3 and 4)	25,930,888	-
Total current assets	108,253,046	35,027,621
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Notes 3 and 4)	31,930,693	-
Investments (Notes 3 and 4)	5,000,000	-
Leases receivable (Note 15)	10,494,154	17,242,000
Fees receivable	-	16,500,000
Capital assets:		
Assets not subject to depreciation (Note 5)	401,481,777	20,824,231
Assets subject to depreciation - Net (Note 5)	307,785,926	27,285,461
Total noncurrent assets	756,692,550	81,851,692
Total assets	864,945,596	116,879,313
Deferred Outflows of Resources		
Deferred pension costs (Note 13)	3,883,228	-
Deferred OPEB costs (Note 13)	2,933,274	-
Total deferred outflows of resources	6,816,502	-

Louisville Regional Airport Authority

Statement of Net Position (Continued)

June 30, 2023

	Louisville Regional Airport Authority	Component Unit Louisville Renaissance Zone Corporation
Liabilities		
Current liabilities:		
Accounts payable	\$ 15,666,648	\$ 468,499
Accrued liabilities and other	2,115,183	-
Unearned revenue	2,019,096	46,445
Accounts payable from restricted current assets	1,342,554	-
Accrued interest payable from restricted current assets	2,407,420	-
Accrued interest payable from unrestricted assets	11,288	-
Current portion of unamortized bond premiums (Note 6)	579,993	-
Loans payable from unrestricted assets (Note 6)	1,383,497	-
Bonds and loans payable from restricted current assets (Note 6)	22,180,914	-
Total current liabilities	47,706,593	514,944
Noncurrent liabilities:		
Bonds and loans payable and unamortized bond premium - Net of current portion (Note 6)	116,883,632	-
Net pension liability (Note 13)	28,573,911	-
Net OPEB liability (Note 13)	7,854,794	-
Other noncurrent liabilities	5,520,474	-
Total noncurrent liabilities	158,832,811	-
Total liabilities	206,539,404	514,944
Deferred Inflows of Resources		
Deferred pension cost reductions (Note 13)	2,526,779	-
Deferred OPEB cost reductions (Note 13)	3,438,902	-
Deferred inflows from leases (Note 15)	18,293,062	16,611,085
Total deferred inflows of resources	24,258,743	16,611,085
Net Position		
Net investment in capital assets	559,836,360	48,109,692
Restricted:		
Restricted for capital projects	9,034,270	-
Restricted for debt service	47,119,891	-
Unrestricted	24,973,430	51,643,592
Total net position	\$ 640,963,951	\$ 99,753,284

Louisville Regional Airport Authority

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2023

	Louisville Regional Airport Authority	Component Unit Louisville Renaissance Zone Corporation
Operating Revenue		
Rentals and concessions	\$ 59,671,344	\$ 1,024,975
Landing and field use fees	23,484,376	-
TIF revenue	-	5,483,751
Total operating revenue	83,155,720	6,508,726
Operating Expenses		
Operations and general maintenance	25,846,043	-
Administrative, general, planning, and engineering	15,031,423	2,335,775
Total operating and maintenance	40,877,466	2,335,775
Depreciation	27,418,246	1,600,677
Total operating expenses	68,295,712	3,936,452
Operating Income	14,860,008	2,572,274
Nonoperating Revenue (Expense)		
Investment income - Net	3,549,981	1,028,942
Interest income - Leases	169,504	240,334
Interest expense	(4,387,252)	-
Passenger facility charges	8,419,866	-
Customer contract fees	5,884,226	-
Loss on disposal of assets	(37,445)	(2,385,800)
Nonoperating grants	17,755,091	-
Other revenue	97,659	-
Total nonoperating revenue (expense)	31,451,630	(1,116,524)
Income - Before capital contributions	46,311,638	1,455,750
Capital Contributions	21,051,127	-
Change in Net Position	67,362,765	1,455,750
Net Position - Beginning of year	573,601,186	98,297,534
Net Position - End of year	\$ 640,963,951	\$ 99,753,284

Louisville Regional Airport Authority

Statement of Cash Flows

Year Ended June 30, 2023

Cash Flows from Operating Activities

Receipts from customers and users	\$ 83,369,303
Payments to suppliers	(26,996,622)
Payments to employees	(18,545,563)

Net cash and cash equivalents provided by operating activities 37,827,118

Cash Flows from Capital and Related Financing Activities

Issuance of debt	25,903,303
Capital contributions	21,234,495
Passenger facility charges	8,419,866
Customer contract fees	5,884,226
Proceeds from sale of capital assets	20,101
Acquisition and construction of capital assets	(68,687,543)
Principal and interest paid on capital debt	(25,018,418)
Other fees and proceeds	97,659
Nonoperating grants	17,755,091
Interest income - Leases	169,504

Net cash and cash equivalents used in capital and related financing activities (14,221,716)

Cash Flows from Investing Activities

Interest received on investments	3,549,981
Purchases of investment securities	(114,876,119)
Proceeds from sale and maturities of investment securities	117,081,710

Net cash and cash equivalents provided by investing activities 5,755,572

Net Increase in Cash and Cash Equivalents

29,360,974

Cash and Cash Equivalents - Beginning of year

61,187,986

Cash and Cash Equivalents - End of year

\$ 90,548,960

Classification of Cash and Cash Equivalents

Current cash and cash equivalents	\$ 32,687,379
Current restricted cash and cash equivalents	25,930,888
Noncurrent restricted cash and cash equivalents	31,930,693

Total cash and cash equivalents **\$ 90,548,960**

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 14,860,008
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:	
Depreciation	27,418,246
Changes in assets and liabilities:	
Fees and rentals receivable and unearned income	213,583
Supplies and prepaid expenses	(61,100)
Accounts payable	(3,806,759)
Net pension or OPEB liability	845,432
Deferrals related to pension or OPEB	(1,977,919)
Accrued and other liabilities	335,627

Total adjustments 22,967,110

Net cash and cash equivalents provided by operating activities **\$ 37,827,118**

June 30, 2023

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.

June 30, 2023

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, which approximates fair value. Investments are made only in government-backed securities. All investments are held in the Authority's name.

Leases and Fees Receivable

Receivables are reported at present value less the estimated portion that is expected to be uncollectible. As of June 30, 2023, 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.

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.

June 30, 2023**Note 2 - Significant Accounting Policies (Continued)****Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

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 Airport Rescue Grant (ARG) funding of approximately \$34,800,000 during fiscal year 2022. The Authority drew down \$17,315,302 of its entire allotment of ARG funding during fiscal year 2023 and made an irrevocable deposit into its debt service fund. The Authority was also awarded federal Airport Coronavirus Response Grant Program (ACRGP) funding of approximately \$11,500,000 during fiscal year 2021. The Authority drew down the remaining \$437,670 of its allotment of ACRGP funding during fiscal year 2023 to fund the concessions relief program. 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.

