

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

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2024 and 2023

And Report of Independent Auditor

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

REPORT OF INDEPENDENT AUDITOR 1-3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4-16

FINANCIAL STATEMENTS

 Statements of Net Position 17-18

 Statements of Revenues, Expenses, and Changes in Net Position 19

 Statements of Cash Flows 20

 Notes to the Financial Statements 21-36

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Lexington-Fayette Urban County Airport Board (the "Airport"), a component unit of Lexington-Fayette Urban County Government, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Airport as of June 30, 2024 and 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Airport 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 opinion.

Prior Period Financial Statements

The financial statements as of June 30, 2023, were audited by MCM CPAs & Advisors LLP, which was acquired by Cherry Bekaert LLP as of October 31, 2023, and whose report dated September 27, 2023, expressed an unmodified opinion.

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 Airport's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 auditing standards generally accepted in the United States of America 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.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport'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 Airport's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 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 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024 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 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 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.

Cherry Bekaert LLP

Lexington, Kentucky
September 25, 2024

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 AND 2023

Management's discussion and analysis

The Lexington-Fayette Urban County Airport Board owns and operates Blue Grass Airport (“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, 2024 (FY 2024) and June 30, 2023 (FY 2023). 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

In FY 2024, the Airport achieved much success, marked by numerous achievements in both commercial and private aviation. The Airport continued to enhance its facilities, expand upon its air service offerings and improve customer service.

Served by four airline brands providing flights to a total of 16 non-stop destinations, the Airport experienced 736,296 enplanements, 724,504 deplanements and a total passenger count of 1,460,800 total passengers. The Airport finished FY 24 extremely strong, as it broke the record for the busiest month ever in the Airport's history. A total of 157,715 passengers flew to and from the Airport in June 2024, an increase of 18.5% from June 2023 and a 13 % increase from the previous June record in 2019. The four airlines operating from the Airport—Allegiant, American Airlines, Delta Air Lines and United Airlines—all played a significant role in achieving this passenger record.

In the fall of 2023, the Airport received non-stop flights to multiple new destinations. United Airlines began non-stop daily flights between Lexington and Denver, and American Airlines began non-stop seasonal flights between Lexington and Miami. In addition, all airlines increased the number of seats available for purchase by flying larger aircraft and/or increasing the number of flights to each destination, including more flights to Charlotte, Chicago, Destin/Ft. Walton Beach and Detroit.

During much of FY 24, the Airport conducted a Master Plan study that forecasted future aviation activity for the next 5, 10 and 20 years to create a facility plan to accommodate growth. This plan is typically updated every 10 years within the guidance of the Federal Aviation Administration, and it incorporates feedback from the local aviation community and the general public. During this process, the Airport and its consulting teams gathered and analyzed data that covered all aspects of airport infrastructure and reviewed areas such as safety, passenger experience, facilities, and corporate and private aviation. As part of this process, the Airport held several public workshops and hosted meetings with a leadership advisory committee and technical advisory committee that represented a variety of segments of the general public, the business community and on-airport organizations. The Airport anticipates the study will be concluded in fall 2024.

Construction to accommodate growth continued at the Airport this year. To better serve the private aviation community, the Airport broke ground on a hangar on the west side of its property to serve tenants using Runway 9-27, the Airport's crosswind runway. These tenants include flight schools and maintenance providers for private aircraft. In addition, the Airport broke ground on a 50,000-square-foot hangar with 30-foot-high doors to accommodate large corporate aircraft. This new facility will have the capability to house the largest and longest-range corporate aircraft available on the market. These new hangars show the Airport's commitment to advancing its private aviation facilities to meet the evolving needs of the region. Construction of these hangars is expected to be finished in February 2025.

Other significant projects included the addition of four jet bridges connecting LEX passengers from the terminal to the aircraft, the implementation of an Engineered Material Arresting System (“EMAS”) at the north end of the Airport's primary runway and a new simulator for the Airport's regional Aircraft Rescue & Firefighting Training Center. The Airport is one of only a handful of airports to have a training center of this kind, where industry professionals nationwide can train on extinguishing aircraft fires and learning new rescue techniques.

**LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2024 AND 2023

Airport activities and highlights (continued)

In June 2024, the Airport concluded an economic impact study based on data collected from calendar year 2023. The study quantified the economic benefits the Airport provides to the region in terms of employment, payroll and economic output and accounts for economic activity related to the Airport's day-to-day operation, capital improvement projects undertaken by the Airport and on-airport organizations, and visitors coming to the region by airline or private aviation aircraft. It was determined that Blue Grass Airport is responsible for creating 4,745 jobs with an annual payroll of \$180 million and an overall annual economic output of \$709 million. In addition, the study also detailed the benefits that an airport provides that go beyond the employment and economic output attributed to it. For instance, aviation-related healthcare services such as air ambulance services and organ transport are often more valuable than their economic impact, especially on the individual level.

The Airport continues to look to the future by building on the current momentum and focusing on how it can serve its region and the traveling public even better.

Operations Statistical Data

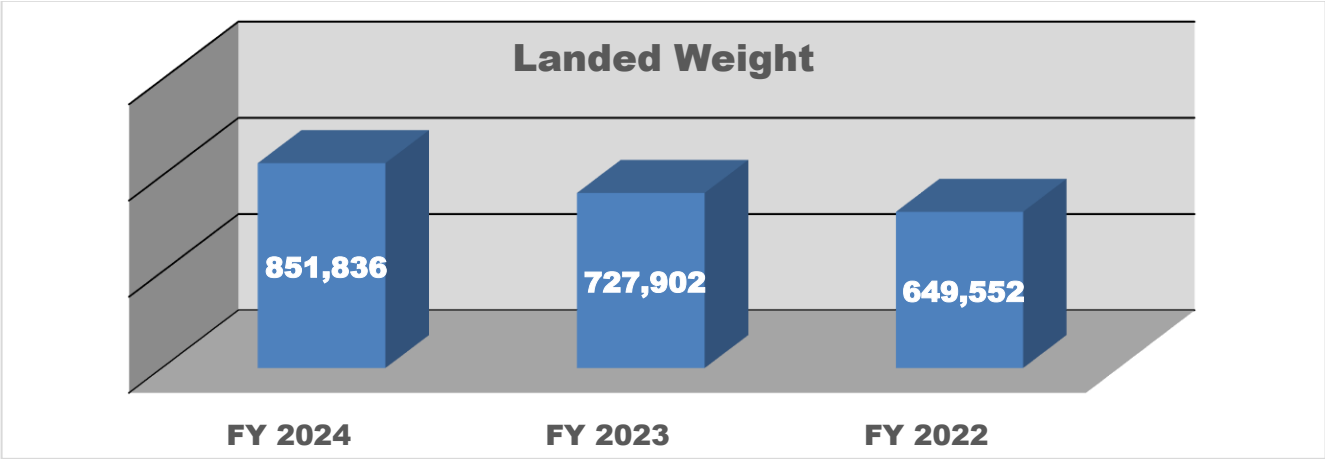
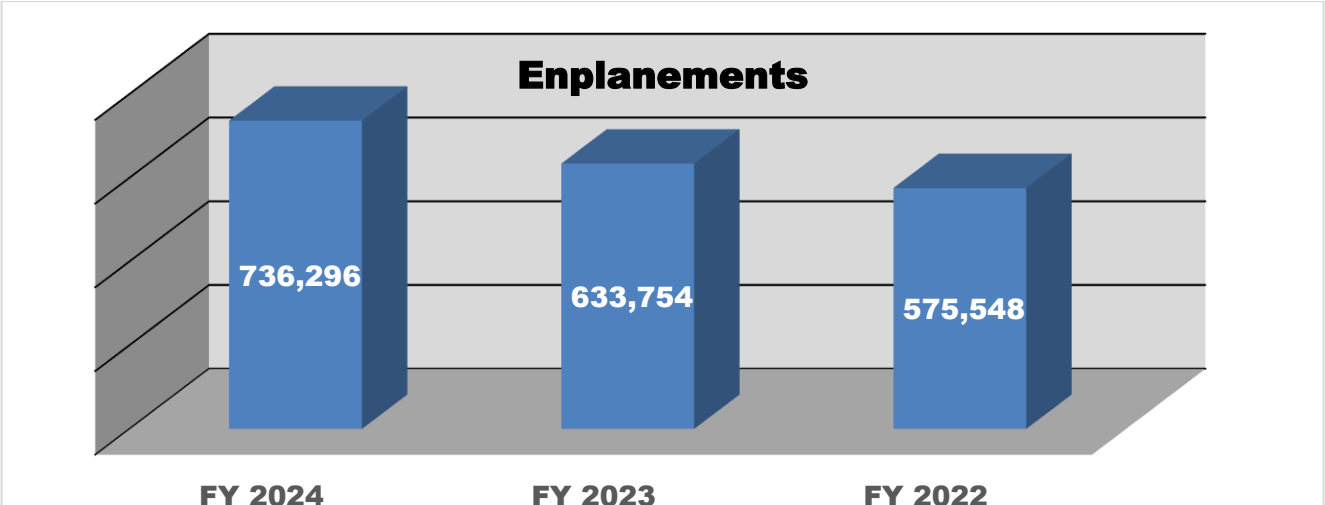
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Enplanements	736,296	633,754	575,548
Increase	102,542	58,206	234,186
% Increase	16.18%	10.11%	68.60%
Landed weight (1,000 pounds)	851,836	727,902	649,552
Increase	123,934	78,350	146,300
% Increase	17.03%	12.06%	29.07%
Aircraft operations - commercial	18,759	17,620	18,221
Increase (decrease)	1,139	(601)	2,634
% Increase (decrease)	6.46%	-3.30%	16.90%
Aircraft operations - general aviation	61,206	61,690	55,432
Increase (decrease)	(484)	6,258	9,906
% Increase (decrease)	-0.78%	11.29%	21.76%
Aircraft operations - military	2,070	2,177	1,784
Increase (decrease)	(107)	393	(114)
% Increase (decrease)	-4.92%	22.03%	-6.01%

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.

**LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

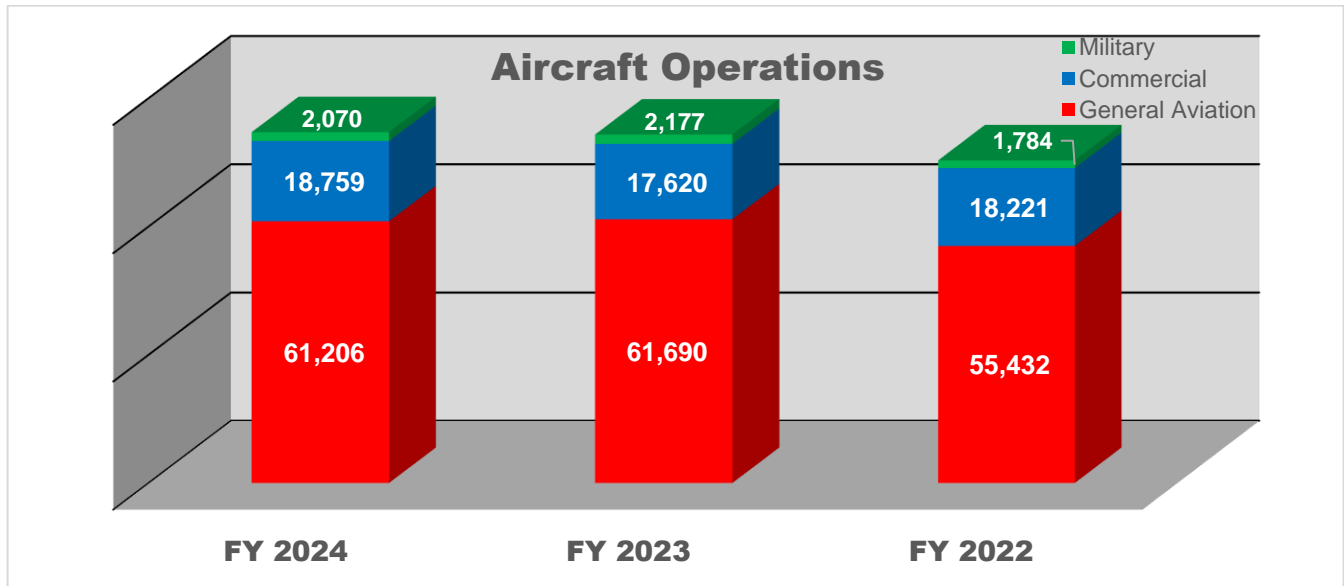
JUNE 30, 2024 AND 2023

Statistical graphs



**LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2024 AND 2023



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 Financial Statements for the Airport's significant accounting policies.

Financial operations and highlights

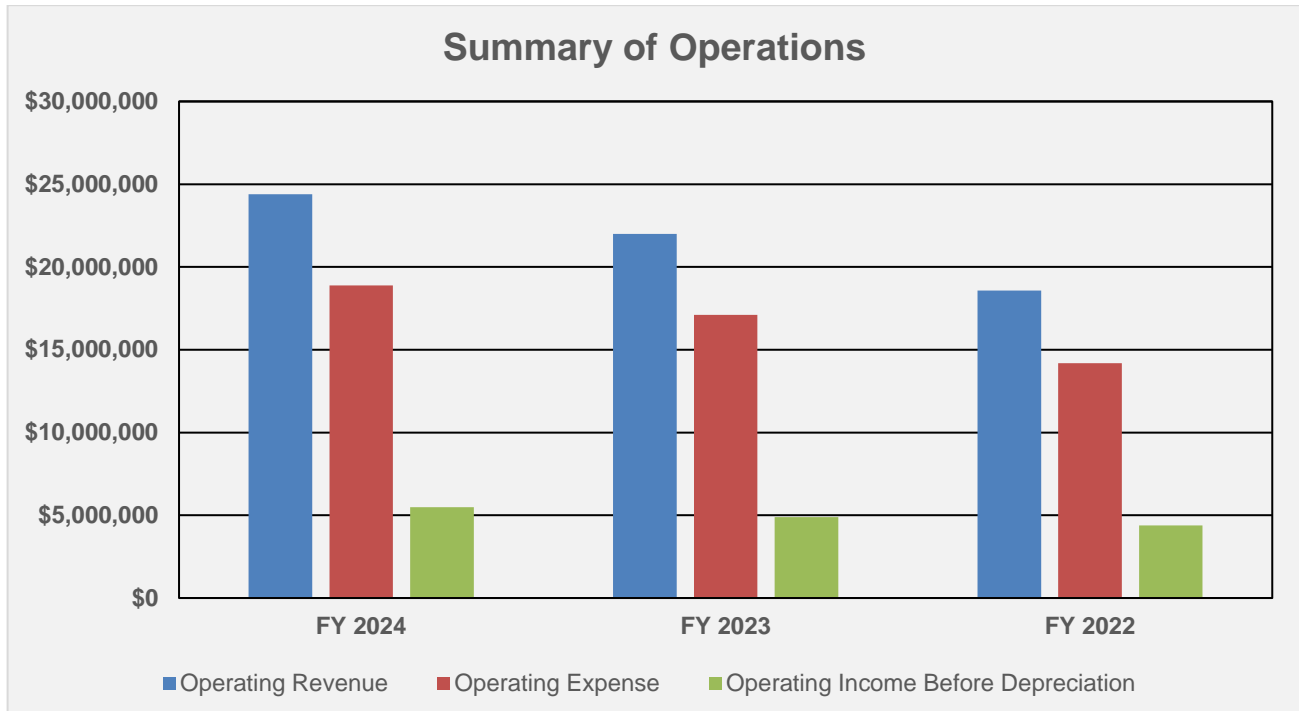
Summary of operations and changes in net position

	2024	2023	2022
Operating revenue	\$ 24,389,693	\$ 21,999,484	\$ 18,573,376
Operating expenses	(18,914,095)	(17,107,821)	(14,186,919)
Operating income before depreciation expense	5,475,598	4,891,663	4,386,457
Depreciation expense	(13,128,676)	(12,880,053)	(12,251,905)
Loss from operations	(7,653,078)	(7,988,390)	(7,865,448)
Net non-operating revenue	4,873,954	3,856,540	7,831,705
Loss before capital grants	(2,779,124)	(4,131,850)	(33,743)
Capital grants	24,677,358	6,289,820	18,365,276
Increase in net position	<u>\$ 21,898,234</u>	<u>\$ 2,157,970</u>	<u>\$ 18,331,533</u>

**LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2024 AND 2023

Financial operations and highlights (continued)



Revenue

	<u>2024</u> Amount	<u>2023</u> Amount	<u>2022</u> Amount	<u>% Change</u> <u>2024/2023</u>
Operating:				
Airline operations	\$ 8,583,141	\$ 7,335,332	\$ 6,747,592	17.01%
Parking	8,095,786	7,096,753	5,716,089	14.08%
Ground transportation	3,663,163	3,795,345	3,102,339	-3.48%
Concessions	998,081	867,940	447,166	14.99%
General aviation	2,024,757	1,975,351	1,632,261	2.50%
Advertising	547,638	507,726	450,644	7.86%
Other	477,127	421,037	477,285	13.32%
Total operating revenue	<u>24,389,693</u>	<u>21,999,484</u>	<u>18,573,376</u>	<u>10.86%</u>
Non-operating:				
Passenger facility charges	2,973,151	2,496,522	233,950	19.09%
Contract facility charges	1,722,594	1,373,048	1,096,650	25.46%
COVID FAA relief grant	-	-	7,553,813	NA
Interest from leases	634,012	799,386	986,577	-20.69%
Investment income, net of fees	2,167,000	979,608	545,408	121.21%
Net increase (decrease) in fair value of investments	1,247,918	(131,311)	(2,412,164)	NA
Insurance net of proceeds	-	650,429	-	NA
Total non-operating revenue	<u>8,744,675</u>	<u>6,167,682</u>	<u>8,004,234</u>	<u>41.78%</u>
Capital grants	<u>24,677,358</u>	<u>6,289,820</u>	<u>18,365,276</u>	<u>292.34%</u>
Total revenue	<u>\$ 57,811,726</u>	<u>\$ 34,456,986</u>	<u>\$ 44,942,886</u>	<u>67.78%</u>

**LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2024 AND 2023

Financial operations and highlights (continued)

Expense

A summary of the expense for FY 2024, FY 2023 and FY 2022 is as follows:

	<u>2024</u> <u>Amount</u>	<u>2023</u> <u>Amount</u>	<u>2022</u> <u>Amount</u>	<u>% Change</u> <u>2024/2023</u>
Operating:				
Administration	\$ 7,978,587	\$ 7,165,900	\$ 5,471,230	11.34%
General maintenance	4,459,132	4,265,641	3,308,291	4.54%
Safety, rescue and security	2,837,152	2,621,132	2,493,648	8.24%
Planning and construction	965,932	824,379	894,333	17.17%
Building maintenance	1,263,083	970,011	894,659	30.21%
Airport operations	1,410,209	1,260,758	1,124,758	11.85%
Total operating expense	<u>\$ 18,914,095</u>	<u>\$ 17,107,821</u>	<u>\$ 14,186,919</u>	<u>10.56%</u>
Non-operating:				
Interest expense and fees	\$ 3,321,057	\$ 2,311,142	\$ 2,272,529	43.70%
Debt issuance costs	394,673	-	-	NA
Loss on disposal of capital assets	154,991	-	-	NA
Total non-operating	3,870,721	2,311,142	2,272,529	67.48%
Depreciation expense	13,128,676	12,880,053	12,251,905	1.93%
Total expense	<u>\$ 35,913,492</u>	<u>\$ 32,299,016</u>	<u>\$ 28,711,353</u>	<u>11.19%</u>

FY 2024 revenue and expense analysis

Operating revenue increased from \$22.0 million in FY 2023 to \$24.4 million in FY 2024, an increase of 11%. The increase in revenue is primarily due to the increase in passenger enplanements, which drives most of the operations revenue. Compared to the previous year, enplanements increased by 16% and landed weight increased by 17%. The following describes the fluctuations of certain types of operating revenue:

- Airline operations revenue increased by \$1,248,000 or 17%. This was driven by a 102,542, or 16% increase in enplanements and a 123,934, or 17% increase in landed weight. New flight destinations and the airline's usage of larger aircraft contributed to this increase.
- The 16% increase in enplanements resulted in an increase in revenue in the following: Parking revenue increased by \$999,000 or 14%. Concessions revenue increased by \$130,000, or 15%.

Operating expense increased from \$17.1 million in FY 2023 to \$18.9 million in FY 2024, an increase of 11%. The increase in expenses was primarily driven by increased airline activity and inflationary pressures, leading to higher costs in supplies, and salaries and benefits. The following describes the fluctuations of certain types of operating expense:

- Administration expenses increased by \$813,000 or 11%. The Airport experienced higher costs for cyber security and property and casualty insurance and incurred legal and consulting fees for the issuance of the line of credit and the redevelopment of airline agreements. Also, general inflation led to higher costs to operate across the board for expenses and salaries and benefits.
- General maintenance expenses increased by \$193,000, or 5%. The higher volume of passengers and inflation led to higher salary and benefit costs.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 AND 2023

Financial operations and highlights (continued)

- Safety, rescue and security expenses increased by \$216,000, or 8%. The public safety department saw an increase in the cost of training, supplies and salaries and benefits.
- Planning and construction expenses increased by \$142,000, or 17%. This was due to professional services for project design and other construction.
- Building maintenance expenses increased by \$293,000, or 30%. This was due to increased expenses for supplies, contracted cleaning services and salaries and benefits.
- Airport operations expenses increased by \$149,000, or 12%. This was due to increased expenses for maintenance of equipment, supplies and salaries and benefits.

Net non-operating revenue increased from \$3.9 million in FY 2023 to \$4.9 million in FY 2024, an increase of 26%. The following describes the fluctuations of certain types of non-operating revenue:

- Due to the increase in enplanements, airline passenger facility charges increased by \$477,000 or 19%.
- Contract facility charges provided by car rentals increased \$350,000, or 25%, due to the increase in airline enplanements.
- The Airport had no net insurance proceeds in FY 2024.
- Operating lease interest decreased \$165,000, or 21% in FY 2023. Additional information for leases can be found in Note 3 for the financial statements.
- Due to the increase in interest rates and additional funds invested from bond issuance, investment income increased \$1,188,000, or 121% in FY 2024.
- Due to a new bond issuance in FY 2024, interest expense increased by \$1,009,000 and debt issuance costs incurred were \$395,000.

FY 2023 revenue and expense analysis

Operating revenue increased from \$18.6 million in FY 2022 to \$22.0 million in FY 2023, an increase of 18%. The increase in revenue is primarily due to the increase in passenger enplanements, which drives most of the operations revenue. Compared to the previous year, enplanements increased by 10% and landed weight increased by 12%. The following describes the fluctuations of certain types of operating revenue:

- Airline operations revenue increased by \$587,000 or 9%. This was driven by a 58,206, or 10% increase in enplanements and a 78,350, or 12% increase in landed weight. Although business travel is still lagging pre-COVID levels, the leisure market has shown strength and is helping drive enplanements to higher levels.
- The 10% increase in enplanements resulted in an increase in revenue in the following: Parking revenue increased by \$1,381,000 or 24%. Ground transportation revenue increased by \$693,000, or 22%.
- Concessions revenue increased by \$421,000, or 94%. The increase in revenue can be attributed to an investment, made by the concessionaire on the Airport's behalf, of \$332,000. The remaining increase is due to the increase in enplanements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 AND 2023

Financial operations and highlights (continued)

Operating expense increased from \$14.2 million in FY 2022 to \$17.1 million in FY 2023, an increase of 21%. The following describes the fluctuations of certain types of operating expense:

- Administration expenses increased by \$1,695,000 or 31%. This was due to increased expenses in FY23 for IT expenses, marketing expenses for new air service, and salaries and benefits.
- General maintenance expenses increased by \$957,000, or 29%. This was due to increased expenses for maintenance of the airfield, repair and replacement of HVACs, and salaries and benefits.
- Safety, rescue and security expenses increased by \$127,000, or 5%. This was due to an increase in salaries and benefits.
- Engineering expenses decreased by \$70,000, or 8%. This was due to a decrease in professional services.
- Building maintenance expenses increased by \$75,000, or 8%. This was due to an increase in salaries and benefits.
- Airport operations expenses increased by \$136,000, or 6%. This was due to an increase in salaries and benefits.

Net non-operating revenue decreased from \$7.8 million in FY 2022 to \$3.9 million in FY 2023, a decrease of 50%. The following describes the fluctuations of certain types of non-operating revenue:

- Due to the increase in enplanements, airline passenger facility charges increased by \$163,000 or 7%.
- Contract facility charges provided by car rentals increased \$276,000, or 25%, due to increase in enplanements.
- No additional COVID FAA relief grants were awarded in FY 2023.
- The Airport had net insurance proceeds of \$650,000 from a windstorm in March 2023.
- Operating lease interest decreased \$187,000, or 19% in FY 2023. Additional information for leases can be found in Note 3 to the financial statements.
- Due to the increase in interest rates, investment income increased \$434,000, or 80% in FY 2023.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 AND 2023

Financial operations and highlights (continued)

Financial Position

The following represents the Airport's financial position at June 30, 2024, 2023, and 2022. The Airport's assets exceeded liabilities by \$197.3 million on June 30, 2024, a \$21.9 million increase from June 30, 2023. The Airport's assets exceeded liabilities by \$175.5 million on June 30, 2023, a \$2.2 million increase from June 30, 2022.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets:			
Current assets-unrestricted	\$ 33,246,613	\$ 32,536,701	\$ 30,428,046
Restricted assets	54,410,316	26,297,672	28,940,150
Long term assets – unrestricted	23,585,314	16,703,769	23,191,878
Capital assets	224,565,617	198,095,745	201,053,360
Deferred outflows of resources	507,075	676,101	845,127
Total assets	<u>\$ 336,314,935</u>	<u>\$ 274,309,988</u>	<u>\$ 284,458,561</u>
Liabilities:			
Current liabilities-payable from unrestricted assets	\$ 3,135,536	\$ 1,838,577	\$ 2,544,293
Current liabilities-payable from restricted assets	15,307,572	8,867,213	9,037,396
Noncurrent liabilities	90,207,334	65,519,213	70,337,790
Deferred inflow of resources	30,314,906	22,633,632	29,245,699
Total liabilities	<u>\$ 138,965,348</u>	<u>\$ 98,858,635</u>	<u>\$ 111,165,178</u>
Net Position:			
Net investment in capital assets	\$ 145,410,859	\$ 126,059,009	\$ 124,272,771
Restricted	25,794,302	24,799,809	27,352,809
Unrestricted	26,144,426	24,592,535	21,667,803
Total net position	<u>\$ 197,349,587</u>	<u>\$ 175,451,353</u>	<u>\$ 173,293,383</u>

**LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2024 AND 2023

Financial operations and highlights (continued)

Capital Assets

Major capital projects in progress and expenditures incurred during FY 2024 included the following:

	2024	Cumulative
Airport Rescue Firefighting Training Center Modernization	\$ 6,846,000	\$ 9,221,000
Corporate Hangar Construction	8,077,000	8,142,000
Hangar 110 Construction	3,333,000	3,333,000
Passenger Boarding Bridges	5,607,650	5,931,000
Runway 22 Runway Safety Area Improvements	8,719,000	9,909,000
Master Plan Update	526,000	2,248,000

Major capital projects in progress and expenditures incurred during FY 2023 included the following:

	2024	Cumulative
Airport Rescue Firefighting Training Center Modernization	\$ 2,347,000	\$ 2,375,000
Hangar 40 Construction	1,457,000	2,877,000
Master Plan Update	1,415,000	1,722,000
Runway 22 Runway Safety Area Improvements	1,190,000	1,190,000

The Airport Rescue Firefighting Training Center (“ARFFTC”) is a training facility used to provide airport firefighters the training specific to the needs of the airport community. ARFFTC Modernization is a \$9 million project funded approximately 90% by grants with the FAA with a 10% matching contribution from the Airport. The modernization that the ARFFTC is undergoing is replacing systems and equipment that are over twenty-five years old.

