OFFICIAL STATEMENT DATED OCTOBER 22, 2019

New Issue – Book-Entry Only **Ratings: See "RATINGS" herein**

In the opinion of Dinsmore & Shohl, LLP, Lexington, Kentucky, Bond Counsel to the Board (as defined below), under existing law, including current statutes, regulations, rulings and judicial decisions, interest on the 2019 Series A Bonds (as defined herein) is fully includible in gross income for federal income tax purposes. Bond Counsel is also of the opinion that, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, and assuming continuing compliance by the Board with certain covenants, interest on the 2019 Series A Bonds is exempt from income taxation and the 2019 Series A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities. Ownership of the 2019 Series A Bonds may result in certain collateral federal income tax consequences to certain Holders thereof. See "TAX MATTERS" herein for a more complete discussion.

$32,000,000
LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD, KENTUCKY
GENERAL AIRPORT REVENUE AND REVENUE REFUNDING BONDS
2019 SERIES A
(LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT GENERAL OBLIGATION)
(FEDERALLY TAXABLE)

Dated: Date of Delivery **Due:** As shown on inside front cover

The Lexington-Fayette Urban County Airport Board (the "Board") will issue the above-referenced bonds (collectively, the "2019 Series A Bonds") pursuant to the General Bond Resolution adopted by the Board on October 15, 2008, the 2019 Series Bond Resolution adopted by the Board on September 25, 2019 and the Trust Indenture, dated as of November 1, 2008, as supplemented and amended (as so supplemented and amended, the "Trust Indenture"), by and between the Board and U.S. Bank National Association (as successor in trust to The Bank of New York Mellon Trust Company, N.A.), as trustee (the "Trustee"). The 2019 Series A Bonds will bear interest, payable each January 1 and July 1, commencing on July 1, 2020 and mature all as more fully described herein. The 2019 Series A Bonds are subject to optional and mandatory redemption prior to maturity, as described herein.

The 2019 Series A Bonds will be dated the date of delivery and will bear interest from that date to their respective maturity dates. The 2019 Series A Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the 2019 Series A Bonds will be made in book-entry-only form in denominations of $5,000 or any integral multiple thereof. Purchasers of beneficial interests in the 2019 Series A Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the 2019 Series A Bonds. Interest on, together with the principal and redemption premium, if any, of, the 2019 Series A Bonds, will be paid directly to DTC by the Trustee, in Louisville, Kentucky, as Paying Agent under the Trust Indenture, so long as DTC or its nominee is the registered owner of the 2019 Series A Bonds. The final disbursement of such payments to the Beneficial Owners of the 2019 Series A Bonds will be the responsibility of DTC, the Direct Participants and the Indirect Participants, all as more fully described in "DESCRIPTION OF THE 2019 SERIES A BONDS - Book-Entry Only System."

The 2019 Series A Bonds are being issued by the Board for the purpose of providing funds, together with other moneys legally available therefor, to: (1) finance the costs of the 2019 Project (as defined herein); (2) refund the entire remaining outstanding principal amount of its Series 2012 Bonds (as defined herein); (3) refund a portion of the remaining outstanding principal amount of its Series 2016AB Bonds (as defined herein); and (4) pay the costs of issuance of the 2019 Series A Bonds.

The 2019 Series A Bonds will be secured, on a parity basis with the Obligations (as defined herein) issued under and secured by the Trust Indenture, together with other moneys legally available for the payment of amounts due in connection therewith, by: (1) a pledge of and lien on the General Revenues of the Board, which generally consist of all the revenues, payments, proceeds, fees, charges, rent and all other income of any nature derived by or for the Board from the operation or ownership of the Airport, except for those items specifically excluded pursuant to the Trust Indenture; (2) a pledge of all of the Board's right, title and interest in various funds and accounts under the Trust Indenture; and (3) the rental payments (the "Lease Rental Payments") made by the Lexington-Fayette Urban County Government (the "Urban County Government") to the Board pursuant to the Lease Agreement, dated as of November 1, 2008, as supplemented and amended (such Lease Agreement, as so supplemented and amended, the "Lease"), between the Board, as lessor, and the Urban County Government, as the lessee, the amounts of which are intended to be sufficient to pay the principal of and interest on the 2019 Series A Bonds and the Obligations (see "SECURITY FOR THE 2019 SERIES A BONDS"). THE OBLIGATION OF THE URBAN COUNTY GOVERNMENT CREATED BY THE LEASE CONSTITUTES A FULL GENERAL OBLIGATION OF THE URBAN COUNTY GOVERNMENT, AND THE FULL FAITH, CREDIT AND REVENUE OF THE URBAN COUNTY GOVERNMENT ARE PLEDGED FOR THE PROMPT PAYMENT OF THE LEASE RENTAL PAYMENTS (See ***Appendix C*** – "SUMMARIES OF THE TRUST INDENTURE AND THE LEASE").

EXCEPT AS PROVIDED IN THE LEASE WITH RESPECT TO THE URBAN COUNTY GOVERNMENT, THE 2019 SERIES A BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR PLEDGE OF THE CREDIT OR TAXING POWER, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER, OF THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION OR GOVERNMENTAL UNIT THEREOF, THE URBAN COUNTY GOVERNMENT OR THE BOARD. SEE "SECURITY FOR THE 2019 SERIES A BONDS."

This cover page contains information for quick reference only and is not a summary of the 2019 Series A Bonds. Investors must read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision, paying particular attention to the matters discussed under "BONDHOLDER RISKS."

The 2019 Series A Bonds are offered for delivery when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approving opinion of Dinsmore & Shohl LLP, Lexington, Kentucky, Bond Counsel. Certain legal matters will be passed upon for the Board by Stites & Harbison, PLLC, Louisville, Kentucky, General Counsel, and for the Underwriter by Barnes & Thornburg LLP, Indianapolis, Indiana, counsel to the Underwriter. Certain additional legal matters will be passed upon for the Board by Dinsmore & Shohl LLP, Lexington, Kentucky, as disclosure counsel to the Board. Hilltop Securities Inc., Dallas, Texas, has acted as Financial Advisor to the Board in connection with the issuance of the 2019 Series A Bonds. It is expected that the 2019 Series A Bonds will be ready for delivery through the facilities of DTC in New York, New York, on or about November 6, 2019.

J.P. Morgan

MATURITY SCHEDULE

$32,000,000
Lexington-Fayette Urban County Airport Board
General Airport Revenue and Revenue Refunding Bonds, 2019 Series A
(Lexington-Fayette Urban County Government General Obligation) (Federally Taxable)

Year (July 1)	Amount	Interest Rate	Yield	Price	CUSIP†
Serial Bonds					
2021	$ 485,000	1.967%	1.967%	100.000	52909M DL5
2022	850,000	1.999%	1.999%	100.000	52909M DM3
2023	865,000	2.051%	2.051%	100.000	52909M DN1
2024	880,000	2.111%	2.111%	100.000	52909M DP6
2025	900,000	2.349%	2.349%	100.000	52909M DQ4
2026	920,000	2.449%	2.449%	100.000	52909M DR2
2027	945,000	2.589%	2.589%	100.000	52909M DS0
2028	3,655,000	2.669%	2.669%	100.000	52909M DT8
2029	3,705,000	2.739%	2.739%	100.000	52909M DU5
2030	3,865,000	2.789%	2.789%	100.000	52909M DV3
2031	4,040,000	2.839%	2.839%	100.000	52909M DW1
2032	2,280,000	2.889%	2.889%	100.000	52909M DX9
2033	2,355,000	2.939%	2.939%	100.000	52909M DY7
2034	1,550,000	2.989%	2.989%	100.000	52909M DZ4
SUBTOTAL	$27,295,000				
Term Bond					
2038	4,705,000	3.248%	3.248%	100.000	52909M EA8
GRAND TOTAL	$32,000,000				

† CUSIP (Committee on Uniform Security Identification Procedures) is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Markets Intelligence, a part of S&P Global Inc. The CUSIP numbers listed are being provided solely for the convenience of the holders only at the time of issuance of the 2019 Series A Bonds, and the Board does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2019 Series A Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2019 Series A Bonds.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD

Name	Office
W.V. Alford, Jr.	Chair
Elizabeth Z. Woodward	Vice Chair/Treasurer
James J. Coles	Secretary
Ronnie J. Bastin	Member
Garyen Denning	Member
Buckner Hinkle Jr.†	Member
Daniel B. Mason	Member
Don Mosier	Member
Gregory "Brian" Wells	Member
Richard Moloney	Designee (Councilmember of the Lexington-Fayette Urban County Government)

****

Stites & Harbison, PLLC
Louisville, Kentucky
Counsel to the Board

Dinsmore & Shohl, LLP
Lexington, Kentucky
Bond Counsel and Disclosure Counsel

Hilltop Securities Inc.
Dallas, Texas
Financial Advisor to the Board

† Mr. Hinkle previously practiced law at Stites & Harbison, PLLC. He currently serves as a director, vice president, and general counsel for Hinkle Holding Company, LLC.

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REGARDING USE OF THE OFFICIAL STATEMENT

The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Lexington-Fayette Urban County Airport Board (the "Board") or the Lexington-Fayette Urban County Government (the "Urban County Government"). The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the Board or the Urban County Government since the date hereof. This Official Statement is submitted in connection with the sale of the 2019 Series A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement does not constitute an offer to sell the 2019 Series A Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction. No dealer, salesman or any other person has been authorized by the Board, the Urban County Government or the Underwriter to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Board, the Urban County Government or the Underwriter.

This Official Statement is not to be construed as a contract with the purchasers of the 2019 Series A Bonds. Statements contained in this Official Statement which involve estimates, forecasts, projections or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

This Official Statement contains statements that the Board believes may be "forward-looking statements." Words such as "plan," "estimate," "project," "budget," "anticipate," "expect," "intend," "believe" and similar terms are intended to identify forward-looking statements. The achievement of results or other expectations expressed or implied by such forward-looking statements involves known and unknown risks, uncertainties and other factors that are difficult to predict, may be beyond the Board's control and could cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. The Board undertakes no obligation, and does not plan, to issue any updates or revisions to such forward-looking statements.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE 2019 SERIES A BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE 2019 SERIES A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2019 SERIES A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT

$32,000,000
LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD, KENTUCKY
GENERAL AIRPORT REVENUE AND REVENUE REFUNDING BONDS
2019 SERIES A
(LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
GENERAL OBLIGATION)
(FEDERALLY TAXABLE)

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement, which includes the cover page, Table of Contents and Appendices, is to provide certain information concerning (1) the Lexington-Fayette Urban County Airport Board (the "Board"), (2) the Lexington-Fayette Urban County Government (the "Urban County Government") and (3) the $32,000,000 aggregate principal amount of General Airport Revenue and Revenue Refunding Bonds, 2019 Series A (Lexington-Fayette Urban County Government General Obligation) (Federally Taxable) (the "2019 Series A Bonds") to be issued by the Board, the proceeds of which will be used to finance or refinance improvements to the Blue Grass Airport (the "Airport"), located in Lexington, Kentucky (see "PLAN OF FINANCE AND REFUNDING" herein).

