

**LEXINGTON-FAYETTE URBAN COUNTY
AIRPORT BOARD
(A COMPONENT UNIT OF THE
LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT)**

**FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020**

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
(A COMPONENT UNIT OF THE LEXINGTON-FAYETTE
URBAN COUNTY GOVERNMENT)
Lexington, Kentucky

FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	14
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	16
STATEMENTS OF CASH FLOW	17
NOTES TO FINANCIAL STATEMENTS	18



Independent Auditor's Report

To the Board of Directors
Lexington-Fayette Urban County Airport Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Lexington-Fayette Urban County Airport Board ("Airport"), a component unit of Lexington-Fayette Urban County Government, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Airport's internal control over financial reporting and compliance.

MCM CPAs & Advisors LLP

Lexington, Kentucky
September 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended June 30, 2021 and 2020

The Lexington-Fayette Urban County Airport Board (Airport) owns and operates the Blue Grass Airport. The following Management's Discussion and Analysis (MD&A) of the Airport's activities and financial performance provides an introduction and overview to the financial statements of the Airport for the fiscal years ended June 30, 2021 (FY 2021) and June 30, 2020 (FY 2020). The information contained in this MD&A should be considered in conjunction with the information contained in the Airport's financial statements and related notes which follow this MD&A.

AIRPORT ACTIVITIES AND HIGHLIGHTS

At the completion of FY 2021, the Airport continued to be served by four airline brands providing service to a total of 341,362 enplaned passengers. Prior to COVID-19 impacting the Bluegrass region in mid-March 2020, Blue Grass Airport was experiencing record enplanements and an increased number of seats in the market. Both business and leisure travel were very robust. As COVID-19 cases began to emerge within the Commonwealth of Kentucky and around the world, airline travel experienced a halt as local businesses and corporations were shut down. As experienced worldwide, business travel was largely reduced by many area companies and leisure travel during the conclusion of FY 2020 was extremely limited.

During FY 2021, air travel slowly started to recover as COVID-19 vaccines became readily available and travel restrictions began to ease. In March 2021, the Airport began to see leisure travelers emerge for spring and early summer vacations along with trips to see out-of-town family members. The four airlines operating from the Airport have all begun to increase their schedules, enlarge their aircraft and rehire staff. While many flights have returned, the Airport continues to await the return of several flights to business destinations such as Washington, D.C. (Dulles and Reagan) and New York (LaGuardia). The Airport was fortunate to receive new airline service during FY 2021 with the addition of seasonal flights to Miami, Florida (American Airlines) and Houston, Texas (Allegiant). The Airport anticipates that air service will continue to increase throughout the summer months and return closer to pre-pandemic levels, but much of this is dependent on the role COVID-19 continues to play and how the airlines and particularly the business passengers respond.

As a result of the pandemic, the Airport was the recipient of federal grant dollars that provided economic relief to commercial service airports as they responded to COVID-19. Grant dollars were determined by the Federal Aviation Administration based on various formulas. A combined total of approximately \$20,557,000 was awarded to the Airport. \$13,457,000 was then applied toward assisting the Airport with mostly payroll expenses and debt payments in FY20 and FY21 and \$7,100,000 is anticipated to be applied to payroll expenses and debt payments in FY22.

With federal funding still available for Airport Improvement Projects, the Airport continued to build new facilities that supported operations for the traveling public. This was particularly helpful as it allowed the Airport to work on projects during a time when fewer passengers were impacted. Work was completed on the Airport's five-phase Taxiway Safety Enhancement Program to enhance operational safety on the airfield and improve the efficiency of aircraft movement. Just like roadways, taxiway systems become congested and enhancements were needed to accommodate for future growth. The Taxiway Safety Enhancement Program incorporated a new taxiway that provides a second access route into the airlines' parking apron. To accommodate this new taxiway, the existing Snow Removal Equipment/Maintenance Complex and the Aircraft Rescue and Firefighting Facility had to be relocated. The completion of this project was essential so that the airport could continue serving its region with access to the global business network and providing a Kentucky gateway for visitors from around the world.

In addition to the Taxiway Safety Enhancement Program, the Airport's food and beverage partner, Delaware North, renovated and rebranded its dining options. The Bourbon Library Bar & Restaurant opened in May 2021 and provides the airport with a full-service dining concept as well as a self-serve grab-and-go option. Sir Veza's Kitchen & Kantina, which serves a variety of Mexican favorites in a casual setting, also opened. Additional construction projects included a service animal relief area, new landscaping and sidewalks in the parking area, and roadway lighting upgrades. Airfield preparations are also underway to accommodate the resurfacing of the primary commercial service runway during a closure from August 19-22, 2021.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
 Years ended June 30, 2021 and 2020

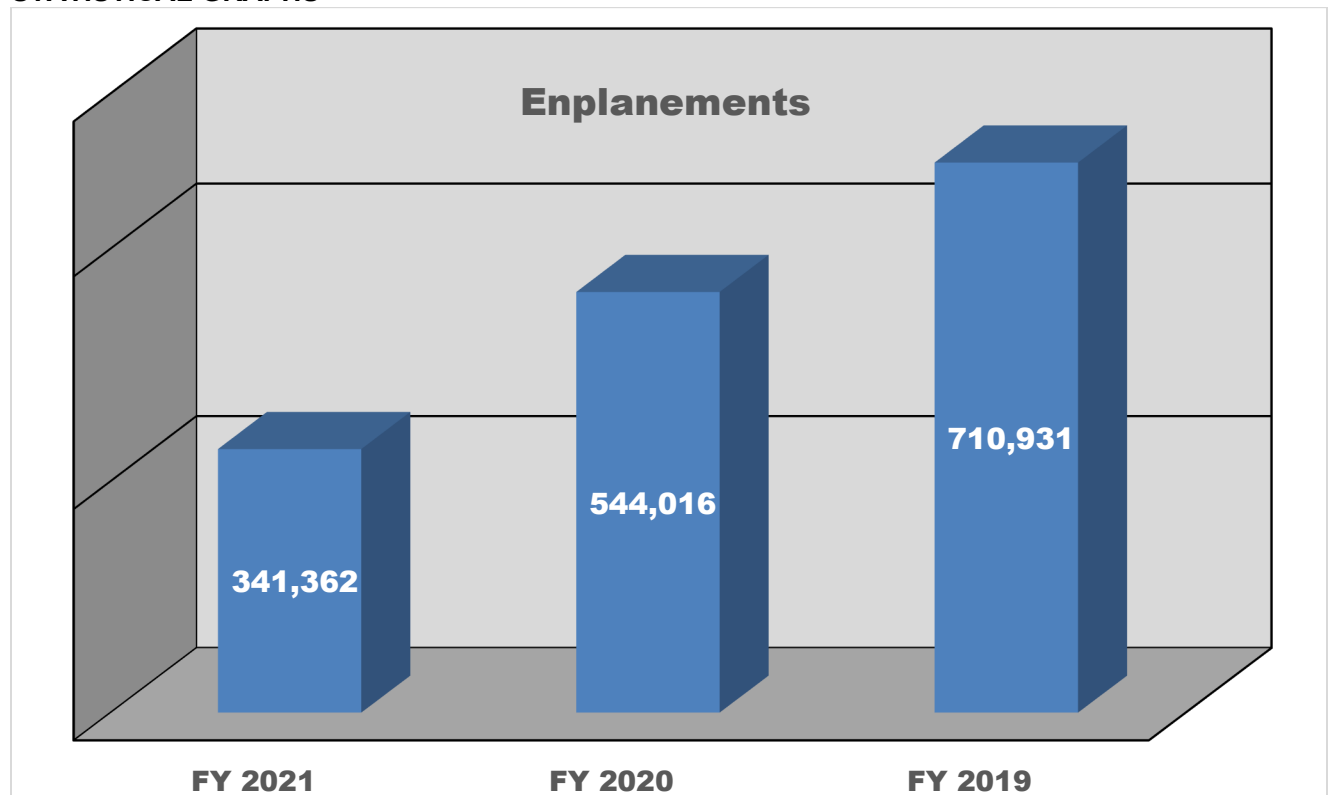
Despite a challenging year due to the pandemic, the Airport continued to serve the region with quality air service, and it remains well-positioned to serve its stakeholders now and in the future.