June 30, 2023**Note 2 - Significant Accounting Policies (Continued)****Unearned Income**

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

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.

Leases

The Authority is a lessor for noncancelable leases of airport space and other property to airlines, concessionaires, and other third parties. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements in accordance with the provisions of GASB Statement No. 87, *Leases*.

At the commencement of a lease, the Authority measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as operating revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The Authority uses its estimated incremental borrowing rate at lease inception as the discount rate for its leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2024.

June 30, 2023

Note 2 - Significant Accounting Policies (Continued)

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2025.

Note 3 - Cash, Cash Equivalents, and Investments

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

Cash on hand	\$ 250
Deposits with financial institutions	45,710,457
Repurchase agreements and cash equivalents	44,838,253
U.S. Treasury	31,000,417
U.S. government agency securities	5,000,000
Total deposits and investments	<u>\$ 126,549,377</u>

Unrestricted and restricted deposits and investments are presented on the statement of net position under the following captions for the year ended June 30, 2023:

Current assets:	
Cash and cash equivalents	\$ 32,687,379
Investments	31,000,417
Restricted cash and cash equivalents	25,930,888
Noncurrent assets:	
Cash and cash equivalents	31,930,693
Investments	5,000,000
Total	<u>\$ 126,549,377</u>

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.

Covered by federal depository insurance	\$ 745,000
Uninsured and collateralized	45,855,629
Bank balance	<u>\$ 46,600,629</u>

June 30, 2023

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

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 follows Kentucky Revised Statute 66.480, and, as such, interest rate risk is minimized due to the limitations contained within this statute. 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, 2023 was 0.56 years.

Credit Risk

The Authority's investment policy minimizes credit risk by investing only in investments allowed by the Kentucky Revised Statute 66.480.

Concentration of Credit Risk

The Authority's investment policy minimizes concentration of credit risk by limiting uncollateralized certificates of deposit, bankers' acceptances, commercial paper, equity securities, and corporate bonds to 20 percent of invested assets per category or 40 percent of total invested assets for shares of mutual funds, equity securities, and corporate bonds combined, with certain limited exceptions. At the time the investment is made, no more than 5 percent of invested assets shall be invested in any one issuer. At June 30, 2023, approximately \$5,000,000 was invested in obligations of a corporation of the U.S. government.

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 \$6,100,000 at June 30, 2023. 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, 2023, this reimbursement amount was approximately \$4,300,000.

At June 30, 2023, restricted assets are composed of the following:

	Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents	Investments	Total
Bond funds	\$ 22,424,909	\$ 10,457,557	\$ -	\$ 32,882,466
Revolving debt coverage	-	6,376,037	-	6,376,037
Land proceeds	150,101	873,259	-	1,023,360
PFC funds	3,350,442	8,479,043	5,000,000	16,829,485
Other	5,436	5,744,797	-	5,750,233
Total	<u>\$ 25,930,888</u>	<u>\$ 31,930,693</u>	<u>\$ 5,000,000</u>	<u>\$ 62,861,581</u>

June 30, 2023

Note 5 - Capital Assets

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

	Balance July 1, 2022	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 308,864,449	\$ 1,755,438	\$ -	\$ 310,619,887
Capital projects in progress:				
Construction projects	67,534,452	69,886,020	(50,351,187)	87,069,285
Land acquisition program	4,384,506	17,162	(609,063)	3,792,605
Total capital assets not being depreciated	380,783,407	71,658,620	(50,960,250)	401,481,777
Capital assets being depreciated:				
Land improvements	661,172,989	31,899,526	(9,165,261)	683,907,254
Buildings	183,206,485	5,539,160	-	188,745,645
Utility systems	47,601,620	536,769	(4,087,596)	44,050,793
Equipment (excluding automotive)	41,497,057	7,038,856	(443,113)	48,092,800
Vehicles and automotive equipment	16,139,188	2,772,571	(65,756)	18,846,003
Furniture and fixtures	6,327,069	-	(229,377)	6,097,692
Total capital assets being depreciated	955,944,408	47,786,882	(13,991,103)	989,740,187
Accumulated depreciation:				
Land improvements	468,787,951	16,827,842	(9,165,264)	476,450,529
Buildings	133,006,986	5,769,005	-	138,775,991
Utility systems	40,850,861	780,958	(4,087,595)	37,544,224
Equipment (excluding automotive)	11,749,699	2,485,333	(443,112)	13,791,920
Vehicles and automotive equipment	10,028,278	1,249,953	(65,754)	11,212,477
Furniture and fixtures	4,103,343	305,155	(229,378)	4,179,120
Total accumulated depreciation	668,527,118	27,418,246	(13,991,103)	681,954,261
Net capital assets being depreciated	287,417,290	20,368,636	-	307,785,926
Net capital assets	\$ 668,200,697	\$ 92,027,256	\$ (50,960,250)	\$ 709,267,703

Construction Commitments

The Authority has active construction projects at year end. The projects primarily include terminal upgrades, airfield and runway improvements, noise mitigation programs, and other projects. At year end, the Authority's commitments with contractors were approximately \$41,500,000.

June 30, 2023

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and loans payable:					
Direct borrowings and direct placements - PFC-backed loan	\$ 4,096,697	\$ 25,903,303	\$ (588,235)	\$ 29,411,765	\$ 3,529,411
Other debt - Revenue bonds	127,690,000	-	(19,140,000)	108,550,000	20,035,000
Unamortized bond premiums	3,823,364	-	(757,093)	3,066,271	579,993
Total bonds and loans payable	<u>\$ 135,610,061</u>	<u>\$ 25,903,303</u>	<u>\$ (20,485,328)</u>	<u>\$ 141,028,036</u>	<u>\$ 24,144,404</u>

PFC-backed Loan

On October 15, 2021, a private placement was completed with Old National Bank in Louisville, Kentucky, to issue a draw loan with a draw limit of \$30,000,000. Funds were fully drawn as of April 15, 2023 and are intended to finance projects for which the FAA has authorized payment from proceeds of passenger facility charges or for which the Authority intends to seek such FAA authorization. Beginning in May 2023 monthly principal payments are due in the amount of \$294,118. The total principal balance is due on October 15, 2028. Interest is payable at 2.35 percent. The loan agreement also requires the Authority to comply with a debt service coverage financial covenant. At June 30, 2023, management believes the Authority was in compliance with this financial covenant.

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 are listed below. Principal and interest paid for the current year and total net revenue were \$24,327,406 and \$42,278,254, respectively.