Appendix C – "SUMMARIES OF THE TRUST INDENTURE AND THE LEASE" attached hereto contains definitions of certain terms used herein. Capitalized terms not defined in such ***Appendix C*** or elsewhere herein shall have the meanings given thereto in the Trust Indenture, dated as of November 1, 2008, as amended and supplemented by (a) the First Supplemental Trust Indenture, dated as of November 1, 2008; (b) the Second Supplemental Trust Indenture, dated as of November 1, 2009; (c) the Third Supplemental Trust Indenture, dated as of November 1, 2009; (d) the Fourth Supplemental Trust Indenture, dated as of November 1, 2012; (e) the Fifth Supplemental Trust Indenture, dated as of March 1, 2013; (f) the Sixth Supplemental Trust Indenture, dated as of June 1, 2014[1]; (g) the Seventh Supplemental Trust Indenture, dated as of October 1, 2016; (h) the Eighth Supplemental Trust Indenture, dated as of September 1, 2018; and (i) the Ninth Supplemental Trust Indenture, dated as of November 1, 2019 (collectively as so supplemented and amended, the "Trust Indenture"), by and between the Board and U.S. Bank National Association (as successor in trust to The Bank of New York Mellon Trust Company, N.A.), as trustee (the "Trustee").

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[1] See "INTRODUCTORY STATEMENT - Prior Obligations Issued under the Trust Indenture – *2014 Revolving Credit Note*."

Outstanding Obligations

The following Obligations will be outstanding under the Trust Indenture as of the date of issuance of the 2019 Series A Bonds, in the aggregate total principal amount of $82,860,000:

(a) Variable Rate General Airport Revenue Refunding Bonds, Reissued 2009 Series B (Lexington-Fayette Urban County Government General Obligation) (AMT), reissued on March 26, 2013 in the aggregate principal amount of $5,400,000 and currently outstanding in the aggregate principal amount of $5,400,000 (the "Reissued 2009 Series B Bonds");

(b) General Airport Revenue Refunding Bonds, 2012 Series A (Lexington-Fayette Urban County Government General Obligation) (AMT), originally issued on November 27, 2012 in the aggregate principal amount of $6,770,000 and currently outstanding in the aggregate principal amount of $0 (the "2012 Series A Bonds");[2]

(c) General Airport Revenue Refunding Bonds, 2012 Series B (Lexington-Fayette Urban County Government General Obligation) (non-AMT), originally issued on November 27, 2012 in the aggregate principal amount of $11,230,000 and currently outstanding in the aggregate principal amount of $0 (the "2012 Series B Bonds" and, together with the 2012 Series A Bonds, the "Series 2012 Bonds");[3]

(d) General Airport Revenue Bonds, 2016 Series A (Lexington-Fayette Urban County Government General Obligation) (Non-AMT), originally issued on October 20, 2016 in the aggregate principal amount of $4,840,000 and currently outstanding in the aggregate principal amount of $350,000 (the "2016 Series A Bonds")[4];

(e) General Airport Revenue Bonds, 2016 Series B (Lexington-Fayette Urban County Government General Obligation) (AMT), originally issued on October 20, 2016 in the aggregate principal amount of $4,880,000 and currently outstanding in the aggregate principal amount of $350,000 (the "2016 Series B Bonds" and together with the 2016 Series A Bonds, the "Series 2016AB Bonds")[5];

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See "PLAN OF FINANCE AND REFUNDING - Refunding" herein with respect to the following footnotes:

[2] The entire remaining outstanding principal amount of the 2012 Series A Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.

[3] The entire remaining outstanding principal amount of the 2012 Series B Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.

[4] A portion in the principal amount of $3,935,000 of the remaining outstanding principal amount of the 2016 Series A Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.

[5] A portion in the principal amount of $3,985,000 of the remaining outstanding principal amount of the 2016 Series B Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.

(f) General Airport Revenue and Revenue Refunding Bonds, 2016 Series C (Lexington-Fayette Urban County Government General Obligation) (Federally Taxable), originally issued on October 20, 2016 in the aggregate principal amount of $39,095,000 and currently outstanding in the aggregate principal amount of $35,375,000 (the "Taxable 2016 Series C Bonds");

(g) General Airport Revenue Bonds, 2016 Series D (Lexington-Fayette Urban County Government General Obligation) (Non-AMT), originally issued on October 20, 2016 in the aggregate principal amount of $5,345,000 and currently outstanding in the aggregate principal amount of $5,135,000 (the "2016 Series D Bonds");

(h) General Airport Revenue Refunding Bonds, 2016 Series E (Lexington-Fayette Urban County Government General Obligation) (Non-AMT), originally issued on October 20, 2016 in the aggregate principal amount of $4,250,000 and currently outstanding in the aggregate principal amount of $4,250,000 (the "2016 Series E Bonds");

(i) General Airport Revenue Obligation, 2018 Series A Note (Lexington-Fayette Urban County Government General Obligation), originally issued on September 26, 2018 in a maximum principal amount of $15,000,000, of which $0.00 has been advanced (the "2018 Revolving Credit Note"); and

(j) General Airport Revenue and Revenue Refunding Bonds, 2019 Series A (Lexington-Fayette Urban County Government General Obligation) (Federally Taxable), originally issued on November 6, 2019 in the aggregate principal amount of $32,000,000 and currently outstanding in the aggregate principal amount of $32,000,000 (the "2019 Series A Bonds").

2019 Series A Bonds

Authority for Issuance. The 2019 Series A Bonds are to be issued by the Board pursuant to Chapter 183 of the Kentucky Revised Statutes (the "Act"), the General Bond Resolution (the "General Bond Resolution") adopted by the Board on October 15, 2008, the 2019 Series Bond Resolution (the "2019 Series Bond Resolution") adopted by the Board on September 25, 2019 (collectively, the "Resolutions"), and the Trust Indenture.

Purpose. The 2019 Series A Bonds are being issued by the Board for the purpose of providing funds to: (1) finance the 2019 Project (as defined herein); (2) refund the entire remaining outstanding principal amount of its Series 2012 Bonds; (3) refund a portion of the remaining outstanding principal amount of its Series 2016AB Bonds (together with the Series 2012 Bonds, the "Prior Bonds"); and (4) pay the costs of issuance of the 2019 Series A Bonds.

Refunding of the Refunded Prior Bonds. Portions of the proceeds of the 2019 Series A Bonds will be used to refund portions of the Prior Bonds (collectively, the "Refunded Prior Bonds," as further described herein). Upon the issuance of the 2019 Series A Bonds, the applicable portions of the proceeds thereof, together with other moneys legally available therefor, will be deposited into an escrow fund established pursuant to an escrow agreement. Such deposit will be used to purchase certain direct noncallable obligations of the United States of America, in accordance with the Trust Indenture, the proceeds of which shall be used to pay the principal and interest when due through redemption on the respective redemption dates for the Prior Bonds to be refunded. Upon such deposit on the date of issuance of the 2019 Series A Bonds, the Refunded Prior Bonds will no longer be outstanding under the Trust Indenture. See "PLAN OF FINANCE AND REFUNDING" herein.

Lease. Pursuant to the Lease Agreement, dated as of November 1, 2008, as amended and supplemented by (a) the First Supplemental Lease Agreement, dated as of November 1, 2009; (b) the Second Supplemental Lease Agreement, dated as of November 1, 2012; (c) the Third Supplemental Lease Agreement dated as of March 1, 2013; (d) the Fourth Supplemental Lease Agreement, dated as of June 1, 2014[6]; (e) the Fifth Supplemental Lease Agreement, dated as of October 1, 2016; (f) the Sixth Supplemental Lease Agreement, dated as of September 1, 2018; and (g) the Seventh Supplement Lease Agreement, dated as of November 1, 2019 (collectively, the "Lease"), between the Board, as lessor, and the Urban County Government, as the lessee, the Board has leased the Airport, including the 2008 Project, the 2016 Project, and the 2018 Project (each as defined herein) and will lease the 2019 Project, to the Urban County Government. The Lease is a general obligation of the Urban County Government and the full faith, credit and taxing power of the Urban County Government is irrevocably pledged to the payment of lease rental payments (the "Lease Rental Payments"), which are equal to the principal and interest payments on all Outstanding Obligations under the Trust Indenture (see "INTRODUCTION – Outstanding Obligations") when due. The basic security for the general obligation debt of the Urban County Government, including the Lease, is the Urban County Government's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of outstanding general obligation indebtedness, including the Lease Rental Payments, as and when the same become due and payable. The tax must be levied in an amount sufficient to pay, as the same become due, the Lease Rental Payments, as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the Urban County Government. The Constitution of the Commonwealth of Kentucky mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof.

The Urban County Council of the Urban County Government (the "Urban County Council") adopted Ordinances on October 23, 2008, November 5, 2009, October 11, 2012, November 15, 2012, June 19, 2014[7], September 15, 2016, September 13, 2018, and October 10, 2019 (collectively, the "Ordinances") that levy such annual tax, which shall be collected to the extent other lawfully available monies of the Urban County Government are not provided. The Ordinances establish a sinking fund into which the proceeds of such tax or other lawfully available monies of the Urban County Government are to be deposited for payment of the Lease Rental Payments, as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the Urban County Government, and not used for any other purpose.

[6] See "INTRODUCTORY STATEMENT - Prior Obligations Issued under the Trust Indenture – *2014 Revolving Credit Note*."

[7] The Ordinance adopted by the Urban County Council on June 19, 2014 was related to the issuance of the 2014 Revolving Credit Note. See "INTRODUCTORY STATEMENT - Prior Obligations Issued under the Trust Indenture – *2014 Revolving Credit Note*."

THE LEASE RENTAL PAYMENTS DO NOT SECURE THE PAYMENT OF THE PURCHASE PRICE OF ANY OBLIGATIONS OUTSTANDING UNDER THE TRUST INDENTURE, INCLUDING ANY REISSUED 2009 SERIES B BONDS WHICH ARE TENDERED BY THE HOLDERS THEREOF. See "SECURITY FOR THE 2019 SERIES A BONDS - Lease - *General Obligation Pledge*."

Security for the Obligations. Any Obligations issued and outstanding from time to time, including the 2019 Series A Bonds, any Interest Rate Hedge Agreements hereafter entered into, and any obligation of the Board to pay Hedge Payments and any Credit Support Providers to the extent of any obligation of the Board to reimburse Credit Support Providers for amounts provided under Credit Support Instruments entered into by the Board, including payments to JPMorgan Chase Bank, N.A. (the "Bank") under the Bond Purchase and Financing Agreement, dated as of March 1, 2013 (the "Bond Purchase and Financing Agreement"), between the Board and the Bank, related to the Reissued 2009 Series B Bonds, are payable from and secured by a pledge of: (1) the General Revenues (as defined herein) of the Airport; (2) all of the Board's rights, title and interest in the Debt Service Fund, the Debt Service Reserve Fund and any other funds or accounts permitted by, established under or identified in the Trust Indenture, as it may hereafter be further amended or supplemented; and (3) the Lease; without any preference, priority or distinction whatsoever of any Obligation over any other, except as otherwise provided in the Trust Indenture; PROVIDED THAT, THE LEASE RENTAL PAYMENTS DO NOT SECURE THE PAYMENT OF THE PURCHASE PRICE OF ANY OBLIGATIONS OUTSTANDING UNDER THE TRUST INDENTURE, INCLUDING ANY REISSUED 2009 SERIES B BONDS WHICH ARE TENDERED BY THE HOLDERS THEREOF. See "SECURITY FOR THE 2019 SERIES A BONDS" and ***Appendix C*** – "SUMMARIES OF THE TRUST INDENTURE AND THE LEASE" attached hereto for the definitions of "Obligations," "Interest Rate Hedge Agreements," "Credit Support Provider" and "Credit Support Instruments."