Operations Statistical Data

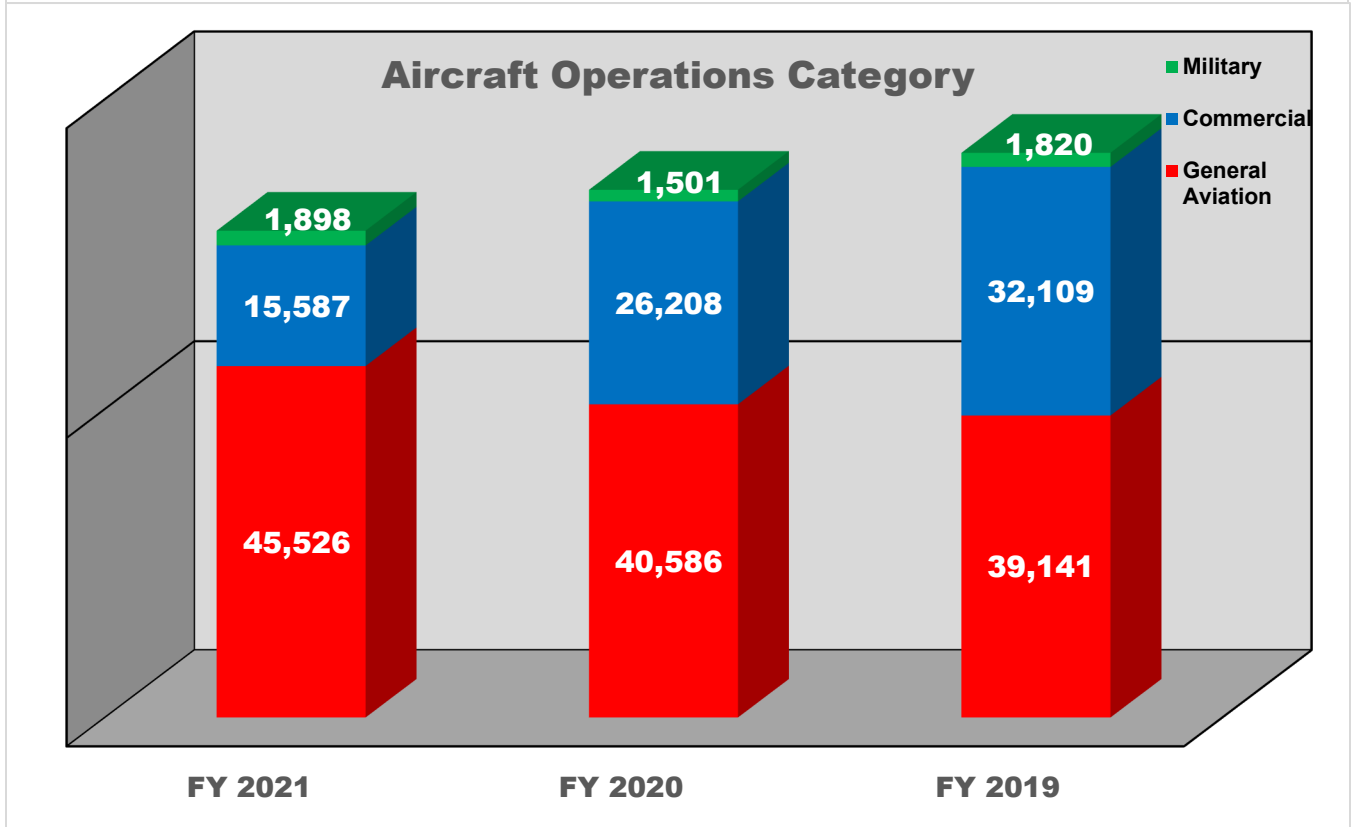
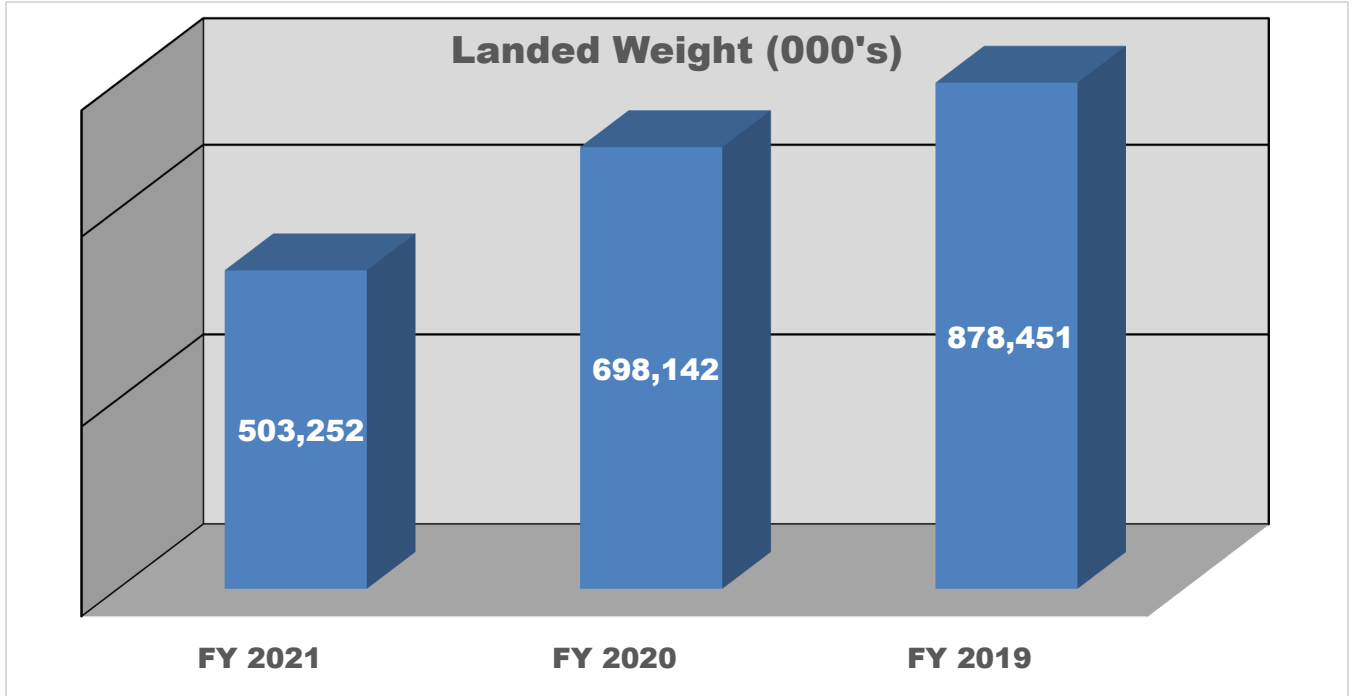
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
Enplanements	341,362	544,016	710,931
Increase (decrease)	(202,654)	(166,915)	55,156
% Increase (decrease)	(37.25%)	(23.48%)	8.41%
Landed weight (1,000 pounds)	503,252	698,142	878,451
Increase (decrease)	(194,890)	(180,309)	42,599
% Increase (decrease)	(27.92%)	(20.53%)	5.10%
Aircraft operations - commercial	15,587	26,208	32,109
Increase (decrease)	(10,621)	(5,901)	1,575
% Increase (decrease)	(40.53%)	(18.38%)	5.16%
Aircraft operations - general aviation	45,526	40,586	39,141
Increase	4,940	1,445	881
% Increase	12.17%	3.69%	2.30%
Aircraft operations - military	1,898	1,501	1,820
Increase (decrease)	397	(319)	(375)
% Increase (decrease)	26.45%	(17.53%)	(17.08%)

Enplanements represent the total number of passengers that boarded aircraft. Landed weight is the cumulative maximum gross weight, as defined by the aircraft manufacturer, of aircraft that have landed at the Airport. Aircraft operations are the cumulative number of takeoffs and landings.

STATISTICAL GRAPHS



STATISTICAL GRAPHS (Continued)



LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years ended June 30, 2021 and 2020

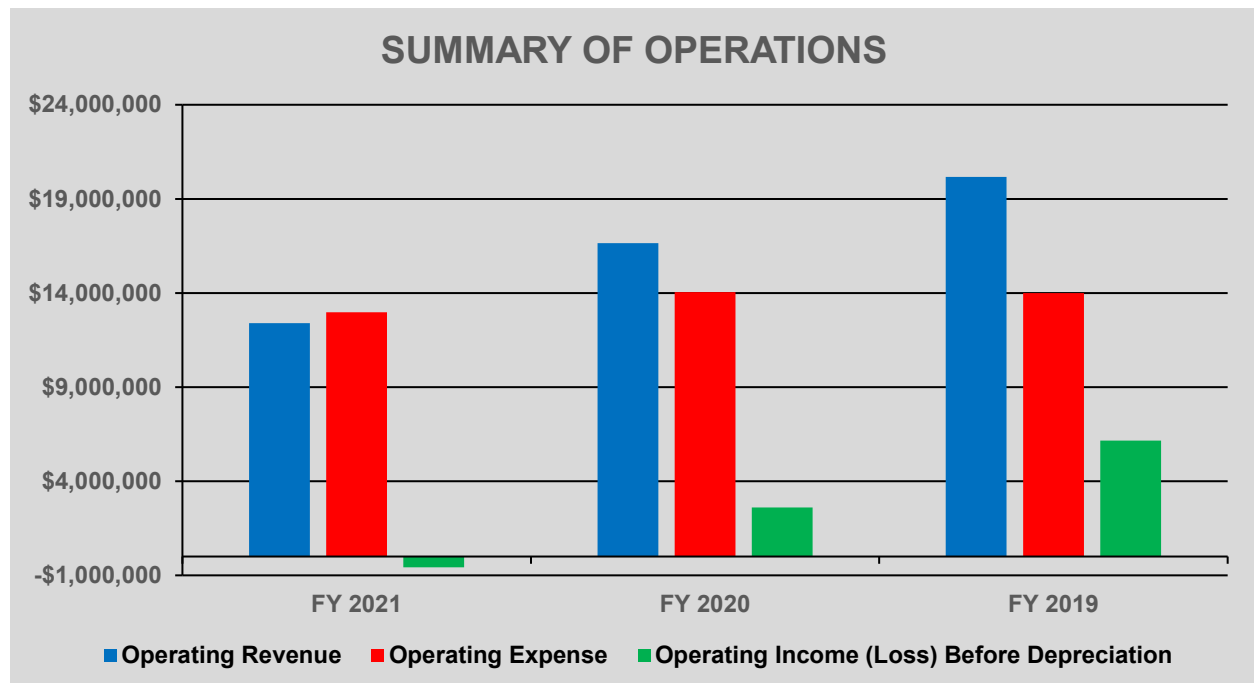
FINANCIAL STATEMENTS

The Airport's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). The Airport is structured as a single enterprise fund with revenues recognized when earned and expenses recorded at the time liabilities are incurred. See the notes to the financial statements for a summary of the Airport's significant accounting policies.

