# Louisville Regional Airport Authority

Louisville, Kentucky

**Financial Report**

**with Supplementary Information**

**June 30, 2024 and 2023**

# Contents

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# Independent Auditor's Report

To the Board of Directors
Louisville Regional Airport Authority

## Report on the Audits 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 years ended June 30, 2024 and 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, 2024 and 2023 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audits 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 Audits 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 audits. 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 and the Corporation'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 Audits 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 audits 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 audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

***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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedule of revenues, expenses and changes in net position; schedule of airport property, facilities and equipment; 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*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of revenues, expenses and changes in net position; schedule of airport property, facilities and equipment; the schedule of expenditures of federal awards; and the schedule of passenger facility charges are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Louisville Regional Airport Authority

***Additional Information***

Management is responsible for the accompanying schedule of insurance coverage which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024 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 & Moran, PLLC

October 18, 2024

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) and Bowman Field (LOU). SDF is a low-fare airport that draws travelers from across the Kentucky and Southern Indiana region. The airport offers nonstop service to 35 destinations on eight airlines. Established in 1919, LOU is one of the longest continuously operating, general aviation airports in the U.S. and has over 100,000 annual aircraft operations. LOU is primarily a general aviation and air traffic reliever airport to SDF.

The accompanying statements include a discretely presented component unit, Louisville Renaissance Zone Corporation (LRZC). LRZC is charged with developing and promoting aviation and airport compatible projects to support the purposes of the Authority. This legally separate component unit was incorporated by the Authority in 2003 and separately presents its own financial schedules. It is important to read these statements in conjunction with the separate LRZC schedules.

The management of the Authority offers readers of the financial statements the following discussion and analysis as an overview of operating and financial activities of the Authority for the Fiscal Year ended June 30, 2024. This discussion should be read in conjunction with the financial statements and the notes, which follow this section.

## Airport Funding Methodology

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 Customer Contract Fees (CCFs), and the periodic issuance of bonds.

Airlines serving SDF are given an opportunity to enter into an Airfield Use Agreement and a Terminal Use and Lease Agreement. Both agreements set forth the rates and charges for use of Authority assets. The Authority utilizes a hybrid residual rate-making methodology that requires the airlines to assume certain financial risks to guarantee the Authority has sufficient revenue to cover specific operating and capital cost. In return, the Authority must provide the airlines the opportunity to comment on or object to capital project decisions. As of June 30, 2024, eight passenger carriers participate in the Terminal Use and Lease Agreement. These eight air carriers and two cargo carriers participate in the Airfield Use Agreement. Airlines that participate in the agreements are subject to favorable signatory rates, as opposed to the non-signatory rates.

## Statistical and Operating Information

Louisville Muhammad Ali International Airport and surrounding airport properties make up the largest employment center in Louisville Metro. SDF is home to United Parcel Services' (UPS) Worldport automated package handling facility, rooting the airport's status as a major worldwide cargo leader in terms of volume. According to Airports Council International (ACI) statistics, in 2023, SDF ranked third in North America for total air cargo tonnage and fifth worldwide. Cargo volume at SDF was 5.9 and 6.5 billion pounds for FY24 and FY23, respectively. Of that, UPS accounted for 5.8 and 6.4 billion pounds for FY24 and FY23, respectively.

The following chart and graphs reflect three key statistics of SDF. The number of passengers going through the terminal measured by passengers departing from SDF (enplaned) and passengers arriving at SDF (deplaned), total weight of aircraft landing at the airport, and total pounds of cargo going through the airport:

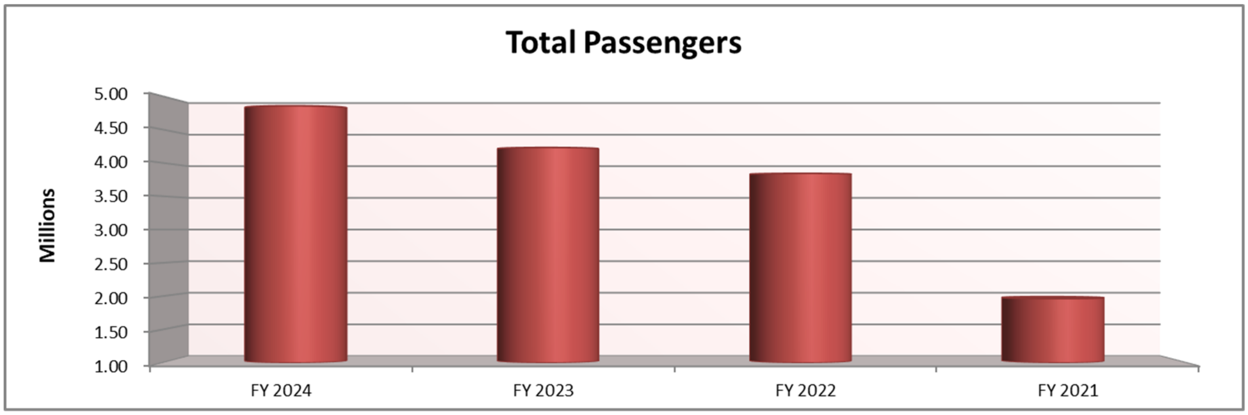
| | FY 2024 | FY 2023 | FY 2022 | FY 2021 |
|---|---|---|---|---|
| **Passengers** | | | | |
| Enplaned | 2,419,220 | 2,106,658 | 1,916,194 | 981,446 |
| Deplaned | 2,434,534 | 2,122,207 | 1,925,356 | 982,262 |
| Total | 4,853,754 | 4,228,865 | 3,841,550 | 1,963,708 |
| **Landed Weight (lbs)** | | | | |
| Passenger | 2,908,704,843 | 2,463,502,223 | 2,270,805,918 | 1,448,891,433 |
| Cargo | 16,353,150,540 | 18,003,069,476 | 18,119,814,785 | 17,122,703,286 |
| Total | 19,261,855,383 | 20,466,571,699 | 20,390,620,703 | 18,571,594,719 |
| **Total Cargo (lbs)** | 5,902,863,881 | 6,450,882,943 | 6,805,491,918 | 6,728,965,066 |

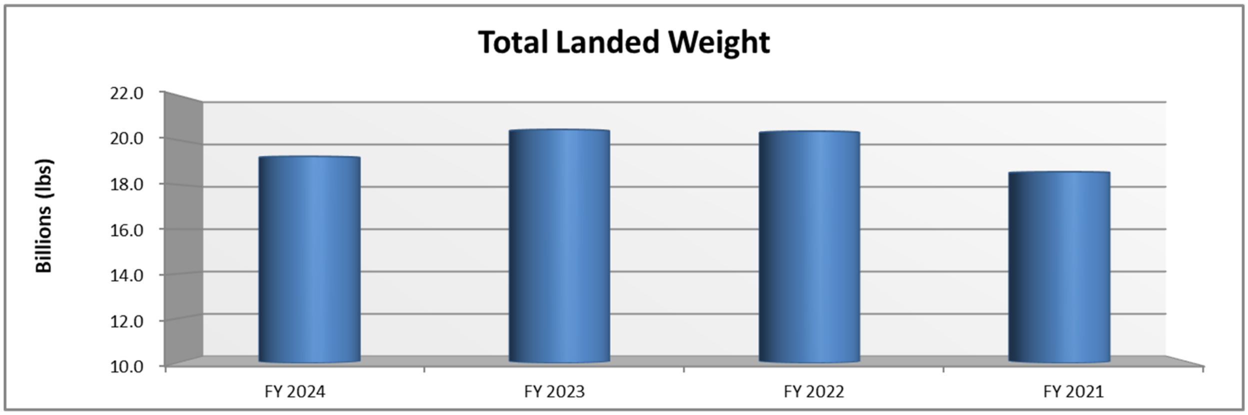
Passenger traffic at SDF continues to grow and has surpassed levels achieved prior to the pandemic. FY24 passenger traffic increased 15% over the previous year, surpassing 2.4 million enplanements. The year over year increases have contributed to achieving the highest level of passenger traffic at SDF in 2023 and again in 2024. This growth significantly outpaces industry averages.

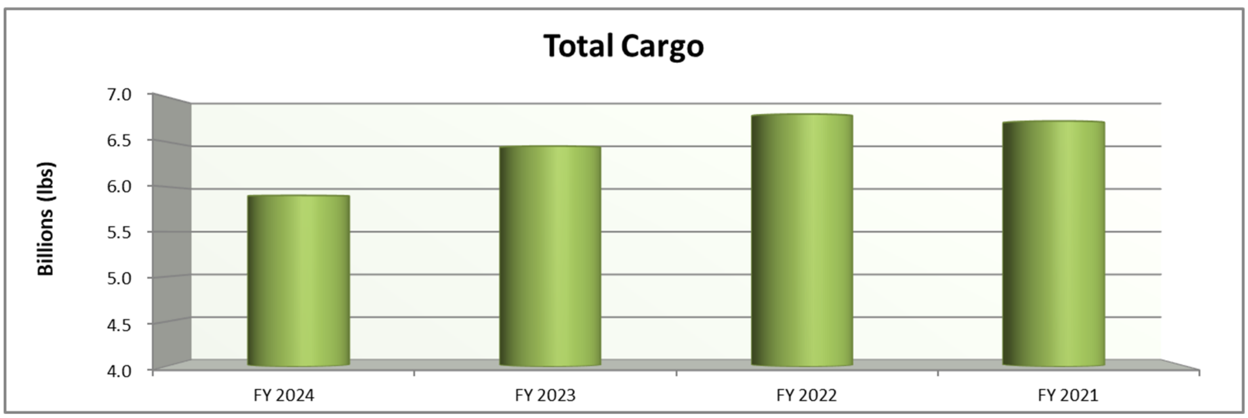
The rise in traffic was primarily driven by the introduction of larger aircraft and increased flight frequencies on existing routes, which were added in response to strong ridership the previous year. The average aircraft size grew from 111 to 118 seats per departure, and daily departures rose from 66 to 74. Carriers are expanding both leisure and business markets, with the highest year-over-year capacity growth in destinations such as Fort Lauderdale, Dallas, Charlotte, Atlanta, and Orlando. Although all types of airlines are expanding, legacy carriers are making the largest investments in capacity.

Post-pandemic, corporate travel initially lagged behind leisure travel but is now approaching pre-pandemic levels, recovering to approximately 95% of its former volume. Meanwhile, leisure demand continues to set records. Louisville's growing appeal as a destination market has led to seasonal dips in corporate travel being offset by increased leisure traffic. As an example, some of the airport's busiest days follow the Kentucky Derby and fall music festivals during what would otherwise be slower periods. Additionally, the rise of combining business and leisure activities has been particularly advantageous for destination markets like Louisville.

### Statistical Graphs



# Financial Highlights
## (Versus Budget and Prior Year)

The Authority has continued to recover very well from the Covid-19 pandemic with FY24 SDF passenger traffic reaching record setting levels. Operating Revenues were $4.0 million / 4.7% greater than budgeted for FY24 and $5.5 million / 6.7% greater than 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 budgeted expectations which also exceeded prior year results. These revenues exceeded FY24 budget by $1.6 million / 5.4% and exceeded FY23 by $3.0 million / 10.2%.
  - The next greatest increase was in the Terminal was primarily attributable to increased passenger traffic. Total increases in the Terminal were $722,000 / 5.4% over budget and $1.4 million / 11.2% over prior year. Passenger-driven concession revenues from restaurants and gift shops combined to exceed FY24 budget by $554,000 / 14.6% and prior year by $675,000 / 18.3%.
  - Landing fees were overall $565,000 / 2.5% more than budgeted for FY24 and $116,000 / (0.5%) less than prior year. Passenger landing fees were greater than both budgeted and prior year amounts at $766,000 / 28.0% over budget and $693,000 / 24.6% greater than FY23. Cargo landing fees were under budget by $201,000 / (1.0%) and below prior year by $809,000 / (3.9%) as cargo carriers experienced market declines during the period covering FY24.
- Non-Operating Revenues were $5.5 million greater than budgeted for FY24 and $2.4 million less than FY23.
  - The main contributor to the year over year decrease is non-capital grants which were in line with budgeted amounts for FY24 but $6.5 million less than FY23 as the Authority received the final amounts available under the Federal Covid-19 recovery acts in FY24.
  - The main contributor to the actual versus budget variance was higher than expected interest income which was $4.0 million greater than budgeted. This can be attributed to higher than expected return on investments and bank interest rates.
  - PFC and CCF are tied to passenger traffic thus combined they had increases of $1.4 million / 9.8% over budget for FY24 and $1.7 million / 11.6% over prior year.