Prior Obligations Issued under the Trust Indenture

Series 2008 Bonds. Pursuant to the Act, the General Bond Resolution, the 2008 Series Bond Resolution adopted by the Board on October 15, 2008, and the Trust Indenture, the Board issued its Variable Rate General Airport Revenue and Revenue Refunding Bonds, 2008 Series A (Lexington-Fayette Urban County Government General Obligation) (AMT) (the "2008 Series A Bonds"), Variable Rate General Airport Revenue and Revenue Refunding Bonds, 2008 Series B (Lexington-Fayette Urban County Government General Obligation) (non-AMT) (the "2008 Series B Bonds") and Variable Rate General Airport Taxable Revenue Refunding Bonds, 2008 Series C (Lexington-Fayette Urban County Government General Obligation) (Taxable) (the "2008 Series C Bonds" and collectively with the 2008 Series A Bonds and the 2008 Series B Bonds, the "Series 2008 Bonds," which are no longer outstanding) on December 9, 2008.

The Series 2008 Bonds were issued for the purpose of providing funds to: (1) refund all the bonds issued by the Lexington-Fayette Urban County Airport Corporation (the "Corporation") and then outstanding under: (a) a Mortgage Deed of Trust of 1994, dated as of June 1, 1994; (b) a Mortgage Deed of Trust of 1998, dated as of April 1, 1998; and (c) a Mortgage Deed of Trust of 2003, dated as of November 1, 2003 (collectively, the "Prior Mortgage"); (2) finance improvements to the Airport, consisting of certain airfield, terminal, parking and sanitary sewer improvements (the "2008 Project"); (3) fund the Debt Service Reserve Fund established pursuant to the Trust Indenture (the "Debt Service Reserve Fund") in an amount equal to the Debt Service

Reserve Requirement (as defined herein); and (4) pay the costs of issuance of the Series 2008 Bonds.

Under the Prior Mortgage, the title to the Airport was held by the Corporation and the Airport was operated by the Board. Pursuant to a Contract, Lease and Option of 1994, a Contract, Lease and Option of 1998 and a Contract, Lease and Option of 2003 (collectively, the "Prior Leases"), the Corporation leased certain designated portions of the Airport (including various capital improvements financed under the Prior Mortgage) to the Urban County Government and the Board, as joint lessees. The required rental payments under the Prior Leases included annual amounts sufficient to pay principal of and interest on the bonds secured by the Prior Mortgage.

Upon the issuance of the Series 2008 Bonds, all the bonds secured by the Prior Mortgage were redeemed, the Prior Mortgage was defeased, the Prior Leases were terminated, the Corporation was dissolved, and the Board became the owner of the Airport.

Series 2009 Bonds. Pursuant to the Act, the General Bond Resolution, the 2009 Series Bond Resolution adopted by the Board on October 7, 2009, and the Trust Indenture, the Board issued its (a) 2009 Series A Bonds, which were issued in the original aggregate principal amount of $31,880,000, and (b) Variable Rate General Airport Revenue Refunding Bonds, 2009 Series B (Lexington-Fayette Urban County Government General Obligation) (non-AMT), which were issued in the original aggregate principal amount of $16,420,000 (the "Original 2009 Series B Bonds" and together with the 2009 Series A Bonds and the Reissued 2009 Series B Bonds, as and when applicable, the "Series 2009 Bonds") on November 18, 2009. The 2009 Series A Bonds and the Original 2009 Series B Bonds were issued for the purpose of providing funds to: (1) currently refund all the 2008 Series A Bonds then outstanding and a portion of the 2008 Series B Bonds then outstanding in the aggregate principal amount of $14,880,000 (collectively, the "Refunded 2008 Series A Bonds" and the "Initial Refunded 2008 Series B Bonds"); (2) fund the Debt Service Reserve Fund in an amount, together with the amount on deposit therein, equal to the Debt Service Reserve Requirement; and (3) pay the costs of issuance of the Series 2009 Bonds.

Upon the issuance of the 2009 Series A Bonds and the Original 2009 Series B Bonds, the Refunded 2008 Series A Bonds and the Initial Refunded 2008 Series B Bonds were defeased and are no longer outstanding under the Trust Indenture. A portion of the remaining outstanding principal amount of the 2009 Series A Bonds was refunded with portions of the proceeds of the Taxable 2016 Series C Bonds and the 2016 Series E Bonds. The final portion of the remaining outstanding principal amount of the 2009 Series A Bonds was paid at maturity on July 1, 2019 and such bonds are no longer outstanding.

Series 2012 Bonds. Pursuant to the Act, the General Bond Resolution, the 2012 Series Bond Resolution adopted by the Board on September 26, 2012, and the Trust Indenture, the Board issued its Series 2012 Bonds on November 27, 2012 for the purpose of providing funds to: (1) currently refund all of the remaining outstanding 2008 Series B Bonds and a portion of the Original 2009 Series B Bonds in the aggregate principal amount of $22,160,000 (collectively, the "Remaining Refunded 2008 Series B Bonds and the Initial Refunded 2009 Series B Bonds"); (2) fund the Debt Service Reserve Fund in an amount, together with the amount on deposit therein, equal to the Debt Service Reserve Requirement; and (3) pay the costs of issuance of the Series 2012 Bonds.

Upon the issuance of the Series 2012 Bonds, the Remaining Refunded 2008 Series B Bonds and Initial Refunded 2009 Series B Bonds were defeased and are no longer outstanding under the Trust Indenture. The Board will refund the entire remaining outstanding principal amount of the Series 2012 Bonds with a portion of the proceeds of the 2019 Series A Bonds and such Series 2012 Bonds will no longer be outstanding as of the date of issuance of the 2019 Series A Bonds. See "PLAN OF FINANCE AND REFUNDING" herein.

Reissued 2009 Series B Bonds. Following the refunding of the Initial Refunded 2009 Series B Bonds with a portion of the proceeds of the 2012 Series B Bonds, a portion of the Original 2009 Series B Bonds remained outstanding under the Trust Indenture in the aggregate principal amount of $5,400,000 (the "Remaining Original 2009 Series B Bonds"). Pursuant to the Act, the General Bond Resolution, the Reissued 2009 Series B Bond Resolution adopted by the Board on October 24, 2012 and the Trust Indenture, such Remaining Original 2009 Series B Bonds were tendered for purchase and then reissued in the principal amount of $5,400,000 as the Reissued 2009 Series B Bonds on March 26, 2013, and purchased by the Bank pursuant to the Bond Purchase and Financing Agreement and the Fifth Supplemental Trust Indenture.

2014 Revolving Credit Note. Pursuant to the Act, the General Bond Resolution, the 2014A Series Bond Resolution adopted by the Board on May 28, 2014 and the Trust Indenture, the Board issued its General Airport Revenue Obligation, 2014 Series A Note (Lexington-Fayette Urban County Government General Obligation), dated June 25, 2014, in a maximum principal amount of $10,000,000 (the "2014 Revolving Credit Note"), for the purpose of providing funds to: (1) provide interim financing for the relocation of taxiways to satisfy Federal Aviation Administration safety and design standards at the Airport (the "2014 Project") and (2) pay the costs of issuance of the 2014 Revolving Credit Note. The 2014 Revolving Credit Note evidences a loan in a maximum principal amount of $10,000,000, to be made in the form of advances in the amounts and on dates as requested by the Board, pursuant to the terms of the Line of Credit Agreement, dated as of June 1, 2014 (together with the 2014 Revolving Credit Note, the "2014 Credit Facility"), by and between the Board and Branch Banking and Trust Company (the "2014 Credit Support Provider"). The Board did not request any advances under the 2014 Credit Facility.

The Sixth Supplemental Trust Indenture was entered into to secure the 2014 Revolving Credit Note. The 2014 Revolving Credit Note was renewed and extended as the 2018 Revolving Credit Note (the "2018 Renewal"), which is secured by the Eighth Supplemental Trust Indenture. The 2014 Revolving Credit Note as originally issued is no longer outstanding.

The Fourth Supplemental Lease Agreement was entered into to provide for the lease of the 2014 Project to the Urban County Government in connection with the issuance of the 2014 Revolving Credit Note. The Sixth Supplemental Lease Agreement was entered into in connection with the 2018 Renewal. The 2014 Project, along with additional improvements, is now referred to as the 2018 Project (see "*2018 Revolving Credit Note*" below).

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Series 2016 Bonds. Pursuant to the Act, the General Bond Resolution, the 2016 Series Bond Resolution adopted by the Board on August 24, 2016, and the Trust Indenture, the Board issued five series of bonds for the purposes set forth below:

(a) *2016 Series A Bonds.* The proceeds of the 2016 Series A Bonds were used to finance the design and construction of various general aviation improvements, including, but not limited to, the design and construction costs related to a large hangar and five box hangars and fence relocation for access to Versailles Road (the "2016A Project"), (ii) fund the Debt Service Reserve Fund and (iii) pay the costs of issuance related to such 2016 Series A Bonds;

(b) *2016 Series B Bonds.* The proceeds of the 2016 Series B Bonds were used to (i) make terminal improvements, including, but not limited to, the financing of the design and construction of a replacement for the baggage belt system (the "2016B Project"), (ii) fund the Debt Service Reserve Fund and (iii) pay the costs of issuance related to such 2016 Series B Bonds;

(c) *Taxable 2016 Series C Bonds.* The proceeds of the Taxable 2016 Series C Bonds were primarily used to (i) finance the design and construction of a car rental maintenance facility (the "2016C Project"), (ii) refund a portion in the principal amount of $16,235,000 of the remaining outstanding principal amount of the 2009 Series A Bonds, (iii) fund the Debt Service Reserve Fund and (iv) pay the costs of issuance related to such Taxable 2016 Series C Bonds;

(d) *2016 Series D Bonds.* The proceeds of the 2016 Series D Bonds were used to (i) finance the costs of design and construction related to certain parking improvements (the "2016D Project" and collectively with the 2016A Project, the 2016B Project and the 2016C Project, the "2016 Project"), (ii) fund the Debt Service Reserve Fund, (iii) pay capitalized interest and (iv) pay the costs of issuance related to such 2016 Series D Bonds; and

(e) *2016 Series E Bonds.* The proceeds of the 2016 Series E Bonds were used to (i) advance refund a portion in the principal amount of $4,245,000 of the remaining outstanding principal amount of the 2009 Series A Bonds and (ii) pay the costs of issuance related to such 2016 Series E Bonds.

The Board will refund portions of the remaining outstanding principal amounts of the Series 2016AB Bonds with a portion of the proceeds of the 2019 Series A Bonds and such portions of the Series 2016AB Bonds will no longer be outstanding as of the date of issuance of the 2019 Series A Bonds. See "PLAN OF FINANCE AND REFUNDING" herein.

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2018 Revolving Credit Note. Pursuant to the Act, the General Bond Resolution, the 2018 Series Bond Resolution adopted by the Board on August 22, 2018, and the Trust Indenture, the Board issued its 2018 Revolving Credit Note as a renewal and extension of the 2014 Revolving Credit Note, for the purpose of providing funds for: (1) additional interim financing for the 2014 Project; (2) the demolition of old Aircraft Rescue and Fire Fighting facility; (3) the demolition of a general aviation hangar; (4) runway rehabilitation and safety modifications projects, including in-depth pavement testing, a runway safety area determination, initial safety coordination, preliminary design and development; (5) the acquisition of equipment including but not limited to aircraft rescue and firefighting equipment; (6) the acquisition, equipping, furnishing and installation of other capital expenditures at the Airport (collectively items (1) through (6) are referred to herein as the "2018 Project"); and (7) paying the costs of issuance of the 2018 Revolving Credit Note . The 2018 Revolving Credit Note evidences a renewal and extension of the 2014 Credit Facility in a maximum principal amount of $15,000,000, to be made in the form of advances in the amounts and on dates as requested by the Board, pursuant to the terms of the Amendment and Extension, dated September 26, 2018, to the Line of Credit Agreement, dated as of June 25, 2014 (together with the 2018 Revolving Credit Note, the "2018 Credit Facility"), by and between the Board and Branch Banking and Trust Company (the "2018 Credit Support Provider"). The Board has not requested any advances under the 2018 Credit Facility and the current outstanding principal amount is $0.