June 30, 2023

Note 6 - Long-term Debt (Continued)

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, 2023, management believes the Authority was in compliance with this financial covenant. Additionally, the bonds are subject to federal arbitrage regulations. As of June 30, 2023, 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
2014 Series A Revenue Bonds, various annual principal payments	2% to 5%	July 1, 2032	\$ 51,145,000
2014 Series B Revenue Bonds, various annual principal payments	2% to 5%	July 1, 2023	430,000
2014 Series C Revenue Bonds, various annual principal payments	0.25% to 4.6%	July 1, 2038	<u>56,975,000</u>
Total revenue bonds payable			108,550,000
Less current portion			<u>(20,035,000)</u>
Total long-term bonds payable			<u>\$ 88,515,000</u>

Debt Service Requirements to Maturity

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

Years Ending June 30	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2024	\$ 3,529,411	\$ 664,067	\$ 20,035,000	\$ 4,343,681	\$ 28,572,159
2025	3,529,412	578,208	12,480,000	3,653,656	20,241,276
2026	3,529,412	494,114	13,135,000	3,124,755	20,283,281
2027	3,529,412	410,021	13,140,000	2,571,897	19,651,330
2028	3,529,412	326,773	7,060,000	2,132,614	13,048,799
2029-2033	11,764,706	90,179	39,135,000	5,217,945	56,207,830
2034-2038	-	-	2,900,000	498,058	3,398,058
2039-2043	-	-	665,000	15,298	680,298
Total	<u>\$ 29,411,765</u>	<u>\$ 2,563,362</u>	<u>\$ 108,550,000</u>	<u>\$ 21,557,904</u>	<u>\$ 162,083,031</u>

Unused Line of Credit

The Authority has an unused line of credit in the amount of \$40,000,000.

June 30, 2023**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.

Upon completion of the Part 150 Land Acquisition Program, approximately 2,200 residential properties will have been acquired at an estimated cost of \$294 million. This includes costs of residences acquired, replacement housing payments, demolition, and other related costs. At June 30, 2023, capital projects in progress include approximately \$3,800,000 related to the Part 150 Land Acquisition Program, which consists of total project expenditures to date of approximately \$292,400,000 less \$288,600,000 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 (the "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.

June 30, 2023**Note 7 - Contingent Liabilities (Continued)**

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. On April 20, 2023, the Authority entered into a deed that transferred property to the Commonwealth at a value of \$421,349. The deed was filed with the county clerk of Jefferson County, Kentucky on April 20, 2023. The entire amount of these transfers reduced the related liability.

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

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, 2023. 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, 2023, the Facility Bonds outstanding aggregated \$191,400,000.

June 30, 2023

Note 10 - 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 \$168,945,649 to be applied as follows:

For direct payment on capital project costs	\$ 84,005,146
To be applied to the debt service and related costs on bonds issued to finance PFC-approved project costs	<u>84,940,503</u>
Total	<u>\$ 168,945,649</u>

During the year ended June 30, 2023, the Authority recognized passenger facility charge revenue of approximately \$8,420,000.

Note 11 - Major Customer

During fiscal year 2023, the Authority earned approximately 27 percent of its operating revenue from one customer.

Note 12 - 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 \$355,000 for the year ended June 30, 2023.

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 Kentucky Public Employees Deferred Compensation Authority. Employee contributions to the 401(k) plan totaled \$308,000 for the year ended June 30, 2023. 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 the Internal Revenue Service (IRS) maximum. The employer matching contributions are fully vested after four years of employment. The Authority's contributions to the plan totaled approximately \$352,000 for the year ended June 30, 2023.

Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan***Plan Description***

All full-time and eligible part-time employees of the Authority 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, the Hazardous Retirement Fund, the Non-hazardous Insurance Fund, and the Hazardous Insurance Fund, all are cost-sharing, multiple-employer plans administered by the County Employees' Retirement System (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.

June 30, 2023**Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan
(Continued)*****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.

Non-hazardous Retirement Fund

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.

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.

June 30, 2023

Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

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+ to 20 years	1.30
20+ to 26 years	1.50
26+ to 30 years	1.75
Greater than 30*	2.00

*The 2.00 percent benefit multiplier only applies to service credit in excess of 30 years. If a member has greater than 30 years of service at retirement, service prior to 30 years will be multiplied by the 1.75 percent benefit multiplier.

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.

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.

June 30, 2023

Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

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.

June 30, 2023

**Note 13 - 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:

<u>Service Credit</u>	<u>Percent of Premium Paid</u>
Less than 4 years	0%
4 to 9 years	25
10 to 14 years	50
15 to 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. Effective January 1, 2023, non-hazardous members will receive an additional dollar contribution of \$5 for every year of non-hazardous service a member attains over 27 years. Hazardous members will receive an additional dollar contribution of \$5 for every year of hazardous service a member attains over 20 years. These additional dollar contributions are not adjusted annually and are only payable for non-Medicare retirees. Also, they are only payable when the applicable insurance fund is at least 90 percent funded on an actuarial value of asset basis as of the last actuarial valuation.

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. Effective January 1, 2023, non-hazardous members will receive an additional dollar contribution of \$5 for every year of non-hazardous service a member attains over 27 years. Hazardous members will receive an additional dollar contribution of \$5 for every year of hazardous service a member attains over 25 years. These additional dollar contributions are not adjusted annually and are only payable for non-Medicare retirees. Also, they are only payable when the applicable insurance fund is at least 90 percent funded on an actuarial value of asset basis as of the last actuarial valuation.

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.

June 30, 2023**Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan
(Continued)**

The Authority's contractually required contribution rate for the year ended June 30, 2023 was 26.79 percent (23.40 percent allocated to pension and 3.39 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 year ended June 30, 2023 was 49.59 percent (42.81 percent allocated to pension and 6.78 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 \$3,454,162 (\$3,004,444 related to pension and \$449,718 related to OPEB) for the year ended June 30, 2023. The OPEB contributions amount does not include the implicit subsidy reported in the amount of \$220,209 for 2023.

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 began 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, 2023 for both plans was determined by an actuarial valuation as of June 30, 2021, which used update procedures to roll forward the estimated liability to June 30, 2022.

The Authority's proportionate share of the plan's net pension liability is \$28,573,911 as of June 30, 2023. The Authority's proportionate share of the CERS plan was approximately 0.271 percent for non-hazardous and 0.294 percent for hazardous service employees at June 30, 2023. 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 year ended June 30, 2023, the Authority recognized pension expense of \$1,487,224 (\$1,141,341 for non-hazardous and \$345,883 for hazardous service employees) from all plans.

June 30, 2023

**Note 13 - 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 278,256	\$ 174,545
Net difference between projected and actual earnings on pension plan investments	709,745	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	55,285	2,352,234
Total included in future pension expense	1,043,286	2,526,779
Employer contributions to the plan subsequent to the measurement date	2,839,942	-
Total	\$ 3,883,228	\$ 2,526,779

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
2024	\$ (1,064,615)
2025	(573,479)
2026	(528,120)
2027	682,721
Total	\$ (1,483,493)

Net OPEB Liability

At June 30, 2023, the Authority reported a liability of \$7,854,794 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, which used update procedures to roll forward the estimated liability to June 30, 2022. The Authority's proportion of the net OPEB liability was based on the Authority's actuarially required contribution for the year ended June 30, 2022 relative to all other contributing employers. At June 30, 2023, the Authority's proportion was 0.271 percent for non-hazardous and 0.294 percent for hazardous, which was a decrease of 0.012 percent for the Authority's non-hazardous proportion and a decrease of 0.055 percent for the hazardous proportion measured as of June 30, 2021.