- Operating Expenses before Depreciation for FY24 were $4.1 million / 9.3% less than budget and $1.0 million / 2.5% less than FY23.
    - Retirement Expenses were the main contributor to the decrease with expenses being $5.4 million less than budgeted for FY24 and $2.3 million less than prior year. 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 ($108,000) in FY24 and $2.4 million in FY23. More detailed explanations may be found in Note 13 to these statements.
    - Contract Services expenses were $1.3 million more than budgeted for FY24 and increased by $825,000 from FY23. Airfield Painting expenses were $1.0 million more than budgeted for FY24 and $566,000 more than FY23.
    - Fuel and Utilities and Professional and Consulting Fees were both less than budget and prior year. Utilities were $169,000 / 3.0% less than budget and $293,000 / 5.2% less than FY23. Professional and Consulting Fees were $160,000 / 20.7% less than budgeted for FY24 and $103,000 / 14.3% less than prior year.
- Operating Income before Depreciation was $48.8 million which is $8.1 million greater than budget and $6.6 million greater than FY23.
- Interest Expense is $399,000 less than prior year, attributable to reduced bond debt.
- Net Income before Capital Contributions was $45.4 million, which is $9.5 million above budget and $960,000 less than FY23 results.
- Net Position increased from prior year by $71.3 million to $712.3 million.

## 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.

## Financial Information

### Below are summarized financial statements:

***Authority's Net Position***

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Assets:** | | | |
| Current and other assets: | | | |
| Cash and investments | $ 74,522,812 | $ 63,687,796 | $ 50,938,950 |
| Receivables | 23,922,283 | 28,365,608 | 36,870,828 |
| Other assets | 57,313,784 | 63,624,489 | 49,156,851 |
| Capital assets (includes in progress) | 744,619,134 | 709,267,703 | 668,200,697 |
| Total assets | 900,378,013 | 864,945,596 | 805,167,326 |
| Deferred outflows | 6,752,692 | 6,816,502 | 7,508,487 |
| **Total Assets and Deferred Outflows** | 907,130,705 | 871,762,098 | 812,675,813 |
| **Liabilities:** | | | |
| Current Liabilities | 21,071,924 | 23,562,188 | 26,864,618 |
| Noncurrent Liabilities | | | |
| Due within one year | | | |
| Current portion of unamortized bond premiums | 525,418 | 579,993 | 757,092 |
| Loans payable from unrestricted current assets | 929,814 | 1,383,497 | |
| Bonds and loans payable from restricted current assets | 15,079,599 | 22,180,915 | 19,220,327 |
| Due in more than one year | 105,869,278 | 122,404,106 | 121,574,466 |
| Net pension liability | 26,096,653 | 28,573,911 | 27,342,388 |
| Net OPEB Liability | 41,052 | 7,854,794 | 8,240,885 |
| Total Liabilities | 169,613,738 | 206,539,404 | 203,999,776 |
| Deferred inflows (Pension & OPEB) | 12,751,797 | 5,965,681 | 8,635,585 |
| Deferred inflows ( Leases - GASB 87) | 12,499,296 | 18,293,062 | 26,439,266 |
| **Total Liabilities and Deferred Inflows** | 194,864,831 | 230,798,147 | 239,074,627 |
| **Net Position** | | | |
| Invested in capital assets, net of related debt | 624,964,983 | 559,836,360 | 516,188,751 |
| Restricted for debt service | 41,012,183 | 47,119,891 | 38,355,985 |
| Restricted for capital projects | 9,181,165 | 9,034,270 | 3,001,562 |
| Unrestricted | 37,107,543 | 24,973,430 | 16,054,888 |
| **Total Net Position** | $ 712,265,874 | $ 640,963,951 | $573,601,186 |

***Authority's Changes in Net Position***

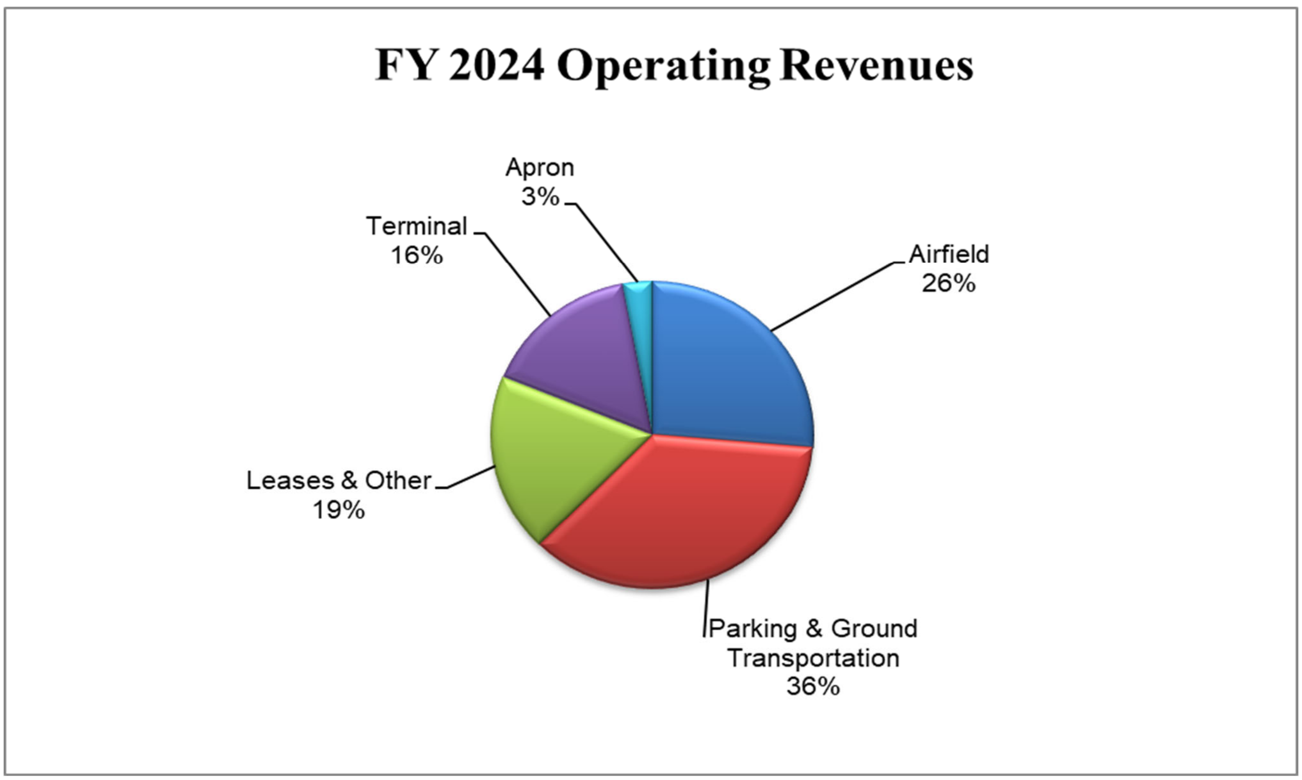
| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Operating Revenues** | $ 88,696,111 | $ 83,155,720 | $ 75,773,650 |
| **Operating Expenses** | 72,502,085 | 68,295,712 | 62,786,284 |
| **Operating Income** | 16,194,026 | 14,860,008 | 12,987,366 |
| **Non-operating Revenues (Expenses)** | 29,157,301 | 31,451,630 | 21,955,909 |
| **Income before Capital Contributions** | 45,351,327 | 46,311,638 | 34,943,275 |
| **Capital Contributions** | 25,950,596 | 21,051,127 | 15,965,312 |
| **Change in Net Position** | 71,301,923 | 67,362,765 | 50,908,587 |
| **Net Position - Beginning of year, as adjusted** | 640,963,951 | 573,601,186 | 522,692,599 |
| **Net Position - End of year** | **$ 712,265,874** | **$ 640,963,951** | **$ 573,601,186** |

## Financial Information

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

| | 2024 | | 2023 | 2022 |
|---|---|---|---|---|
| | Actual | Budget | Actual | Actual |
| **Operating Revenues** | | | | |
| Landing and field use | $ 23,359,129 | $ 22,799,596 | $ 23,484,376 | $ 23,355,759 |
| Apron area | 2,647,932 | 2,275,365 | 2,106,725 | 3,134,749 |
| Terminal Areas | 14,048,314 | 13,326,500 | 12,630,198 | 11,627,626 |
| Parking and ground transportation | 31,966,553 | 30,340,600 | 29,006,014 | 22,528,703 |
| Aviation facility and land leases | 14,873,675 | 14,421,450 | 14,319,660 | 13,664,445 |
| Non-aviation facility and land leases | 1,264,929 | 1,134,000 | 1,136,267 | 1,112,510 |
| Other | 535,579 | 395,000 | 472,480 | 349,858 |
| Total operating revenues | 88,696,111 | 84,692,511 | 83,155,720 | 75,773,650 |
| **Non-operating Revenues** | | | | |
| Passenger Facility Charge | 9,433,307 | 8,692,200 | 8,419,866 | 7,635,961 |
| Customer Contract Fee | 6,532,950 | 5,900,000 | 5,884,226 | 3,396,088 |
| Interest Income | 6,099,061 | 2,141,090 | 3,719,485 | 648,537 |
| Non-Capital Grants | 11,252,269 | 11,250,000 | 17,755,091 | 17,736,324 |
| Other | 152,021 | | 97,659 | 275,755 |
| Total Non-Operating Revenues | 33,469,608 | 27,983,290 | 35,876,327 | 29,692,665 |
| **Total Revenues** | $ 122,165,719 | $ 112,675,801 | $ 119,032,047 | $ 105,466,315 |