THE BOARD

The Lexington-Fayette Urban County Airport Board is a political subdivision of the Commonwealth of Kentucky created in 1946 pursuant to the Act, and the prior existence of the Board was specifically recognized in the Charter of the Urban County Government Sec. 7.18, which provides that the merger of the City of Lexington and Fayette County would not change the Airport Board's statutory enabling acts and operation of the Board. The Board continues its autonomous status as intended under the statutes. The Board consists of ten members who are appointed by the Mayor of the Urban County Government.

The Board is the owner of the Airport and provides for the management and operation of the Airport by employment of an Executive Director and such staff as is deemed necessary to properly operate, develop, manage and maintain the Airport. The Executive Director is directly responsible to the Board for all of the Airport's business and operational activities. See "THE AIRPORT" herein. The Executive Director is assisted by five Directors, with one Director assigned with respect to each of the following functions: Administration and Finance, Public Safety and Operations, Engineering and Maintenance, Human Resources, and Air Service Development, Marketing and Community Relations. In total, the Board has 94 full time and 16 part time employees.

The audited financial statements for the Board for the years ended June 30, 2018 and June 30, 2019 are attached hereto as ***Appendix B***. See "FINANCIAL STATEMENTS" herein.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

General

The Urban County Government is a political subdivision of the Commonwealth of Kentucky created on January 1, 1974, by the merger of the City of Lexington with the County of Fayette ("Fayette County"). It exists as the single unit of general local government exercising jurisdiction throughout the geographical boundaries of Fayette County. The Urban County Government operates under a Mayor-Council form of government whereby the executive and administrative functions are vested with the Mayor and legislative authority is vested with the Urban County Council.

The Mayor is the chief executive officer and is elected to serve a four-year term. The Urban County Council has fifteen members, including twelve members elected from districts who serve two-year terms and three at-large members who serve four-year terms. The Vice-Mayor is the at-large member who receives the most votes in the general election.

The Mayor is assisted in the administration of the Urban County Government by department commissioners who are appointed by the Mayor with the approval of the Urban County Council. The Urban County Government has seven departments, headed by department commissioners, which are responsible for administering programs and implementing policies. Each department is divided into divisions that are managed by division directors.

The Department of Finance is responsible for: the custody, investment and disbursement of all funds; debt management; retirement fund administration; coordination of the annual financial audit; and publication of the Comprehensive Annual Financial Report. This department includes the divisions of Accounting, Community Development, Human Resources, Purchasing, Revenue and Risk Management.

See ***Appendix A*** – "FINANCIAL INFORMATION WITH RESPECT TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT" attached hereto, which contains further information and data regarding the Urban County Government.

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Elected and Appointed Officials of the
Lexington-Fayette Urban County Government

Mayor
Linda Gorton

Council Members at Large
Steve Kay (Vice Mayor)
Chuck Ellinger II
Richard Moloney

Council Members by District

1st District James Brown	5th District Bill Farmer, Jr.	9th District Jennifer Mossotti
2nd District Josh McCurn	6th District Angela Evans	10th District Amanda Mays Bledsoe
3rd District Jake Gibbs	7th District Preston Worley	11th District Jennifer Reynolds
4th District Susan Lamb	8th District Fred Brown	12th District Kathy Plomin

Commissioner of Finance
William O'Mara

Clerk of the Lexington-Fayette Urban County Council
Abigail Allan

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Additional information regarding the Urban County Government, including certain financial information, is included in ***Appendix A*** – "FINANCIAL INFORMATION WITH RESPECT TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT" attached hereto.

AUTHORITY FOR ISSUANCE

The 2019 Series A Bonds are to be issued by the Board pursuant to the Act, the Resolutions, and the Trust Indenture. The Lease has been entered into under the provisions of Section 65.940 to 65.956 of the Kentucky Revised Statutes. The Resolutions and the Ordinances also approved the form of the Lease, including the supplements thereto, and authorized the Board and the Urban County Government, respectively, to enter into and perform the Lease.

SUMMARY OF DISCLOSURE INFORMATION

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The Board deems this Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(3) (the "Rule"). The form of the Continuing Disclosure Undertaking to be delivered on the date of issuance of the 2019 Series A Bonds is attached hereto as ***Appendix E***. For additional information see "CONTINUING DISCLOSURE" herein.

Copies of the basic documentation relating to the 2019 Series A Bonds, including the Resolutions, the Ordinances, the Trust Indenture, and the Lease, are available from the Trustee.

SOURCES AND USES OF FUNDS

The sources and uses of funds related to the issuance of the 2019 Series A Bonds are as follows:

Sources		**Total**
2019 Series A Bond Proceeds		
Par Amount		$32,000,000.00
Other Sources		
Debt Service Reserve Fund Release	$202,181.92	
Debt Service Fund Contribution†	450,000.00	
Subtotal (Other Sources)		652,181.92
TOTAL SOURCES (Grand Total)		$32,652,181.92
Uses		
Deposit to the 2019 Project Account		$3,808,141.52
Deposit to the Escrow Fund		
Cash Deposit		2.46
Purchase of Defeasance Obligations		28,402,629.00
Costs of Issuance†		441,408.94
TOTAL USES		$32,652,181.92

† Includes Underwriter's discount, legal fees, advertising, printing, and miscellaneous costs.

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PLAN OF FINANCE AND REFUNDING

2019 Project

A portion of the proceeds of the 2019 Series A Bonds is intended to be used for the purpose of financing the costs of additions, extensions, and improvements to the present airport facilities at the Airport, consisting of terminal improvements, general aviation development projects, and land acquisition (the "2019 Project"). Such portion of the 2019 Series A Bonds is referred to herein as the "Series 2019 New Money Bonds."

Refunding

Refunded Prior Bonds. A portion of the proceeds of the 2019 Series A Bonds is intended to be used for the purpose of:

(a) refunding the following Refunded Prior Bonds:

(i) The entire remaining outstanding principal amount of the 2012 Series A Bonds in the principal amount of $6,770,000 (such refunded bonds are referred to herein as the "Refunded 2012 Series A Bonds," as further described in the table below),

(ii) The entire remaining outstanding principal amount of the 2012 Series B Bonds in the principal amount of $11,230,000 (such refunded bonds are referred to herein as the "Refunded 2012 Series B Bonds," as further described in the table below),

(iii) A portion in the principal amount of $3,935,000 of the remaining outstanding principal amount of the 2016 Series A Bonds (such refunded bonds are referred to herein as the "Refunded 2016 Series A Bonds," as further described in the table below), and

(iv) A portion in the principal amount of $3,985,000 of the remaining outstanding principal amount of the 2016 Series B Bonds (such refunded bonds are referred to herein as the "Refunded 2016 Series B Bonds," as further described in the table below); and

(b) paying the costs of issuance of the 2019 Series A Bonds.

Such portion of the 2019 Series A Bonds is referred to herein as the "Series 2019 Refunding Bonds."

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The Refunded Prior Bonds consist of the following:

Refunded 2012 Series A Bonds

Maturity Date (July 1)	Interest Rate	Principal Amount to be Refunded†	Redemption Date	Redemption Price
Serial Bonds				
2028	5.000%	$1,555,000	7/1/2022	100.000
2029	5.000%	1,615,000	7/1/2022	100.000
2030	5.000%	1,750,000	7/1/2022	100.000
2031	5.000%	1,850,000	7/1/2022	100.000
TOTAL		$6,770,000		

†The entire outstanding principal amount of each maturity will be refunded.

Refunded 2012 Series B Bonds

Maturity Date (July 1)	Interest Rate	Principal Amount to be Refunded†	Redemption Date	Redemption Price
Serial Bonds				
2028	5.000%	$1,170,000	7/1/2022	100.000
2029	5.000%	1,185,000	7/1/2022	100.000
2030	5.000%	1,250,000	7/1/2022	100.000
2031	5.000%	1,375,000	7/1/2022	100.000
2032	5.000%	1,430,000	7/1/2022	100.000
2033	5.000%	1,520,000	7/1/2022	100.000
SUBTOTAL		$7,930,000		
Term Bonds				
2038††	5.000%	3,300,000	7/1/2022	100.000
GRAND TOTAL		$11,230,000		

† The entire outstanding principal amount of each maturity will be refunded.
†† The portion of the 2012 Series B Bonds, consisting of the term bonds maturing on July 1, 2038, will be refunded in full. The principal amount to be redeemed represents mandatory sinking fund redemption payments which are due as follows: (i) the principal amount of $705,000 which is due on July 1, 2034, (ii) the principal amount of $680,000 which is due on July 1, 2035, (iii) the principal amount of $640,000 which is due on July 1, 2036, (iv) the principal amount of $690,000 which is due on July 1, 2037, and (v) the principal amount of $585,000 which is due on July 1, 2038 (maturity).

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Refunded 2016 Series A Bonds

Maturity Date (July 1)[)]	Interest Rate	Principal Amount to be Refunded[†]	Redemption Date	Redemption Price
Serial Bonds				
2022	5.000%	$185,000	7/1/2021	100.000
2023	5.000%	190,000	7/1/2021	100.000
2024	5.000%	200,000	7/1/2021	100.000
2025	5.000%	210,000	7/1/2021	100.000
2026	5.000%	220,000	7/1/2021	100.000
2027	5.000%	235,000	7/1/2021	100.000
2028	5.000%	245,000	7/1/2021	100.000
2029	5.000%	255,000	7/1/2021	100.000
2030	5.000%	270,000	7/1/2021	100.000
2031	5.000%	285,000	7/1/2021	100.000
2032	5.000%	295,000	7/1/2021	100.000
2033	5.000%	310,000	7/1/2021	100.000
2034	5.000%	330,000	7/1/2021	100.000
2035	5.000%	345,000	7/1/2021	100.000
2036	5.000%	360,000	7/1/2021	100.000
TOTAL		$3,935,000		

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[†]The entire outstanding principal amount of each maturity will be refunded.

Refunded 2016 Series B Bonds

Maturity Date (July 1)[)]	Interest Rate	Principal Amount to be Refunded[†]	Redemption Date	Redemption Price
Serial Bonds				
2022	5.000%	$185,000	7/1/2021	100.000
2023	5.000%	195,000	7/1/2021	100.000
2024	5.000%	205,000	7/1/2021	100.000
2025	5.000%	215,000	7/1/2021	100.000
2026	5.000%	225,000	7/1/2021	100.000
2027	5.000%	235,000	7/1/2021	100.000
2028	5.000%	245,000	7/1/2021	100.000
2029	5.000%	260,000	7/1/2021	100.000
2030	5.000%	275,000	7/1/2021	100.000
2031	5.000%	285,000	7/1/2021	100.000
2032	5.000%	300,000	7/1/2021	100.000
2033	5.000%	315,000	7/1/2021	100.000
2034	5.000%	330,000	7/1/2021	100.000
2035	5.000%	350,000	7/1/2021	100.000
2036	5.000%	365,000	7/1/2021	100.000
TOTAL		$3,985,000		

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[†]The entire outstanding principal amount of each maturity will be refunded.