FINANCIAL OPERATIONS AND HIGHLIGHTS

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
Operating revenue	\$ 12,399,864	\$ 16,652,312	\$ 20,142,048
Operating expense	<u>(12,971,081)</u>	<u>(14,053,410)</u>	<u>(13,995,981)</u>
Operating income/(loss) before depreciation expense	(571,217)	2,598,902	6,146,067
Depreciation expense	<u>(10,739,739)</u>	<u>(10,132,046)</u>	<u>(10,785,675)</u>
Loss from operations	(11,310,956)	(7,533,144)	(4,639,608)
Net non-operating revenue	<u>10,197,993</u>	<u>5,436,295</u>	<u>3,304,196</u>
Loss before capital grants	(1,112,963)	(2,096,849)	(1,335,412)
Capital grants	<u>11,497,728</u>	<u>11,696,405</u>	<u>7,618,089</u>
Increase in net position	<u>\$ 10,384,765</u>	<u>\$ 9,599,556</u>	<u>\$ 6,282,677</u>



LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years ended June 30, 2021 and 2020

FINANCIAL OPERATIONS AND HIGHLIGHTS (Continued)

REVENUE

A summary of the revenue for FY 2021, FY 2020, and FY 2019 is as follows:

	2021 <u>Amount</u>	2020 <u>Amount</u>	2019 <u>Amount</u>	% Change <u>2021/2020</u>
Operating:				
Airline operations	\$ 4,636,749	\$ 6,179,080	\$ 7,241,024	(24.96%)
Parking	3,067,659	5,181,006	7,056,255	(40.79%)
Ground transportation	2,017,233	2,442,181	2,826,456	(17.40%)
Concessions and rentals	387,876	565,232	690,791	(31.38%)
General aviation	1,529,737	1,501,283	1,568,088	1.90%
Advertising	434,013	508,766	459,514	(14.69%)
Other	<u>326,597</u>	<u>274,764</u>	<u>299,920</u>	<u>18.86%</u>
Total operating	<u>12,399,864</u>	<u>16,652,312</u>	<u>20,142,048</u>	<u>(25.54%)</u>
Non-operating:				
Passenger facility charges	1,491,103	2,172,310	2,789,405	(31.36%)
Contract facility charges	648,203	1,062,616	1,757,144	(39.00%)
COVID FAA relief grant	9,995,526	3,228,827	-	209.57%
Concessionaire capital investment	258,220	-	-	NA
Investment income, net of fees	648,792	1,033,898	1,022,937	(37.25%)
Net (decrease) increase in fair value of investments	(213,245)	463,895	646,174	(145.97%)
Gain on disposal of capital assets	<u>-</u>	<u>11,177</u>	<u>16,704</u>	<u>NA</u>
Total non-operating	12,828,599	7,972,723	6,232,364	60.91%
Capital grants	<u>11,497,728</u>	<u>11,696,405</u>	<u>7,618,089</u>	<u>(1.70%)</u>
Total revenue	<u>\$ 36,726,191</u>	<u>\$ 36,321,440</u>	<u>\$ 33,992,501</u>	<u>1.11%</u>

EXPENSE

A summary of the expense for FY 2021, FY 2020, and FY 2019 is as follows:

	2021 <u>Amount</u>	2020 <u>Amount</u>	2019 <u>Amount</u>	% Change <u>2021/2020</u>
Operating:				
Administration	\$ 4,964,478	\$ 5,460,949	\$ 5,617,827	(9.09%)
General maintenance	3,187,514	3,403,223	3,461,731	(6.34%)
Safety, rescue and security	2,246,849	2,401,500	2,283,784	(6.44%)
Engineering	748,860	951,910	757,528	(21.33%)
Building maintenance	766,363	856,225	859,209	(10.50%)
Airport operations	<u>1,057,017</u>	<u>979,603</u>	<u>1,015,902</u>	<u>7.90%</u>
Total operating	<u>12,971,081</u>	<u>14,053,410</u>	<u>13,995,981</u>	<u>(7.70%)</u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years ended June 30, 2021 and 2020

FINANCIAL OPERATIONS AND HIGHLIGHTS (Continued)

	2021 <u>Amount</u>	2020 <u>Amount</u>	2019 <u>Amount</u>	% Change <u>2021/2020</u>
Non-operating:				
Interest expense and fees	\$ 2,325,363	\$ 2,103,064	\$ 2,928,168	10.57%
Debt issuance/financing costs	-	433,364	-	NA
Loss on disposal of capital assets	<u>305,243</u>	<u>-</u>	<u>-</u>	<u>NA</u>
Total non-operating	2,630,606	2,536,428	2,928,168	3.71%
Depreciation	<u>10,739,739</u>	<u>10,132,046</u>	<u>10,785,675</u>	<u>6.00%</u>
Total expense	<u>\$ 26,341,426</u>	<u>\$ 26,721,884</u>	<u>\$ 27,709,824</u>	<u>(1.42%)</u>

FY 2021 REVENUE AND EXPENSE ANALYSIS

Operating revenue decreased from \$16.7 million in FY 2020 to \$12.4 million in FY 2021, a decrease of 26%. The decrease in revenue can be attributed to the COVID-19 pandemic and its effect on the air transportation industry. Compared to prior year, enplanements dropped by 37%, landed weight decreased by 28% and operations dropped by 40%. The following describes the fluctuations of certain types of operating revenue:

- Airline operations revenue decreased by \$1,542,000 or 25%. The decrease in revenue can be attributed to effects of the coronavirus pandemic on the airline activity mentioned above.
- The 37% decrease in enplanements from COVID-19 resulted in a decrease in revenue in the following: Parking revenue decreased by \$2,113,000, or 41%. Ground transportation revenue decreased by \$425,000, or 17%; and concessions and rental revenue decreased by \$177,000, or 32%.
- Advertising revenue decreased by \$75,000, or 15%. This decrease was caused by advertisers not renewing contracts due to the decrease in exposure at the Airport.

Operating expense decreased from \$14.1 million in FY 2020 to \$13.0 million in FY 2021, a decrease of 8%. The following describes the fluctuations of certain types of operating expense:

- Administration expenses decreased by \$496,000, or 9%. The majority of this decrease was due to cost savings in FY21 in marketing, advertising, salaries and benefits, utilities, consulting, and professional services.
- General maintenance expenses decreased by \$216,000, or 6%. This was due to cost savings for maintenance of the airfield and supplies and equipment.
- Engineering expenses decreased by \$203,000, or 21%. This was due to a decrease in maintenance and professional services.
- Airport Operations expenses increased by \$77,000, or 8%. This was due to an increase in salaries and benefits.
- Cost savings on salaries and benefits resulted in a decrease in expenses in the following departments: Safety, rescue and security decreased by \$155,000, or 6%; and building maintenance expenses decreased by \$90,000, or 11%.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years ended June 30, 2021 and 2020

FINANCIAL OPERATIONS AND HIGHLIGHTS (Continued)

Net non-operating revenue increased from \$5.4 million in FY 2020 to \$10.2 million in FY 2021, an increase of 88%. The following describes the fluctuations of certain types of non-operating revenue:

- Another result of the decrease of enplanements from COVID-19 as outlined above was contract facility charges provided by car rental companies decreased by \$414,000, or 39% in FY 2021; and airline passenger facility charges decreased by \$681,000 or 31% in FY 2021.
- COVID FAA relief grants increased by \$6,768,000 or 210% in FY 2021. The Airport received \$3,228,000 in FY 2020 and \$9,996,000 in FY 2021. The Airport also received \$233,000 in FY2020 that was recognized under capital grants. The Airport has been awarded an additional COVID FAA relief grant for FY 2022 and is expected to receive an additional \$7,100,000.

FY 2020 REVENUE AND EXPENSE ANALYSIS

Operating revenue decreased from \$20.1 million in FY 2019 to \$16.7 million in FY 2020, a decrease of 17%. The decrease in revenue can be attributed to the coronavirus pandemic that began having a major effect on the Airport's activity beginning in March 2020. From March 2020 through June 2020 the Airport's activity dropped significantly as compared to prior year: Enplanements dropped by 78%, landed weight decreased by 64% and operations dropped by 55%. The following describes the fluctuations of certain types of operating revenue:

- Airline operations revenue decreased by \$1,062,000 or 15%. The decrease in revenue can be attributed to effects of the coronavirus pandemic on the airline activity mentioned above.
- Parking revenue decreased by \$1,875,000, or 27%. This decrease was driven by the 23% decrease in enplanements compared to prior year.
- Ground transportation revenue decreased by \$384,000, or 14%. The reason for the decrease was due to the COVID pandemic as outlined above and the associated drop in enplanements.
- Concessions and rentals revenue decreased by \$126,000, or 18%. This decrease was also caused by the drop in enplanements FY20.

Operating expense increased from \$14.0 million in FY 2019 to \$14.1 million in FY 2020, an increase of 0.41%. The following describes the fluctuations of certain types of operating expense:

- Administration expenses decreased by \$157,000, or 3%. The majority of this was due to cost savings in FY20 in marketing, advertising, and airline incentives.
- Safety, rescue and security increased by \$118,000, or 5%. This was due to an increase in salaries and benefits and the purchase of equipment.
- Engineering expenses increased by \$194,000, or 26%. This was due to an increase in salaries and benefits, environmental services for a water study, and professional services for design for potential capital projects.

Net non-operating revenue increased from \$3.3 million in FY 2019 to \$5.4 million in FY 2020, an increase of 28%. The following describes the fluctuations of certain types of non-operating revenue:

- Car rental Customer facility charges decreased by \$695,000, or 40% in FY 2020. The primary reason was the COVID pandemic as outlined above and the associated drop in enplanements. The Customer facility charge also decreased from \$4.00 a day to \$3.75 a day.
- Airline Passenger facility charges decreased by \$617,000 or 22% in FY 2020. This decrease was also due to the COVID pandemic and the subsequent drop in enplanements.
- COVID FAA relief grant from the Coronavirus Aid, Relief, and Economic Security (CARES) Act was awarded to Airport in FY 2020. The CARES grant may be used to reimburse the Airport for any approved Airport capital expenditure, debt payment or operating expense.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years ended June 30, 2021 and 2020

FINANCIAL OPERATIONS AND HIGHLIGHTS (Continued)

Capital grant revenue increased from \$7.6 million in FY 2019 to \$11.7 million in FY 2020, an increase of 54%. This increase was due to the timing of the grants awarded from the Federal Aviation Administration (FAA) and additional discretionary grants obtained in FY 2020.

FINANCIAL POSITION SUMMARY

The following represents the Airport's financial position at June 30, 2021, 2020, and 2019. The Airport's assets exceeded liabilities by \$155.0 million at June 30, 2021, a \$10.4 million increase from June 30, 2020. The Airport's assets exceeded liabilities by \$144.6 million at June 30, 2020, a \$9.6 million increase from June 30, 2019.