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

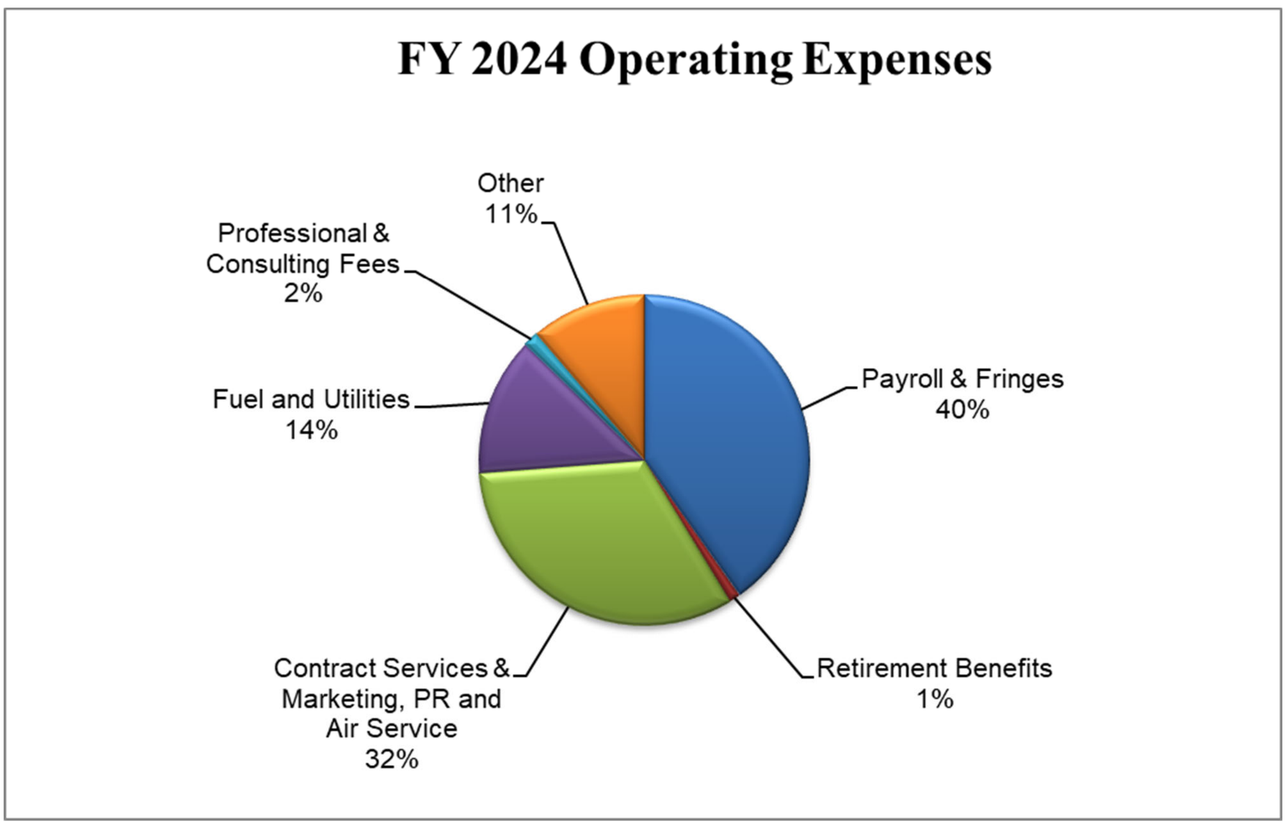


### Financial Information

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

| | 2024 | | 2023 | 2022 |
|---|---|---|---|---|
| | Actual | Budget | Actual | Actual |
| **Operating Expenses:** | | | | |
| Payroll and fringe benefits | $ 16,020,412 | $ 15,609,921 | $ 15,035,132 | $ 13,438,630 |
| Contract services, marketing and PR | 12,950,322 | 12,364,702 | 12,346,173 | 12,102,903 |
| Fuel and utilities | 5,377,402 | 5,546,000 | 5,670,544 | 5,073,201 |
| Professional and consulting fees | 615,327 | 775,750 | 718,091 | 604,400 |
| Retirement | 441,239 | 5,833,000 | 2,749,257 | 3,521,144 |
| Other | 4,459,416 | 3,833,878 | 4,358,269 | 3,365,157 |
| Total Operating Expenses before Depreciation | 39,864,118 | 43,963,251 | 40,877,466 | 38,105,435 |
| **Non-operating Expenses** | | | | |
| Interest expense | 3,988,162 | 3,994,499 | 4,387,252 | 4,670,310 |
| Net loss on disposal of assets | 324,145 | - | 37,445 | 3,066,446 |
| Total non-operating expenses | 4,312,307 | 3,994,499 | 4,424,697 | 7,736,756 |
| **Total Expenses before Depreciation** | $ 44,176,425 | $ 47,957,750 | $ 45,302,163 | $ 45,842,191 |

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



**Capital Contributions.** The Authority receives Capital Contributions routinely in the form of payments from Federal Aviation Administration (FAA) grants that are generally only available for use on eligible capital 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 FY24 the Authority recorded Capital Contributions of approximately $26.0 million for payments received or accrued primarily from FAA grants. Unused FAA grant funds awarded from FY24 remain available for use by the Authority in future years.

**Capital Assets.** During FY24, the Authority's capital spending and accruals totaled approximately $69.0 million. Major projects were the Runways & Taxiways $29.3 million; Terminal Utility Infrastructure $15.3 million; Sound Insulation and Noise Mitigation $6.0 million; Baggage Claim Equipment $3.9 million; Rental Car Improvements $3.5 million; Other Terminal & Parking Projects $4.2 million; and Other Facility Projects and Equipment Purchases $6.8 million. Fixed assets acquired and projects completed and capitalized during the year totaled approximately $113.5 million.

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 $88.5 million of which $12.5 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.

The Authority also has a loan that is to be used for PFC approved projects. As of June 30, 2024, the Authority has an outstanding balance on this loan of $25.9 million of which $3.5 million is considered a current liability. Restricted PFC funds will be used to pay the majority of this debt. The Authority also has a $40 million unsecured line of credit, payable from unrestricted funds. As of June 30, 2024, 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

Dorothy M. Caulk, CPA, CM

Director of Finance and Accounting

# Statement of Net Position

**June 30, 2024 and 2023**

| | Louisville Regional Airport Authority | | Component Unit Louisville Renaissance Zone Corporation | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents (Note 3) | $ 74,522,812 | $ 32,687,379 | $ 10,599,735 | $ 21,350,105 |
| Investments (Note 3) | - | 31,000,417 | - | 6,502,938 |
| Receivables: | | | | |
| Leases receivable (Note 15) | 8,086,868 | 7,935,344 | 1,434,237 | 229,320 |
| Grants receivable | 2,553,286 | 4,032,365 | - | - |
| Fees, rentals, and other - Net | 8,733,083 | 5,903,746 | 15,994,332 | 6,945,258 |
| Supplies and prepaid expenses | 846,454 | 762,907 | - | - |
| Restricted cash and cash equivalents (Notes 3 and 4) | 17,290,802 | 25,930,888 | - | - |
| Total current assets | 112,033,305 | 108,253,046 | 28,028,304 | 35,027,621 |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Cash and cash equivalents (Notes 3 and 4) | 39,176,528 | 31,930,693 | - | - |
| Investments (Notes 3 and 4) | - | 5,000,000 | - | - |
| Leases receivable (Note 15) | 4,549,046 | 10,494,154 | 15,807,763 | 17,242,000 |
| Fees receivable | - | - | 5,248,502 | 16,500,000 |
| Capital assets: | | | | |
| Assets not subject to depreciation (Note 5) | 357,548,618 | 401,481,777 | 18,474,416 | 20,824,231 |
| Assets subject to depreciation - Net (Note 5) | 387,070,516 | 307,785,926 | 50,972,498 | 27,285,461 |
| Total noncurrent assets | 788,344,708 | 756,692,550 | 90,503,179 | 81,851,692 |
| Total assets | 900,378,013 | 864,945,596 | 118,531,483 | 116,879,313 |
| **Deferred Outflows of Resources** | | | | |
| Deferred pension costs (Note 13) | 4,999,539 | 3,883,228 | - | - |
| Deferred OPEB costs (Note 13) | 1,753,153 | 2,933,274 | - | - |
| Total deferred outflows of resources | 6,752,692 | 6,816,502 | - | - |

See notes to financial statements.

**June 30, 2024 and 2023**

| | Louisville Regional Airport Authority | | Component Unit Louisville Renaissance Zone Corporation | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Liabilities** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 15,465,336 | $ 15,666,648 | $ 554,885 | $ 468,499 |
| Accrued liabilities and other | 1,647,807 | 2,115,183 | - | - |
| Unearned revenue | 1,740,902 | 2,019,096 | 22,450 | 46,445 |
| Accounts payable from restricted assets | 238,765 | 1,342,554 | - | - |
| Accrued interest payable from restricted assets | 1,972,438 | 2,407,420 | - | - |
| Accrued interest payable from unrestricted assets | 6,676 | 11,288 | - | - |
| Current portion of unamortized bond premiums (Note 6) | 525,418 | 579,993 | - | - |
| Loans payable from unrestricted assets (Note 6) | 929,814 | 1,383,497 | - | - |
| Bonds and loans payable from restricted assets (Note 6) | 15,079,599 | 22,180,914 | - | - |
| Total current liabilities | 37,606,755 | 47,706,593 | 577,335 | 514,944 |
| Noncurrent liabilities: | | | | |
| Bonds and loans payable and unamortized bond premium - Net of current portion (Note 6) | 100,348,804 | 116,883,632 | - | - |
| Net pension liability (Note 13) | 26,096,653 | 28,573,911 | - | - |
| Net OPEB liability (Note 13) | 41,052 | 7,854,794 | - | - |
| Other noncurrent liabilities | 5,520,474 | 5,520,474 | - | - |
| Total noncurrent liabilities | 132,006,983 | 158,832,811 | - | - |
| Total liabilities | 169,613,738 | 206,539,404 | 577,335 | 514,944 |
| **Deferred Inflows of Resources** | | | | |
| Deferred pension cost reductions (Note 13) | 3,788,293 | 2,526,779 | - | - |
| Deferred OPEB cost reductions (Note 13) | 8,963,504 | 3,438,902 | - | - |
| Lease arrangements (Note 15) | 12,499,296 | 18,293,062 | 14,903,567 | 16,611,085 |
| Total deferred inflows of resources | 25,251,093 | 24,258,743 | 14,903,567 | 16,611,085 |
| **Net Position** | | | | |
| Net investment in capital assets | 624,964,983 | 559,836,360 | 69,446,914 | 48,109,692 |
| Restricted: | | | | |
| Restricted for capital projects | 9,181,165 | 9,034,270 | - | - |
| Restricted for debt service | 41,012,183 | 47,119,891 | - | - |
| Unrestricted | 37,107,543 | 24,973,430 | 33,603,667 | 51,643,592 |
| Total net position | **$ 712,265,874** | **$ 640,963,951** | **$ 103,050,581** | **$ 99,753,284** |

See notes to financial statements.

## Statement of Revenue, Expenses, and Changes in Net Position

**Years Ended June 30, 2024 and 2023**

| | Louisville Regional Airport Authority | | Component Unit Louisville Renaissance Zone Corporation | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Operating Revenue** | | | | |
| Rentals and concessions | $ 65,336,982 | $ 59,671,344 | $ 1,894,516 | $ 1,024,975 |
| Landing and field use fees | 23,359,129 | 23,484,376 | - | - |
| TIF revenue | - | - | 2,891,671 | 5,483,751 |
| Total operating revenue | 88,696,111 | 83,155,720 | 4,786,187 | 6,508,726 |
| **Operating Expenses** | | | | |
| Operations and general maintenance | 26,352,163 | 25,846,043 | - | - |
| Administrative, general, planning, and engineering | 13,511,955 | 15,031,423 | 515,542 | 2,335,775 |
| Total operating and maintenance | 39,864,118 | 40,877,466 | 515,542 | 2,335,775 |
| Depreciation | 32,637,967 | 27,418,246 | 2,339,814 | 1,600,677 |
| Total operating expenses | 72,502,085 | 68,295,712 | 2,855,356 | 3,936,452 |
| **Operating Income** | 16,194,026 | 14,860,008 | 1,930,831 | 2,572,274 |
| **Nonoperating Revenue (Expense)** | | | | |
| Investment income - Net | 5,958,733 | 3,549,981 | 793,003 | 1,028,942 |
| Interest income - Leases | 140,328 | 169,504 | 578,191 | 240,334 |
| Interest expense | (3,988,162) | (4,387,252) | - | - |
| Passenger facility charges | 9,433,307 | 8,419,866 | - | - |
| Customer contract fees | 6,532,950 | 5,884,226 | - | - |
| Loss on disposal of assets | (324,145) | (37,445) | (4,728) | (2,385,800) |
| Nonoperating grants | 11,252,269 | 17,755,091 | - | - |
| Other revenue | 152,021 | 97,659 | - | - |
| Total nonoperating revenue (expense) | 29,157,301 | 31,451,630 | 1,366,466 | (1,116,524) |
| **Income** - Before capital contributions | 45,351,327 | 46,311,638 | 3,297,297 | 1,455,750 |
| **Capital Contributions** | 25,950,596 | 21,051,127 | - | - |
| **Change in Net Position** | 71,301,923 | 67,362,765 | 3,297,297 | 1,455,750 |
| **Net Position** - Beginning of year | 640,963,951 | 573,601,186 | 99,753,284 | 98,297,534 |
| **Net Position** - End of year | **$ 712,265,874** | **$ 640,963,951** | **$ 103,050,581** | **$ 99,753,284** |

See notes to financial statements.