The Corporate Hangar Construction project involves building a hangar to accommodate large corporate aircraft. The hangar will measure approximately 320 feet in length and 150 feet in depth. The project, estimated to cost around \$15 million, was funded through a bond issuance in November 2023. The hangar will be located on the east side of the airfield.

Hangar 110 is being constructed to meet the growing demand for general aviation hangars. Hangar 110 is a \$4 million project funded approximately 90% by the Bipartisan Infrastructure Law (“BIL”). Hangar 110 is 3-unit hangar which will be located on the west side of the airfield.

The Airport replaced four passenger boarding bridges in FY 2024. The project, which cost approximately \$6 million, was funded approximately 90% by FAA grants, with the Airport providing a 10% matching contribution.

The Runway 22 Safety Area Improvements project added an Engineered Material Arresting System (“EMAS”) to the northeast end of the runway. EMAS safety blocks are designed to reduce the risk of aircraft overruns. This safety project, completed in FY 2024, was funded approximately 90% by FAA grants, with the Airport providing a 10% matching contribution.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 AND 2023

Financial operations and highlights (continued)

The Airport began undertaking a new Master Plan in FY 2022. The Master Plan is a strategic study which forecasts future aviation activity and creates a vision to accommodate the needs of the region. It will include a comprehensive assessment of core infrastructure needs. In conjunction with the Federal Aviation Administration ("FAA"), a plan will be developed to provide short-term and long-term improvements. The Master Plan is being funded approximately 90% by grants with the FAA with a 10% matching contribution from the Airport and is scheduled to be completed during FY 2025.

To finance other capital projects including fuel storage facility, large corporate hangar; passenger boarding bridges, Airport Rescue Firefighting Training Center building expansion, and terminal improvements, the Airport issued General Airport Revenue Bonds totaling \$30,450,000 on November 30, 2023. The net proceeds totaled \$30,780,000, which included a net original issue premium of \$795,000, less an underwriters' discount of \$178,000 and other costs of issuance \$287,000.

The Airport has outstanding construction contract commitments totaling \$10,732,487. Over \$2,900,000 will be funded by grants with the FAA with the remaining amount to be paid by the Airport.

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 5 to the financial statements.

Bonds Payable

In addition to the General Airport Revenue Bonds discussed in Capital Assets, to convert the Airport's variable rate debt to fixed rate debt and take advantage of lower interest rates, the Airport issued \$16,800,000 of General Airport Revenue Refunding Bonds in November 2023. The General Airport Revenue Refunding Bonds were issued as an advance refunding for the 2009 Series B Bonds' and tax-exempt portions of the 2019 Series A Bonds'. The Airport received net proceeds of \$18,421,000 (including net original issue premium of \$1,114,000 plus debt service reserve fund release and debt service contribution of \$759,000, less underwriters' discount of \$92,000 and other costs of issuance of \$160,000). The refunding portion of the 2023 General Airport Revenue Refunding Bonds was used to defease \$5,400,000 in outstanding 2009 Series Bonds (plus interest) and \$14,445,000 for the 2019 Series A Bonds (plus interest). The Airport completed the refunding and defeasance to reduce its total debt service payments over the next fifteen years by \$2,064,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$760,000.

Additionally, the 2023 Bonds included \$3,427,000 in funding to cover interest expenses for the new projects listed in the Capital Asset section above. The funding will cover the interest for these projects through September 2026 for the fuel storage facility and May 2025 for the corporate hangar and terminal improvements.

Total bonds payable at June 30, 2024, and June 30, 2023 were \$92,120,000 and \$69,455,000, respectively. As of June 30, 2024, the Airport's debt structure consisted entirely of fixed rate bonds, whereas, as of June 30, 2023, fixed rate bonds comprised approximately 92% of the debt structure, amounting to \$64,055,000, with the remaining \$5,400,000 being variable rate debt. The index interest rate for the variable rate bonds was based on (1-month SOFR plus 0.1%) multiplied by 80%, plus 1%, which resulted in a variable rate of 5.1322% as of June 30, 2023.

**LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2024 AND 2023

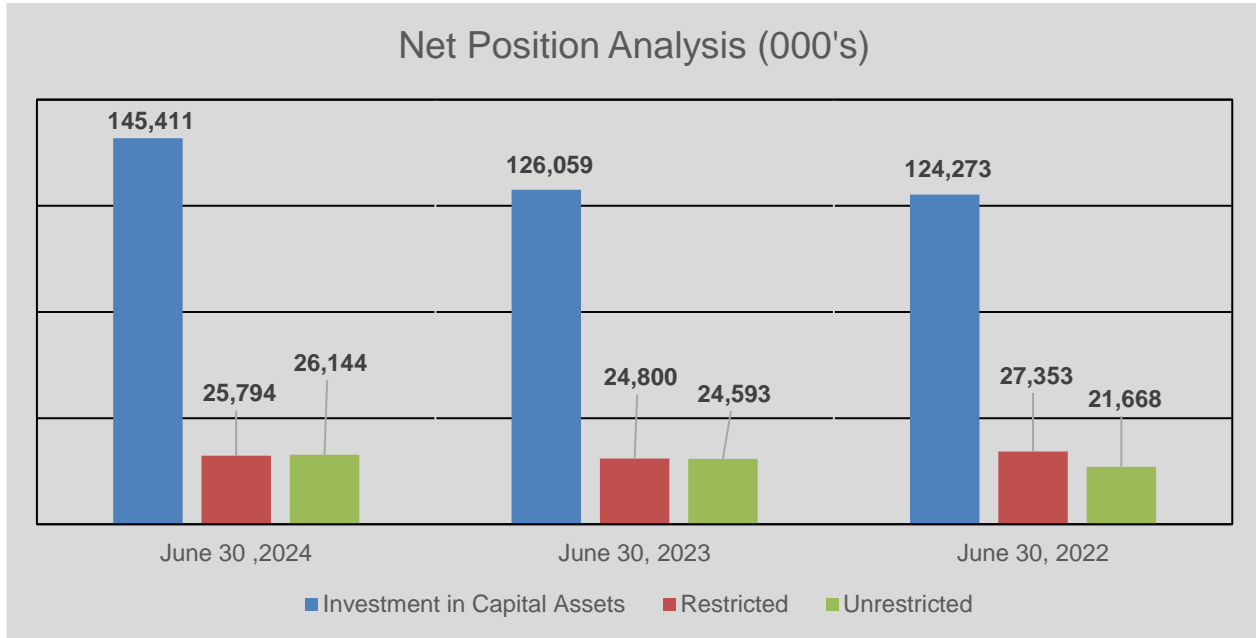
Financial operations and highlights (continued)

Additional information regarding bonds payable is provided in Note 7 to the financial statements.

Net Position

The largest portion of the Airport's net position each year (73.7% at June 30, 2024, 71.9% at June 30, 2023, and 71.7% at June 30, 2022) 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, Contract Facility Charge revenues and Passenger Facility Charge revenues, since it is unlikely the capital assets themselves will be sold to pay liabilities. An additional portion of the Airport's net position (13.1% on June 30, 2024, 14.1% on June 30, 2023, and 15.8% on June 30, 2022) 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 (13.2% of the Airport's net position on June 30, 2024, 14.0% on June 30, 2023, and 12.5% on June 30, 2022) consist of resources that do not meet the definition of "restricted" or "net investment in capital assets".



**LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2024 AND 2023

Financial operations and highlights (continued)

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>2024</u>	<u>2023</u>	<u>2022</u>
Net cash flows provided by operating activities	\$ 5,563,223	\$ 4,406,835	\$ 425,919
Net cash provided by noncapital financing activities	-	-	7,553,813
Net cash flows provided (used) by capital and related financing activities	16,036,150	(4,231,861)	(12,864,833)
Net cash used by investing activities	<u>(9,798,684)</u>	<u>(4,739,210)</u>	<u>(5,247,128)</u>
Net increase (decrease) in cash and cash equivalents	11,800,689	(4,564,236)	(10,132,229)
Cash and cash equivalents, beginning of year	<u>9,838,803</u>	<u>14,403,039</u>	<u>20,701,997</u>
Cash and cash equivalents, end of year	<u>\$ 21,639,492</u>	<u>\$ 9,838,803</u>	<u>\$ 10,569,768</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 Vice President 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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets - Unrestricted:		
Cash and cash equivalents	\$ 2,042,083	\$ 2,214,704
Investments	20,653,051	20,356,475
Accounts receivable	3,190,395	2,521,635
Leases receivable	6,327,294	6,487,922
Accrued interest receivable	139,028	127,747
Other assets	894,762	828,218
Total Current Assets	<u>33,246,613</u>	<u>32,536,701</u>
Restricted Assets:		
Cash and cash equivalents	19,867,409	7,624,099
Investments	26,745,564	13,832,446
Accounts receivable	748,207	605,519
Accrued interest receivable	234,534	97,467
Grants receivable	6,814,602	4,138,141
Total Restricted Assets	<u>54,410,316</u>	<u>26,297,672</u>
Noncurrent Assets - Unrestricted:		
Leases receivable	<u>23,585,314</u>	<u>16,703,769</u>
Capital Assets:		
Capital assets not being depreciated	43,835,455	27,733,937
Capital assets being depreciated	384,259,131	365,125,639
Accumulated depreciation	<u>(203,528,969)</u>	<u>(194,763,831)</u>
Total Net Capital Assets	<u>224,565,617</u>	<u>198,095,745</u>
Deferred Outflows of Resources:		
Deferred amount on refunding	<u>507,075</u>	<u>676,101</u>
Total Assets and Deferred Outflows	<u><u>\$ 336,314,935</u></u>	<u><u>\$ 274,309,988</u></u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2024 AND 2023

	2024	2023
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets):		
Accounts payable	\$ 1,610,307	\$ 813,784
Accounts payable - construction	807,833	358,549
Accrued payroll and benefits	504,002	443,636
Unearned revenue	213,394	222,608
Total Current Liabilities (Payable from Unrestricted Assets)	<u>3,135,536</u>	<u>1,838,577</u>
Current Liabilities (Payable from Restricted Assets):		
Current portion of bonds payable	4,880,000	4,740,000
Accounts payable - construction	8,443,893	3,017,627
Accrued interest payable	1,983,679	1,109,586
Total Current Liabilities (Payable from Restricted Assets)	<u>15,307,572</u>	<u>8,867,213</u>
Total Current Liabilities	<u>18,443,108</u>	<u>10,705,790</u>
Noncurrent Liabilities:		
Accrued post-employment benefits	286,172	310,918
Equipment financing agreements	392,127	-
Bonds payable	89,529,035	65,208,295
Total Noncurrent Liabilities	<u>90,207,334</u>	<u>65,519,213</u>
Deferred Inflows of Resources:		
Deferred amount on refunding	1,155,182	135,192
Deferred inflow on leases	29,159,724	22,498,440
Total Deferred Inflows of Resources	<u>30,314,906</u>	<u>22,633,632</u>
Total Liabilities and Deferred Inflows	<u>138,965,348</u>	<u>98,858,635</u>
Net Position:		
Net investment in capital assets	145,410,859	126,059,009
Restricted for debt service	20,471,701	20,661,668
Restricted for capital projects	5,322,601	4,138,141
Unrestricted	26,144,426	24,592,535
Total Net Position	<u>197,349,587</u>	<u>175,451,353</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 336,314,935</u></u>	<u><u>\$ 274,309,988</u></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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating Revenue:		
Airline operations	\$ 8,583,141	\$ 7,335,332
Parking	8,095,786	7,096,753
Ground transportation	3,663,163	3,795,345
Concessions	998,081	867,940
General aviation	2,024,757	1,975,351
Advertising	547,638	507,726
Other	477,127	421,037
Total Operating Revenue	<u>24,389,693</u>	<u>21,999,484</u>
Operating Expense:		
Administration	7,978,587	7,165,900
General maintenance	4,459,132	4,265,641
Safety, rescue and security	2,837,152	2,621,132
Planning and construction	965,932	824,379
Building maintenance	1,263,083	970,011
Airport operations	1,410,209	1,260,758
Total Operating Expense	<u>18,914,095</u>	<u>17,107,821</u>
Operating income before depreciation expense	5,475,598	4,891,663
Depreciation expense	13,128,676	12,880,053
Loss from Operations	<u>(7,653,078)</u>	<u>(7,988,390)</u>
Non-Operating Revenue (Expense):		
Passenger facility charges	2,973,151	2,496,522
Contract facility charges	1,722,594	1,373,048
Interest on leases	634,012	799,386
Investment income, net of fees	2,167,000	979,608
Net increase (decrease) in fair value of investments	1,247,918	(131,311)
Insurance net of proceeds	-	650,429
Loss on disposal of capital assets	(154,991)	-
Debt issuance costs	(394,673)	-
Interest expense and fees	(3,321,057)	(2,311,142)
Net Non-Operating Revenue	<u>4,873,954</u>	<u>3,856,540</u>
Capital Grants	<u>24,677,358</u>	<u>6,289,820</u>
Increase in net position	21,898,234	2,157,970
Net position, beginning of year	175,451,353	173,293,383
Net position, end of year	<u>\$ 197,349,587</u>	<u>\$ 175,451,353</u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Receipts from customers	\$ 23,201,066	\$ 20,904,329
Payments to suppliers	(8,171,659)	(7,793,537)
Payments to employees	(9,976,837)	(9,189,525)
Other receipts	510,653	485,568
Net cash flows from operating activities	<u>5,563,223</u>	<u>4,406,835</u>
Cash flows from capital and related financing activities:		
Proceeds from capital grants	22,000,898	8,974,734
Passenger facility charges	2,885,344	2,459,621
Contract facility charges	1,667,713	1,360,936
Principal paid on bonds	(4,740,000)	(4,690,000)
Interest and fees paid on bonds	(2,450,850)	(2,193,345)
Proceeds from bonds sales/refund	30,427,387	-
Proceeds from insurance	-	949,948
Acquisition and construction of capital assets	(33,484,342)	(11,093,755)
Net cash flows from capital and related financing activities	<u>16,306,150</u>	<u>(4,231,861)</u>
Cash flows from investing activities:		
Interest received on investments	2,369,129	1,582,602
Purchase of investments	(47,523,617)	(20,505,938)
Proceeds from sales and maturities of investments	35,355,804	14,184,126
Net cash flows from investing activities	<u>(9,798,684)</u>	<u>(4,739,210)</u>
Net change in cash and cash equivalents	12,070,689	(4,564,236)
Cash and cash equivalents, beginning of year	9,838,803	14,403,039
Cash and cash equivalents, end of year	<u>\$ 21,909,492</u>	<u>\$ 9,838,803</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (7,653,078)	\$ (7,988,390)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	13,128,676	12,880,053
Increase (decrease) due to changes in:		
Accounts receivable	(668,760)	(299,800)
Other assets	(66,544)	(86,320)
Accounts payable	796,523	153,325
Unearned revenue	(9,214)	(309,787)
Accrued payroll and benefits	35,620	57,754
Net cash flows from operating activities	<u>\$ 5,563,223</u>	<u>\$ 4,406,835</u>
Supporting schedule of noncash transactions:		
Change in construction in progress included in accounts payable	<u>\$ 5,875,550</u>	<u>\$ 871,438</u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1—Organization and significant accounting policies

Organization – The Lexington-Fayette Urban County Airport Board operates under, and in accordance with, Chapter 183 of the Kentucky Revised Statutes. It owns and operates the Blue Grass Airport (“Airport”). The Airport is a component unit of the Lexington-Fayette Urban County Government (“LFUCG”) and its financial statements are included in LFUCG's Annual Comprehensive Financial Report as a discreetly 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 Airport 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 President & CEO 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.

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 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.

Basis of Accounting and Accounting Presentation – 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 THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1—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. The unrealized loss on investments was \$1,039,314 at June 30, 2024 and the unrealized loss at June 30, 2023 was \$2,287,231.

Lease Receivable and Deferred Inflow of Leases – The Airport, as a lessor, recognizes a lease receivable and a deferred inflow on leases at commencement of the lease term. Certain exceptions are made for regulated leases and short-term leases. The lease receivable is measured at the present value of the lease payments expected to be received during the lease period. The deferred inflow on leases is measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term. Revenue is recognized by amortizing the deferred inflow on a straight-line basis. For regulated leases and short-term leases, the Airport recognizes rental income based on the provisions of the lease agreement. See Note 3 to the financial statements for additional information.

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 \$30,000. Estimated useful lives are as follows:

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1—Organization and significant accounting policies (continued)

Deferred Outflows of Resources on Refunding – 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 on Refunding – 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.

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 – A compensated absence liability is recognized in accordance with GASB 101, Compensated Absences, that include 1) leave that has not been used but is more likely than not to be used or settled in the future; and 2) for leave that has been used but not yet paid.