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
Assets			
Current assets-unrestricted	\$ 24,409,478	\$ 16,358,763	\$ 17,698,519
Restricted assets	27,892,931	29,467,309	37,617,633
Capital assets	190,561,889	188,470,604	170,793,111
Deferred outflows of resources	<u>1,014,151</u>	<u>1,183,176</u>	<u>1,352,203</u>
Total assets and deferred outflows	<u>\$ 243,878,449</u>	<u>\$ 235,479,852</u>	<u>\$ 227,461,466</u>
Liabilities			
Current liabilities-payable from unrestricted assets	\$ 4,494,760	\$ 2,203,669	\$ 1,913,009
Current liabilities-payable from restricted assets	9,124,625	8,639,183	9,812,098
Noncurrent liabilities	75,128,223	79,874,025	80,758,830
Deferred inflows of resources	<u>168,990</u>	<u>185,890</u>	<u>-</u>
Total liabilities and deferred inflows	<u>\$ 88,916,598</u>	<u>\$ 90,902,767</u>	<u>\$ 92,483,937</u>
Net Position			
Net investment in capital assets	\$ 109,552,102	\$ 104,363,396	\$ 92,860,379
Restricted	25,834,408	26,399,622	26,675,967
Unrestricted	<u>19,575,340</u>	<u>13,814,067</u>	<u>15,441,183</u>
Total net position	<u>\$ 154,961,850</u>	<u>\$ 144,577,085</u>	<u>\$ 134,977,529</u>

CAPITAL ASSETS

Major capital projects in progress and expenditures incurred during FY 2021 included the following:

	<u>FY 2021</u>	<u>Cumulative</u>
Taxiway Safety Enhancement Program - Phase V	\$ 5,320,000	\$ 11,452,000
Runway Rehabilitation	5,085,000	7,217,000

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years ended June 30, 2021 and 2020

CAPITAL ASSETS (Continued)

Major capital projects in progress and expenditures incurred during FY 2020 included the following:

	<u>FY 2020</u>	<u>Cumulative</u>
Taxiway Safety Enhancement Program - Phase IV	\$ 9,223,000	\$ 16,501,000
Taxiway Safety Enhancement Program - Phase V	5,394,000	6,132,000
Baggage Belt System Replacement	1,440,000	6,936,000
Parking Expansion	4,150,000	6,531,000
Airport Road Land Purchase	4,000,000	4,000,000
Runway Rehabilitation	1,390,000	2,132,000

The Taxiway Safety Enhancement Program (TSEP) is an estimated \$63 million multi-year initiative funded approximately 90% by grants from the Federal Aviation Administration with a 10% matching contribution from the Airport. Phase I of this project concluded in October 2015 with the opening of a new 63,000 square foot maintenance complex. Phase II consisted of demolition of the previous maintenance complex and embankment construction. Phase III consisted of removal of existing Taxiways A6 and C, construction of relocated Taxiway A and A6 and installation of FAA fiber optic communication cables. Phase IV, which is the construction of a new Public Safety building was completed at the beginning of FY 2021. Phase V, which consists of the demolition of the Public Safety building and Taxiway Construction, began in FY 2019 and is in the final stages of being complete.

In FY 2020 the Airport issued \$3,800,000 of General Airport Revenue Bonds to finance the purchase of land on Airport Road.

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method.

Additional information on the Airport's capital assets can be found in Note 3 to the financial statements.

BONDS PAYABLE

Total bonds payable at June 30, 2021 and June 30, 2020 were \$78,760,000 and \$82,860,000, respectively. Fixed rate bonds make up approximately 93% of the Airport's debt structure with \$73,360,000 in fixed rate bonds at June 30, 2021 and \$77,460,000 in fixed rate bonds at June 30, 2020. For both years, variable rate debt remained unchanged at \$5,400,000. The index interest rate for the variable rate bonds is based on 74% of (30-day LIBOR plus a 1% margin). The variable rate at June 30, 2021 and June 30, 2020 was 0.804% and 0.875%, respectively.

Additional information regarding bonds payable is provided in Note 5 to the financial statements.

NET POSITION

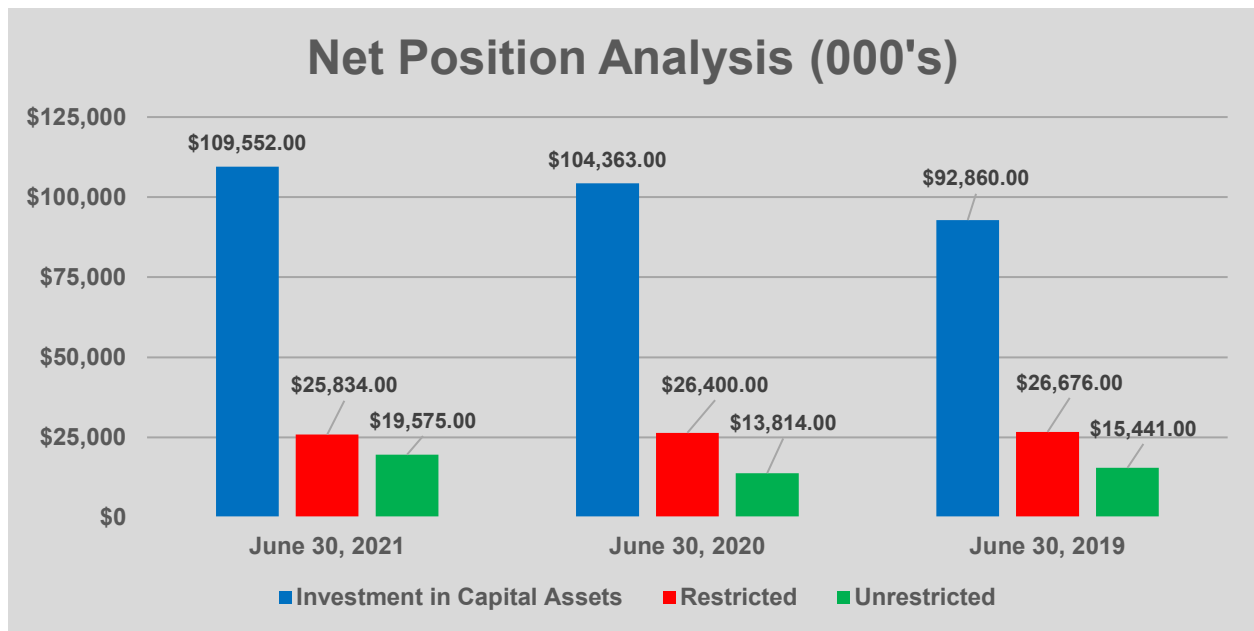
The largest portion of the Airport's net position each year (70.7% at June 30, 2021 and 72.2% at June 30, 2020) represents its investment in capital assets, net of accumulated depreciation (e.g., land, buildings, improvements, and equipment). The investment in capital assets is offset by the related debt used to acquire those assets, net of any unspent bond proceeds. The Airport uses these capital assets to provide services to its passengers and visitors; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, the resources required to repay this debt must be provided annually from operating and Passenger Facility Charge revenues, since it is unlikely the capital assets themselves will be sold to pay liabilities.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
 Years ended June 30, 2021 and 2020

NET POSITION (Continued)

An additional portion of the Airport's net position (16.7% at June 30, 2021, and 18.3% at June 30, 2020) are restricted and represent bond reserve and project funds that are subject to external restrictions on how they can be used under bond resolutions. Also included are Passenger Facility Charges received from the airlines and Contract Facility Charges received from the rental car companies that are restricted for the funding of eligible capital projects and the related debt service. Also included are accounts receivable for federal grants that restrict the use of monies for eligible capital projects.

Unrestricted net assets (12.6% of the Airport's net position at June 30, 2021, and 9.5% at June 30, 2020) consist of resources that do not meet the definition of "restricted" or "net investment in capital assets". Unrestricted net assets increased from \$13.8 million in FY 2020 to \$19.6 million in FY 2021, an increase of 42%. This increase was primarily due to receiving additional COVID FAA relief grants in FY 2021, as mentioned above.



LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years ended June 30, 2021 and 2020

SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash and cash equivalents for the past two years. Cash and cash equivalents include cash-on-hand, bank deposits, and highly liquid investments with an original maturity of 90 days or less.

	<u>FY 2021</u>	<u>FY 2020</u>
Net cash (used) provided by operating activities	\$ (1,183,312)	\$ 2,437,501
Net cash provided by noncapital financing activities	9,995,526	3,228,827
Net cash used by capital and related financing activities	(4,910,116)	(16,672,134)
Net cash provided by investing activities	<u>2,816,626</u>	<u>2,943,346</u>
Net increase (decrease) in cash and cash equivalents	6,718,724	(8,062,460)
Cash and cash equivalents, beginning of year	<u>13,983,273</u>	<u>22,045,733</u>
Cash and cash equivalents, end of year	<u>\$ 20,701,997</u>	<u>\$ 13,983,273</u>

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Airport's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Director of Administration and Finance, Lexington-Fayette Urban County Airport Board, 4000 Terminal Drive, Suite 206, Lexington, KY 40510.

FINANCIAL STATEMENTS

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
 STATEMENTS OF NET POSITION
 June 30, 2021 and 2020

	<u>FY 2021</u>	<u>FY 2020</u>
Assets		
Current assets - unrestricted		
Cash and cash equivalents	\$ 11,265,970	\$ 3,446,215
Investments	10,507,126	10,512,092
Accounts receivable	1,918,384	1,820,649
Accrued interest receivable	66,599	40,382
Other assets	<u>651,399</u>	<u>539,425</u>
Total current assets	<u>24,409,478</u>	<u>16,358,763</u>
Restricted assets		
Cash and cash equivalents	9,436,027	10,537,058
Investments	13,729,556	16,140,463
Accounts receivable	522,698	139,948
Accrued interest receivable	44,938	48,079
Grants receivable	<u>4,159,712</u>	<u>2,601,761</u>
Total restricted assets	<u>27,892,931</u>	<u>29,467,309</u>
Capital assets		
Capital assets not being depreciated	28,365,217	51,877,033
Capital assets being depreciated	332,792,628	300,113,343
Accumulated depreciation	<u>(170,595,956)</u>	<u>(163,519,772)</u>
Total net capital assets	<u>190,561,889</u>	<u>188,470,604</u>
Deferred outflows of resources		
Deferred amount on refunding	<u>1,014,151</u>	<u>1,183,176</u>
Total assets and deferred outflows	<u>\$ 243,878,449</u>	<u>\$ 235,479,852</u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
STATEMENTS OF NET POSITION (Continued)
June 30, 2021 and 2020