# Statement of Cash Flows

**Years Ended June 30, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Receipts from customers and users | $ 85,588,398 | $ 83,369,303 |
| Payments to suppliers | (16,895,822) | (26,996,622) |
| Payments to employees | (20,286,834) | (18,545,563) |
| Net cash and cash equivalents provided by operating activities | 48,405,742 | 37,827,118 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Issuance of debt | - | 25,903,303 |
| Capital contributions | 27,429,675 | 21,234,495 |
| Passenger facility charges | 9,433,307 | 8,419,866 |
| Customer contract fees | 6,532,950 | 5,884,226 |
| Proceeds from sale of capital assets | 106,735 | 20,101 |
| Acquisition and construction of capital assets | (76,679,044) | (68,687,543) |
| Principal and interest paid on capital debt | (28,291,951) | (25,018,418) |
| Other fees and proceeds | 152,021 | 97,659 |
| Nonoperating grants | 11,252,269 | 17,755,091 |
| Interest income - Leases | 140,328 | 169,504 |
| Net cash and cash equivalents used in capital and related financing activities | (49,923,710) | (14,221,716) |
| **Cash Flows from Investing Activities** | | |
| Interest received on investments | 5,958,733 | 3,549,981 |
| Purchases of investment securities | (59,100,435) | (114,876,119) |
| Proceeds from sale and maturities of investment securities | 95,100,852 | 117,081,710 |
| Net cash and cash equivalents provided by investing activities | 41,959,150 | 5,755,572 |
| **Net Increase in Cash and Cash Equivalents** | 40,441,182 | 29,360,974 |
| **Cash and Cash Equivalents** - Beginning of year | 90,548,960 | 61,187,986 |
| **Cash and Cash Equivalents** - End of year | **$ 130,990,142** | **$ 90,548,960** |
| **Classification of Cash and Cash Equivalents** | | |
| Current cash and cash equivalents | $ 74,522,812 | $ 32,687,379 |
| Current restricted cash and cash equivalents | 17,290,802 | 25,930,888 |
| Noncurrent restricted cash and cash equivalents | 39,176,528 | 31,930,693 |
| Total cash and cash equivalents | **$ 130,990,142** | **$ 90,548,960** |

## Statement of Cash Flows (Continued)

**Years Ended June 30, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **Reconciliation of Operating Income to Net Cash from Operating Activities** | | |
| Operating income | $ 16,194,026 | $ 14,860,008 |
| Adjustments to reconcile operating income to net cash and cash equivalents from operating activities: | | |
| Depreciation | 32,637,967 | 27,418,246 |
| Changes in assets and liabilities: | | |
| Fees and rentals receivable and unearned income | (3,107,713) | 213,583 |
| Supplies and prepaid expenses | (83,547) | (61,100) |
| Accounts payable | 6,629,067 | (3,806,759) |
| Net pension or OPEB liability | (10,291,000) | 845,432 |
| Deferrals related to pension or OPEB | 6,849,926 | (1,977,919) |
| Accrued and other liabilities | (422,984) | 335,627 |
| Total adjustments | 32,211,716 | 22,967,110 |
| Net cash and cash equivalents provided by operating activities | **$ 48,405,742** | **$ 37,827,118** |

See notes to financial statements.

## 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 Louisville Metro, seven members appointed by the mayor of Louisville Metro, and three members appointed by the governor of the Commonwealth of Kentucky.

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

***Rentals and Concessions***

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

***Landing and Field Use Fees***

Landing and field use fees generally are from scheduled airlines and nonscheduled commercial aviation and are assessed based on the landed weight of the aircraft. The scheduled airline fee structure is assessed pursuant to use agreements between the Authority and signatory airlines.

***Construction and Equipment Grants***

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), with certain matching funds provided by the Authority, the Commonwealth of Kentucky, or from other state allocations or grant programs. Capital funding provided under government grants is considered revenue when all applicable eligibility requirements are met. Typically this occurs when the related allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation, and eligible long-term planning studies are reported in the statement of revenue, expenses, and changes in net position, after nonoperating revenue and expenses, as capital contributions.

## Note 2 - Significant Accounting Policies

***Reporting Entity***

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

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

## Note 2 - Significant Accounting Policies (Continued)

***Accounting and Reporting Principles***

The Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following summarizes 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, 2024 and 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.

## Note 2 - Significant Accounting Policies (Continued)

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net position reports 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 a future period.

In addition to liabilities, the statement of net position reports 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 a future period.

***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 approximately $11,252,000 of its entire allotment of ARG funding during fiscal year 2024 and approximately $17,315,000 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 allotment of ACRGP funding of approximately $438,000 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.

## 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 relevant GASB accounting standards.

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.

## Note 2 - Significant Accounting Policies (Continued)

***Upcoming Accounting Pronouncements***

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.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2025.

In May 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2026.

## 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:

| | 2024 | 2023 |
|---|---|---|
| Cash on hand | $ 328 | $ 250 |
| Deposits with financial institutions | 65,119,971 | 45,710,457 |
| Repurchase agreements and cash equivalents | 65,869,843 | 44,838,253 |
| U.S. Treasury | - | 31,000,417 |
| U.S. government agency securities | - | 5,000,000 |
| Total deposits and investments | $ 130,990,142 | $ 126,549,377 |

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

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

| | 2024 | 2023 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 74,522,812 | $ 32,687,379 |
| Investments | - | 31,000,417 |
| Restricted cash and cash equivalents | 17,290,802 | 25,930,888 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | 39,176,528 | 31,930,693 |
| Restricted investments | - | 5,000,000 |
| Total deposits and investments | $ 130,990,142 | $ 126,549,377 |

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 would not be able to recover the full value of its deposits. 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.

| | 2024 | 2023 |
|---|---|---|
| Covered by federal depository insurance | $ 500,000 | $ 745,000 |
| Uninsured and collateralized | 67,808,850 | 45,855,629 |
| Bank balance | $ 68,308,850 | $ 46,600,629 |

***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 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. The Authority did not hold any investments subject to interest rate risk at June 30, 2024.

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

***Credit Risk***

Credit risk is the risk the issuer or other counterparty to an investment will not fulfill its obligations. 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***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. 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. The Authority did not hold any investments at June 30, 2024. 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 $4,000,000 and $6,100,000 at June 30, 2024 and 2023, respectively. 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, 2024 and 2023, this reimbursement amount was approximately $4,300,000.

At June 30, 2024 and 2023, restricted assets are composed of the following:

| | 2024 | | | |
|---|---|---|---|---|
| | Current Cash and Cash Equivalents | Noncurrent Cash and Cash Equivalents | Investments | Total |
| Bond funds | $ 14,433,772 | $ 8,973,587 | $ - | $ 23,407,359 |
| Revolving debt coverage | - | 4,133,692 | - | 4,133,692 |
| Land proceeds | - | 697,545 | - | 697,545 |
| PFC funds | 2,625,781 | 17,539,112 | - | 20,164,893 |
| CCF funds | 217,367 | 2,190,605 | - | 2,407,972 |
| Other | 13,882 | 5,641,987 | - | 5,655,869 |
| Total | $ 17,290,802 | $ 39,176,528 | $ - | $ 56,467,330 |

| | 2023 | | | |
|---|---|---|---|---|
| | Current Cash and Equivalents | Noncurrent Cash and 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 | $ 25,930,888 | $ 31,930,693 | $ 5,000,000 | $ 62,861,581 |

## Note 5 - Capital Assets

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

| | Balance July 1, 2023 | Additions | Disposals and Adjustments | Balance June 30, 2024 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 310,619,887 | $ 1,114,794 | $ - | $ 311,734,681 |
| Capital projects in progress: | | | | |
| Construction projects | 87,069,285 | 69,008,862 | (114,083,987) | 41,994,160 |
| Land acquisition program | 3,792,605 | 27,172 | - | 3,819,777 |
| Total capital assets not being depreciated | 401,481,777 | 70,150,828 | (114,083,987) | 357,548,618 |
| Capital assets being depreciated: | | | | |
| Land improvements | 683,907,254 | 54,686,998 | (11,700,544) | 726,893,708 |
| Buildings | 188,745,645 | 6,409,510 | (19,760,776) | 175,394,379 |
| Utility systems | 44,050,793 | 39,885,766 | (4,219,240) | 79,717,319 |
| Equipment (excluding automotive) | 48,092,800 | 8,704,525 | (5,705,740) | 51,091,585 |
| Vehicles and automotive equipment | 18,846,003 | 2,085,243 | (1,218,287) | 19,712,959 |
| Furniture and fixtures | 6,097,692 | 581,395 | (1,059,057) | 5,620,030 |
| Total capital assets being depreciated | 989,740,187 | 112,353,437 | (43,663,644) | 1,058,429,980 |
| Accumulated depreciation: | | | | |
| Land improvements | 476,450,529 | 20,863,164 | (11,700,545) | 485,613,148 |
| Buildings | 138,775,991 | 6,028,732 | (19,348,243) | 125,456,480 |
| Utility systems | 37,544,224 | 1,061,171 | (4,200,893) | 34,404,502 |
| Equipment (excluding automotive) | 13,791,920 | 3,073,647 | (5,705,739) | 11,159,828 |
| Vehicles and automotive equipment | 11,212,477 | 1,326,205 | (1,218,287) | 11,320,395 |
| Furniture and fixtures | 4,179,120 | 285,048 | (1,059,057) | 3,405,111 |
| Total accumulated depreciation | 681,954,261 | 32,637,967 | (43,232,764) | 671,359,464 |
| Net capital assets being depreciated | 307,785,926 | 79,715,470 | (430,880) | 387,070,516 |
| Net capital assets | $ 709,267,703 | $ 149,866,298 | $ (114,514,867) | $ 744,619,134 |

## Note 5 - Capital Assets (Continued)

| | 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, runway and taxiway improvements, noise mitigation programs, a central generator, and other projects. At year end, the Authority's commitments with contractors were approximately $93,700,000.

## Note 6 - Long-term Debt

Long-term debt activity for the years ended June 30, 2024 and 2023 can be summarized as follows:

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
| Bonds and loans payable: | | | | | |
| Direct borrowings and direct placements - PFC-backed loan | $ 29,411,765 | $ - | $ (3,529,410) | $ 25,882,355 | $ 3,529,412 |
| Other debt - Revenue bonds | 108,550,000 | - | (20,035,000) | 88,515,000 | 12,480,000 |
| Unamortized bond premiums | 3,066,271 | - | (579,991) | 2,486,280 | 525,418 |
| Total bonds and loans payable | $ 141,028,036 | $ - | $ (24,144,401) | $ 116,883,635 | $ 16,534,830 |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | 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 other debt | $ 135,610,061 | $ 25,903,303 | $ (20,485,328) | $ 141,028,036 | $ 24,144,404 |

***PFC-backed Loan***

The Authority has a privately placed draw loan with a financial institution with a 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 (PFC) or for which the Authority intends to seek such FAA authorization. Beginning in May 2023, the Authority began making monthly principal payments 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, 2024 and 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 its revenue bonds. 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. Principal and interest paid and total net revenue for the 2024 fiscal year were approximately $24,400,000 and $48,800,000, respectively. Principal and interest paid and total net revenue for the 2023 fiscal year were approximately $24,300,000 and $42,300,000, respectively.