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.

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 balances as of June 30:

	<u>2024</u>	<u>2023</u>
Unrestricted	\$ 1,463,190	\$ 2,165,054
Restricted	1,034,745	1,035,957
Total cash	<u>\$ 2,497,935</u>	<u>\$ 3,201,011</u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Cash, cash equivalents, and investments (continued)

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, 2024 and 2023, none of the Airport's cash balances were exposed to custodial credit risk. Cash balances of \$750,000 and \$867,840 at June 30, 2024 and 2023 were insured by the FDIC, while balances of \$3,818,207 and \$3,907,931 at June 30, 2024 and 2023 were collateralized by securities held in the Airport's name.

Cash Equivalents and Investments

Unrestricted and restricted cash equivalents and investments of the Airport as of June 30, 2024 were as follows:

		Percentage of Total	Duration	Standard & Poors Rating	Moody's
Unrestricted cash equivalents:					
Government Cash Reserves	\$ 578,893	0.9%	N/A	N/A	N/A
Unrestricted investments:					
Mortgage-Backed Securities	8,944,449	13.4%	9/25/24-12/16/63	NR/AA+/AAA	NR/Aaa
Corporate Bonds	4,806,622	7.2%	9/9/24-12/31/99	A/A-/A+/AA/AABB+/ BBB/BBB- /BBB+/NR	A1/A2/A3/Aa2/Aa3/ Ba1/Baa1/Baa2/Baa 3/NR/WR
Collateralized Loan Obligations	663,205	1.0%	3/17/30-1/20/32	AAA/NR	Aaa/NR
US Treasury Notes	2,484,340	3.7%	9/15/24-12/31/30	AA+	Aaa
US Agency Bonds	1,414,480	2.1%	9/23/24-1/25/36	AA+	Aaa
Exchange Traded Funds	2,339,955	3.5%	NA	NR	NR
Total unrestricted investments	<u>20,653,051</u>	<u>30.9%</u>			
Restricted cash equivalents:					
Government Cash Reserves	18,832,664	28.2%	N/A	N/A	N/A
Restricted investments:					
Mortgage-Backed Securities	6,351,082	9.5%	7/25/24-12/16/63	AA+/AAA/NR	Aaa/NR
Corporate Bonds	809,495	1.2%	9/13/24-10/31/82	A/A-/A+/AA- /AA/BB+/BBB+/BBB-/BBB	A1/A2/A3/Aa2/ Aa3/Baa1/Baa2/ Baa3/NR/WR
Collateralized Loan Obligations	276,061	0.4%	7/18/31-1/20/32	AAA/NR	Aaa/NR
US Treasury Notes	18,025,351	27.0%	7/18/24-12/31/30	AA+	Aaa
US Agency Bonds	721,570	1.1%	9/23/24-2/17/32	AA+	Aaa
Exchange Traded Funds	562,005	0.8%	NA	NR	NR
Total restricted investments	<u>26,745,564</u>	<u>40.0%</u>			
Total cash equivalents and investments	<u>\$ 66,810,172</u>	<u>100.0%</u>			

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Cash, cash equivalents, and investments (continued)

Unrestricted and restricted cash equivalents and investments of the Airport as of June 30, 2023 were as follows:

		<u>Percentage of Total</u>	<u>Duration</u>	<u>Standard & Poors Rating</u>	<u>Moody's</u>
Unrestricted cash equivalents:					
Government Cash Reserves	<u>\$ 49,650</u>	<u>0.1%</u>	N/A	N/A	N/A
Unrestricted investments:					
Mortgage-Backed Securities	5,721,109	14.0%	7/25/23-12/16/63	NR/AA+	NR/Aaa
Corporate Bonds	4,309,478	10.6%	11/15/23-10/31/82	A/A-/A+/AA/AABB+/ BBB/BBB-BBB+	A1/A2/A3Aa2/Aa3Ba 1/Baa2/Baa2u/NR
Collateralized Loan Obligations	192,611	0.5%	7/18/31-7/20/31	NR	Aaa
US Treasury Notes	6,606,079	16.2%	8/17/23-5/15/28	AA+	Aaa
US Agency Bonds	1,425,304	3.5%	9/23/24-1/25/36	AA+	Aaa
Exchange Traded Funds	<u>2,101,894</u>	<u>5.2%</u>	NA	NR	NR
Total unrestricted investments	<u>20,356,475</u>	<u>50.0%</u>			
Restricted cash equivalents:					
Government Cash Reserves	<u>6,588,142</u>	<u>16.1%</u>	N/A	N/A	N/A
Restricted investments:					
Mortgage-Backed Securities	6,263,859	15.3%	7/25/23-12/16/63	AA+/AAA/NR	Aaa/NR A1/A2/A3/Aa2/ Aa3/Ba1/Baa1 Baa2/NR?WR
Corporate Bonds	1,695,560	4.2%	1/15/24-10/31/82	A/A-/A+/AA- /AA/BB+BBB+/BBB-/BBB	
Collateralized Loan Obligations	192,611	0.5%	7/18/31-7/20/31	Aaa	NR
US Treasury Notes	3,524,440	8.6%	7/13/23-5/15/28	AA+	Aaa
US Agency Bonds	1,204,034	2.9%	2/8/24-2/17/32	AA+	Aaa
Exchange Traded Funds	<u>951,942</u>	<u>2.3%</u>	NA	NR	NR
Total restricted investments	<u>13,832,446</u>	<u>33.8%</u>			
Total cash equivalents and investments	<u>\$ 40,826,713</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 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, 2024 and 2023, had an average duration of 1.68 and 2.42 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 THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Cash, cash equivalents, and investments (continued)

Fair Value Measurement – The Airport categorizes its fair value measurements within the fair value hierarchy by the following three levels of inputs:

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 fair value measurements as of June 30, 2024 and 2023:

	Fair Value Measurements as of			
	June 30, 2024			
	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
US Treasury Notes	\$ 20,509,691	\$ 20,509,691	\$ -	\$ -
US Agency Bonds	2,136,050	-	2,136,050	-
Corporate Bonds	5,616,117	-	5,616,117	-
Collateralized Loan Obligations	939,266	-	939,266	-
Exchange Traded Funds	2,901,960	-	2,901,960	-
Mortgage-Backed Securities	15,295,531	-	15,295,531	-
Total investments by fair value level	<u>\$ 47,398,615</u>	<u>\$ 20,509,691</u>	<u>\$ 26,888,924</u>	<u>\$ -</u>

	Fair Value Measurements as of			
	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
US Treasury Notes	\$ 10,130,519	\$ 10,130,519	\$ -	\$ -
US Agency Bonds	2,629,338	-	2,629,338	-
Corporate Bonds	6,005,038	-	6,005,038	-
Collateralized Loan Obligations	385,222	-	385,222	-
Exchange Traded Funds	3,053,836	-	3,053,836	-
Mortgage-Backed Securities	11,984,968	-	11,984,968	-
Total investments by fair value level	<u>\$ 34,188,921</u>	<u>\$ 10,130,519</u>	<u>\$ 24,058,402</u>	<u>\$ -</u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 3—Lessor airport tenant agreements

For the purposes of Governmental Accounting Standards Board Statement No. 87, Airport leases have been categorized as follows:

- Included
- Excluded Leases - Regulated
- Excluded – No Fixed Payments

Leases – Included – The Airport recognizes a lease receivable and a deferred inflow of leases the Airport categorizes as Leases - Included. The lease receivable activity for FY 2024 and FY 2023 is as follows:

*Annual Lease Payment = Receivable Reduction + Implied Interest

The lease receivable was discounted to the net present value by using a range of 3% - 5% implied interest rate.

	<u>Beginning Balance</u>	<u>New Lease Additions</u>	<u>Receivable Reduction</u>	<u>Ending Balance</u>	<u>Implied Interest</u>	<u>Annual Lease Payments*</u>
FY 2024	\$ 23,191,691	\$ 13,245,884	\$ 6,524,967	\$ 29,912,608	\$ 634,012	\$ 7,158,979
FY 2023	\$ 29,540,378	\$ 6,348,687	\$ 6,348,687	\$ 29,540,378	\$ 799,386	\$ 7,148,073

In FY 2024, the Airport had new agreements with the General Services Administration and the retail gift shops that are included in Leases – Included. Additionally, the Airport and the three rental car companies mutually agreed to a five-year contract extension option in their current agreement. The lease receivable discount rate for these leases is 5%, while the remaining leases are discounted at 3%.

The deferred inflows on lease activity for FY 2024 and FY 2023 are as follows:

	<u>Beginning Balance</u>	<u>New Lease Additions</u>	<u>Deferred Revenue Recognized</u>	<u>Ending Balance</u>
FY 2024	\$ 22,498,440	\$ 13,245,881	\$ 6,584,597	\$ 29,159,724
FY 2023	\$ 29,093,610	\$ -	\$ 6,595,170	\$ 22,498,440

There are five (5) areas of revenue operations that are included in the Leases - Included receivable calculation as follows:

Automobile Rental Business – The Airport has a five (5) year concession, lease, and operating agreement with three different rental car companies. The original lease terms commenced on July 1, 2020 and are set to expire on June 30, 2025.