Plan of Refunding. A portion of the proceeds of the 2019 Series A Bonds will be used to refund the Refunded Prior Bonds. Upon the issuance of the 2019 Series A Bonds, the applicable portion of the proceeds thereof, together with other moneys legally available therefor, will be irrevocably deposited into an escrow fund (the "Escrow Fund") established pursuant to an Escrow Agreement, to be dated the date of delivery of the 2019 Series A Bonds (the "Escrow Agreement"), by and between the Board and U.S. Bank National Association, as escrow trustee (the "Escrow Trustee"), to be held in trust thereunder. Moneys on deposit in the Escrow Fund will be used to purchase certain direct noncallable obligations of the United States of America (which constitute Government Bonds under the Trust Indenture, referred to herein as the "Defeasance Obligations"), having such maturities or redemption dates and interest payment dates and bearing such interest as will be, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, sufficient, together with any other moneys remaining in such Escrow Fund after such purchase, to provide for the payment of principal and interest when due through redemption on the respective redemption dates for the Refunded Prior Bonds, at a redemption price of 100% of the principal amount thereof, plus accrued interest.

According to the terms of the Trust Indenture, upon the establishment and funding of the irrevocable Escrow Fund on the date of issuance of the 2019 Series A Bonds, the Refunded Prior Bonds will be deemed paid and discharged.

Defeasance Obligations and Verification Agent. The Board will provide for the purchase of the Defeasance Obligations in the form of either state and local government securities and/or open-market direct noncallable obligations of the United States of America (in accordance with the Trust Indenture) for deposit by the Escrow Trustee into the Escrow Fund to pay, when due, the maturing principal and redemption price of and interest on, the Refunded Prior Bonds.

Causey Demgen & Moore P.C., a firm of independent public accountants (the "Verification Agent"), will deliver to the Board its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Defeasance Obligations to pay all principal and interest requirements when due with respect to the Refunded Prior Bonds through the respective redemption dates.

The examination performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Underwriter and/or the Financial Advisor. The Verification Agent has restricted its procedures to recalculating the computations provided by the Underwriter and/or the Financial Advisor and has not evaluated or examined the assumptions or information used in the computations.

Costs of Issuance

A portion of the proceeds of the 2019 Series A Bonds will be used to pay certain costs in connection with the issuance thereof, including, without limitation, legal fees, advertising, printing, and miscellaneous costs.

DEBT SERVICE

Table 1 below shows the estimated debt service on the Outstanding Obligations as of the date of issuance of the 2019 Series A Bonds, which are currently outstanding in the following principal amounts:

Obligation	Amount
Reissued 2009 Series B Bonds	$ 5,400,000
2012 Series A Bonds	0[(a)]
2012 Series B Bonds	0[(b)]
2016 Series A Bonds	350,000[(c)]
2016 Series B Bonds	350,000[(d)]
Taxable 2016 Series C Bonds	35,375,000
2016 Series D Bonds	5,135,000
2016 Series E Bonds	4,250,000
2018 Revolving Credit Note	0
2019 Series A Bonds	32,000,000
TOTAL:	$82,860,000

[†] See "PLAN OF FINANCE AND REFUNDING - Refunding" herein with respect to the following footnotes:

(a) The entire remaining outstanding principal amount of the 2012 Series A Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.
(b) The entire remaining outstanding principal amount of the 2012 Series B Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.
(c) A portion in the principal amount of $3,935,000 of the remaining outstanding principal amount of the 2016 Series A Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.
(d) A portion in the principal amount of $3,985,000 of the remaining outstanding principal amount of the 2016 Series B Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.

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Table 1 - Estimated Debt Service on the Outstanding Obligations
(As of the date of issuance of the 2019 Series A Bonds)
(Schedule continues on the following page)

FISCAL YEAR ENDING	REISSUED SERIES 2009B BONDS[b]	SERIES 2012A BONDS[c]	SERIES 2012B BONDS[d]	SERIES 2016A BONDS[e]	SERIES 2016B BONDS[f]
06/30/20[a]	$ 83,538.00	$0.00	$0.00	$ 5,250.00	$ 7,000.00
06/30/21	167,076.00	0.00	0.00	177,950.00	180,600.00
06/30/22	167,076.00	0.00	0.00	182,700.00	183,600.00
06/30/23	167,076.00	0.00	0.00	0.00	0.00
06/30/24	167,076.00	0.00	0.00	0.00	0.00
06/30/25	167,076.00	0.00	0.00	0.00	0.00
06/30/26	167,076.00	0.00	0.00	0.00	0.00
06/30/27	167,076.00	0.00	0.00	0.00	0.00
06/30/28	167,076.00	0.00	0.00	0.00	0.00
06/30/29	167,076.00	0.00	0.00	0.00	0.00
06/30/30	167,076.00	0.00	0.00	0.00	0.00
06/30/31	167,076.00	0.00	0.00	0.00	0.00
06/30/32	167,076.00	0.00	0.00	0.00	0.00
06/30/33	2,067,218.90	0.00	0.00	0.00	0.00
06/30/34	2,224,101.30	0.00	0.00	0.00	0.00
06/30/35	636,481.45	0.00	0.00	0.00	0.00
06/30/36	420,856.75	0.00	0.00	0.00	0.00
06/30/37	122,812.35	0.00	0.00	0.00	0.00
06/30/38	104,486.30	0.00	0.00	0.00	0.00
06/30/39	96,469.65	0.00	0.00	0.00	0.00
TOTALS	$7,760,876.70	$0.00	$0.00	$365,900.00	$371,200.00

Notes to Table 1:
(a) Amounts listed for FY 2020 account for the debt service payments made by the Board on July 1, 2019 in the aggregate amount of $5,488,191.13. Such payments included the final debt service payment due with respect to the 2009 Series A Bonds and such bonds are no longer outstanding under the Trust Indenture.
(b) Assumes that the Reissued 2009 Series B Bonds will bear interest at the rate of 3.094% and includes the estimated fees of the Bank pursuant to the Bond Purchase and Financing Agreement related thereto.

See "PLAN OF FINANCE AND REFUNDING - Refunding" herein with respect to the following footnotes:
(c) The entire remaining outstanding principal amount of the 2012 Series A Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.
(d) The entire remaining outstanding principal amount of the 2012 Series B Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.
(e) A portion in the principal amount of $3,935,000 of the remaining outstanding principal amount of the 2016 Series A Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.
(f) A portion in the principal amount of $3,985,000 of the remaining outstanding principal amount of the 2016 Series B Bonds will be refunded with a portion of the proceeds of the 2019 Series A Bonds.

(Schedule and Notes continue on the following page)

Table 1 - Estimated Debt Service on the Outstanding Obligations
(As of the date of issuance of the 2019 Series A Bonds)
(Schedule continued from the following page)

FISCAL YEAR ENDING	TAXABLE SERIES 2016C BONDS	SERIES 2016D BONDS	SERIES 2016E BONDS	SERIES 2019A BONDS (TAXABLE)	TOTAL	%OF DEBT SVC. REMAINING
06/30/20[g]	$ 498,804.75	$ 96,403.13	$ 82,475.00	$ 0.00	$ 773,470.88	99.27%
06/30/21	4,005,749.75	408,406.26	662,375.00	1,022,214.35	6,624,371.36	93.02%
06/30/22	3,943,590.00	405,631.26	654,500.00	1,366,970.19	6,904,067.45	86.51%
06/30/23	3,922,158.75	407,556.26	648,600.00	1,718,704.47	6,864,095.48	80.03%
06/30/24	3,873,052.50	404,256.26	632,300.00	1,716,338.16	6,793,022.92	73.62%
06/30/25	3,883,607.50	405,656.26	635,400.00	1,713,179.17	6,804,918.93	67.21%
06/30/26	3,951,143.75	404,156.26	652,200.00	1,713,320.27	6,887,896.28	60.71%
06/30/27	3,763,837.50	405,781.26	603,700.00	1,711,484.38	6,651,879.14	54.43%
06/30/28	3,117,175.00	401,781.26	438,600.00	1,712,985.95	5,837,618.21	48.93%
06/30/29	1,400,602.50	402,156.26	0.00	4,361,976.94	6,331,811.70	42.95%
06/30/30	1,397,155.00	403,356.26	0.00	4,312,460.99	6,280,048.25	37.03%
06/30/31	1,396,588.75	405,456.26	0.00	4,367,823.59	6,336,944.60	31.05%
06/30/32	1,398,668.75	403,756.26	0.00	4,431,578.36	6,401,079.37	25.01%
06/30/33	1,396,471.25	403,406.26	0.00	2,581,295.96	6,448,392.37	18.93%
06/30/34	1,395,367.50	402,531.26	0.00	2,588,754.64	6,610,754.70	12.69%
06/30/35	1,392,531.25	406,046.88	0.00	1,725,983.16	4,161,042.74	8.77%
06/30/36	1,392,866.25	403,931.25	0.00	1,657,971.20	3,875,625.45	5.11%
06/30/37	1,391,276.25	396,337.50	0.00	1,588,601.60	3,499,027.70	1.81%
06/30/38	0.00	0.00	0.00	929,625.60	1,034,111.90	0.83%
06/30/39	0.00	0.00	0.00	787,586.00	884,055.65	0.00%
TOTALS	$43,520,647.00	$6,966,606.40	$5,010,150.00	$42,008,854.98	$106,004,235.08	

Notes to Table 1:
(g) See note (a) on previous page.

DESCRIPTION OF THE 2019 SERIES A BONDS

General

The 2019 Series A Bonds will be dated their date of issuance and will mature as shown under "MATURITY SCHEDULE" herein.

The 2019 Series A Bonds will be issuable only in fully registered form and in denominations of $5,000 or any integral multiple thereof. The 2019 Series A Bonds will bear interest from the date of issuance, payable on each Interest Payment Date, at the rates set forth herein under "MATURITY SCHEDULE." Interest on the 2019 Series A Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Interest payable on any Interest Payment Date will be payable to the registered owner of the 2019 Series A Bonds as of the Regular Record Date for such payment; provided that if the 2019 Series A Bonds are held by a Depository or at the written request addressed to the Trustee by any registered owner of 2019 Series A Bonds in the aggregate principal amount of at least $1,000,000, interest payable on any 2019 Series A Bond shall be payable to the registered owner on the applicable Interest Payment Date in immediately available funds by electronic wire transfer to a bank in the United States for credit to the ABA routing number and account number of such registered owner filed with the Trustee no later than five Business Days before a Regular Record Date for any interest payment.

"Interest Payment Date" means January 1 and July 1 of each year, commencing on July 1, 2020. "Regular Record Date" means the fifteenth day of the month (whether or not a Business Day) immediately preceding an Interest Payment Date.

The 2019 Series A Bonds initially are registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the 2019 Series A Bonds and the book-entry system are described herein under the subcaption "-Book-Entry Only System."