## 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, 2024 and 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, 2024 and 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 at June 30, 2024 | Outstanding at June 30, 2023 |
|---|---|---|---|---|
| 2014 Series A Revenue Bonds, various annual principal payments | 2% to 5% | July 1, 2032 | $ 40,075,000 | $ 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 | 48,440,000 | 56,975,000 |
| Total revenue bonds payable | | | 88,515,000 | 108,550,000 |
| Less current portion | | | (12,480,000) | (20,035,000) |
| Total long-term bonds payable | | | $ 76,035,000 | $ 88,515,000 |

### *Debt Service Requirements to Maturity*

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

| | Direct Borrowings and Direct Placements | | Other Debt | | |
|---|---|---|---|---|---|
| Years Ending June 30 | Principal | Interest | Principal | Interest | Total |
| 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 | 11,764,707 | 90,179 | 7,510,000 | 1,797,427 | 21,162,313 |
| 2030-2034 | - | - | 32,155,000 | 3,572,351 | 35,727,351 |
| 2035-2039 | - | - | 3,035,000 | 361,524 | 3,396,524 |
| Total | $ 25,882,355 | $ 1,899,295 | $ 88,515,000 | $ 17,214,224 | $ 133,510,874 |

### *Line of Credit*

The Authority has a line of credit in the amount of $40,000,000. No draws have been made on the line of credit.

## Note 7 - Contingent Liabilities

***Part 150 Land Acquisition Program***

The Authority acquires 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 $28,000,000. This program was initially funded partially by a special grant from the FAA of $10,000,000, 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 approximately $294,000,000. This includes costs of residences acquired, replacement housing payments, demolition, and other related costs. At June 30, 2024 and 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 approximately $9,800,000 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.

From 2003 to 2023, the Authority entered into a series of deeds that transferred property to the Commonwealth valued at approximately $29,000,000. The entire amount of these transfers reduced the related liability to approximately $1,200,000. The Authority expects to transfer additional property in the future, as specified by the Commonwealth of Kentucky, in order to satisfy the remaining obligations.

## Note 7 - Contingent Liabilities (Continued)

***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

The Authority entered into a parking management concession agreement with a third-party transportation company to operate and collect user fees from the parking facilities and operate shuttle bus services. The third party was required to provide a minimum capital investment of $1,500,000. Under this agreement, as amended, the third party pays the Authority a minimum annual guarantee of $1,000,000 and a range from $7,000,000 to $13,500,000 based on enplanements through 2029. 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, 2024 and 2023.

## 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, 2024 and 2023, the Facility Bonds outstanding aggregated $191,400,000.

## Note 10 - Passenger Facility Charges

The Aviation and Capacity Expansion Act of 1990 authorized domestic airports to impose a passenger facility charge 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 $169,614,880 to be applied as follows:

| | |
|---|---|
| For direct payment on capital project costs | $ 84,674,377 |
| To be applied to the debt service and related costs on bonds issued to finance PFC-approved project costs | 84,940,503 |
| Total | $ 169,614,880 |

During the years ended June 30, 2024 and 2023, the Authority recognized passenger facility charge revenue of approximately $9,433,000 and $8,420,000, respectively.

## Note 11 - Major Customer

During fiscal year 2024 and 2023, the Authority earned approximately 25 and 27 percent, respectively, 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 approximately $344,000 and $355,000 for the years ended June 30, 2024 and 2023, respectively.

***Contributory Plans***

The Authority also sponsors a 401(k) plan for substantially all employees. The plan provides for employees to defer a portion of their salary until future years. The plan is administered by KPEDCA. Employee contributions to the 401(k) plan totaled approximately $277,000 and $308,000 for the years ended June 30, 2024 and 2023, respectively. The Authority also offers a 401(a) plan to which it provides matching contributions. The Authority will contribute 50 percent of employee contributions to both the 401(k) and 457 plans 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 $354,000 and $352,000 for the years ended June 30, 2024 and 2023, respectively.

## 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.

***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.

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

***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.

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.

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

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.

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

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

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.

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

Eligibility: Recipient of a retirement allowance

Benefit: Fixed percentage of health insurance premium for non-hazardous members only and hazardous members and dependents based on years of service:

| Service Credit | Percent of Premium Paid |
|---|---|
| Less than 4 years | 0% |
| 4 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

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

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.

The Authority's contractually required contribution rate for the years ended June 30, 2024 and 2023 were 23.34 percent (23.34 percent allocated to pension and 0 percent allocated to OPEB) and 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 years ended June 30, 2024 and 2023 was 43.69 percent (41.11 percent allocated to pension and 2.58 percent allocated to OPEB) and 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 approximately $3,482,000 ($3,402,000 related to pension and $80,000 related to OPEB) and approximately $3,454,000 ($3,004,000 related to pension and $450,000 related to OPEB) for the years ended June 30, 2024 and 2023, respectively. The OPEB contributions amount does not include the implicit subsidy reported in the amount of approximately $121,000 and $220,000 for 2024 and 2023, respectively.

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.

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

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, 2024 for both plans was determined by an actuarial valuation as of June 30, 2022, which used update procedures to roll forward the estimated liability to June 30, 2023. The total pension liability 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 approximately $26,097,000 and $28,574,000 as of June 30, 2024 and 2023, respectively. The Authority's proportionate share of the CERS plan was approximately 0.277 percent for non-hazardous and 0.309 percent for hazardous service employees at June 30, 2024 and 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 years ended June 30, 2024 and 2023, the Authority recognized pension expense of approximately $785,000 ($457,000 for non-hazardous and $328,000 for hazardous service employees) and approximately $1,487,000 ($1,141,000 for non-hazardous and $346,000 for hazardous service employees), respectively, from all plans.

## 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:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 1,300,487 | $ 48,245 | $ 278,256 | $ 174,545 |
| Changes in assumptions | - | 2,278,715 | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 325,869 | 709,745 | - |
| Changes in proportionate share or difference between amount contributed and proportionate share of contributions | 551,289 | 1,135,464 | 55,285 | 2,352,234 |
| Total included in future pension expense | 1,851,776 | 3,788,293 | 1,043,286 | 2,526,779 |
| Employer contributions to the plan subsequent to the measurement date | 3,147,763 | - | 2,839,942 | - |
| Total | $ 4,999,539 | $ 3,788,293 | $ 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 |
|---|---|
| 2025 | $ (1,100,314) |
| 2026 | (1,024,945) |
| 2027 | 434,963 |
| 2028 | (246,221) |
| Total | $ (1,936,517) |

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

***Net OPEB Liability***

At June 30, 2024, the Authority reported a liability of approximately $41,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022, which used update procedures to roll forward the estimated liability to June 30, 2023. The Authority's proportion of the net OPEB liability was based on the Authority's actuarially required contribution for the year ended June 30, 2023 relative to all other contributing employers. At June 30, 2024, the Authority’s proportion was 0.277 percent for non-hazardous and 0.309 percent for hazardous, which was an increase of 0.006 percent for the Authority's non-hazardous proportion and an increase of 0.015 percent for the hazardous proportion measured as of June 30, 2022.

At June 30, 2023, the Authority reported a liability of approximately $7,855,000 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.

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

For the years ended June 30, 2024 and 2023, the Authority recognized OPEB expense of approximately $1,052,000 ($809,000 for non-hazardous and $243,000 for hazardous service employees) and approximately $882,000 ($719,000 for non-hazardous and $163,000 for hazardous service employees), respectively.

## 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 OPEB from the following sources:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 304,593 | $ 7,168,543 | $ 593,853 | $ 1,375,197 |
| Changes in assumptions | 1,040,670 | 964,959 | 1,264,264 | 1,128,207 |
| Net difference between projected and actual earnings on pension plan investments | - | 146,925 | 308,566 | - |
| Changes in proportionate share or difference between amount contributed and proportionate share of contributions | 222,508 | 683,077 | 96,664 | 935,498 |
| Total included in future OPEB expense | 1,567,771 | 8,963,504 | 2,263,347 | 3,438,902 |
| Employer contributions to the plan subsequent to the measurement date | 185,382 | - | 669,927 | - |
| Total | $ 1,753,153 | $ 8,963,504 | $ 2,933,274 | $ 3,438,902 |

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 |
|---|---|
| 2025 | $ (1,784,220) |
| 2026 | (2,177,468) |
| 2027 | (1,603,253) |
| 2028 | (1,546,662) |
| 2029 | (284,130) |
| Total | $ (7,395,733) |

## 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:

| | 2024 | | | |
|---|---|---|---|---|
| | Non-hazardous Retirement Fund | Hazardous Retirement Fund | Non-hazardous Insurance Fund | Hazardous Insurance Fund |
| Inflation | 2.50% | 2.50% | 2.50% | 2.50% |
| 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) | 6.50% | 6.50% | 6.50% | 6.50% |
| Mortality rates - Active members | Pub-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010 | Pub-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010 | Pub-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010 | Pub-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010 |
| Mortality rates - Healthy retired members | System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 | System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 | System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 | System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 |
| Mortality rates - Disabled members | PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010 | PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010 | PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010 | PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 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 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years | Initial trend starting at 6.80% at January 1, 2025 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 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years | Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years |

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

| | 2023 | | | |
|---|---|---|---|---|
| | 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, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2018 through June 30, 2022. 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.

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

***Discount Rate***

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

The discount rates of 6.50 and 6.25 percent used to measure the total pension liability at June 30, 2024 and 2023, respectively, were determined after considering a projection of the cash flows to determine whether the future contributions over the remaining 26-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.

***<u>Non-hazardous and Hazardous Insurance Fund</u>***

The discount rates of 5.93 percent for non-hazardous and 5.97 percent for hazardous at June 30, 2023 and 5.70 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 26-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, 2023 discount rate determination used an expected rate of return of 6.50 percent and a municipal bond rate of 3.86 percent, as reported in Fidelity Index’s 20-Year Municipal GO AA Index as of June 30, 2023. 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 2018 through 2022, is outlined in a report dated May 9, 2023. 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.

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

***Investment Rate of Return***

Best estimates of arithmetic real rates of return as of the June 30, 2023 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 % | 5.90 % |
| Private equity | 10.00 | 11.73 |
| Core fixed income | 10.00 | 2.45 |
| Specialty credit | 10.00 | 3.65 |
| Real estate | 7.00 | 4.99 |
| Real return | 13.00 | 5.15 |

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 |

***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, 2024 and 2023, calculated using the discount rates of 6.50 percent and 6.25 percent, respectively, 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:

| | 2024 | | |
|---|---|---|---|
| | 1 Percentage Point Decrease (5.50%) | Current Discount Rate (6.50%) | 1 Percentage Point Increase (7.50%) |
| Net pension liability of the Non-hazardous Retirement Fund | $ 22,416,507 | $ 17,754,800 | $ 13,880,745 |
| Net pension liability of the Hazardous Retirement Fund | 10,533,580 | 8,341,853 | 6,551,709 |
| Total | $ 32,950,087 | $ 26,096,653 | $ 20,432,454 |

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

| | 2023 | | |
|---|---|---|---|
| | 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 | $ 35,676,042 | $ 28,573,911 | $ 22,727,735 |

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

The following presents the net OPEB liability of the Authority's Non-hazardous Insurance Fund and Hazardous Insurance Fund as of June 30, 2024, calculated using the discount rate of 5.93 percent and 5.97 percent, respectively, as well as what the Authority's net OPEB liability (asset) 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:

| | 2024 | | |
|---|---|---|---|
| | 1 Percentage Point Decrease | Current Discount Rate | 1 Percentage Point Increase |
| Net OPEB liability (asset) of the Non-hazardous Insurance Fund | $ 716,909 | $ (382,022) | $ (1,302,243) |
| Net OPEB liability (asset) of the Hazardous Insurance Fund | 1,069,692 | 423,074 | (115,955) |
| Total | $ 1,786,601 | $ 41,052 | $ (1,418,198) |

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 the discount rate 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:

| | 2023 | | |
|---|---|---|---|
| | 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 | $ 10,632,444 | $ 7,854,794 | $ 5,572,731 |

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

***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, 2024 and 2023, calculated using the health care cost trend rate, as well as what the Authority's net OPEB (asset) 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:

| | 2024 | | |
|---|---|---|---|
| | 1 Percentage Point Decrease | Current Health Care Cost Trend Rate | 1 Percentage Point Increase |
| Net OPEB (asset) liability of the Non-hazardous Insurance Fund | $ (1,224,448) | $ (382,022) | $ 652,818 |
| Net OPEB liability of the Hazardous Insurance Fund | 4,820 | 423,074 | 928,202 |
| Total | $ (1,219,628) | $ 41,052 | $ 1,581,020 |

| | 2023 | | |
|---|---|---|---|
| | 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 | $ 5,726,665 | $ 7,854,794 | $ 10,423,983 |

## 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 5.70 percent to 5.93 percent.
- The discount rate for the Hazardous Insurance Fund increased from 5.61 percent to 5.97 percent.
- The inflation rate for all funds increased from 2.30 percent to 2.50 percent.
- The investment rate of return increased from 6.25 percent to 6.50 percent.
- The mortality rates for active members changed from the MP-2014 improvement scale using a base year of 2010 to the MP-2020 improvement scale using a base year of 2010.
- The mortality rates for retired members changed from a 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 to a system-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
- The mortality rates for disabled members changed from the Pub-2010 Disabled Mortality table, 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 to the PUB-2010 Disabled Mortality table, with rates multiplied by 150 percent for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

## 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 $39,000 for eight employees during 2024 and $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.