	<u>FY 2021</u>	<u>FY 2020</u>
Liabilities		
Current liabilities (payable from unrestricted assets)		
Accounts payable	\$ 453,402	\$ 834,317
Accounts payable-construction	555,317	863,490
Accrued payroll and benefits	319,765	286,639
Unearned revenue	166,276	219,223
Line of credit	<u>3,000,000</u>	<u>-</u>
Total current liabilities (payable from unrestricted assets)	<u>4,494,760</u>	<u>2,203,669</u>
Current liabilities (payable from restricted assets)		
Current portion of bonds payable	4,615,000	4,100,000
Accounts payable	6,484	18,201
Accounts payable-construction	3,387,811	3,201,199
Accrued interest payable	<u>1,115,330</u>	<u>1,319,783</u>
Total current liabilities (payable from restricted assets)	<u>9,124,625</u>	<u>8,639,183</u>
Total current liabilities	<u>13,619,385</u>	<u>10,842,852</u>
Noncurrent liabilities		
Accrued post-employment benefits	339,377	341,027
Bonds payable	<u>74,788,846</u>	<u>79,532,998</u>
Total noncurrent liabilities	<u>75,128,223</u>	<u>79,874,025</u>
Deferred inflows of resources		
Deferred amount on refunding	<u>168,990</u>	<u>185,890</u>
Total liabilities and deferred inflows	<u>88,916,598</u>	<u>90,902,767</u>
Net position		
Net investment in capital assets	109,552,102	104,363,396
Restricted for debt service	21,674,696	23,797,861
Restricted for capital projects	4,159,712	2,601,761
Unrestricted	<u>19,575,340</u>	<u>13,814,067</u>
Total net position	<u>154,961,850</u>	<u>144,577,085</u>
Total liabilities, deferred inflows and net position	<u>\$ 243,878,449</u>	<u>\$ 235,479,852</u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Years ended June 30, 2021 and 2020

	<u>FY 2021</u>	<u>FY 2020</u>
Operating revenue:		
Airline operations	\$ 4,636,749	\$ 6,179,080
Parking	3,067,659	5,181,006
Ground transportation	2,017,233	2,442,181
Concessions and rentals	387,876	565,232
General aviation	1,529,737	1,501,283
Advertising	434,013	508,766
Other	<u>326,597</u>	<u>274,764</u>
Total operating revenue	<u>12,399,864</u>	<u>16,652,312</u>
Operating expense:		
Administration	4,964,478	5,460,949
General maintenance	3,187,514	3,403,223
Safety, rescue and security	2,246,849	2,401,500
Engineering	748,860	951,910
Building maintenance	766,363	856,225
Airport operations	<u>1,057,017</u>	<u>979,603</u>
Total operating expense	<u>12,971,081</u>	<u>14,053,410</u>
Operating (loss) income before depreciation expense	(571,217)	2,598,902
Depreciation expense	<u>10,739,739</u>	<u>10,132,046</u>
Loss from operations	<u>(11,310,956)</u>	<u>(7,533,144)</u>
Non-operating revenue (expense):		
Passenger facility charges	1,491,103	2,172,310
Contract facility charges	648,203	1,062,616
Concessionaire capital investment	258,220	-
Investment income, net of fees	648,792	1,033,898
Net (loss) increase in fair value of investments	(213,245)	463,895
COVID FAA relief grants	9,995,526	3,228,827
Interest expense and fees	(2,325,363)	(2,103,064)
Debt costs	-	(433,364)
(Loss) Gain on disposal of capital assets	<u>(305,243)</u>	<u>11,177</u>
Net non-operating revenue	<u>10,197,993</u>	<u>5,436,295</u>
Capital grants	<u>11,497,728</u>	<u>11,696,405</u>
Increase in net position	10,384,765	9,599,556
Net position, beginning of year	<u>144,577,085</u>	<u>134,977,529</u>
Net position, end of year	<u>\$ 154,961,850</u>	<u>\$ 144,577,085</u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
STATEMENTS OF CASH FLOW
Years ended June 30, 2021 and 2020

	<u>FY 2021</u>	<u>FY 2020</u>
Cash flows from operating activities		
Receipts from customers	\$ 11,915,854	\$ 16,555,523
Payments to suppliers	(5,806,810)	(6,364,642)
Payments to employees	(7,625,684)	(8,030,443)
Other receipts	<u>333,328</u>	<u>277,063</u>
Net cash (used) provided by operating activities	<u>(1,183,312)</u>	<u>2,437,501</u>
Cash flows from noncapital financing activities		
COVID FAA relief grants	<u>9,995,526</u>	<u>3,228,827</u>
Net cash provided by noncapital financing activities	<u>9,995,526</u>	<u>3,228,827</u>
Cash flows from capital and related financing activities		
Proceeds from capital grants	9,939,777	10,882,626
Passenger facility charges	1,162,116	2,580,684
Contract facility charges	594,440	1,161,436
Concessionaire capital investment	258,220	-
Proceeds from bonds sales/refund	-	3,597,369
Principal paid on bonds	(4,100,000)	(3,990,000)
Interest and fees paid on bonds	(2,506,842)	(2,555,469)
Proceeds from sale of equipment	34,833	11,177
Acquisition and construction of capital assets	<u>(13,292,660)</u>	<u>(28,359,957)</u>
Net cash used by capital and related financing activities	<u>(4,910,116)</u>	<u>(16,672,134)</u>
Cash flows from investing activities		
Interest received on investments	716,740	873,023
Purchase of investments	(11,751,649)	(16,533,235)
Proceeds from sales and maturities of investments	<u>13,851,535</u>	<u>18,603,558</u>
Net cash provided by investing activities	<u>2,816,626</u>	<u>2,943,346</u>
Net increase (decrease) in cash and cash equivalents	6,718,724	(8,062,460)
Cash and cash equivalents, beginning of year	<u>13,983,273</u>	<u>22,045,733</u>
Cash and cash equivalents, end of year	<u>\$ 20,701,997</u>	<u>\$ 13,983,273</u>
Reconciliation of loss from operations to net cash (used) provided by operating activities		
Loss from operations	\$ (11,310,956)	\$ (7,533,144)
Adjustments to reconcile loss from operations to net cash (used) provided by operating activities:		
Depreciation	10,739,739	10,132,046
Bad debt expense	1,510	2,815
Increase (decrease) due to changes in:		
Accounts receivable	(99,245)	194,148
Other assets	(111,974)	(83,145)
Accounts payable	(380,915)	(132,634)
Unearned revenue	(52,947)	(16,689)
Accrued payroll and benefits	<u>31,476</u>	<u>(125,896)</u>
Net cash (used) provided by operating activities	<u>\$ (1,183,312)</u>	<u>\$ 2,437,501</u>
Supplemental schedule of noncash transactions		
Construction in progress included in accounts payable	<u>\$ 3,943,128</u>	<u>\$ 4,064,689</u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Lexington-Fayette Urban County Airport Board (the Board) operates under, and in accordance with, Chapter 183 of the Kentucky Revised Statutes. It owns and operates the Blue Grass Airport. The Airport is a component unit of the Lexington-Fayette Urban County Government (LFUCG) and its financial statements are included in LFUCG's Comprehensive Annual Financial Report as a discretely presented component unit. The Board is composed of ten members appointed by the Mayor, including a designated officer of the LFUCG and two members who live within a three-mile radius of the Airport, in accordance with terms set forth in the Kentucky Revised Statute 183.132 (8).

The Board is a political subdivision of the Commonwealth of Kentucky, created in 1946, and has been established in order to ensure observance of limitations and restrictions placed on the uses of the Airport. The Board of Directors provides for the management and operation of the Airport by employing an Executive Director and such staff as is deemed necessary to properly operate, develop and maintain the Airport.

A variety of federal, state and local laws, agreements and regulations govern operations at the Airport. The Federal Aviation Administration (FAA) has jurisdiction over aviation operations generally, as well as certain environmental matters. Pursuant to the Airport and Airway Improvement Act of 1982 and other statutes, the Airport is constrained from transferring Airport revenues to the LFUCG. This restriction is embodied in the federal grant agreements entered into by the Airport. Additionally, federal law governs the reasonableness of fees that may be charged for the use of Airport facilities, further governs Airport noise limits, and imposes certain other restrictions on Airport operations.

Basis of Accounting and Accounting Presentation: This summary of significant accounting policies is presented to assist in understanding the Airport's financial statements. The financial statements and accompanying notes are representations of the Airport's management who is responsible for their integrity and objectivity.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Proprietary Fund Type: The Airport operates as an Enterprise Fund, a type of Proprietary Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Airport's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Use of Estimates in Preparation of Financial Statements: 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 at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended June 30, 2021 and 2020

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

Net Position: Net position is classified into three components - net investment in capital assets; restricted for debt service/restricted for capital projects; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component represents its investment in capital assets, net of accumulated depreciation. The investment in capital assets is offset by the related debt used to acquire those capital assets, net of any unspent bond proceeds.
- Restricted for debt service/capital projects - This component includes bond reserve and project funds that are subject to external restrictions on how they can be used under bond resolutions. Also included are Passenger Facility Charges received from airlines and Contract Facility Charges received from car rental companies that are restricted for the funding of eligible capital projects and the related debt service. Also included are accounts receivable for federal grants that restrict the use of monies for eligible capital projects.
- Unrestricted - This component consists of resources that do not meet the definition of "restricted" or "net investment in capital assets."

Restricted Assets: Restricted assets include monies held in debt service reserve accounts and unspent bond proceeds, resources set aside for the payment of the related bonds and passenger facility charges and contract facility charges that are restricted for the funding of eligible capital projects and the related debt service, and accounts receivable from federal grants that are restricted for capital projects.

Cash Equivalents: Cash equivalents are defined as short-term, highly liquid investments which are readily convertible to cash and that have an original maturity of 90 days or less.

Investments: Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The unrealized gain on investments was \$256,244 at June 30, 2021 and the unrealized gain at June 30, 2020 was \$469,489

Capital Assets: Capital assets are stated at cost. Construction in progress consists of the costs of construction contracts and direct engineering costs incurred in the design and construction of Airport properties.

Depreciation of capital assets is provided on all depreciable assets, including those acquired with construction and equipment grants, over the estimated useful lives of the respective assets using the straight-line method. No depreciation is provided on construction in progress until construction is complete and the asset is placed in service. The capitalization threshold for expenditures is \$5,000. Estimated useful lives are as follows:

- Land improvements 5 - 40 years
- Structures and other improvements 10 - 40 years
- Equipment 3 - 10 years

Deferred Outflows of Resources: The deferred amount of refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and is being charged to interest expense over the life of the refunding debt using the straight-line method.

Deferred Inflows of Resources: The deferred amount of refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and is being credited to interest income over the life of the refunding debt using the straight-line method.

Line of Credit: Line of credit is a revolving credit line that is recorded at the principal amount outstanding. Interest costs are expensed as incurred.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended June 30, 2021 and 2020

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

Bonds Payable: Bonds payable are recorded at the principal amount outstanding, plus unamortized bond premium. Amortization of bond premium is computed on the straight-line method (which approximates the effective-interest method) over the lives of the related bonds. Bond issuance costs are expensed as incurred.