Mandatory Sinking Fund Redemption

General. The 2019 Series A Bonds maturing on July 1, 2038 (for purposes of this section, the "2019 Series A Term Bonds") shall be subject to mandatory sinking fund redemption and payment prior to stated maturity on July 1 in the following years, at 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium, all as provided below:

Year (July 1)	Principal Amount to be Redeemed
2035	$1,530,000
2036	1,510,000
2037	890,000
2038	775,000
TOTAL	$4,705,000

†Maturity

Mandatory Sinking Fund Redemption Procedures. The Trustee shall, in each year in which 2019 Series A Term Bonds are to be mandatorily redeemed as described above, make timely selection of such 2019 Series A Term Bonds or portions thereof to be so redeemed by lot in authorized denominations of principal amount in such manner as the Trustee may determine and shall give notice thereof without further instructions from the Board. At the option of the Board, to be exercised on or before the 45th day next preceding each mandatory redemption date, the Board may: (1) deliver to the Trustee for cancellation such 2019 Series A Term Bonds in the aggregate principal amount desired; or (2) furnish to the Trustee funds, together with appropriate instructions, for the purpose of purchasing any of said 2019 Series A Term Bonds from any Holder thereof in the open market at a price not in excess of 100% of the principal amount thereof, plus accrued interest thereon to the date of purchase, whereupon the Trustee shall expend such funds for such purposes to such extent as may be practical; or (3) elect to receive a credit in respect to the mandatory redemption obligation for any 2019 Series A Term Bonds of the same series and maturity which prior to such date have been redeemed (other than through the operation of the mandatory sinking fund redemption requirements described above) and cancelled by the Trustee and not theretofore applied as a credit against any such mandatory redemption obligation.

Each 2019 Series A Term Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof against the obligation of the Board to redeem 2019 Series A Term Bonds of the same series and maturity on the next mandatory redemption date applicable to such series of the 2019 Series A Term Bonds that is at least 45 days after receipt by the Trustee of such instructions from the Board, and any excess of such amount shall be credited against future mandatory redemption obligations for 2019 Series A Term Bonds of the same series and maturity in chronological order or such other order as the Board may designate in writing, and the principal amount of the 2019 Series A Term Bonds of the same series and maturity to be redeemed on such future mandatory redemption dates shall be reduced accordingly. If the Board intends to exercise any option described in clauses (1), (2) or (3) of the preceding paragraph, the Board shall, on or before the 45th day next preceding the applicable mandatory redemption date, provide the Trustee with a certificate indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with in respect to such mandatory redemption payment.

Optional Redemption

Make-Whole Redemption. The Board reserves the right, at its option, to redeem any of the 2019 Series A Bonds, at a redemption price equal to the greater of: (a) 100% of the principal amount of the 2019 Series A Bonds to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal and interest to the stated maturity date of such 2019 Series A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2019 Series A Bonds are to be redeemed, discounted to the date on which such 2019 Series A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below), plus 10 basis points, with respect to the 2019 Series A Bonds maturing on July 1 in each of the years 2021 through and including 2025, and at the Treasury Rate, plus 15 basis points, with respect to the 2019 Series A Bonds maturing on July 1 in each of the years 2026 through and including 2034 and in 2038, plus, in each case, accrued interest on such 2019 Series A Bonds to be redeemed to but not including the redemption date.

"Treasury Rate" means, with respect to any redemption date, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity most nearly equal to the period from the redemption date to the maturity date of such 2019 Series A Bond (taking into account any sinking fund installments for such 2019 Series A Bonds); however, if the period from the redemption date to such maturity date (taking into account any sinking fund installments for such 2019 Series A Bonds) is less than one year, the yield to maturity of the U.S. Treasury securities with a constant maturity of one year, in each case, as compiled and published in the most recent Federal Reserve Release H.15 which has become publicly available at least two business days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) or, if such Release is no longer published, any publicly available source of similar market data reasonably selected by the Trustee.

Selection of 2019 Series A Bonds for Optional Redemption. In the event less than all of a maturity of any of the 2019 Series A Bonds are to be redeemed, the 2019 Series A Bonds to be redeemed shall be selected by lot in such manner as determined by the Trustee.

Notice of Redemption to Holders

Unless waived by any Holder of any 2019 Series A Bonds to be redeemed, notice of any such redemption shall be given by the Trustee on behalf of the Board by mailing a copy of the redemption notice by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption to the Holder of each of the 2019 Series A Bonds subject to redemption in whole or in part at the Holder's address shown on the Register on the Business Day preceding that mailing date.

With respect to optional redemptions, notice of redemption may be conditioned upon moneys being on deposit with the Trustee on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date. If such notice is conditional and moneys are not received, such notice shall be of no force and effect, the Trustee shall not redeem such 2019 Series A Bonds, and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such 2019 Series A Bonds will not be redeemed.

Book-Entry Only System

DTC will act as securities depository for the 2019 Series A Bonds. The 2019 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2019 Series A Bond certificate will be issued for each maturity of each series of 2019 Series A Bonds, each in the aggregate principal amount of such maturity and series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2019 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2019 Series A Bonds, except in the event that use of the book-entry system for the 2019 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2019 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2019 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2019 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Series A Bonds, such as redemptions, defaults, and proposed amendments to the Trust Indenture. For example, Beneficial Owners of the 2019 Series A Bonds may wish to ascertain that the nominee holding the 2019 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2019 Series A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2019 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2019 Series A Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the 2019 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Series A Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2019 Series A Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Series A Bond certificates will be printed and delivered to DTC.

The information in this subcaption concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry System

In the event that the book-entry system for the 2019 Series A Bonds is discontinued, the Trustee would provide for the registration of the 2019 Series A Bonds in the name of the Beneficial Owners thereof. The Board and the Trustee would treat the person in whose name any 2019 Series A Bond is registered as the absolute owner of such 2019 Series A Bond for the purposes of making and receiving payment of the principal thereof and interest thereon, and for all other purposes, except as otherwise described under the caption, "CONTINUING DISCLOSURE," and neither the Board nor the Trustee would be bound by any notice or knowledge to the contrary.

Each 2019 Series A Bond would be transferable or exchangeable only upon the presentation and surrender thereof at the corporate trust office of the Registrar, duly endorsed for transfer or exchange, or accompanied by a written assignment duly executed by the owner or its authorized representative in form satisfactory to the Registrar. Upon due presentation of any 2019 Series A Bonds for transfer or exchange, the Trustee would authenticate and deliver in exchange therefor, within a reasonable time after such presentation, a new 2019 Series A Bond or 2019 Series A Bonds, registered in the name of the transferee or transferees (in the case of a transfer), or the owner (in the case of an exchange), in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the 2019 Series A Bond or Bonds so presented. The Board or the Trustee would require the owner of any 2019 Series A Bonds to pay a sum sufficient to cover any tax, fee or other governmental charge required to be paid in connection with the transfer or exchange of such 2019 Series A Bonds. Neither the Board, the Trustee, the Registrar nor any Authenticating Agent, as the case may be, will be required to make any exchange or transfer of any 2019 Series A Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of such 2019 Series A Bonds and ending at the close of business on the day of such mailing or to transfer or exchange any such 2019 Series A Bonds selected for redemption, in whole or in part, within 90 days following such mailing.

SECURITY FOR THE 2019 SERIES A BONDS

General

The 2019 Series A Bonds and any Obligations heretofore or hereafter issued and outstanding from time to time, including any Interest Rate Hedge Agreements hereafter entered into, and any obligation of the Board to pay (a) Hedge Payments, (b) payments to the Bank under the Bond Purchase and Financing Agreement related to the Reissued 2009 Series B Bonds, and (c) any Credit Support Providers to the extent of any obligation of the Board to reimburse Credit Support Providers for amounts provided under Credit Support Instruments heretofore or hereafter entered into by the Board (collectively, the "Obligations") are payable from and secured by a pledge of: (1) the General Revenues of the Airport; (2) all of the Board's rights, title and interest in the Debt Service Fund, the Debt Service Reserve Fund and any other funds or accounts permitted by, established under or identified in the Trust Indenture, as it may hereafter be amended or supplemented (collectively, the "Pledged Funds"); and (3) the Lease; without any preference, priority or distinction whatsoever of any Obligation over any other, except as otherwise provided in the Trust Indenture; PROVIDED THAT, THE LEASE RENTAL PAYMENTS DO NOT SECURE THE PAYMENT OF THE PURCHASE PRICE OF ANY OBLIGATIONS OUTSTANDING UNDER THE TRUST INDENTURE, INCLUDING ANY REISSUED 2009 SERIES B BONDS TENDERED BY THE HOLDERS THEREOF. See ***Appendix C*** – "SUMMARIES OF THE TRUST INDENTURE AND THE LEASE" attached hereto for the definitions of "Obligations," "Interest Rate Hedge Agreements," "Credit Support Provider" and "Credit Support Instruments."

Except as provided in the Lease, the 2019 Series A Bonds do not constitute an indebtedness or pledge of the faith and credit or taxing power, within the meaning of any constitutional or statutory provision whatsoever, of the Commonwealth of Kentucky, the Urban County Government, the Board or any political subdivision or governmental unit thereof.

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General Revenues

The Obligations, including the 2019 Series A Bonds and any obligation of the Board to pay the Bank under the Bond Purchase and Financing Agreement related to the Reissued 2009 Series B Bonds, are payable from and secured by, on a parity basis with all Outstanding Obligations, a pledge of the General Revenues of the Airport. "General Revenues" means for any Fiscal Year, except to the extent excluded under the Trust Indenture as described below, all revenues, payments, proceeds, fees, charges, rent and all other income of any nature, including investment income on moneys held under the Trust Indenture or on other funds of the Airport, derived directly or indirectly by or for the Board for such Fiscal Year for the use of, and for the services and facilities furnished by, or from the operation or ownership of, or with respect to the Airport, and any proceeds of business interruption insurance and any other insurance proceeds which are deemed to be revenues in accordance with Governmental Accounting Standards.

Notwithstanding the foregoing, the following shall not be included in General Revenues:

1. the proceeds of any Passenger Facility Charge ("PFCs") or similar charge levied by or on behalf of the Board (and investment income thereon);

2. the proceeds of any Contract Facility Charge ("CFCs") or similar charge levied by or on behalf of the Board (and investment income thereon);

3. any grants, gifts, bequests, contributions or donations, including any such funds provided by any person or entity, including an airline, doing business at the Airport, including, but not limited to, Federal Aviation Administration ("FAA") and other governmental grants;

4. the proceeds from the sale, transfer or other disposition of title by the Board to all or any part of the Airport;

5. the proceeds of any taxes collected at the Airport;

6. the proceeds of any condemnation award or insurance received by the Board except condemnation awards and insurance proceeds which are deemed to be revenues in accordance with Governmental Accounting Standards;

7. the proceeds of any court or arbitration award or settlement in lieu thereof received by the Board except (a) awards or settlements which are deemed to be revenues in accordance with Governmental Accounting Standards or (b) awards or settlements which constitute reimbursements for costs previously incurred as Operation and Maintenance Expenses;

8. amounts derived by the Board with respect to debt service on Special Facility Revenue Obligations;

9. the proceeds of any bonds or other indebtedness of the Board;

10. payments to the Board of the principal of and interest, if any, on any loan made by the Board for Airport purposes;

11. investment income on moneys held in the Project Fund as created by the Trust Indenture;

12. Lease Rental Payments; and

13. any other amounts which are not deemed to be revenues in accordance with Governmental Accounting Standards or which are restricted as to their use.

The General Revenues consist primarily of airline revenues, public parking revenues, rental car revenues, concession, rental and miscellaneous revenues and interest income. Airline revenues are derived from landing fees and terminal rents paid by airlines operating at the Airport. Since 2001, the Board has established airline rates and charges annually using a compensatory based cost recovery methodology. Beginning in Fiscal Year 2014, the Airport management requires each airline serving the Airport to execute a month to month Aircraft Operator Airport Use Permit (the "Permit"), which sets forth its basic rights and obligations for the use of the Airport and the occupancy of space in the Airport terminal building.