## Note 15 - Leases (Continued)

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. Lease fees based on sales are calculated as a percentage of gross revenue and vary 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:

- 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.
- For the fiscal years ended June 30, 2024 and 2023, all leases with associated receivables are based on fixed payments and do not have variable payment components included in the receivable.

During the years ended June 30, 2024 and 2023, the Authority recognized the following related to its lessor agreements:

| | 2024 | 2023 |
|---|---|---|
| Lease revenue | $ 8,079,761 | $ 8,201,869 |
| Interest income related to its leases | $ 140,328 | $ 169,504 |
| Revenue from variable payments not previously included in the measurement of the lease receivable | $ 10,027,104 | $ 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, 2024 are as follows:

| Years Ending | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 8,086,868 | $ 128,735 | $ 8,215,603 |
| 2026 | 2,403,104 | 77,127 | 2,480,231 |
| 2027 | 626,562 | 57,666 | 684,228 |
| 2028 | 475,621 | 41,286 | 516,907 |
| 2029 | 318,021 | 26,377 | 344,398 |
| 2030-2034 | 320,282 | 90,655 | 410,937 |
| 2035-2039 | 376,793 | 34,013 | 410,806 |
| 2040-2044 | 28,663 | 108 | 28,771 |
| Total | $ 12,635,914 | $ 455,967 | $ 13,091,881 |

## Note 15 - Leases (Continued)

***Regulated Leases***

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 accounting standards. 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 years ended June 30, 2024 and 2023, the Authority recognized the following from regulated leases:

| | 2024 | 2023 |
|---|---|---|
| Lease revenue | $ 11,112,600 | $ 10,314,877 |
| Revenue from variable payments excluded from the schedule of expected future minimum payments | $ 34,936,582 | $ 34,581,684 |

Future expected minimum payments related to the Authority's regulated leases at June 30, 2024 are as follows:

| Years Ending | Amount |
|---|---|
| 2025 | $ 9,538,904 |
| 2026 | 9,483,717 |
| 2027 | 9,581,676 |
| 2028 | 9,477,170 |
| 2029 | 9,260,274 |
| 2030-2034 | 44,319,514 |
| 2035-2039 | 27,719,290 |
| 2040-2044 | 1,986,388 |
| 2045-2049 | 385,955 |
| 2050-2054 | 186,545 |
| Total | $ 121,939,433 |

Most of these leases do not contain 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's board. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within the Corporation.

## Note 16 - Louisville Renaissance Zone Corporation (Continued)

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, serving as the agency of tax increment financing (TIF), 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 Metro 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 received approval for an initial project totaling $41,700,000 primarily for land acquisition and infrastructure improvements. The Corporation subsequently received approval for an additional project totaling approximately $40,200,000, as amended. Under the TIF agreements, approved projects were to be completed by December 31, 2023.

***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, 2024, fees receivable include TIF revenue calculated based on actual project costs through December 31, 2023 not yet recovered through prior TIF payments. The TIF receivables recognized are limited to the eligible spending incurred by the Corporation through December 31, 2023. 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, 2024, management has estimated all amounts to be fully collectible.

## Note 16 - Louisville Renaissance Zone Corporation (Continued)

***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.

***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.

## Note 16 - Louisville Renaissance Zone Corporation (Continued)

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 would not be able to recover the full value of its deposits. 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.

| | 2024 | 2023 |
|---|---|---|
| Covered by federal depository insurance | $ 500,000 | $ 250,000 |
| Uninsured and collateralized | 3,357,923 | 17,404,014 |
| Bank balance | $ 3,857,923 | $ 17,654,014 |

***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, 2024 and 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***

Credit risk is the risk the issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's investment policy minimizes credit risk by investing only in investments allowed by the Kentucky Revised Statute 66.480.

## Note 16 - Louisville Renaissance Zone Corporation (Continued)

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer. 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, 2024, the Corporation was not invested in U.S. government agency obligations, as all of the Corporation funds were held as cash and cash equivalents. 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 years ended June 30, 2024 and 2023 was as follows:

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Beginning Balance | Increases | Decreases | Ending Balance | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets not being depreciated: | | | | | | | | |
| Land | $ 13,135,112 | $ - | $ 13,496 | $ 13,148,608 | $ 9,108,156 | $ 4,026,956 | $ - | $ 13,135,112 |
| Construction projects | 7,689,119 | 23,677,036 | (26,040,347) | 5,325,808 | 22,301,093 | 5,051,346 | (19,663,320) | 7,689,119 |
| Total capital assets not being depreciated | 20,824,231 | 23,677,036 | (26,026,851) | 18,474,416 | 31,409,249 | 9,078,302 | (19,663,320) | 20,824,231 |
| Capital assets being depreciated: | | | | | | | | |
| Land improvements | 22,645,581 | 26,026,851 | - | 48,672,432 | 22,370,989 | 274,592 | - | 22,645,581 |
| Buildings | 12,975,970 | - | - | 12,975,970 | - | 12,975,970 | - | 12,975,970 |
| Utility systems | 5,688,264 | - | - | 5,688,264 | 5,688,264 | - | - | 5,688,264 |
| Total capital assets being depreciated | 41,309,815 | 26,026,851 | - | 67,336,666 | 28,059,253 | 13,250,562 | - | 41,309,815 |
| Accumulated depreciation: | | | | | | | | |
| Land improvements | (11,516,883) | (1,363,379) | - | (12,880,262) | (10,297,910) | (1,218,973) | - | (11,516,883) |
| Buildings | (54,067) | (648,798) | - | (702,865) | - | (54,067) | - | (54,067) |
| Utility systems | (2,453,404) | (327,637) | - | (2,781,041) | (2,125,767) | (327,637) | - | (2,453,404) |
| Total accumulated depreciation | (14,024,354) | (2,339,814) | - | (16,364,168) | (12,423,677) | (1,600,677) | - | (14,024,354) |
| Net capital assets being depreciated | 27,285,461 | 23,687,037 | - | 50,972,498 | 15,635,576 | 11,649,885 | - | 27,285,461 |
| Net capital assets | $ 48,109,692 | $ 47,364,073 | $ (26,026,851) | $ 69,446,914 | $ 47,044,825 | $ 20,728,187 | $ (19,663,320) | $ 48,109,692 |

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 $2,400,000.

***Construction Commitments***

The Corporation has active construction projects at year end. The projects primarily include sanitary sewer extension - South Park Road, Universal Way reconstruction, Air Commerce Drive reconstruction, and warehouse development. At year end, the Corporation's commitments with contractors were approximately $1,300,000.

## Note 16 - Louisville Renaissance Zone Corporation (Continued)

***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:

- 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.
- For the fiscal years ended June 30, 2024 and 2023, all leases with associated receivables are based on fixed payments and do not have variable payment components included in the receivable.

During the years ended June 30, 2024 and 2023, the Corporation recognized the following related to its lessor agreements:

| | 2024 | 2023 |
|---|---|---|
| Lease revenue | $ 1,707,217 | $ 829,853 |
| Interest income related to its leases | $ 578,191 | $ 240,334 |
| Revenue from variable payments not previously included in the measurement of the lease receivable | $ 51,988 | $ 42,344 |

Future principal and interest payment requirements related to the Corporation's lease receivable at June 30, 2024 are as follows:

| Years Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 1,434,237 | $ 547,894 | $ 1,982,131 |
| 2026 | 1,536,453 | 503,116 | 2,039,569 |
| 2027 | 1,523,245 | 454,971 | 1,978,216 |
| 2028 | 1,531,038 | 404,167 | 1,935,205 |
| 2029 | 1,652,854 | 349,890 | 2,002,744 |
| 2030-2034 | 9,564,173 | 783,543 | 10,347,716 |
| Total | $ 17,242,000 | $ 3,043,581 | $ 20,285,581 |

## 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

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

**Last Ten Fiscal Years**

**Fiscal Years Ended June 30**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Authority's proportion of the net pension liability | 0.27700 % | 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 | $ 17,754,800 | $ 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 | $ 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 | $ 6,300,048 |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 214.87 % | 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 | 57.48 % | 52.42 % | 57.33 % | 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.

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

**Last Ten Fiscal Years**

**Fiscal Years Ended June 30**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Authority's proportion of the net pension liability | 0.30900 % | 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 | $ 8,341,853 | $ 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 | $ 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 | $ 2,111,137 |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 394.01 % | 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 | 52.96 % | 47.11 % | 52.26 % | 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.

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

**Last Seven Fiscal Years**

**Fiscal Years Ended June 30**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Authority's proportion of the net OPEB (asset) liability | 0.27700 % | 0.27100 % | 0.28300 % | 0.30500 % | 0.29000 % | 0.28900 % | 0.40500 % |
| Authority's proportionate share of the net OPEB (asset) liability | $ (382,022) | $ 5,349,820 | $ 5,419,482 | $ 7,365,571 | $ 4,883,590 | $ 5,131,937 | $ 5,769,822 |
| 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 |
| Authority's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | (4.62)% | 71.22 % | 75.11 % | 94.08 % | 65.61 % | 71.76 % | 81.31 % |
| Plan fiduciary net position as a percentage of total OPEB liability | 104.23 % | 60.95 % | 62.91 % | 51.67 % | 60.44 % | 57.62 % | 52.39 % |

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

See notes to required supplementary information.

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

**Last Seven Fiscal Years**

**Fiscal Years Ended June 30**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Authority's proportion of the net OPEB liability | 0.30900 % | 0.29400 % | 0.34900 % | 0.34900 % | 0.37100 % | 0.36800 % | 0.41400 % |
| Authority's proportionate share of the net OPEB liability | $ 423,074 | $ 2,504,974 | $ 2,821,403 | $ 3,224,482 | $ 2,743,245 | $ 2,626,892 | $ 3,424,264 |
| 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 |
| Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll | 19.98 % | 131.16 % | 135.21 % | 157.64 % | 129.48 % | 127.85 % | 140.45 % |
| Plan fiduciary net position as a percentage of total OPEB liability | 92.27 % | 64.13 % | 66.81 % | 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.

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

**Last Ten Fiscal Years**

**Years Ended June 30**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 2,130,072 | $ 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 | 2,130,072 | 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** | $ 9,126,270 | $ 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** | 23.34 % | 23.40 % | 21.17 % | 19.30 % | 19.30 % | 16.22 % | 14.48 % | 13.95 % | 12.42 % | 12.75 % |

See notes to required supplementary information.

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

**Last Ten Fiscal Years**

**Years Ended June 30**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 1,017,691 | $ 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 | 1,017,691 | 906,349 | 646,669 | 627,245 | 614,871 | 526,684 | 456,137 | 529,300 | 451,576 | 450,973 |
| **Contribution Excess** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Authority's Covered Payroll** | $ 2,475,532 | $ 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** | 41.11 % | 42.81 % | 24.87 % | 24.87 % | 24.87 % | 24.87 % | 22.20 % | 21.71 % | 20.26 % | 20.73 % |

See notes to required supplementary information.