During FY 2024, the rental car companies and the Airport mutually agreed to exercise the five-year extension option included in the contract. Consequently, the leases now end on June 30, 2030. This increased the lease receivable and deferred revenue by approximately \$11,500,000.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 3—Lessor airport tenant agreements (continued)

The terms of these agreements include four (4) revenue components:

- Rent for use of the Airport's Rental Car Service Counter.
- Rent for use of the Airport's Ready/Return Parking Lot.
- Ground lease rent of the Airport's Rental Car Maintenance Facility.
- Concessionaire fee based on concession sales. The fee is either 10% percent of concession sales or the contracted Minimum Annual Guaranteed payment, whichever is greater. The lease receivable calculation is based on the Minimum Annual Guarantee.

Ground Lease Parking – The Airport currently has a twenty (20) year ground lease agreement for use of Airport property located on Air Freight Drive. The lease commenced on July 1, 2019 and ends on June 30, 2039 with no extension options.

Terminal Space – The Airport has a property lease agreement for the use of 3,478 square feet located in the Airport's terminal that ends on January 15, 2034.

Food and Beverage Concessionaire – The Airport has a food and beverage concessionaire agreement that commenced on July 1, 2020 and ends on June 30, 2032 and there are no options for future years. The agreement includes a minimum annual guaranteed payment of \$300,000 or a percentage of concession sales—10% for food and non-alcoholic beverages, 14% for alcoholic beverages, and 5% for vending—whichever amount is greater.

Parking Concessionaire – The Airport has a concessionaire agreement for concessions of public parking and luggage cart rental. The agreement commenced on February 1, 2016 and ends on June 30, 2027 with an option for a five (5) year extension upon mutual agreement by both parties. The five (5) year option is not included in the lease receivable calculation. The terms of this agreement include a minimum annual guaranteed payment of \$4,000,000 or a percent of concessions sales, whichever is greater.

Retail/Gift Shop – Terminal Space (New Agreement) – The Airport and the retail store operator entered into a new lease agreement for retail space for a term of two years and five months. The new lease commenced on July 1, 2024, and is scheduled to end on November 30, 2026. The terms of this agreement include a minimum annual guaranteed payment of \$275,000 or 14% of concessions sales, whichever is greater.

Future minimum lease payments of all GASB Statements No. 87 Leases - Included are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2025	\$ 6,327,294	\$ 1,106,527	\$ 7,433,821
FY 2026	6,627,685	863,766	7,491,451
FY 2027	6,719,514	611,520	7,331,034
FY 2028	2,801,482	414,969	3,216,451
FY 2029	2,945,744	277,490	3,223,234
FY 2029 - FY 2034	4,290,393	228,502	4,518,895
FY 2035 - FY 2039	200,496	15,890	216,386
Total	<u>\$ 29,912,608</u>	<u>\$ 3,518,664</u>	<u>\$ 33,431,272</u>

Excluded Leases – Regulated – The Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to the 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. Regulated leases include the following

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 3—Lessor airport tenant agreements (continued)

Airline Use and Lease Agreement Signatory Airlines – The Airport has month-to-month Operating Permits with four (4) airlines that detail the rights, services, and privileges each airline has with use of the airport and its facilities.

General Aviation and Property Agreements – The Airport has leases, all with various dates for hangars, ground rental and building rentals located on Airport property. Most of the hangar agreements with tenants are on a month-to-month basis. The other leasing agreements are multi-year agreements with scheduled rent increases included.

Future minimum lease payments are as follows:

FY 2025	\$ 522,141
FY 2026	482,576
FY 2027	446,139
FY 2028	441,869
FY 2029	317,209
FY 2030 - FY 2034	1,085,138
FY 2035 - FY 2039	483,082
FY 2040 – FY2044	227,040
FY 2045 - FY 2049	67,909
FY 2050 – FY2054	65,685
Total future minimum rental revenue	<u>\$ 4,138,788</u>

Fixed-Base Operator – The Airport has a Fixed Base Operator (“FBO”) Lease and Development Agreement that commenced on July 1, 2009 and ends on July 1, 2029. There are no additional options with this agreement. The terms of this agreement include annual lease payments for ground rent and hangars of \$587,095 for FY 2024 and \$586,977 for FY 2023. The rent is adjusted by Consumer Price Index (CPI) every three (3) years. The Airport also receives commission payments from this agreement for the sales of food and beverage, fuel sales, and other miscellaneous sales at the FBO.

Future minimum lease payments are as follows:

FY 2025	\$ 587,095
FY 2026	587,095
FY 2027	587,095
FY 2028	587,095
FY 2029	587,095
Total future minimum rental revenue	<u>\$ 2,935,475</u>

Excluded Leases - No Fixed Payments – The Airport does not recognize a lease receivable and a deferred inflow of resources for leases that do not have fixed rent payments but collect variable payments based on current year activities. See below:

Retail/Gift Shop – Terminal Space (Old Agreement) – The Airport has a property lease agreement for use of the retail terminal space to operate two (2) gift shops. The original lease expired June 30, 2021 but was extended for an additional three (3) years and ended on June 30, 2024. The terms of the agreement included a concessionaire fee based solely on concession sales and does not include a minimum annual guarantee.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 3—Lessor airport tenant agreements (continued)

Bourbon Store – Terminal Space – The Airport has a property lease agreement for terminal space to operate a Bourbon Store. The current lease began on December 1, 2021 and ends on November 30, 2026. The terms of the agreement include a concessionaire fee based on the number of enplanements that come through the airport on an annual basis.

Note 4—Line of credit

On December 20, 2023, the Airport entered into a \$16,000,000 non-revolving line of credit (“LOC”) set to expire on December 18, 2026. As of June 30, 2024, there have been no borrowings against the LOC. Borrowings under the LOC bear interest at a variable rate, with interest paid semi-annually. The tax-exempt variable rate is calculated as follows – (1-month SOFR + 132 basis points) * 79%, resulting in a tax-exempt interest rate of 5.254% as of June 30, 2024. The taxable variable interest rate is calculated as (1-month SOFR + 132 basis points), with a rate of 6.650% as of June 30, 2024. The LOC is secured by the general revenues of the Airport and further backed by a lease agreement between the Airport, as lessor, and the Lexington-Fayette Urban County Government, as lessee. The Airport is in compliance with the financial covenants required by the LOC agreement.

Note 5—Capital assets

Capital asset activity for FY 2024 and FY 2023 is as follows:

	2024				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Capital assets being depreciated:					
Land improvements	\$ 117,082,918	\$ -	\$ 43,878	\$ 10,325,624	\$ 127,364,664
Structures and other improvements	214,277,363	-	4,231,553	9,292,853	219,338,663
Equipment	33,765,358	3,768,516	243,098	265,028	37,555,804
Total capital assets being depreciated	<u>365,125,639</u>	<u>3,768,516</u>	<u>4,518,529</u>	<u>19,883,505</u>	<u>384,259,131</u>
Capital assets not being depreciated:					
Land	20,213,806	-	-	-	20,213,806
Construction in progress	7,520,131	35,985,023	-	(19,883,505)	23,621,649
Total capital assets not being depreciated	<u>27,733,937</u>	<u>35,985,023</u>	<u>-</u>	<u>(19,883,505)</u>	<u>43,835,455</u>
Less accumulated depreciation:					
Land improvements	47,635,319	5,085,326	43,878	-	52,676,767
Structures and other improvements	134,754,488	5,837,960	4,096,718	-	136,495,730
Equipment	12,374,024	2,205,390	222,942	-	14,356,472
Total accumulated depreciation	<u>194,763,831</u>	<u>13,128,676</u>	<u>4,363,538</u>	<u>-</u>	<u>203,528,969</u>
Net capital assets	<u>\$ 198,095,745</u>	<u>\$ 26,624,863</u>	<u>\$ 154,991</u>	<u>\$ -</u>	<u>\$ 224,565,617</u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 5—Capital assets (continued)

	2023				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Capital assets being depreciated:					
Land improvements	\$ 115,820,022	\$ 83,347	\$ -	\$ 1,179,549	\$ 117,082,918
Structures and other improvements	213,006,019	339,073	655,997	1,588,268	214,277,363
Equipment	31,890,620	703,806	129,456	1,300,388	33,765,358
Total capital assets being depreciated	<u>360,716,661</u>	<u>1,126,226</u>	<u>785,453</u>	<u>4,068,205</u>	<u>365,125,639</u>
Capital assets not being depreciated:					
Land	20,213,806	-	-	-	20,213,806
Construction in progress	2,488,417	9,099,919	-	(4,068,205)	7,520,131
Total capital assets not being depreciated	<u>22,702,223</u>	<u>9,099,919</u>	<u>-</u>	<u>(4,068,205)</u>	<u>27,733,937</u>
Less accumulated depreciation:					
Land improvements	42,592,761	5,042,558	-	-	47,635,319
Structures and other improvements	129,311,275	5,799,211	355,998	-	134,754,488
Equipment	10,461,488	2,038,284	125,748	-	12,374,024
Total accumulated depreciation	<u>182,365,524</u>	<u>12,880,053</u>	<u>481,746</u>	<u>-</u>	<u>194,763,831</u>
Net capital assets	<u>\$ 201,053,360</u>	<u>\$ (2,653,908)</u>	<u>\$ 303,707</u>	<u>\$ -</u>	<u>\$ 198,095,745</u>

As of June 30, 2024, several uncompleted construction projects were funded in-part by Federal grants and Airport funds. 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 \$10,732,487 on June 30, 2024.