As a matter of policy, the Board has declared that it will establish cost recovery rentals, fees and charges to the users of the Airport and make amendments thereto at periodic intervals as needed to assure that the Airport will be a self-sufficient entity to the fullest extent possible. See "AIRPORT OPERATIONS - Historical Airport Revenues" for a further description of the revenues collected and the charges imposed by the Board for the use of the Airport.

Lease - General Obligation Pledge

The Lease is a general obligation of the Urban County Government and the full faith, credit and taxing power of the Urban County Government is irrevocably pledged to the payment of the Lease Rental Payments, when due. The basic security for the general obligation debt of the Urban County Government, including the Lease, is the Urban County Government's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of outstanding general obligation indebtedness, including the Lease Rental Payments, as and when the same become due and payable. The tax must be levied in an amount sufficient to pay, as the same become due, the Lease Rental Payments as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the Urban County Government. The Constitution of the Commonwealth of Kentucky mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinances levy such annual tax, which shall be collected to the extent other lawfully available monies of the Urban County Government are not provided. The Ordinances establish a sinking fund into which the proceeds of such tax or other lawfully available monies of the Urban County Government are to be deposited for payment of the Lease Rental Payments, as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the Urban County Government, and not used for any other purpose.

THE URBAN COUNTY GOVERNMENT IS ONLY OBLIGATED TO PAY THE LEASE RENTAL PAYMENTS (PRINCIPAL OF AND INTEREST ON THE OUTSTANDING OBLIGATIONS UNDER THE TRUST INDENTURE, INCLUDING THE 2019 SERIES A BONDS, OR TO REPLENISH AMOUNTS WITHDRAWN FROM THE DEBT SERVICE RESERVE FUND FOR SUCH PAYMENT) WHEN DUE AND IS NOT OBLIGATED TO PAY

THE PURCHASE PRICE OF ANY OUTSTANDING OBLIGATIONS UNDER THE TRUST INDENTURE, INCLUDING ANY REISSUED 2009 SERIES B BONDS WHICH ARE TENDERED FOR PURCHASE BY THE HOLDERS THEREOF.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") contains provisions relating to the adjustment of debts of a State's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as the Urban County Government. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as the Urban County Government, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

Funds and Accounts

The application of General Revenues is governed by the Trust Indenture. The Trust Indenture creates a special fund designated as the General Operating Fund which is held by the Board, in which the Board is required to deposit all General Revenues collected by the Board. Moneys held in the General Operating Fund are then applied and deposited into the funds and accounts established pursuant to the Trust Indenture. General Revenues in the General Operating Fund are to be applied to the payment of all current Operation and Maintenance Expenses, and then, in the following order or priority: (1) transferred to the Debt Service Payment Account of the Debt Service Fund in the amounts required by the Trust Indenture; (2) transferred to the Debt Service Reserve Fund in the amounts required by the Trust Indenture; (3) applied to the payment of any amounts due to a Credit Support Provider that are not related to reimbursement of such Credit Support Provider for the payment of Debt Service Charges with draws under a Credit Support Instrument; and (4) applied to the payment of any amounts due from the Board to the Urban County Government under the Lease.

"Debt Service Charges" means, generally, for any applicable time period: (a) the principal (including any Mandatory Sinking Fund Requirements), interest and redemption premium, if any, required to be paid by the Board on Obligations pursuant to any Series Resolution, less any capitalized interest for such time period and accrued interest on deposit in the Debt Service Payment Account; (b) any amounts due to a Credit Support Provider, to the extent as set forth in a Credit Support Instrument, that do not exceed the corresponding Lease Rental Payments then due with respect to the Obligations related to such Credit Support Instrument; and (c) any Hedge Payments.

The General Revenues deposited in the General Operating Fund are pledged as security for the Obligations, however, unless otherwise provided in a Supplemental Trust Indenture pledging the General Operating Fund as security for all Outstanding Obligations, the General Operating Fund shall not be a Pledged Fund.

Debt Service Reserve Fund

With the exception of the 2018 Revolving Credit Note which is not secured by the Debt Service Reserve Fund, all Outstanding Obligations under the Trust Indenture, including the 2019 Series A Bonds, are secured by the Debt Service Reserve Fund, which has been established by the Trust Indenture for the purpose of securing such Outstanding Obligations on a parity basis. The Debt Service Reserve Fund is required to be funded in an amount equal to the Debt Service Reserve Requirement, which means the least of: (1) the maximum Aggregate Annual Debt Service in any succeeding Bond Year; (2) 125% of the average Aggregate Annual Debt Service on all Outstanding Bonds; or (3) an amount equal to 10% of the proceeds of any series of Obligations; provided that not more than 10% of the proceeds of any series of Obligations shall be required to be deposited in the Debt Service Reserve Fund and, if such amount is so deposited, the amount of such deposit plus the amount of all prior deposits required upon the issuance of Obligations shall constitute the Debt Service Reserve Requirement until the earlier of (a) the date the next series of Obligations is issued or (b) the date such amount equals the requirement set forth in clause (1) above. Pursuant to the Lease, the Lease Rental Payments shall also be used, if and to the extent necessary, to replenish the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement.

On the date of issuance of the 2019 Series A Bonds, a portion of the amount on deposit in the Debt Service Reserve Fund, in excess of the Debt Service Reserve Requirement, will be transferred to the Escrow Fund as set forth herein under "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCE AND REFUNDING – Refunding – *Plan of Refunding*."

Rate Covenant

General. The Board covenants that it will fix and establish, and revise from time to time whenever necessary, such rentals, rates and other charges for the use and operation of the Airport and for certain services rendered by the Board in the operation thereof in order that in each Fiscal Year, General Revenues, together with any cash balances as of the first day of such Fiscal Year that are available for the following, will be at least sufficient:

> (1) to provide for (a) the payment of Operation and Maintenance Expenses, (b) any required deposit to any Pledged Fund, (c) the payment of any amounts due to a Credit Support Provider that are not related to reimbursement of such Credit Support Provider for the payment of Debt Service Charges with draws under a Credit Support Instrument and (d) the payment of any amounts due from the Board to the Urban County Government under the Lease, exclusive of Aggregate Annual Debt Service for the Fiscal Year (see "***Table 8*** – Historical Airport Revenues and Expenses" following "AIRPORT OPERATIONS – Historical Airport Revenues" and "- Historical Airport Expense"); and

(2) to provide for the payment of not less than 100 percent of the Aggregate Annual Debt Service for the Fiscal Year, reduced by (a) amounts available in any capitalized interest account established pursuant to a Supplemental Trust Indenture for disbursement during such Fiscal Year to pay interest on Obligations and (b) anticipated receipts from PFCs and CFCs that are available for the payment of Debt Service Charges (see "SECURITY FOR THE 2019 SERIES A BONDS - Historical Rate Covenant Compliance");

provided that, failure to fix and establish rates, rentals and charges that are sufficient to pay the amount described in clause (1)(d) above shall not constitute an Event of Default under the Trust Indenture.

If during any Fiscal Year, General Revenues, such PFCs, such CFCs and such cash balance are estimated to produce less than the amount required under the provisions described in the paragraph above, the Board shall revise its rentals, fees and charges or alter its methods of operation or take other action in such manner as is necessary to produce the amount so required in such Fiscal Year. Within 60 days after the end of each Fiscal Year, the Board shall furnish to the Trustee a calculation of the coverage required under the provisions described in the first paragraph under this subcaption certified by the Fiscal Officer.

If the certificate described in the preceding paragraph for any year indicates that the Board has not satisfied its obligations under the first paragraph under this subcaption, then as soon as practicable, but in any event no later than 60 days after the receipt by the Trustee of such certificate, the Board shall employ an Independent Airport Consultant to review and analyze the financial status and the administration and operation of the Airport and to submit to the Board, within 60 days after employment of the Independent Airport Consultant, a written report on the same, including the action which the Independent Airport Consultant recommends should be taken by the Board with respect to the revision of its Airport rentals, fees, and charges, alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the then-current Fiscal Year or, if less, the maximum amount deemed feasible by the Independent Airport Consultant. Promptly upon its receipt of the recommendations, the Board shall, after giving due consideration to the recommendations, revise its Airport rentals, fees and charges or alter its methods of operation, which revisions or alterations need not comply with the Independent Airport Consultant's recommendations so long as any revisions or alterations are projected by the Board to result in compliance with the first paragraph under this subcaption. The Board shall transmit copies of the Independent Airport Consultant's recommendations to the Trustee and to each owner of Obligations who has requested the same.

If at any time and as long as the Board is in full compliance with the provisions described under this subcaption, other than the first paragraph under this subcaption, there shall be no Event of Default under the Trust Indenture as a consequence of the Board's failure to satisfy the covenant described in such first paragraph during such period.

Application of Facility Charges for the Payment of Debt Service Charges

General. Although the Board has used receipts from passenger facility charges ("PFCs") and contract facility charges ("CFCs" and together with PFCs, "Facility Charges") for the payment of debt service on the Outstanding Obligations and intends to continue using such receipts from Facility Charges for the payment of debt service on its Outstanding Obligations, the Board has no obligation to use any portion of such receipts from Facility Charges for such purpose. Moreover, receipts from Facility Charges are <u>not</u> included within General Revenues, which are pledged to the payment of debt service on Outstanding Obligations and all additional Obligations. See "SECURITY FOR THE 2019 SERIES A BONDS - General Revenues" herein. The Board may, however, use receipts from Facility Charges at its discretion for the purpose of paying debt service on its Outstanding Obligations in order to meet its rate covenant under the Trust Indenture, as described above under "SECURITY FOR THE 2019 SERIES A BONDS - Rate Covenant."

PFCs. The United States Congress enacted the Aviation Safety and Capacity Expansion Act of 1990 (the "PFC Enabling Act"), authorizing a public agency, such as the Board, which controls a commercial service airport to charge each paying passenger enplaning at such airport (subject to limited exceptions) a passenger facility charge ("PFC") of $1.00, $2.00 or $3.00. The proceeds from PFCs are required to be used to: finance eligible airport-related projects that preserve or enhance safety, capacity or security of the national air transportation system; reduce noise from an airport that is part of such system; or furnish opportunities for enhanced competition between or among air carriers. PFCs are collected on behalf of airports by air carriers and their agents and remitted monthly to the public agency, less prescribed handling charges (currently, $0.11 per PFC). Before imposing and using PFCs, a public agency must apply to the FAA for approval.

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (the "AIR 21 Act"), among other things, authorized eligible public agencies such as the Board to impose PFCs to finance PFC eligible projects, including the payment of debt service on indebtedness incurred to finance such projects, that could not be paid for from funds reasonably expected to be available through the federal Airport Improvement Program. The AIR 21 Act raised the cap on PFCs to $4.50, effective April 1, 2001.

In connection with the 2008 Project, the Board applied to the FAA for the authority to assess the increased $4.50 charge per enplaned passenger at the Airport, rather than the $3.00 charge per enplaned passenger assessed since 1994, in order to pay PFC-eligible debt service associated with certain work project elements, which have been funded, in part, with a portion of the proceeds of the 2008 Series A Bonds and the 2008 Series B Bonds ("PFC Application Number 7"). In October 2009 the FAA approved PFC Application Number 7. The total authority to impose and use PFCs in PFC Application Number 7 is approximately $37.4 million. Combined with the estimated PFCs to be collected pursuant to the FAA approved PFC Applications Number 5 and Number 6 (approximately $50.4 million), the total amount that the Board has authority to impose and use is approximately $98.4 million. As of June 30, 2019 the Airport has disbursed $27.2 million, leaving $71.2 million in available use approved PFC funds for debt service on eligible projects.