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

**Last Seven Fiscal Years**

**Years Ended June 30**

| | 2024 | 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** | $ 9,126,270 | $ 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 % |

See notes to required supplementary information.

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

**Last Seven Fiscal Years**

**Years Ended June 30**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 63,869 | $ 143,542 | $ 199,959 | $ 198,649 | $ 194,730 | $ 221,818 | $ 192,112 |
| Contributions in relation to the statutorily required contribution | 63,869 | 143,542 | 199,959 | 198,649 | 194,730 | 221,818 | 192,112 |
| **Contribution Excess** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Authority's Covered Payroll** | $ 2,475,532 | $ 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** | 2.58 % | 6.78 % | 10.47 % | 9.52 % | 9.52 % | 10.47 % | 9.35 % |

See notes to required supplementary information.

***Pension Information***

***Benefit Changes***

During the 2023 legislative session, House Bill 506 was enacted, which reinstated the partial lump-sum option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

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 2022 valuation, which is used to determine the Authority's proportionate share of the net pension liability at June 30, 2023, updated certain assumptions based on the 2022 Experience Study. The inflation rate increased from 2.30 percent to 2.50 percent and the investment rate of return increased from 6.25 percent to 6.50 percent. Further, the mortality rates for active members changed from the MP-2014 improvement scale using a base year of 2010 to the MP-2020 improvement scale using a base year of 2010. The mortality rates for retired members changed from a 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 to a system-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality rates for disabled members changed from the Pub-2010 Disabled Mortality table, 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 to the PUB-2010 Disabled Mortality table, with rates multiplied by 150 percent for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

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.

***OPEB Information***

***Benefit Changes***

During the 2023 legislative session, House Bill 506 was enacted, which reinstated the partial lump-sum option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

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 2022 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 5.70 to 5.93 percent for the Non-hazardous Insurance Fund and 5.61 percent to 5.97 percent for the Hazardous Insurance Fund. In addition, the inflation rate increased from 2.30 percent to 2.50 percent and the investment rate of return increased from 6.25 percent to 6.50 percent. Further, the mortality rates for active members changed from the MP-2014 improvement scale using a base year of 2010 to the MP-2020 improvement scale using a base year of 2010. The mortality rates for retired members changed from a 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 to a system-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality rates for disabled members changed from the Pub-2010 Disabled Mortality table, 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 to the PUB-2010 Disabled Mortality table, with rates multiplied by 150 percent for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The 2021 valuation, which is used to determine the Authority's proportionate share of the net OPEB liability at June 30, 2022, 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.

# Supplementary Information

## Louisville Regional Airport Authority

# Combining Schedule of Revenues, Expenses and Changes in Net Postion

### Years Ended June 30, 2024 and 2023

| | 2024 | | | 2023 Total |
|---|---|---|---|---|
| | Louisville International | Bowman Field | Total | |
| **Operating revenues** | | | | |
| Landing and field use fees | $ 23,359,129 | $ - | $ 23,359,129 | $ 23,484,376 |
| Apron area | 2,581,731 | 66,200 | 2,647,931 | 2,106,725 |
| Terminal area | 13,860,467 | 187,850 | 14,048,317 | 12,630,198 |
| Parking and ground transportation | 31,966,553 | - | 31,966,553 | 29,006,014 |
| Aviation related facility and land leases | 13,290,423 | 1,668,885 | 14,959,308 | 14,319,660 |
| Non-aviation related facility and land leases | 1,179,297 | - | 1,179,297 | 1,136,267 |
| Airport services and other revenue | 479,660 | 55,916 | 535,576 | 472,480 |
| Total operating revenues | 86,717,260 | 1,978,851 | 88,696,111 | 83,155,720 |
| **Operating expenses** | | | | |
| Operations and general maintenance | | | | |
| Salaries, wages | 9,768,396 | 552,090 | 10,320,486 | 9,817,945 |
| Contracts | 8,389,767 | 122,928 | 8,512,695 | 8,246,929 |
| Utilities and fuel supplies | 4,749,654 | 627,748 | 5,377,402 | 5,670,545 |
| Supplies and other | 2,602,355 | 180,427 | 2,782,782 | 2,742,425 |
| Reimbursed costs | (641,202) | - | (641,202) | (631,801) |
| Total operations and general maintenance | 24,868,970 | 1,483,193 | 26,352,163 | 25,846,043 |
| Administrative, general, planning and engineering | 13,416,242 | 95,713 | 13,511,955 | 15,031,423 |
| Total operating expenses before depreciation | 38,285,212 | 1,578,906 | 39,864,118 | 40,877,466 |
| Depreciation and amortization | 30,368,856 | 2,269,111 | 32,637,967 | 27,418,246 |
| Total operating expenses | 68,654,068 | 3,848,017 | 72,502,085 | 68,295,712 |
| **Operating income (loss)** | 18,063,192 | (1,869,166) | 16,194,026 | 14,860,008 |
| **Non-operating revenues (expenses) and capital contributions** | | | | |
| Investment earning - Net | 5,955,916 | 2,817 | 5,958,733 | 3,549,981 |
| Interest income - Leases | 136,301 | 4,027 | 140,328 | 169,504 |
| Interest expense | (3,988,162) | - | (3,988,162) | (4,387,252) |
| Passenger facility charge | 9,433,307 | - | 9,433,307 | 8,419,866 |
| Customer contract fees | 6,532,950 | - | 6,532,950 | 5,884,226 |
| Net income (loss) on disposal of assets | (322,351) | (1,794) | (324,145) | (37,445) |
| Nonoperating grants | 11,252,269 | - | 11,252,269 | 17,755,091 |
| Other revenues | 152,021 | - | 152,021 | 97,659 |
| Capital contributions | 25,578,260 | 372,336 | 25,950,596 | 21,051,127 |
| Net non-operating revenues and capital contributions | 54,730,511 | 377,386 | 55,107,897 | 52,502,757 |
| **Changes in net position** | $ 72,793,703 | $ (1,491,780) | $ 71,301,923 | $ 67,362,765 |

## Schedule of Airport Property, Facilities and Equipment

**Year Ended June 30, 2024**

| | Cost | | | | | Accumulated Depreciation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance July 1, 2023 | Additions | Retirements | Tranfers/ Adjustments | Balance June 30, 2024 | Balance July 1, 2023 | Provisions | Retirements/ Adjustments | Balance June 30, 2024 | Net Balance June 30, 2024 |
| **Louisville International Airport** | | | | | | | | | | |
| Land | $ 307,228,115 | $ - | $ - | $ 1,079,324 | $ 308,307,439 | $ - | $ - | $ - | $ - | $ 308,307,439 |
| Land Improvements - runways, taxiways, and aprons | $ 499,794,522 | $ - | $ (2,615,059) | $ 47,038,420 | $ 544,217,883 | $ 352,592,610 | $ 13,963,996 | $ (2,615,059) | $ 363,941,547 | $ 180,276,336 |
| Land improvements - ground transportation and other | $ 152,658,571 | $ - | $ (5,060,732) | $ 4,131,913 | $ 151,729,752 | $ 105,639,116 | $ 5,036,304 | $ (5,060,732) | $ 105,614,688 | $ 46,115,064 |
| Buildings | $ 172,617,226 | $ - | $ (18,963,883) | $ 6,204,532 | $ 159,857,875 | $ 124,937,274 | $ 5,698,353 | $ (18,553,144) | $ 112,082,483 | $ 47,775,392 |
| Utility systems | $ 43,300,916 | $ - | $ (4,219,240) | $ 39,885,766 | $ 78,967,442 | $ 37,294,280 | $ 1,028,750 | $ (4,200,893) | $ 34,122,137 | $ 44,845,305 |
| Equipment (excluding automotive) | $ 47,806,332 | $ - | $ (5,670,289) | $ 8,704,525 | $ 50,840,568 | $ 13,567,860 | $ 3,062,955 | $ (5,670,289) | $ 10,960,526 | $ 39,880,042 |
| Vehicles and automotive equipment | $ 18,065,874 | $ - | $ (1,218,287) | $ 2,085,243 | $ 18,932,830 | $ 10,636,465 | $ 1,293,450 | $ (1,218,287) | $ 10,711,628 | $ 8,221,202 |
| Furniture and fixtures | $ 6,097,692 | $ - | $ (1,059,057) | $ 581,395 | $ 5,620,030 | $ 4,179,120 | $ 285,048 | $ (1,059,057) | $ 3,405,111 | $ 2,214,919 |
| Capital projects in progress | $ 87,702,915 | $ 67,355,026 | $ - | $ (110,280,241) | $ 44,777,700 | $ - | $ - | $ - | $ - | $ 44,777,700 |
| Total Louisville International Airport | $ 1,335,272,163 | $ 67,355,026 | $ (38,806,547) | $ (569,122) | $ 1,363,251,519 | $ 648,846,725 | $ 30,368,856 | $ (38,377,461) | $ 640,838,120 | $ 722,413,399 |
| **Bowman Field** | | | | | | | | | | |
| Land | $ 3,391,772 | $ - | $ - | $ 35,470 | $ 3,427,242 | $ - | $ - | $ - | $ - | $ 3,427,242 |
| Land Improvements - runways, taxiways, and aprons | $ 30,828,188 | $ - | $ (4,024,753) | $ 3,516,665 | $ 30,320,100 | $ 17,628,864 | $ 1,845,488 | $ (4,024,754) | $ 15,449,598 | $ 14,870,502 |
| Land improvements - ground transportation and other | $ 625,973 | $ - | $ - | $ - | $ 625,973 | $ 589,939 | $ 17,376 | $ - | $ 607,315 | $ 18,658 |
| Buildings | $ 16,128,419 | $ - | $ (796,893) | $ 204,978 | $ 15,536,504 | $ 13,838,717 | $ 330,379 | $ (795,099) | $ 13,373,997 | $ 2,162,507 |
| Utility systems | $ 749,877 | $ - | $ - | $ - | $ 749,877 | $ 249,944 | $ 32,421 | $ - | $ 282,365 | $ 467,512 |
| Equipment (excluding automotive) | $ 286,468 | $ - | $ (35,451) | $ - | $ 251,017 | $ 224,060 | $ 10,692 | $ (35,450) | $ 199,302 | $ 51,715 |
| Vehicles and automotive equipment | $ 780,129 | $ - | $ - | $ - | $ 780,129 | $ 576,012 | $ 32,755 | $ - | $ 608,767 | $ 171,362 |
| Capital projects in progress | $ 3,158,975 | $ 1,681,008 | $ - | $ (3,803,746) | $ 1,036,237 | $ - | | | $ - | $ 1,036,237 |
| Total Bowman Field | 55,949,801 | 1,681,008 | (4,857,097) | (46,633) | 52,727,079 | 33,107,536 | 2,269,111 | (4,855,303) | 30,521,344 | 22,205,735 |
| Total Louisville International Airport and Bowman Field | $ 1,391,221,964 | $ 69,036,034 | $ (43,663,644) | $ (615,755) | $ 1,415,978,598 | $ 681,954,261 | $ 32,637,967 | $ (43,232,764) | $ 671,359,464 | $ 744,619,134 |

# Louisville Regional Airport Authority

## Schedule of Insurance Coverage

### Year Ended June 30, 2024

| | Expiration Date | Amount of Coverage |
|---|---|---|
| **AIG - National Union Fire Insurance CO. of Pittsburgh** | | |
| General airport liability, including optional war risk and other perils & TRIA | 7/31/2024 | $ 250,000,000 |
| **Travelers Excess and Surplus Lines Company** | | |
| All risk property | 7/31/2024 | 450,000,000 |
| Unlicensed equipment | 7/31/2024 | 16,941,222 |
| **Chubb - ACE American Insurance Company** | | |
| Public officials' liability covering board members and all employees | 7/31/2024 | 5,000,000 |
| Employment Practices Liability | 7/31/2024 | 5,000,000 |
| **KEMI** | | |
| Worker's compensation | 7/31/2024 | Statutory Limitations |
| Employer's liability | 7/31/2024 | 1,000,000 |
| **AIG – New Hampshire Insurance Company** | | |
| Business Auto (Fleet Policy) | 7/31/2024 | 1,000,000 |
| **Cowbell Cyber** | | |
| Cyber – Privacy & Network Liability | 7/31/2024 | 2,000,000 |
| **Axa - Greenwich Insurance Company** | | |
| Police Professional Liability | 7/31/2024 | 1,000,000 |
| **AIG - National Union Fire Insurance Co. of Pittsburgh** | | |
| Unmanned Aircraft | 7/31/2024 | 5,000,000 |
| **Zurich - Fidelity and Deposit Co. of Maryland** | | |
| Commercial Crime | | |
| Employee Theft | 7/31/2024 | 1,000,000 |
| Other | 7/31/2024 | 100,000 |
| **Travelers Casualty & Surety Company of America** | | |
| Fiduciary Responsibility | 8/1/2024 | 1,000,000 |
| **Chubb - Federal Insurance Co.** | | |
| Blanket travel accident | 7/31/2026 | 125,000 |
| **Chubb - ACE American Insurance Co.** | | |
| Accident on Volunteers (Ambassadors) | 7/31/2024 | 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, 2024 and the submission of these statements.