June 30, 2023

**Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan
(Continued)**

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

For the year ended June 30, 2023, the Authority recognized OPEB expense of \$882,148 (\$719,229 for non-hazardous and \$162,919 for hazardous service employees).

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 593,853	\$ 1,375,197
Changes in assumptions	1,264,264	1,128,207
Net difference between projected and actual earnings on pension plan investments	308,566	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	96,664	935,498
Total included in future OPEB expense	2,263,347	3,438,902
Employer contributions to the plan subsequent to the measurement date	669,927	-
Total	<u>\$ 2,933,274</u>	<u>\$ 3,438,902</u>

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
2024	\$ (186,623)
2025	(213,581)
2026	(598,057)
2027	(36,101)
2028	(141,193)
Total	<u>\$ (1,175,555)</u>

June 30, 2023

Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

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:

	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 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years	Initial trend starting at 6.20% at January 1, 2024 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 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 through 2018.

Discount Rate

Non-hazardous and Hazardous Retirement Fund

The discount rate of 6.25 percent used to measure the total pension liability at June 30, 2022 was determined after considering a projection of the cash flows to determine whether the future contributions over the remaining 29-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 4 years of the projection period.

June 30, 2023

Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

Non-hazardous and Hazardous Insurance Fund

The discount rates of 5.70 percent for non-hazardous and 5.61 percent for hazardous at June 30, 2022 used to measure the total OPEB liability were determined after considering a projection of the cash flows to determine whether the future contributions over the remaining 29-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, 2022 discount rate determination used an expected rate of return of 6.25 percent and a municipal bond rate of 3.69 percent, as reported in Fidelity Index's 20-Year Municipal GO AA Index as of June 30, 2022. 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, 2022 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
Public equity	50.00 %	4.45 %
Private equity	10.00	10.15
Core fixed income	10.00	0.28
Specialty credit	10.00	2.28
Real estate	7.00	3.67
Real return	13.00	4.07

June 30, 2023

Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan (Continued)

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, 2023, 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	\$ 24,497,418	\$ 19,599,880	\$ 15,549,209
Net pension liability of the Hazardous Retirement Fund	11,178,624	8,974,031	7,178,526
Total	<u>\$ 35,676,042</u>	<u>\$ 28,573,911</u>	<u>\$ 22,727,735</u>

The following presents the net OPEB liability of the Authority's Non-hazardous Insurance Fund and Hazardous Insurance Fund as of June 30, 2023, calculated using discount rates of 5.70 percent and 5.61 percent, respectively, 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	Current Discount Rate	1 Percentage Point Increase
Net OPEB liability of the Non-hazardous Insurance Fund	\$ 7,151,857	\$ 5,349,820	\$ 3,860,137
Net OPEB liability of the Hazardous Insurance Fund	3,480,587	2,504,974	1,712,594
Total	<u>\$ 10,632,444</u>	<u>\$ 7,854,794</u>	<u>\$ 5,572,731</u>

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, 2023, 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	\$ 3,977,473	\$ 5,349,820	\$ 6,997,751
Net OPEB liability of the Hazardous Insurance Fund	1,749,192	2,504,974	3,426,232
Total	<u>\$ 5,726,665</u>	<u>\$ 7,854,794</u>	<u>\$ 10,423,983</u>

June 30, 2023**Note 13 - Defined Benefit Pension and Other Postemployment Benefits Plan
(Continued)*****Assumption Changes***

Since the prior measurement date, several assumptions that affect the measurement of the total OPEB liability changed, including the following:

- The discount rate for the Non-hazardous Insurance Fund increased from 5.20 percent to 5.70 percent.
- The discount rate for the Hazardous Insurance Fund increased from 5.05 percent to 5.61 percent.

Note 14 - 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 \$36,000 for eight employees during 2023. The plan may be terminated at the election of the board without notice.

Note 15 - Leases

The Authority, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for certain regulated leases and short-term leases. As lessor, the asset underlying the lease is not unrecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

The Authority leases certain assets to various third parties. The assets leased include building facilities, land, office space, terminal space for concessions, rental car facilities, advertising, and others. Payments for a majority of the leases are received monthly, and the revenue varies based on the nature of the lease. A majority of the leases are a fixed monthly fee and often contain annual or periodic escalation clauses. For some leases for which the business conducts sales, the monthly fee is a percentage of gross revenue and varies each month. For these sales-based leases, there are often minimum annual guarantees (MAGs) or minimum monthly guarantees (MMGs) contained in the lease that provide a certain amount of revenue regardless of the operation's success. Lease terms vary from month to month to over 20 years. A majority of the leases carry a term of less than 5 years.

The Authority has adopted the following policies to assist in determining lease treatment according to the requirements of GASB Statement No. 87 (GASB 87):

- The maximum possible lease term is noncancelable by both lessee and lessor and is more than 12 months.
- The term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal. The term of the lease will exclude possible termination periods that are not deemed to be reasonably certain, given all available information, regarding the likelihood of exercise.
- For the fiscal year ended June 30, 2023, all leases with associated receivables are based on fixed payments and do not have variable payment components included in the receivable.

June 30, 2023

Note 15 - Leases (Continued)

During the year ended June 30, 2023, the Authority recognized the following related to its lessor agreements:

Lease revenue	\$ 8,201,869
Interest income related to its leases	169,504
Revenue from variable payments not previously included in the measurement of the lease receivable	7,737,513

The Authority has issued General Airport Revenue Bonds whose repayments are secured by the overall net revenue derived by airport operations. Although none of the Authority's leases are directly pledged as security for these bond repayments, lease revenue is a component of net revenue. See Note 6 for more information regarding outstanding bonds.

Most leases do not contain any early termination provisions, and the few that do can only be terminated by either the lessor or lessee, but not both. In addition, they are long term in nature and expire in less than 10 years.

Future principal and interest payment requirements related to the Authority's lease receivable at June 30, 2023 are as follows:

Years Ending	Principal	Interest	Total
2024	\$ 7,935,344	\$ 111,617	\$ 8,046,961
2025	7,724,221	55,492	7,779,713
2026	2,027,897	17,628	2,045,525
2027	237,160	12,404	249,564
2028	35,377	10,910	46,287
2029-2033	189,321	42,112	231,433
2034-2038	211,842	19,592	231,434
2039-2041	68,336	1,094	69,430
Total	<u>\$ 18,429,498</u>	<u>\$ 270,849</u>	<u>\$ 18,700,347</u>

Regulated Leases

In accordance with GASB 87, the Authority does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings. Regulated aviation leases between airports and aeronautical users are regulated by the U.S. Department of Transportation and the Federal Aviation Administration.