Note 6—Equipment financing agreements

As of June 30, 2024, the outstanding balance of the equipment financing agreements is \$533,493. Payments are scheduled as follows:

FY 2025	\$ 141,366
FY 2026	141,366
FY 2027	142,526
FY 2028	<u>108,235</u>
Total	533,493
Less current payable	<u>(141,366)</u>
Total noncurrent	<u>\$ 392,127</u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6—Equipment financing agreements (continued)

The amount shown as current payable in the table above is shown is included accounts payable on the statement of net position.

The following is a summary of the changes in the principal amount of equipment financing agreements during FY 2024:

	2024				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Equipment financing agreements	\$ -	\$ 664,976	\$ 131,483	\$ 533,493	\$ 141,366

Note 7—Bonds payable

The following is a summary of the changes in the principal amount of bonds payable during FY 2024 and FY 2023:

	2024				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Bonds	\$ 64,055,000	\$ 47,250,000	\$ 19,185,000	\$ 92,120,000	\$ 4,880,000
Bonds from direct placements	5,400,000	-	5,400,000	-	-
Total borrowings	<u>\$ 69,455,000</u>	<u>\$ 47,250,000</u>	<u>\$ 24,585,000</u>	<u>\$ 92,120,000</u>	<u>\$ 4,880,000</u>

	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Bonds	\$ 68,745,000	\$ -	\$ 4,690,000	\$ 64,055,000	\$ 4,740,000
Bonds from direct placements	5,400,000	-	-	5,400,000	-
Total borrowings	<u>\$ 74,145,000</u>	<u>\$ -</u>	<u>\$ 4,690,000</u>	<u>\$ 69,455,000</u>	<u>\$ 4,740,000</u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 7—Bonds payable (continued)

Bonds payable on June 30, 2024 and June 30, 2023 are as follows:

	<u>2024</u>	<u>2023</u>
2009 Reissued Series B, Variable Rate General Airport, Direct Placement Revenue Refunding Bonds (AMT).	\$ -	\$ 5,400,000
2016 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%.	23,135,000	26,235,000
2016 Series D, Fixed Rate General Airport, Revenue Bonds (non-AMT) due through July 2036 with coupon rates ranging from 3%-5%.	4,215,000	4,455,000
2016 Series E, Fixed Rate General Airport, Revenue Refunding Bonds (non-AMT) due through July 2027 with coupon rates ranging from ranging from 3%-4%.	2,165,000	2,700,000
2019 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%.	15,355,000	30,665,000
2023 Series A, Fixed Rate General Airport, Revenue & Revenue Refunding Bonds (non-AMT) due through July 2054 with coupon rates ranging from 5%-5.25%.	29,160,000	-
2023 Series B, Fixed Rate General Airport Revenue Bonds (AMT) due through July 2049 with coupon rates ranging from 4%-5%.	1,170,000	-
2023 Series C, Fixed Rate General Airport Revenue Bonds (Federally Taxable) due through July 2049 with coupon rates ranging from 5.962%-6.124%.	16,920,000	-
Total principal payable	<u>92,120,000</u>	<u>69,455,000</u>
Unamortized bond premiums	<u>2,289,035</u>	<u>493,295</u>
Total bonds payable	94,409,035	69,948,295
Less current portion	<u>4,880,000</u>	<u>4,740,000</u>
Noncurrent portion of bonds payable	<u>\$ 89,529,035</u>	<u>\$ 65,208,295</u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 7—Bonds payable (continued)

2023 General Airport Revenue & Revenue Refunding Bonds

On November 30, 2023, the Airport issued \$47,250,000 of 2023 General Airport Revenue and Revenue Refunding Bonds (2023 Bonds) consisting of three series of bonds with effective interest rates 4.58% (Series A), 5.17% (Series B) and 6.22% (Series C) and realized an original issue premium of \$1,908,547. The 2023 Bonds were issued to fund the following: 1) fuel farm facility; 2) large corporate hangar; 3) building expansion of the Airport Rescue Firefighting Training Center; 4) passenger boarding bridges 5) terminal and runway improvements, and 6) advance refunding of the 2009 Series B Bonds and tax-exempt portions of the 2019 Series A Bonds.

The net proceeds of the 2023 General Airport Revenue Bonds of \$30,780,000 (includes par amount of \$30,450,000 plus original premium of \$795,000 less underwriter's discount of \$178,000 and other costs of issuance of \$287,000) for the capital projects listed above. Additionally, \$3,427,387 was included in the 2023 Bonds to cover interest expenses for the new projects. The funding provided for each series was \$1,796,789 (Series A), \$83,780 (Series B), and \$1,546,818 (Series C). For FY 2024, a total of \$1,009,940 in interest was paid through the 2023 Bonds. Interest for these projects will be covered by the bond proceeds through September 2026, for 2023 Series A, and May 2025, for 2023 Series B and C.

The net proceeds of the refunding portion of the 2023 Series A Bonds of \$18,421,000 (includes par amount of \$16,800,000 plus original premium of \$1,114,000 and debt service fund release and debt service contribution of \$759,000, less underwriter's discount of \$92,000 and other costs of issuance of \$160,000) was deposited in an escrow fund to provide for the refunding portion of the outstanding interest and principal on the 2009 Series B and the portions of the 2019 Series A Bonds. The 2009 Series B had a redemption date of December 1, 2023, and the 2019 Series A has a redemption date of July 1, 2038. As a result, the refunding portion of the two bonds were defeased and the liability for those bonds were removed from the accompanying financial statements.

The refunding and defeasance resulted in a difference of \$1,080,095 between the reacquisition price of the 2023 Bonds and the net carrying amount of the refunded portions of the 2009 Series B and 2019 Series A Bonds. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense through June 30, 2038, the final maturity of the 2019 Bonds, using the straight-line method. The Airport completed the refunding and defeasance to reduce its total debt service payments over the next twenty years by \$2,063,879 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$759,902. At June 30, 2024, the outstanding principal balance of the refunded bonds to be paid from escrow was \$14,445,000.

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 THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 7—Bonds payable (continued)

Debt service requirements on June 30, 2024 for all bonds outstanding are outlined below:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 4,880,000	\$ 3,900,400	\$ 8,780,400
2026	5,105,000	3,758,378	8,863,378
2027	5,020,000	3,607,360	8,627,360
2028	4,050,000	3,465,777	7,515,777
2029	4,685,000	3,316,909	8,001,909
2030-2034	26,490,000	13,796,979	40,286,979
2035-2039	15,550,000	9,009,518	24,559,518
2040-2044	6,675,000	6,619,198	13,294,198
2045-2049	8,615,000	4,477,644	13,092,644
2050-2054	11,050,000	1,669,153	12,719,153
Total	<u>\$ 92,120,000</u>	<u>\$ 53,621,316</u>	<u>\$ 145,741,316</u>

Note 8—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 2024 and FY 2023 the Airport received PFCs totaling \$2,885,343 and \$2,459,621. In future years, the Airport is authorized to collect and use PFCs for approved costs of \$59 million under the authority granted by the FAA.

Note 9—Concentrations of customer revenue

During FY 2024 and FY 2023, the Airport earned approximately 78% and 79%, respectively, of airline operations revenue from two carriers.

Note 10—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 Voya Financial. 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 contributes 9% of the 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.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—Retirement plans (continued)

Employer contributions to the Plan made by the Airport were \$700,000 and \$636,000 for FY 2024 and FY 2023. For FY 2024 and FY 2023, the required employer contributions were reduced by forfeitures of \$10,000 and \$40,000, respectively. Required contributions made by Plan participants for FY 2024 and FY 2023 were \$391,000 and \$358,000. 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 \$23,000. The Airport does not contribute to this Plan.

Note 11—Other post-employment benefits (OPEB)

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. The Airport used a discount rate of 3.40% as of June 30, 2024 and 3.00% as of June 30, 2023. 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.

	<u>BOY Liability</u>	<u>Adjustment</u>	<u>(Payments)</u>	<u>EOY Liability</u>
FY 2024	\$ 310,918	\$ (22,821)	\$ (1,935)	\$ 286,172
FY 2023	\$ 314,219	\$ -	\$ (3,301)	\$ 310,918

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 3.40%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.40%) or 1 percentage-point higher (4.40%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(2.40%)</u>	<u>Rate</u>	<u>(4.40%)</u>
	<u>(3.40%)</u>	<u>(3.40%)</u>	<u>(4.40%)</u>
Post-Employment:			
Benefits:			
Liability	<u>\$ 308,804</u>	<u>\$ 286,172</u>	<u>\$ 266,066</u>

Note 12—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.