Operating and Non-operating Revenues and Expenses: Revenues from landing fees, terminal space rental, auto parking, car rental, and concession fees are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating revenues. The Aviation Safety and Capacity Expansion Act of 1990 authorized domestic Airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. PFC's and Contract Facilities Charges (CFC's) are collected and remitted by the airlines and car rental agencies, respectively, and are recognized as revenue as they are earned, and are included in non-operating revenues. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The Airport's major expenses include salaries and employee benefits, maintenance and other expenses such as utilities, professional services and insurance. It is the Airport's policy to apply restricted resources first when an expense is incurred for which both restricted and unrestricted net assets are available.

Compensated Absences: Full-time employees may earn from 120 to 384 paid time off hours annually, depending on their length of employment and classification. Employees can carry forward up to a maximum of 96 hours of paid time off for use in subsequent years depending on their length of employment and classification. Liabilities for such benefits are accrued at current rates of compensation.

Full-time employees also may earn from 96 to 136 Family Medical Leave Time annually. Family Medical Leave Time may only be used for approved Family Medical Leave Act events or Discretionary Leave events approved by the Executive Director. Employees can carry forward up to a maximum of 560 hours of Family Medical Leave Time for use in subsequent years depending on their length of employment and classification. Family Medical Leave Time will not be paid out to an employee upon separation for any reason therefore there is no liability recorded.

New Financial Reporting Standards: GASB Statement No. 87, *Leases*, effective for years beginning after June 15, 2021, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The Airport has not determined the effect that the adoption of this statement may have on its financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, effective for years beginning after June 15, 2022, establishes standards of accounting and financial reporting for PPPs and APAs for governments. The Airport has not determined the effect that the adoption of this statement may have on its financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, effective for years after June 15, 2022, establishes standards of accounting and financial reporting for SBITAs for governments. The Airport has not determined the effect that the adoption of this statement may have on its financial statements.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposit and Investment Policy

The Airport's deposit and investment policy provides that the specific investment objectives shall be 1) the investment of the Airport's assets in securities which shall provide a reasonable rate of total return with a primary emphasis placed upon the preservation of principal, and 2) to establish an investment portfolio that remains sufficiently liquid to enable the Airport to meet operating requirements that might be reasonably anticipated. The Airport's investments policy is guided by the provisions of KRS 66.480.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
 NOTES TO FINANCIAL STATEMENTS (Continued)
 Years ended June 30, 2021 and 2020

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposit and Investment Policy (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The deposit and investment policy of the Airport adheres to state statutes, related trust indentures, and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either the statutes or the policy of the Airport.

Cash

The following is a summary of the Airport's cash on deposit with financial institutions:

	<u>FY 2021</u>	<u>FY 2020</u>
Unrestricted	\$ 10,740,878	\$ 3,287,103
Restricted	<u>950,344</u>	<u>2,252,960</u>
Total cash	<u>\$ 11,691,222</u>	<u>\$ 5,540,063</u>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Airport will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. As of June 30, 2021 and 2020, respectively, \$1,475,141 and \$0 of the Airport's bank balances were exposed to custodial credit risk because the balances were not insured by the FDIC or collateralized by securities. As of June 30, 2021 and 2020, respectively, bank balances of \$1,010,961 and \$1,015,061 that were insured by the FDIC and bank balances of \$9,560,683 and \$4,671,645 that were collateralized by securities held in the Airport's name, were not exposed to custodial credit risk.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
 NOTES TO FINANCIAL STATEMENTS (Continued)
 Years ended June 30, 2021 and 2020

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash Equivalents and Investments

Unrestricted and restricted cash equivalents and investments of the Airport as of June 30, 2021 were as follows:

		<u>Percentage of Total</u>	<u>Duration</u>	<u>Standard & Poors Rating</u>	<u>Moody's</u>
Unrestricted cash equivalents					
Fidelity Government Cash Reserves	\$ 525,092	1.6%	N/A	N/A	N/A
Unrestricted investments					
Mortgage-Backed Securities	5,851,870	17.6%	7/25/21-10/16/63	AA+/NR	NR
Corporate Bonds	2,722,668	8.2%	1/25/22-6/1/69	AA/AA- /A+/A/BBB+/BB	A1/A2/A3 Baa2/NR
Certificate of Deposit	254,965	0.8%	4/4/22	NR	NR
US Treasury Notes	840,569	2.5%	4/30/26-5/15/28	AA+	Aaa/NR
Exchange Traded Funds	<u>837,054</u>	<u>2.5%</u>	NA	NR	NR
Total unrestricted investments	<u>10,507,126</u>	<u>31.6%</u>			
Restricted cash equivalents					
First American Government Obligations	<u>8,485,683</u>	<u>25.5%</u>	N/A	N/A	N/A
Restricted investments					
Mortgage-Backed Securities	8,746,479	26.2%	7/25/21-9/16/61	AAA/AA+/NR	NR
Corporate Bonds	19,666	0.1%	8/21/21	AA+	NR
Municipal Bonds	52,218	0.2%	4/1/24	AA	NR
Certificate of Deposit	374,060	1.1%	12/31/21-4/4/22	NR	NR
US Treasury Notes	1,235,176	3.7%	11/30/25-5/15/28	AA+	Aaa/NR
US Agency Bonds	726,129	2.2%	5/6/21-9/1/32	AA+/NR	Aaa/NR
Mutual Funds	2,317,876	7.0%	NA	NR	NR
Exchange Traded Funds	<u>257,952</u>	<u>0.8%</u>	NA	NR	NR
Total restricted investments	<u>13,729,556</u>	<u>41.3%</u>			
Total cash equivalents and investments	<u>\$ 33,247,457</u>	<u>100.0%</u>			

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended June 30, 2021 and 2020

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash Equivalents and Investments (Continued)

Unrestricted and restricted cash equivalents and investments of the Airport as of June 30, 2020 were as follows:

		<u>Percentage of Total</u>	<u>Duration</u>	<u>Standard & Poors Rating</u>	<u>Moody's</u>
Unrestricted cash equivalents					
Fidelity Government Cash Reserves	\$ 159,112	0.4%	N/A	N/A	N/A
Unrestricted investments					
Mortgage-Backed Securities	8,064,379	23.0%	8/25/20-12/15/41	AAA/AA+/NR	Aaa/NR
Corporate Bonds	1,138,574	3.2%	5/6/21-4/29/49	A/AA+/AA- /A/BBB/BBB-	Aa1/A1/A a3/A2/Ba a2
Municipal Bonds	25,093	0.1%	12/1/20	AA	NR
Certificate of Deposit	515,510	1.5%	2/26/21-4/4/22	NR	NR
US Treasury Notes	289,446	0.8%	11/15/27	AA+	Aaa
Exchange Traded Funds	<u>479,090</u>	<u>1.4%</u>	NA	NR	NR
Total unrestricted investments	<u>10,512,092</u>	<u>30.0%</u>			
Restricted cash equivalents					
First American Government Obligations	<u>8,284,098</u>	<u>23.6%</u>	N/A	N/A	N/A
Restricted investments					
Mortgage-Backed Securities	11,698,860	33.3%	10/25/20-10/15/41	AAA/AA+/NR	Aaa/NR
Corporate Bonds	240,354	0.7%	8/21/21-9/29/21	AA+	AAA
Municipal Bonds	152,899	0.4%	12/1/20-4/1/24	AA	NR
Certificate of Deposit	273,981	0.8%	12/31/21-4/4/22	NR	NR
US Treasury Notes	2,490,511	7.1%	10/15/20-11/15/27	AA+	Aaa/NR
US Agency Bonds	<u>1,283,858</u>	<u>3.7%</u>	5/6/21-9/1/32	AA+/NR	Aaa/NR
Total restricted investments	<u>16,140,463</u>	<u>46.0%</u>			
Total cash equivalents and investments	<u>\$ 35,095,765</u>	<u>100.0%</u>			

Custodial credit risk for cash equivalents and investments is the risk that, in the event of the failure of the counterparty to a transaction, the Airport will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Airport's certificates of deposits are insured by the Federal Depository Insurance Company (FDIC) and the Airport monitors the certificate of deposit purchases to ensure that holdings at each institution do not exceed FDIC coverage limits. The Airport's other cash equivalents and investments are uninsured and unregistered, but are held in the Airport's name; therefore, none of the cash equivalents and investments are subject to custodial credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Airport does not have a formal policy on interest rate risk but maintains an average weighted life on its investment portfolio of 5 years or less to comply with trust indentures and to limit the exposure to interest rate market risks. The investment portfolio as of June 30, 2021 and 2020, had an average duration of 3.0 years and 2.4 years, respectively.

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. The Airport places no limit on the amount that the Airport may invest in any one issuer.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended June 30, 2021 and 2020

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value Measurement

The Airport categorizes its fair value measurements within the fair value hierarchy established by GAAP. The three levels of inputs within the fair value hierarchy are defined as follows:

- *Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- *Level 2:* Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; matrix pricing technique, such as used by the Airport, or other inputs that are observable or can be corroborated by observable market data.
- *Level 3:* Significant unobservable inputs that reflect the reporting entity's own assumptions about the fair value of an asset or liability.