The Authority is party to certain regulated leases, as defined by GASB Statement No. 87. The leased assets include aircraft maintenance facilities, cargo facilities and ramps, building facilities, and land that the lessees use for fixed-base operations (FBO) and hangar construction and use. Included in these regulated leased assets are a cargo ramp area and a portion of one taxiway that are leased under preferential use to a single counterparty.

The Authority has certain airline leases that are regulated by the FAA. The leased assets include the airfield, land for aircraft overnight parking, building facilities used for baggage claim and hold rooms, and terminal and apron space. Included in these regulated leased assets are aircraft overnight parking and portions of the terminal that are leased under preferential or exclusive use agreements to eight signatory airlines.

During the year ended June 30, 2023, the Authority recognized the following from regulated leases:

Lease revenue	\$ 10,314,877
Revenue from variable payments excluded from the schedule of expected future minimum payments	34,581,684

June 30, 2023

Note 15 - Leases (Continued)

Future expected minimum payments related to the Authority's regulated leases at June 30, 2023 are as follows:

<u>Years Ending</u>	<u>Principal</u>
2024	\$ 9,650,537
2025	9,617,257
2026	9,562,070
2027	9,630,947
2028	9,519,841
2029-2033	44,962,666
2034-2038	32,909,401
2039-2043	5,339,252
2044-2048	396,270
Total	<u>\$ 131,588,241</u>

Most of these leases do not contain any early termination provisions, and the few that do can only be terminated by either the lessor or lessee but not both. In addition, nearly all of the regulated leases are long term in nature. More than half of the leases expire in less than 10 years; however, there are a few leases whose terms are as long as 20, 30, or 40 years.

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. In June 2023, the additional project was amended to a total of \$40.2 million. Under the TIF agreements, approved projects must be completed by December 31, 2023.

June 30, 2023**Note 16 - Louisville Renaissance Zone Corporation (Continued)*****Accounting and Reporting Principles***

The Corporation follows accounting principles generally accepted in the United States of America, 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 Corporation's name.

Fees Receivable

Receivables represent TIF requests submitted to or earned from state and local governments. At June 30, 2023, fees receivable include TIF revenue calculated based on detailed information obtained from the state and local governments through December 31, 2019. Additionally, TIF receivables have been recorded for estimated TIF revenue earned through calendar year 2022 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, 2023, 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. The Corporation is depreciating land improvements, buildings, and utility systems over periods of 10 to 20 years and equipment over a period of 7 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.

June 30, 2023**Note 16 - Louisville Renaissance Zone Corporation (Continued)****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. Revenue from lease agreements is recognized when earned based on the terms of the respective lease agreements. Lease revenue is included in operating revenue.

Unearned Income

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

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.

Leases

The Corporation is a lessor for a noncancelable lease of land, buildings, and equipment. The Corporation recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Corporation initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Corporation determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts. The Corporation uses its incremental borrowing rate at lease inception as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

June 30, 2023

Note 16 - Louisville Renaissance Zone Corporation (Continued)

Covered by federal depository insurance	\$ 250,000
Uninsured and collateralized	17,404,014
	<u>17,654,014</u>
Bank balance	<u>\$ 17,654,014</u>

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, 2023, 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 follows Kentucky Revised Statute 66.480, and, as such, interest rate risk is minimized due to the limitations contained within this statute.

Credit Risk

The Corporation's investment policy minimizes credit risk by investing only in investments allowed by the Kentucky Revised Statute 66.480.

Concentration of Credit Risk

The Corporation's investment policy minimizes concentration of credit risk by limiting uncollateralized certificates of deposit, bankers' acceptances, commercial paper, equity securities, and corporate bonds to 20 percent of invested assets per category or 40 percent of total invested assets for shares of mutual funds, equity securities, and corporate bonds combined, with certain limited exceptions. At the time the investment is made, no more than 5 percent of invested assets shall be invested in any one issuer. At June 30, 2023, approximately \$6,500,000 was invested in U.S. government agency obligations.

Capital Assets

Capital asset activity for the Corporation for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,108,156	\$ 4,026,956	\$ -	\$ 13,135,112
Construction projects	22,301,093	5,051,346	(19,663,320)	7,689,119
Total capital assets not being depreciated	31,409,249	9,078,302	(19,663,320)	20,824,231
Other capital assets:				
Land improvements	22,370,989	274,592	-	22,645,581
Buildings	-	12,975,970	-	12,975,970
Utility systems	5,688,264	-	-	5,688,264
Total other capital assets	28,059,253	13,250,562	-	41,309,815
Less accumulated depreciation	(12,423,677)	(1,600,677)	-	(14,024,354)
Other capital assets - Net	15,635,576	11,649,885	-	27,285,461
Net capital assets	<u>\$ 47,044,825</u>	<u>\$ 20,728,187</u>	<u>\$ (19,663,320)</u>	<u>\$ 48,109,692</u>

June 30, 2023

Note 16 - Louisville Renaissance Zone Corporation (Continued)

During 2023, a previously approved project for an interstate interchange was canceled. The costs incurred to date for that project were written off, which resulted in a loss on disposal of assets of approximately \$2.4 million.

Construction Commitments

The Corporation has active construction projects at year end. The projects primarily include the South Park Road widening and Minors Lane widening and bridge replacement. At year end, the Corporation's commitments with contractors were approximately \$9,800,000.

Leases - Lessor

The Corporation, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for short-term leases. As lessor, the asset underlying the lease is not unrecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

The Corporation leases land and a building to third parties. There is also equipment that is leased to the Authority. Fixed payments are received monthly or annually. Certain leases contain annual escalation clauses. Lease terms vary from 4 years to over 10 years and the leases do not contain early termination provisions.

The Corporation has adopted the following policies to assist in determining lease treatment according to the requirements of GASB Statement No. 87:

- The maximum possible lease term(s) is noncancelable by both lessee and lessor and is more than 12 months.
- The term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal. The term of the lease will exclude possible termination periods that are not deemed to be reasonably certain, given all available information, regarding the likelihood of exercise.
- For the fiscal year ended June 30, 2023, all leases with associated receivables are based on fixed payments and do not have variable payment components included in the receivable.

During the year ended June 30, 2023, the Corporation recognized the following related to its lessor agreements:

Lease revenue	\$	829,953
Interest income related to its leases		240,335
Revenue from variable payments not previously included in the measurement of the lease receivable		42,344

June 30, 2023

Note 16 - Louisville Renaissance Zone Corporation (Continued)

Future principal and interest payment requirements related to the Corporation's lease receivable at June 30, 2023 are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ 229,320	\$ 578,191	\$ 807,511
2025	1,434,151	547,894	1,982,045
2026	1,540,154	503,116	2,043,270
2027	1,527,256	454,971	1,982,227
2028	1,535,376	404,167	1,939,543
2029-2033	9,646,866	1,117,894	10,764,760
2034-2038	1,558,197	15,539	1,573,736
Total	<u>\$ 17,471,320</u>	<u>\$ 3,621,772</u>	<u>\$ 21,093,092</u>

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 supplementary schedule of insurance coverage for the types of risks and insurance coverage in place.