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

## Independent Auditor's Report

To Management and the Board of Directors
Louisville Regional Airport Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic 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, 2024 and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 18, 2024.

### 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

October 18, 2024

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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

#### *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 U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2024. 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, 2024. 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, 2024.

#### *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.

To the Board of Directors
Louisville Regional Airport Authority

***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**

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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance in the major federal program in accordance with the Uniform Guidance, described in the accompanying schedule of findings and questioned costs as Finding 2024-001, to be a significant deficiency. We consider the deficiency in internal control over compliance in the passenger facility charge program in accordance with the Guide, described in the accompanying schedule of findings and questioned costs as Finding 2024-002, to be a significant deficiency.

To the Board of Directors
Louisville Regional Airport Authority

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the internal control over compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

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

Plante & Moran, PLLC

October 18, 2024

# Schedule of Expenditures of Federal Awards

**Year Ended June 30, 2024**

| 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: | | | | |
| Pavement Management | 20.106 | 3-21-0031-107-2019 | $ - | $ 41,104 |
| Noise Mitigation Measures | 20.106 | 3-21-0031-108-2019 | - | 292,500 |
| Rehabilitate Runways/Lighting | 20.106 | 3-21-0031-109-2019 | - | 1,297,075 |
| COVID-19 - Airport Coronavirus Response Grant Program | 20.106 | 3-21-0031-117-2022 | - | 11,252,269 |
| Rehabilitate Runways | 20.106 | 3-21-0031-119-2022 | - | 704,759 |
| Rehabilitate Runways/Lighting | 20.106 | 3-21-0031-120-2022 | - | 4,954,350 |
| Noise Mitigation Measures | 20.106 | 3-21-0031-121-2022 | - | 3,654,787 |
| Environmental Mitigation | 20.106 | 3-21-0031-122-2022 | - | 102,800 |
| Update Pavement Management Program | 20.106 | 3-21-0031-124-2023 | - | 86,669 |
| Rehabilitate Runways/Taxiways | 20.106 | 3-21-0031-125-2023 | - | 3,036,259 |
| Rehabilitate Runway Lighting/Signs | 20.106 | 3-21-0031-126-2023 | - | 881,299 |
| Extend Taxiway L - Phase 1 | 20.106 | 3-21-0031-127-2023 | - | 7,080,930 |
| Extend Taxiway L - Phase 2 | 20.106 | 3-21-0031-128-2023 | - | 3,200,890 |
| Noise Compatibility Study | 20.106 | 3-21-0031-129-2023 | - | 269,673 |
| Bowman Field: | | | | |
| Updated Airport Layout Plan | 20.106 | 3-21-0032-032-2022 | - | 83,401 |
| Runway Rehabilitation/Lighting - Phase 1 | 20.106 | 3-21-0032-033-2022 | - | 1,403,339 |
| Runway Rehabilitation/Lighting - Phase 2 | 20.106 | 3-21-0032-034-2022 | - | 339,840 |
| Total U.S. Department of Transportation | | | - | 38,681,944 |
| U.S. Department of Justice - Criminal Division Equitable Sharing Program | 16.992 | N/A | - | 164,081 |
| Total federal expenditures | | | **$ -** | **$ 38,846,025** |

See notes to schedule of expenditures of federal awards.

# Notes to Schedule of Expenditures of Federal Awards

**Year Ended June 30, 2024**

## 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, 2024. 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.

# Schedule of Passenger Facility Charges

## Year Ended June 30, 2024

| | Impose & Use Authority | June 30, 2023 Program Total | FY 2024 Activity | June 30, 2024 Program Total |
|---|---|---|---|---|
| ***Revenue*** | | | | |
| Collections | | $ 141,884,570 | $ 8,857,961 | $ 150,742,531 |
| Interest | | 1,337,591 | 565,193 | 1,902,784 |
| Total Revenue | | 143,222,161 | 9,423,154 | 152,645,315 |
| ***Disbursements*** | | | | |
| FAA Aplication Number | | | | |
| Open applications as of June 30, 2024: | | | | |
| **17-12-C-00-SDF** | 4,193,479 | 3,398,179 | 795,299 | 4,193,478 |
| **19-13-C-00-SDF** | 25,470,000 | 7,846,129 | 1,895,679 | 9,741,808 |
| **20-14-C-00-SDF** | 9,634,000 | 6,407,563 | - | 6,407,563 |
| **21-15-C-00-SDF** | 10,018,596 | 10,015,461 | - | 10,015,461 |
| **22-16-C-00-SDF** | 8,547,451 | 79,540 | 1,127,685 | 1,207,225 |
| **23-17-C-00-SDF** | 5,120,000 | 25,359 | 333,820 | 359,179 |
| | 62,983,526 | 27,772,231 | 4,152,483 | 31,924,714 |
| Closed applications as of June 30, 2024: | | | | |
| **97-01-C-00-SDF** | 75,594,112 | 75,594,112 | - | 75,594,112 |
| **01-02-C-00-SDF** | 10,012,140 | 10,012,140 | - | 10,012,140 |
| **03-03-C-00-SDF** | 5,666,800 | 5,666,800 | - | 5,666,800 |
| **06-04-C-00-SDF** | 1,253,136 | 1,253,136 | - | 1,253,136 |
| **08-05-C-00-SDF** | 726,822 | 726,822 | - | 726,822 |
| **11-06-C-00-SDF** | 2,362,619 | 2,362,619 | - | 2,362,619 |
| **12-07-C-00-SDF** | 1,944,883 | 1,944,883 | - | 1,944,883 |
| **14-08-C-00-SDF** | 4,625,565 | 4,625,565 | - | 4,625,565 |
| **14-09-C-00-SDF** | 2,150,000 | 2,150,000 | - | 2,150,000 |
| **16-10-C-00-SDF** | 2,295,277 | 2,295,277 | - | 2,295,277 |
| **17-11-C-00-SDF** | - | - | - | - |
| | 106,631,354 | 106,631,354 | - | 106,631,354 |
| Total | 169,614,880 | 134,403,585 | 4,152,483 | 138,556,068 |
| ***Net PFC Revenue (Total Revenue - Total Disbursements)*** | | $ 8,818,576 | $ 5,270,671 | $ 14,089,247 |

**Note 1 - Significant Accounting Policy**

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

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

# Schedule of Findings and Questioned Costs

**Year Ended June 30, 2024**

## Section I - Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

| | | | | |
|---|---|---|---|---|
| • Material weakness(es) identified? | | Yes | X | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | | Yes | X | None reported |
| Noncompliance material to financial statements noted? | | Yes | X | None reported |

### Federal Awards

Internal control over major programs:

| | | | | |
|---|---|---|---|---|
| • Material weakness(es) identified? | | Yes | X | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | X | Yes | | None reported |
| Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? | X | 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: $1,165,381

| | | | | |
|---|---|---|---|---|
| Auditee qualified as low-risk auditee? | X | Yes | | No |

## Section II - Financial Statement Audit Findings

| Finding |
|---|
| None |

## Section III - Federal Program Audit Findings

| Reference Number | Federal Program Finding | Questioned Costs |
|---|---|---|
| 2024-001 | **Finding Type** - Significant deficiency in internal control over compliance | None |

**Title and Assistance Listing Number of Federal Program** - ALN 20.106, U.S. Department of Transportation, Airport Improvement Program

**Repeat Finding** - No

**Criteria** - The FAA requires the Authority to file FAA Form 5100-127, *Operating and Financial Summary (OMB NO. 2120-0569)*, and FAA Form 5100-126, *Financial Government Payment Report (OMB NO. 2120-0569)*. FAA Form 5100-127 and Form 5100-126 are annual reports that are due within 120 days after the Authority's fiscal year end.

**Condition** - The Authority did not have controls in place to ensure Form 5100-127 and Form 5100-126 were filed within 120 days after the Authority's fiscal year end.

**Context** - While the due date of Form 5100-127 and Form 5100-126 was October 31, 2023, an automatic 60-day extension from the date requested is available. The process to request the automatic extension was not completed prior to October 31, 2023. As a result, the required reports were filed late on February 6, 2024.

**Cause and Effect** - The lack of appropriate review of reporting requirements could result in late reporting.

**Recommendation** - We recommend the Authority implement internal controls to ensure all reporting requirements are identified and all required reports are submitted in a timely manner in accordance with regulatory requirements.

**Views of Responsible Officials and Corrective Action Plan** - The Authority agrees with the finding. Due to turnover of staff formally responsible for filing the reports, the correct due date was not retained. Upon discovery of the missed due date, the Authority immediately filed the reports with the FAA. To ensure the reports are filed timely in the future, an online calendar has been established with reminders for important activities, such as filing due dates, renewals, and debt service payments. All members of the finance team have access to the online calendar to review, monitor, and add important due dates.

## Section IV - Passenger Facility Charge Program Audit Findings

| Reference Number | Passenger Facility Charge Program Finding | Questioned Costs |
|---|---|---|
| 2024-002 | **Finding Type** - Significant deficiency in internal control over compliance | None |

**Title and Assistance Listing Number of Federal Program** - Passenger Facility Charge (PFC) Program

**Criteria** - Section 158.63 requires that the Authority provide quarterly reports to carriers collecting PFC revenues for the organization, with a copy to the appropriate Federal Aviation Administration (FAA) airports office. The PFC quarterly report must include PFC revenue received from collecting carriers, interest earned, and expenditures for the quarter; cumulative PFC revenue received, interest earned, expenditure, and the amount committed for use on currently approved projects, including the quarter; the PFC level for each project ($4.50) as specified in the ROD for that project; and the current project schedule. The report must be provided on or before the last day of the calendar month following the calendar quarter or other period agreed by the organization and collecting carrier.

**Condition** - There were no controls in place to ensure the quarterly reports contained accurate information and were sent timely to the appropriate FAA airports office.

**Context** - There were no formal controls in place to ensure the quarterly reports were submitted timely.

**Cause and Effect** - The lack of a control to ensure the timely submission of quarterly reports to the appropriate FAA office could result in the Authority submitting incomplete, inaccurate, and late reports.

**Recommendation** - We recommend the Authority implement internal controls to ensure the complete and accurate quarterly reports are submitted timely.

**Views of Responsible Officials and Corrective Action Plan** - The Authority is cognizant of the PFC activity reporting requirements to the air carriers and FAA, and the importance of submitting these reports timely and accurately. The Authority provided documentation during the audit showing that the PFC quarterly and cumulative data compiled for the FAA quarterly report was reviewed timely prior to being input into the online collection form. Support was also provided to verify that all required PFC data was input into FAA online collection form. The Authority was not able to provide documentation of a review of the completed data submittal verifying the information submitted is accurate, approved and timely submitted. To remedy this oversight, the Authority will document the review of the submitted quarterly and cumulative data and acceptance by a Financial Manager.