The Airport has the following recurring fair value measurements as of June 30, 2021 and 2020:

Fair Value Measurements as of June 30, 2021				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Debt securities				
US Treasury Notes	\$ 2,075,745	\$ 2,075,745	\$ -	\$ -
US Agency Bonds	726,129	-	726,129	-
Corporate Bonds	2,742,334	-	2,742,334	-
Municipal Bonds	52,218	-	52,218	-
Certificate of Deposit	629,025	-	629,025	-
Mutual Funds	2,317,876	-	2,317,876	-
Exchange Traded Funds	1,095,006	-	1,095,006	-
Mortgage-Backed Securities	14,598,349	-	14,598,349	-
Total investments by fair value level	\$ 24,236,682	\$ 2,075,745	\$ 22,160,937	\$ -
Fair Value Measurements as of June 30, 2020				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Debt securities				
US Treasury Notes	\$ 2,779,957	\$ 2,779,957	\$ -	\$ -
US Agency Bonds	1,283,858	-	1,283,858	-
Corporate Bonds	1,378,928	-	1,378,928	-
Municipal Bonds	177,992	-	177,992	-
Certificate of Deposit	789,491	-	789,491	-
Exchange Traded Funds	479,090	-	479,090	-
Mortgage-Backed Securities	19,763,239	-	19,763,239	-
Total investments by fair value level	\$ 26,652,555	\$ 2,779,957	\$ 23,872,598	\$ -

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended June 30, 2021 and 2020

NOTE 3 - CAPITAL ASSETS

Capital asset activity for FY 2021 and FY 2020 is as follows:

	FY 2021				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets being depreciated:					
Land improvements	\$ 74,706,509	\$ -	\$ 251,308	\$ 15,771,028	\$ 90,226,229
Structures and other improvements	201,925,447	774,660	3,604,632	12,260,794	211,356,269
Equipment	<u>23,481,387</u>	<u>287,504</u>	<u>147,690</u>	<u>7,588,929</u>	<u>31,210,130</u>
Total capital assets being depreciated	<u>300,113,343</u>	<u>1,062,164</u>	<u>4,003,630</u>	<u>35,620,751</u>	<u>332,792,628</u>
Capital assets not being depreciated:					
Land	20,213,806	-	-	-	20,213,806
Construction in progress	<u>31,663,227</u>	<u>12,108,935</u>	<u>-</u>	<u>(35,620,751)</u>	<u>8,151,411</u>
Total capital assets not being depreciated	<u>51,877,033</u>	<u>12,108,935</u>	<u>-</u>	<u>(35,620,751)</u>	<u>28,365,217</u>
Less accumulated depreciation:					
Land improvements	35,374,008	3,037,859	130,539	-	38,281,328
Structures and other improvements	120,820,206	5,926,276	3,427,671	198,295	123,517,106
Equipment	<u>7,325,558</u>	<u>1,775,604</u>	<u>105,345</u>	<u>(198,295)</u>	<u>8,797,522</u>
Total accumulated depreciation	<u>163,519,772</u>	<u>10,739,739</u>	<u>3,663,555</u>	<u>-</u>	<u>170,595,956</u>
Net capital assets	<u>\$ 188,470,604</u>	<u>\$ 2,431,360</u>	<u>\$ 340,075</u>	<u>\$ -</u>	<u>\$ 190,561,889</u>

	FY 2020				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets being depreciated:					
Land improvements	\$ 72,436,212	\$ -	\$ -	\$ 2,270,297	\$ 74,706,509
Structures and other improvements	199,036,027	-	-	2,889,420	201,925,447
Equipment	<u>17,713,734</u>	<u>232,969</u>	<u>157,370</u>	<u>5,692,054</u>	<u>23,481,387</u>
Total capital assets being depreciated	<u>289,185,973</u>	<u>232,969</u>	<u>157,370</u>	<u>10,851,771</u>	<u>300,113,343</u>
Capital assets not being depreciated:					
Land	16,003,806	4,210,000	-	-	20,213,806
Construction in progress	<u>19,148,428</u>	<u>23,366,570</u>	<u>-</u>	<u>(10,851,771)</u>	<u>31,663,227</u>
Total capital assets not being depreciated	<u>35,152,234</u>	<u>27,576,570</u>	<u>-</u>	<u>(10,851,771)</u>	<u>51,877,033</u>
Less accumulated depreciation:					
Land improvements	32,567,206	2,806,802	-	-	35,374,008
Structures and other improvements	114,841,865	5,978,341	-	-	120,820,206
Equipment	<u>6,136,025</u>	<u>1,346,903</u>	<u>157,370</u>	<u>-</u>	<u>7,325,558</u>
Total accumulated depreciation	<u>153,545,096</u>	<u>10,132,046</u>	<u>157,370</u>	<u>-</u>	<u>163,519,772</u>
Net capital assets	<u>\$ 170,793,111</u>	<u>\$ 17,677,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,470,604</u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
 NOTES TO FINANCIAL STATEMENTS (Continued)
 Years ended June 30, 2021 and 2020

NOTE 3 - CAPITAL ASSETS (Continued)

As of June 30, 2021, several uncompleted construction projects funded in-part by Federal grants and bond proceeds remain open. Upon completion and final approval by the Inspector General, these projects will be closed out and a final account will be rendered. Outstanding construction contract commitments are \$14,589,726 at June 30, 2021 and \$6,257,669 at June 30, 2020.

NOTE 4 - LINE OF CREDIT

The Airport has a \$15,000,000 revolving line of credit (LOC) that expires on September 26, 2023. There has been one taxable borrowing for \$3,000,000 against the LOC through June 30, 2021. This borrowing, which was drawn down in May 2021, is being used to finance capital projects. The balance owed as of June 30, 2021, and 2020, is \$3,000,000 and \$0, respectively. Borrowings under the LOC bear interest at a variable rate and the rate is adjusted monthly on the first day of each month. The taxable variable interest rate is calculated as follows: 30-Day LIBOR + 115 basis points. As of June 30, 2021, and 2020, the interest rate for the taxable portion is 1.236% and 1.333%, respectively. The tax-exempt variable rate is calculated as follows: (30-Day LIBOR x 79%)+(115 basis points x 79%)+35 basis points. As of June 30, 2021, and 2020, the interest rate for the tax-exempt portion is 1.326% and 1.403%, respectively. The line of credit is included in current liabilities on the Statements of Net Position as the Airport currently intends to repay the line during the year ended June 30, 2022.

The LOC is secured by the general revenues of the Airport and is further secured by a lease agreement between the Airport, as lessor, and the Lexington-Fayette Urban County Government, as lessee. The Airport is in compliance with certain financial covenants as imposed by the LOC agreement.

NOTE 5 - BONDS PAYABLE

The following is a summary of the changes in the principal amount of bonds payable during FY 2021 and FY 2020:

	FY 2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General bonds	\$ 77,460,000	\$ -	\$ 4,100,000	\$ 73,360,000	\$ 4,615,000
Bonds from direct placements	<u>5,400,000</u>	<u>-</u>	<u>-</u>	<u>5,400,000</u>	<u>-</u>
Total borrowings	<u>\$ 82,860,000</u>	<u>\$ -</u>	<u>\$ 4,100,000</u>	<u>\$ 78,760,000</u>	<u>\$ 4,615,000</u>
	FY 2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General bonds	\$ 75,370,000	\$ 32,000,000	\$ 29,910,000	\$ 77,460,000	\$ 4,100,000
Bonds from direct placements	<u>5,400,000</u>	<u>-</u>	<u>-</u>	<u>5,400,000</u>	<u>-</u>
Total borrowings	<u>\$ 80,770,000</u>	<u>\$ 32,000,000</u>	<u>\$ 29,910,000</u>	<u>\$ 82,860,000</u>	<u>\$ 4,100,000</u>

The Airport's outstanding bonds from direct placements of \$5,400,000 contain a provision that in an event of default, bonds shall bear interest at Default Rate (base rate + 4%) and outstanding amounts become immediately due.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended June 30, 2021 and 2020

NOTE 5 - BONDS PAYABLE (Continued)

Bonds payable at June 30, 2021 and June 30, 2020 are as follows:

	<u>FY 2021</u>	<u>FY 2020</u>
2009 Reissued Series B, Variable Rate General Airport, Direct Placement Revenue Refunding Bonds (AMT)	\$ 5,400,000	\$ 5,400,000
2016A Series A, Fixed Rate General Airport, Revenue Bonds (non-AMT) due through July 2036 with coupon rates ranging from 2%-5%	180,000	350,000
2016B Series B, Fixed Rate General Airport, Revenue Bonds (AMT) due through July 2036 with coupon rates ranging from 3%-5%	180,000	350,000
2016C Series C, Fixed Rate General Airport, Revenue & Revenue Refunding Bonds (Federally Taxable) due through July 2036 with coupon rates ranging from 1.05%-3.85%	32,340,000	35,375,000
2016D Series D, Fixed Rate General Airport, Revenue Bonds (non - AMT) due through July 2036 with coupon rates ranging from 3%-5%	4,915,000	5,135,000
2016E Series E, Fixed Rate General Airport, Revenue Refunding Bonds (non-AMT) due through July 2027 with coupon rates ranging from 3%-4%	3,745,000	4,250,000
2019A Series A, Fixed Rate General Airport, Revenue & Revenue Refunding Bonds (Federally Taxable) due through July 2038 with coupon rates ranging from 1.97%-3.25%	<u>32,000,000</u>	<u>32,000,000</u>
Total principal payable	78,760,000	82,860,000
Unamortized bond premiums	<u>643,846</u>	<u>772,998</u>
Total bonds payable	79,403,846	83,632,998
Less current portion	<u>4,615,000</u>	<u>4,100,000</u>
Noncurrent portion of bonds payable	<u>\$ 74,788,846</u>	<u>\$ 79,532,998</u>

Reissued Series 2009 B Bonds:

The Reissued Series 2009B Bonds are multi-modal direct placement bonds and currently bear an index interest rate with maturities July 1, 2032 through July 1, 2038. The index interest rate is a variable rate of interest based on 74% of (30-day LIBOR plus a 1% margin). As of June 30, 2021, and 2020, the variable interest rates are 0.804% and 0.875% respectively. The bonds are subject to mandatory tender on March 1, 2023 unless the Holder has delivered notice to the Trustee and the Board at least 60 days prior to the Mandatory Tender Date that it will not tender the bonds for purchase on such mandatory tender date. In which event, the Mandatory Tender Date shall be a March 1 which follows March 1, 2023, as identified by the Holder in a notice from the Holder to the Trustee and the Board.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended June 30, 2021 and 2020

NOTE 5 - BONDS PAYABLE (Continued)

2019 General Airport Revenue & Revenue Refunding Bonds

On November 6, 2019, the Airport issued \$32,000,000 of 2019 General Airport Revenue and Revenue Refunding Bonds 2019 Series A (the "2019 Series A Bonds") with an all-in true interest cost of 3.02%. The 2019 Series A Bonds were issued to: 1) refund, on a taxable basis, \$25,920,000 in principal amount 2012 Series A and B Bonds and 2016 Series A and B Bonds (collectively the "Refunded Bonds"); and 2) provide funds for future capital expenditures related to land acquisition; terminal improvements and hangar construction.