Required Supplementary Information

Louisville Regional Airport Authority

Required Supplementary Information

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

	Last Nine Fiscal Years								
	Fiscal Years Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.27100 %	0.28300 %	0.30500 %	0.29000 %	0.28900 %	0.28700 %	0.28200 %	0.28900 %	0.27300 %
Authority's proportionate share of the net pension liability	\$ 19,599,880	\$ 18,052,970	\$ 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	\$ 7,512,106	\$ 7,215,303	\$ 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	260.91 %	250.20 %	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	47.58 %	51.80 %	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.

Louisville Regional Airport Authority

Required Supplementary Information

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

	Last Nine Fiscal Years								
	Fiscal Years Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.29400 %	0.34900 %	0.35000 %	0.37100 %	0.36800 %	0.41400 %	0.40100 %	0.39800 %	0.40700 %
Authority's proportionate share of the net pension liability	\$ 8,974,031	\$ 9,289,418	\$ 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	\$ 1,909,831	\$ 2,086,644	\$ 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	469.89 %	445.18 %	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	52.89 %	46.70 %	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.

Louisville Regional Airport Authority

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

	Last Six Fiscal Years					
	Fiscal Years Ended June 30					
	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.27100 %	0.28300 %	0.30500 %	0.29000 %	0.28900 %	0.40500 %
Authority's proportionate share of the net OPEB liability	\$ 5,349,820	\$ 5,419,482	\$ 7,365,571	\$ 4,883,590	\$ 5,131,937	\$ 5,769,822
Authority's covered payroll	\$ 7,512,106	\$ 7,215,303	\$ 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 payroll	71.22 %	75.11 %	94.08 %	65.61 %	71.76 %	81.31 %
Plan fiduciary net position as a percentage of total OPEB liability	60.95 %	85.40 %	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.

Louisville Regional Airport Authority

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

	Last Six Fiscal Years					
	Fiscal Years Ended June 30					
	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.29400 %	0.34900 %	0.34900 %	0.37100 %	0.36800 %	0.41400 %
Authority's proportionate share of the net OPEB liability	\$ 2,504,974	\$ 2,821,403	\$ 3,224,482	\$ 2,743,245	\$ 2,626,892	\$ 3,424,264
Authority's covered payroll	\$ 1,909,831	\$ 2,086,644	\$ 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 payroll	131.16 %	135.21 %	157.64 %	129.48 %	127.85 %	140.45 %
Plan fiduciary net position as a percentage of total OPEB liability	64.13 %	84.30 %	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.

Louisville Regional Airport Authority

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

	Last Nine Fiscal Years Years Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,933,592	\$ 1,590,313	\$ 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	1,933,592	1,590,313	1,392,553	1,511,048	1,207,247	1,035,471	989,843	847,707	873,265
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 8,263,215	\$ 7,512,106	\$ 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	23.40 %	21.17 %	19.30 %	19.30 %	16.22 %	14.48 %	13.95 %	12.42 %	12.75 %

Louisville Regional Airport Authority

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

	Last Nine Fiscal Years Years Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 906,349	\$ 646,669	\$ 627,245	\$ 614,871	\$ 526,684	\$ 456,137	\$ 529,300	\$ 451,576	\$ 450,973
Contributions in relation to the statutorily required contribution	906,349	646,669	627,245	614,871	526,684	456,137	529,300	451,576	450,973
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 2,117,144	\$ 1,909,831	\$ 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	42.81 %	33.86 %	24.87 %	24.87 %	24.87 %	22.20 %	21.71 %	20.26 %	20.73 %

Louisville Regional Airport Authority

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

	Last Six Fiscal Years Years Ended June 30					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 280,123	\$ 434,200	\$ 343,448	\$ 372,673	\$ 391,499	\$ 336,099
Contributions in relation to the statutorily required contribution	280,123	434,200	343,448	372,673	391,499	336,099
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 8,263,215	\$ 7,512,106	\$ 7,215,303	\$ 7,829,265	\$ 7,442,953	\$ 7,151,045
Contributions as a Percentage of Covered Payroll	3.39 %	5.78 %	4.76 %	4.76 %	5.26 %	4.70 %

Louisville Regional Airport Authority

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

	Last Six Fiscal Years Years Ended June 30					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 143,542	\$ 199,959	\$ 198,649	\$ 194,730	\$ 221,818	\$ 192,112
Contributions in relation to the statutorily required contribution	143,542	199,959	198,649	194,730	221,818	192,112
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 2,117,144	\$ 1,909,831	\$ 2,086,644	\$ 2,045,479	\$ 2,118,602	\$ 2,054,672
Contributions as a Percentage of Covered Payroll	6.78 %	10.47 %	9.52 %	9.52 %	10.47 %	9.35 %

June 30, 2023

Pension Information

Benefit Changes

During the 2021 legislative session, Senate Bill 169 passed, which increased the disability benefits for certain members who become totally and permanently disabled in the line of duty or as a result of a duty-related disability. The minimum disability benefit increased from 25 percent of the member's monthly final rate of pay to 75 percent of the member's monthly average pay. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position.

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.

Changes in Assumptions

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 are 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 four-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.

June 30, 2023

OPEB Information

Benefit Changes

During the 2022 legislative session, Senate Bill 209 passed, which increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5 percent annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90 percent funded. The increase is first payable January 1, 2023 as long as the insurance fund is at least 90 percent funded on an actuarial valuation of asset basis as of the last actuarial valuation. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

During the 2021 legislative session, Senate Bill 169 passed, which increased the disability benefits for certain members who become totally and permanently disabled in the line of duty or as a result of a duty-related disability. The insurance premium for the member, the member's spouse, and the member's dependent children shall be paid in full by the system. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position.

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.

Changes in Assumptions

The 2021 valuation, which is used to determine the Authority's proportionate share of the net OPEB liability at June 30, 2023, updated certain assumptions, including an increased discount rate from 5.20 to 5.70 percent for the Non-hazardous Insurance Fund and 5.05 percent to 5.61 percent for the Hazardous Insurance Fund.

The 2020 valuation, which is used to determine the Authority's proportionate share of the net OPEB liability at June 30, 2021, updated certain assumptions, including a decreased discount rate from 5.34 to 5.20 percent for the Non-hazardous Insurance Fund and 5.30 percent to 5.05 percent for the Hazardous Insurance Fund.