The Airport received net proceeds of \$31,812,967, which funds, together with other available monies less costs of issuance, were deposited to an escrow account to defease the Refunded Bonds (\$28,402,631), and to a Project Fund for future capital expenditures (\$3,808,141). The deposit to the escrow account was used to purchase U.S. government securities which were deposited in an irrevocable trust to provide the debt service payments on the Refunded Bonds. As a result, the Refunded Bonds are considered defeased and the liability for such bonds was removed from the accompanying financial statements. The 2012 Series Bonds have a redemption date of July 1, 2022 and the 2016 Series Bonds have a redemption date of July 1, 2021.

The refunding and defeasance resulted in a difference between the reacquisition price of the 2019 Bonds and the net carrying amount of the refunded portion of the 2012 Series A and B Bonds and the 2016 Series A and B Bonds of \$197,155. The difference, reported in the accompanying financial statements as a deferred inflow of resources, is being credited to interest expense through June 30, 2031, the final maturity of the 2012A Bonds, using the straight-line method. Through the refunding, the Airport reduced its total debt service payments over the next twenty years by approximately \$3,872,000 thereby realizing an economic gain (difference between the present values of the old and new debt service payments) of approximately \$2,870,000.

Debt Defeasance Outstanding

At June 30, 2021, the total outstanding principal balance of the refunded bonds to be paid from escrow was \$25,920,000.

Security for Bonds: The security consists of (1) the General Revenues of the Airport as such term is defined in the Indenture, (2) the funds established under the Indenture, and (3) a Lease Agreement between the Airport, as lessor, and the LFUCG, as lessee. The obligations of the LFUCG under the lease are a general obligation of the LFUCG and the full faith, credit and taxing power of the LFUCG is irrevocably pledged to the payment of the annual principal of and interest due on the bonds. The basic security for the general obligation debt of the LFUCG is its ability to levy, and its pledge to levy, an annual tax sufficient to pay the principal of and interest on general obligation debt due on an annual basis.

Debt Covenants: The bonds are subject to financial and nonfinancial covenants. The primary financial covenant is a debt service coverage ratio for which management has reported compliance to the Indenture Trustee. The calculation is based on a net amount available for debt service (general revenue as defined in the bond indenture with available cash balances, PFC and CFC revenues, less operating expense) that equals or exceeds 100% of the Aggregate Annual Debt service for the fiscal year as further defined in the indenture.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
 NOTES TO FINANCIAL STATEMENTS (Continued)
 Years ended June 30, 2021 and 2020

NOTE 5 - BONDS PAYABLE (Continued)

Debt service requirements for principal and estimated interest using the interest rate in effect at June 30, 2021 for all bonds outstanding are outlined below.

Year Ending June 30,	General bonds		Direct Placement		Total
	Principal	Interest	Principal	Interest*	
2022	\$ 4,615,000	\$ 2,121,991	-	\$ 156,600	\$ 6,893,591
2023	4,690,000	2,007,019	-	156,600	6,853,619
2024	4,740,000	1,885,947	-	156,600	6,782,547
2025	4,880,000	1,757,843	-	156,600	6,794,443
2026	5,105,000	1,615,820	-	156,600	6,877,420
2027-2031	24,725,000	5,877,922	-	783,000	31,542,522
2032-2036	19,675,000	2,306,160	\$ 5,090,000	399,041	27,313,601
2037-2039	4,930,000	163,427	310,000	12,907	5,416,334
Total	\$ 73,360,000	\$ 17,736,129	\$ 5,400,000	\$ 1,977,948	\$ 98,474,077

* Variable rate debt of \$5.4 million makes up approximately 7% of the total principal balance. The interest payments on the variable rate debt have been estimated and are subject to uncertainty. Therefore, actual payments may differ from the amounts estimated above.

NOTE 6 - PROPERTY LEASED TO OTHERS

The Airport leases a portion of its capital assets under non-cancelable operating lease agreements for parking, concessions and other commercial purposes. Rental revenue for FY 2021 and FY 2020 was \$5,786,271 and \$8,391,093, respectively. These revenues include contingent rentals which are primarily a percentage of the lessees' gross revenues in excess of minimum guarantees. Contingent rentals for FY 2021 and FY 2020 were \$0 and \$1,496,699, respectively. Due to the drop-in activity from COVID-19, concessionaires are only required to pay percent of commission on revenue earned and not the contractual minimum guarantee. The Airport began providing this relief in April 2020 and is expected to continue through at least September 2021. This resulted in waived minimum guaranteed revenue for FY 2021 and FY 2020 of \$1,849,971 and \$108,716, respectively. The Future minimum rental revenues to be received under these operating leases as of June 30, 2021 are as follows:

Year ending June 30:	
2022	\$ 7,788,560
2023	7,699,859
2024	7,572,960
2025	7,426,663
2026	4,932,510
Thereafter through 2032	<u>7,154,698</u>
Total future minimum rental revenue	<u>\$ 42,575,250</u>

NOTE 7 - PASSENGER FACILITY CHARGES

The Aviation Safety and Capacity Expansion Act of 1990 authorized domestic airports to impose a Passenger Facility Charge (PFC) of \$4.50 on passengers to be used to fund FAA-approved capital projects and debt service attributable to those projects. During FY 2021 and FY 2020 the Airport received PFCs totaling \$1,491,103 and \$2,172,310, respectively. In future years, the Airport is authorized to collect and use PFCs for approved costs of \$64 million under the authority granted by the FAA.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended June 30, 2021 and 2020

NOTE 8 - CONCENTRATIONS OF CUSTOMER REVENUE

During FY 2021 and FY 2020, the Airport earned approximately 39% and 44%, respectively, of airline operations revenue from one carrier.

NOTE 9 - RETIREMENT PLANS

The Airport contributes to a defined contribution retirement plan (the Plan), the Blue Grass Airport Employees Retirement Plan, covering all full-time employees of the Airport. The Plan is administered by John Hancock Plan Services. The Plan was established by the Board and may be amended at the discretion of the Board. The Plan states that each employee makes a required contribution of 5% of gross earnings to participate in the Plan. For public safety employees the required percentage is 7%. The Airport makes a contribution of 9% of total participants' compensation, less forfeitures of terminated participants' non vested accounts, on a bi-weekly basis. For public safety employees, the Airport's contribution rate is 12.15%. For all employees, vesting in the plan occurs over a 5 year period as follows: 1 year-0%; 2 years-25%; 3 years-50%; 4 years-75%; 5 years-100%. A year of service is defined as completion of at least 1,000 hours of service during the applicable computation period.

On termination of service, participants may elect to receive distribution of their benefits either by a single lump-sum payment amount or a lifetime annuity option, provided their total account balance is greater than or equal to \$5,000. If the lifetime annuity option is selected, it is anticipated the Plan would use the participant's account balance to purchase an annuity contract. Participants with \$5,000 or less in their account must take a lump-sum distribution payment.

Married participants who elect to receive distribution of benefits through an annuity will receive benefits in the form of a joint and survivor annuity, whereby the surviving spouse will continue to receive a benefit for life equal to 50% of the benefit received prior to the death of the participant, unless otherwise elected as defined by the Plan. Single participants who elect to receive distribution of their benefits through an annuity will receive their benefits in the form of a lifetime annuity.

Employer contributions to the Plan made by the Airport were \$545,000 and \$549,000 for FY 2021 and FY 2020, respectively. For FY 2021 and FY 2020, the required employer contributions were reduced by forfeitures of \$17,856 and \$26,304, respectively. Required contributions made by Plan participants for FY 2021 and FY 2020 were \$306,000 and \$309,000, respectively. Since the Plan assets are held in trust for the benefit of the Plan members, the related assets of the Plan are not included in the accompanying statement of net position.

The Airport has an additional retirement plan under Internal Revenue Code section 457(b) that allows for annual employee salary deferrals up to \$19,500. The Airport does not contribute to this Plan.

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT PLANS

The Airport has a plan that provides medical insurance post-employment benefits to qualifying employees. Employees who retire after completing 27 years of service, or 20 years of service for public safety officers, will receive up to \$275 each month for medical insurance coverage. The amount will remain fixed until changed by the Airport, as it deems necessary, at its sole discretion. This benefit will be paid until the retiree is eligible for coverage by any other health insurance, including Medicare and Medicaid.

The post-employment benefits liability was evaluated by an independent actuary as of June 30, 2018 using a discount rate of 3.75%. There is no required employee contribution related to this benefit. The table below outlines the beginning of year (BOY) balance, the actuarial adjustments and payments, and the end of year (EOY) balance.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
 NOTES TO FINANCIAL STATEMENTS (Continued)
 Years ended June 30, 2021 and 2020

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT PLANS (Continued)

	<u>BOY Liability</u>	<u>(Payments)</u>	<u>EOY Liability</u>
FY 2021	\$ 341,027	\$ (1,650)	\$ 339,377
FY 2020	\$ 344,327	\$ (3,300)	\$ 341,027

The following presents the sensitivity of the Airport's post-employment benefits liability to changes in the discount rate. The liability is calculated using the discount rate of 3.75% percent, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.75% percent) or 1 percentage-point higher (4.75% percent) than the current rate:

	<i>1% Decrease (2.75%)</i>	<i>Current Discount Rate (3.75%)</i>	<i>1% Increase (4.75%)</i>
Post-Employment Benefits Liability	\$ 365,806	\$ 339,377	\$ 315,913

NOTE 11 - CONTINGENCIES

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport has purchased commercial insurance to cover these risks. The amount of settlements has not exceeded coverage in any of the past three fiscal years.

NOTE 12 - IMPLICATIONS OF COVID-19 ON THE AIRPORT

The COVID-19 pandemic has adversely impacted the Airport's operations for FY 2021 and FY 2020. The estimated loss of revenue for the Airport is approximately \$13,000,000 from March 2020 through June 2021. The Airport has received \$3,461,000 and \$9,996,000 in COVID FAA relief grants from the Federal Aviation Administration (FAA) for FY 2020 and FY 2021, respectively. The Airport has also been awarded an additional COVID FAA relief grant in the amount of \$7,100,000 that it expects to receive in FY 2022. These grants are to assist with approved expenditures and debt payments.

The Airport's operations have increased steadily during the last quarter of FY 2021. While operations are expected to increase during FY 2022 a full recovery for the air transportation industry is expected to take three to five years, according to most industry studies. The Airport has reduced operating costs where possible and continues to work with its partners to minimize the impact. The Airport's liquidity and COVID FAA relief grants have enabled the Airport to sustain a sound financial position during this difficult time.