Other Supplementary Information

Louisville Regional Airport Authority

Combining Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2023

	Louisville International	Bowman Field	Total
Operating revenues			
Landing and field use fees	\$ 23,478,976	\$ 5,400	\$ 23,484,376
Apron area	2,053,281	53,444	2,106,725
Terminal area	12,447,437	182,761	12,630,198
Parking and ground transportation	29,006,014	0	29,006,014
Aviation related facility and land leases	12,681,926	1,637,734	14,319,660
Non-aviation related facility and land leases	1,136,267	0	1,136,267
Airport services and other revenue	417,335	55,145	472,480
Total operating revenues	81,221,236	1,934,484	83,155,720
Operating expenses			
Operations and general maintenance			
Salaries, wages	9,149,579	668,366	9,817,945
Contracts	8,075,767	171,162	8,246,929
Utilities and fuel supplies	5,069,942	600,603	5,670,545
Supplies and other	2,555,237	187,188	2,742,425
Reimbursed costs	(628,654)	(3,147)	(631,801)
Total operations and general maintenance	24,221,871	1,624,172	25,846,043
Administrative, general, planning and engineering	14,899,976	131,447	15,031,423
Total operating expenses before depreciation	39,121,847	1,755,619	40,877,466
Depreciation and amortization	25,329,078	2,089,168	27,418,246
Total operating expenses	64,450,925	3,844,787	68,295,712
Operating income (loss)	16,770,311	(1,910,303)	14,860,008
Non-operating revenues (expenses) and capital contributions			
Investment earning - Net	3,546,342	3,639	3,549,981
Interest income - Leases	169,504	-	169,504
Interest expense	(4,387,252)	-	(4,387,252)
Passenger facility charge	8,419,866	-	8,419,866
Customer contract fees	5,884,226	-	5,884,226
Net income (loss) on disposal of assets	(37,445)	-	(37,445)
Nonoperating grants	17,555,091	200,000	17,755,091
Other revenues	97,659	-	97,659
Capital contributions	18,276,583	2,774,544	21,051,127
Net non-operating revenues and capital contributions	49,524,574	2,978,183	52,502,757
Changes in net position	\$ 66,294,885	\$ 1,067,880	\$ 67,362,765

Schedule of Airport Property, Facilities and Equipment

Year Ended June 30, 2023

	Cost					Accumulated Depreciation					Net Balance June 30, 2023
	Balance July 1, 2022	Additions	Retirements	Tranfers/ Adjustments	Balance June 30, 2023	Balance July 1, 2022	Provisions	Retirements/ Adjustments	Balance June 30, 2023		
Louisville International Airport											
Land	\$ 305,443,034	\$ 119,711	\$ -	\$ 1,665,370	\$ 307,228,115	\$ -	\$ -	\$ -	\$ -	\$ 307,228,115	
Land Improvements - runways, taxiways, and aprons	\$ 481,161,820	\$ -	\$ (1,816,105)	\$ 20,448,807	\$ 499,794,522	\$ 343,059,441	\$ 11,349,276	\$ (1,816,107)	\$ 352,592,610	\$ 147,201,912	
Land improvements - ground transportation and other	\$ 151,185,971	\$ -	\$ (7,349,156)	\$ 8,821,756	\$ 152,658,571	\$ 109,181,166	\$ 3,807,106	\$ (7,349,156)	\$ 105,639,116	\$ 47,019,455	
Buildings	\$ 167,078,066	\$ -	\$ -	\$ 5,539,160	\$ 172,617,226	\$ 119,524,090	\$ 5,413,184	\$ -	\$ 124,937,274	\$ 47,679,952	
Utility systems	\$ 46,851,743	\$ -	\$ (4,087,595)	\$ 536,768	\$ 43,300,916	\$ 40,633,338	\$ 748,537	\$ (4,087,595)	\$ 37,294,280	\$ 6,006,636	
Equipment (excluding automotive)	\$ 41,210,589		\$ (443,113)	\$ 7,038,856	\$ 47,806,332	\$ 11,536,332	\$ 2,474,640	\$ (443,113)	\$ 13,567,859	\$ 34,238,473	
Vehicles and automotive equipment	\$ 15,465,697		\$ (65,756)	\$ 2,665,933	\$ 18,065,874	\$ 9,471,039	\$ 1,231,180	\$ (65,755)	\$ 10,636,464	\$ 7,429,410	
Furniture and fixtures	\$ 6,327,069		\$ (229,377)	\$ -	\$ 6,097,692	\$ 4,103,343	\$ 305,155	\$ (229,377)	\$ 4,179,121	\$ 1,918,571	
Capital projects in progress	\$ 69,379,863	\$ 66,440,139	\$ (598,557)	\$ (47,518,530)	\$ 87,702,915	\$ -	\$ -	\$ -	\$ -	\$ 87,702,915	
Total Louisville International Airport	\$ 1,284,103,852	\$ 66,559,850	\$ (14,589,659)	\$ (801,880)	\$ 1,335,272,163	\$ 637,508,749	\$ 25,329,078	\$ (13,991,103)	\$ 648,846,724	\$ 686,425,439	
Bowman Field											
Land	\$ 3,421,415	\$ -	\$ -	\$ (29,643)	\$ 3,391,772	\$ -	\$ -	\$ -	\$ -	\$ 3,391,772	
Land Improvements - runways, taxiways, and aprons	\$ 28,199,225	\$ -	\$ -	\$ 2,628,963	\$ 30,828,188	\$ 15,974,780	\$ 1,654,084	\$ -	\$ 17,628,864	\$ 13,199,324	
Land improvements - ground transportation and other	\$ 625,973	\$ -	\$ -	\$ -	\$ 625,973	\$ 572,564	\$ 17,376	\$ -	\$ 589,940	\$ 36,033	
Buildings	\$ 16,128,419	\$ -	\$ -	\$ -	\$ 16,128,419	\$ 13,482,896	\$ 355,821	\$ -	\$ 13,838,717	\$ 2,289,702	
Utility systems	\$ 749,877	\$ -	\$ -	\$ -	\$ 749,877	\$ 217,523	\$ 32,421	\$ -	\$ 249,944	\$ 499,933	
Equipment (excluding automotive)	\$ 286,468	\$ -	\$ -	\$ -	\$ 286,468	\$ 213,367	\$ 10,693	\$ -	\$ 224,060	\$ 62,408	
Vehicles and automotive equipment	\$ 673,491	\$ -	\$ -	\$ 106,638	\$ 780,129	\$ 557,239	\$ 18,773	\$ -	\$ 576,012	\$ 204,117	
Capital projects in progress	\$ 2,539,095	\$ 3,463,043	\$ -	\$ (2,843,163)	\$ 3,158,975	\$ -	\$ -	\$ -	\$ -	\$ 3,158,975	
Total Bowman Field	\$ 52,623,963	\$ 3,463,043	\$ -	\$ (137,205)	\$ 55,949,801	\$ 31,018,369	\$ 2,089,168	\$ -	\$ 33,107,537	\$ 22,842,264	
Total Louisville International Airport and Bowman Field	\$ 1,336,727,815	\$ 70,022,893	\$ (14,589,659)	\$ (939,085)	\$ 1,391,221,964	\$ 668,527,118	\$ 27,418,246	\$ (13,991,103)	\$ 681,954,261	\$ 709,267,703	

Louisville Regional Airport Authority

Schedule of Insurance Coverage

Year Ended June 30, 2023

	<u>Expiration Date</u>	<u>Amount of Coverage</u>
AIG - National Union Fire Insurance CO. of Pittsburgh		
General airport liability, including optional war risk and other perils & TRIA	7/31/2023	\$ 250,000,000
Travelers Excess and Surplus Lines Company		
All risk property	7/31/2023	450,000,000
Unlicensed equipment	7/31/2023	15,009,465
Chubb - ACE American Insurance Company		
Public officials' liability covering board members and all employees	7/31/2023	5,000,000
Employment Practices Liability	7/31/2023	5,000,000
KEMI		
Worker's compensation	7/31/2023	Statutory Limitations
Employer's liability	7/31/2023	1,000,000
AIG – New Hampshire Insurance Company		
Business Auto (Fleet Policy)	7/31/2023	1,000,000
Cowbell Cyber		
Cyber – Privacy & Network Liability	7/31/2023	2,000,000
AIG - National Union Fire Insurance Co. of Pittsburgh		
Unmanned Aircraft	7/31/2023	5,000,000
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	8/1/2024	1,000,000
Chubb Insurance Group/Federal Insurance Co.		
Blanket travel accident	7/31/2023	125,000
Chubb - ACE American Insurance Co.		
Accident on Volunteers (Ambassadors)	7/31/2023	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, 2023 and the submission of these statements.

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 "Corporation"), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 2, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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

November 2, 2023

Report on Compliance for Each 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 the Passenger Facility Charge Program

Opinion on Each Major Federal Program and the Passenger Facility Charge Program

We have audited Louisville Regional Airport Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the 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, 2023. 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, and the requirements in 14 CFR 158.63 (collectively, the "Guide") for the year ended June 30, 2023. 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 passenger facility charges.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program and the passenger facility charge program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program and the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 applicable requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and the requirements in 14 CFR 158.63. Our responsibilities under those standards, the Uniform Guidance, and the Guide are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and the passenger facility charge program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal program and the passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program and the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
Louisville Regional Airport Authority

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 Guide. Accordingly, this report is not suitable for any other purpose.

Plante & Moreau, PLLC

November 2, 2023

Louisville Regional Airport Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Grant Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Transportation - Airport Improvement Program:				
Louisville International:				
Rehabilitate Runways/Lighting	20.106	3-21-0031-109-2019	\$ -	\$ 786,212
Noise Mitigation Measures	20.106	3-21-0031-112-2020	-	537,522
COVID-19 - Airport Coronavirus Response Grant Program				
Concessions Addendum	20.106	3-21-0031-114-2021	-	437,670
Rehabilitate Runways/Lighting	20.106	3-21-0031-115-2021	-	2,279,916
Terminal Geothermal Heating and Cooling	20.106	3-21-0031-116-2021	-	6,672,463
COVID-19 - Airport Coronavirus Response Grant Program	20.106	3-21-0031-117-2022	-	17,315,302
Rehabilitate Runways	20.106	3-21-0031-119-2022	-	4,821,920
Rehabilitate Runways/Lighting	20.106	3-21-0031-120-2022	-	4,140,513
Noise Mitigation Measures	20.106	3-21-0031-121-2022	-	560,921
Bowman Field:				
Replace Airport Lighting Vault and Install Runway Guidance System	20.106	3-21-0032-030-2021	-	450,927
Updated Airport Layout Plan	20.106	3-21-0032-032-2022	-	260,934
Total U.S. Department of Transportation			-	38,264,300
U.S. Department of Justice - Criminal Division Equitable Sharing Program	16.922	N/A	-	175,119
U.S. Department of Homeland Security - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	-	39,789
Total federal expenditures			\$ -	\$ 38,479,208

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

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, 2023. 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.

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.

Note 3 - Disaster Grants Public Assistance Program (ALN 97.036)

Included in the Schedule for the year ended June 30, 2023 is \$39,789 of expenditures incurred, under the Disaster Grants Public Assistance grant (ALN 97.036), in a previous fiscal year. The project worksheet for these expenditures was approved in the current fiscal year, and these expenditures have been reported in the current fiscal year in accordance with the reporting requirements outlined in the 2023 Compliance Supplement.

Louisville Regional Airport Authority

Schedule of Passenger Facility Charges

Year Ended June 30, 2023

	Impose & Use Authority	June 30, 2022 Program Total	FY 2023 Activity	June 30, 2023 Program Total
Revenue				
Collections		\$ 133,618,110	\$ 8,266,460	\$ 141,884,570
Interest		1,153,694	183,897	1,337,591
Total Revenue		<u>134,771,804</u>	<u>8,450,357</u>	<u>143,222,161</u>
Disbursements				
FAA Application Number				
Open applications as of June 30, 2023:				
<u>17-12-C-00-SDF</u>	3,524,248	3,398,179	-	3,398,179
<u>19-13-C-01-SDF</u>	25,470,000	7,521,231	324,898	7,846,129
<u>20-14-C-00-SDF</u>	9,634,000	6,003,485	404,078	6,407,563
<u>21-15-C-00-SDF</u>	10,018,596	9,652,246	363,215	10,015,461
<u>22-16-C-00-SDF</u>	8,547,451	-	79,540	79,540
<u>23-17-C-00-SDF</u>	5,120,000	-	25,359	25,359
	<u>62,314,295</u>	<u>26,575,141</u>	<u>1,197,090</u>	<u>27,772,231</u>
Closed applications as of June 30, 2023:				
<u>97-01-C-00-SDF</u>	75,594,112	75,594,112	-	75,594,112
<u>01-02-C-00-SDF</u>	10,012,140	10,012,140	-	10,012,140
<u>03-03-C-00-SDF</u>	5,666,800	5,666,800	-	5,666,800
<u>06-04-C-00-SDF</u>	1,253,136	1,253,136	-	1,253,136
<u>08-05-C-00-SDF</u>	726,822	726,822	-	726,822
<u>11-06-C-00-SDF</u>	2,362,619	2,362,619	-	2,362,619
<u>12-07-C-00-SDF</u>	1,944,883	1,944,883	-	1,944,883
<u>14-08-C-00-SDF</u>	4,625,565	4,625,565	-	4,625,565
<u>14-09-C-00-SDF</u>	2,150,000	2,150,000	-	2,150,000
<u>16-10-C-00-SDF</u>	2,295,277	2,295,277	-	2,295,277
<u>17-11-C-00-SDF</u>	-	-	-	-
	<u>106,631,354</u>	<u>106,631,354</u>	<u>-</u>	<u>106,631,354</u>
Total	<u>168,945,649</u>	<u>133,206,495</u>	<u>1,197,090</u>	<u>134,403,585</u>
Net PFC Revenue (Total Revenue - Total Disbursements)		<u>\$ 1,565,309</u>	<u>\$ 7,253,267</u>	<u>\$ 8,818,576</u>

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.

Louisville Regional Airport Authority

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

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 ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

Assistance Listing 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:

\$1,154,376

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None