Actual PFCs for Fiscal Year 2015 through Fiscal Year 2019 are set forth in Table 8 entitled "Historical Airport Revenues and Expenses" under "AIRPORT OPERATIONS."

CFCs. Pursuant to Concession Agreements entered into by the Board and the on-Airport rental car companies (the "Rental Car Companies"), the Rental Car Companies are required to collect a car rental fee (CFC) from its customers for each day that a rental contract is in effect, up to a maximum of ten days. In January 1, 2017, the Board passed a resolution, superseding all previous CFC resolutions, that set the amount of the new CFC rate at $4.00 per day, to be used for the planning, design, financing, and construction of new car rental maintenance facilities and the demolition of existing individual rental car facilities, including the payment of principal and interest for debt issued for such purposes. Effective July 1, 2019, the daily CFC rate was reduced from $4.00 per day to $3.75 per day.

The CFC charges are restricted in their use and are being used, and, with respect to item (3) below, may be used, to (1) pay the annual debt service on Obligations issued to fund the planning, design, financing, and construction of new car rental maintenance facilities and the demolition of existing individual rental car facilities; (2) fund the operating and maintenance costs of the new maintenance facilities; and (3) pay for any other improvements to facilities of the Airport used by the Rental Car Companies as the Board deems appropriate. The amount of the CFC charge can be adjusted annually, or on a more frequent basis as needed, by the Executive Director of the Board absent any additional approvals, to fund the debt service and operating requirements. As of June 30, 2019 the Board had a CFC cash balance of $473,921.

Actual CFCs for Fiscal Year 2015 through Fiscal Year 2019 are set forth in ***Table 8*** entitled "Historical Airport Revenues and Expenses" under "AIRPORT OPERATIONS."

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Historical Rate Covenant Compliance

The following table sets forth the historical Rate Covenant compliance for Fiscal Year 2015 through Fiscal Year 2019 with respect to the Obligations which were Outstanding at the end of each Fiscal Year.

		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
A	General Revenues	$15,709,279	$17,092,944	$18,144,302	$18,406,341	$20,142,048
B	Cash balance as of the first day of the Fiscal Year[(a)]	7,364,777	11,005,004	12,504,623	14,506,225	15,200,217
C	Total Cash and General Revenues (Line A plus Line B)	**23,074,056**	**28,097,948**	**30,648,925**	**32,912,566**	**35,342,265**
D	Less Operation and Maintenance Expenses	(10,980,149)	(11,771,770)	(12,404,296)	(12,863,833)	(14,599,044)
E	Total Cash and Net Revenues (Line C minus Line D)	$12,093,907	$16,326,178	$18,244,629	$20,048,733	$20,743,221
F	Aggregate Annual Debt Service for the Outstanding Obligations	$4,074,234	$4,329,529	$6,396,635	$6,486,092	$6,938,568
G	Debt Service Charges for Subordinated Indebtedness	0	0	0	0	0
H	Aggregate Debt Service for the Outstanding Obligations and Subordinated Indebtedness (Line F plus Line G)	$4,074,234	$4,329,529	$6,396,635	$6,486,092	$6,938,568
I	LESS: Receipts from PFC's available for the payment of Debt Service Charges	($2,402,511)	($2,501,697)	($2,641,342)	($2,694,643)	($2,829,613)
J	LESS: Receipts from CFC's available for the payment of Debt Service Charges	(638,239)	(607,213)	(1,544,231)	(1,417,562)	(1,148,758)
K	Total Reductions from Total Aggregate Annual Debt Service (Total of Lines I and J)	($3,040,750)	($3,108,910)	($4,185,573)	($4,112,205)	($3,978,371)
L	Net Total Aggregate Annual Debt Service (Line H minus Line K)	**$1,033,484**	**$1,220,619**	**$2,211,062**	**$2,373,887**	**$2,960,197**
M	Compliance with Rate Covenant (1.00 coverage) (Line E divided by Line L)[(b)]	**11.70**	**13.38**	**8.25**	**8.45**	**7.01**

(a) To determine the beginning cash balances for each Fiscal Year, only unrestricted cash and investment balances have been included. Cash from Passenger Facility Charges (PFC's) and Customer Facility Charges (CFC's) have been excluded since the aggregate annual debt service amounts have already been reduced by the eligible portion of both the PFC and CFC balances to derive the net annual debt service amounts. The Net Total Aggregate Annual Debt Service amounts (Line L) represent the portion of the debt service that is required to be funded each year through unrestricted cash balances/reserves and operating revenues..

(b) See "SECURITY FOR THE 2019 SERIES A BONDS - Rate Covenant."

Additional Obligations Issued on a Parity with the 2019 Series A Bonds

Under the Trust Indenture, the Board is authorized to issue from time to time additional Obligations on a parity with the Outstanding Obligations, including the 2019 Series A Bonds. Before any such additional Obligations shall be delivered to the Trustee, there shall be filed with the Trustee:

(a) ***No Event of Default.*** A certificate of the Fiscal Officer that no Event of Default has occurred and is continuing under the Trust Indenture and that the other conditions to the issuance of the Obligations have been met.

(b) ***Obligations Other than Completion Obligations and Refunding Obligations.*** Either (1) a Certificate of an Independent Airport Consultant stating that, based upon reasonable assumptions set forth therein, General Revenues (plus PFCs and CFCs if any are anticipated to be available for the payment of Debt Service Charges) are projected to be not less than that required to satisfy the Rate Covenant described herein under "SECURITY FOR THE 2019 SERIES A BONDS - Rate Covenant" (disregarding any Obligations that have been paid or discharged or will be paid or discharged immediately after the issuance of the Obligations proposed to be issued) for each of the next three Fiscal Years following the issuance of such Obligations or, if later, for each Fiscal Year from the issuance of such Obligations through the two Fiscal Years immediately following completion of the Airport Project to be financed by such Obligations; or (2) a Certificate stating that General Revenues for the most recent completed Fiscal Year for which audited financial statements have been prepared satisfied the Rate Covenant described herein under "SECURITY FOR THE 2019 SERIES A BONDS - Rate Covenant" assuming for such purpose that Aggregate Annual Debt Service for such Fiscal Year includes the maximum Annual Debt Service on the Obligations proposed to be issued.

(c) ***Completion Obligations.*** In the case of Completion Obligations: (1) a Certificate stating (a) that the Obligations proposed to be issued are being issued to finance the costs of one or more Airport Projects initially financed in whole or in part by Obligations, and (b) that the additional cost of the Airport Projects being financed by such Obligations does not exceed 15 percent of the aggregate cost thereof previously financed; and (2) a Certificate of a Consulting Engineer (a) stating that the Airport Projects have not materially changed from their description in the Supplemental Trust Indenture authorizing the Obligations initially issued to finance the cost of such Airport Projects, (b) estimating the revised aggregate cost of the Airport Projects, (c) stating that the revised aggregate cost of such Airport Projects cannot otherwise be paid, and (d) stating that, in the opinion of the Consulting Engineer, the issuance of Completion Obligations is necessary to provide funds to complete such Airport Projects.

(d) ***Refunding Obligations.*** In the case of Refunding Obligations: (1) if a redemption of Obligations is to be effected, irrevocable instructions to the Trustee to give due notice of redemption of all the Obligations to be refunded and the redemption date or dates, if any, upon which such Obligations are to be redeemed; (2) if a redemption of Obligations is to be effected and the redemption is scheduled to occur subsequent to the next succeeding 45 days, irrevocable instructions to the Trustee to publish, as provided in the applicable Supplemental Trust Indenture, notice of redemption of such Obligations on a specified date prior to their redemption date; (3) a certificate of an Independent Accountant (or a certificate of the Trustee if the Obligations to be refunded will be redeemed within 90 days of the issue date of the Refunding Obligations) stating the amount of either (a) moneys in an amount sufficient to pay the Obligations to be refunded at the applicable Redemption Price of the Obligations to be refunded, together with accrued interest on such Obligations to the redemption date or dates or the date or dates of maturity thereof, or (b) Government Bonds, the principal of, and interest on, which when due (without reinvestment thereof), together with the moneys which must be contemporaneously deposited with the Trustee, to be sufficient to pay when due the applicable Redemption Price of the Obligations to be refunded, together with accrued interest on such Obligations to the redemption date or dates or the date or dates of maturity thereof, and (4) such further documents and moneys as are required by the provisions of the related Supplemental Trust Indenture.

Subordinated or Other Indebtedness

Nothing contained in the Trust Indenture prohibits the Board from (1) issuing other indebtedness secured by and payable from the General Revenues, provided that such other indebtedness constitutes Subordinated Indebtedness, and (2) issuing other indebtedness payable from, but not secured by the General Revenues.

THE AIRPORT

Management

See "THE BOARD" herein.

Airport Facilities

The Airport consists of a passenger terminal, two runways, taxiways, navigational aids and supporting land areas, a general aviation apron and supporting buildings and hangars, and other aviation related hangars, buildings and land areas. The Airport is located on and includes nearly 1,000 acres located six miles west of the City of Lexington, within the jurisdictional boundaries of the Urban County Government, and adjacent to US Highway 60, a major six-lane east-west highway. It is the only Primary Commercial Service airport (which is defined by the FAA as having scheduled airline service and enplaning more than 10,000 passengers annually) located in the central part of the Commonwealth of Kentucky and which is served by both national and regional air carriers.

The airfield at the Airport consists of: (1) two runways; (2) associated aircraft taxiways; (3) aircraft navigational aids; and (4) an aircraft rescue and fire-fighting facility. Runway 4/22 is 7,002 feet in length, 150 feet in width, of asphalt composition and grooved and is used primarily for commercial air carrier operations. Runway 4/22 is equipped with high intensity runway lights, centerline lights, two instrument landing systems and approach radar and is served by a parallel taxiway system. The taxiway system consists of one taxiway parallel to Runway 4/22 with a series of connector taxiways allowing access to the passenger terminal building, air freight areas and the general aviation area. Another taxiway parallel to Runway 4/22 allows access to the Airport's second runway, Runway 9/27, and the heavy jet apron. Runway 9/27 is 4,000 feet in length, 75 feet in width, of concrete composition, and is used for general aviation aircraft only. Runway 9/27 is equipped with medium intensity runway lights and is served by a parallel and cross field taxiway system. The parallel taxiway provides access to the general aviation and heavy jet aprons. The cross field taxiway system allows access from Runway 9/27 to the passenger terminal building, air freight areas and general aviation area.

FAA personnel operate the air traffic control tower located east of the passenger terminal building 24 hours a day. A very high frequency omni-directional range transmitter station is located 7.6 miles southeast of the Airport.

The Airport is currently served by Allegiant Air, American Airlines, Delta Airlines, Inc. ("Delta"), United Airlines, Inc. ("United"), and their affiliates.

Terminal Facilities

The Airport has an approximately 215,000 square foot, three-level terminal building (the "Terminal Building") with nine aircraft parking positions for boarding passengers by means of second level loading bridges and additional parking positions for ground level loading of smaller commuter aircraft. The Terminal Building provides space for airline ticket counters, airline offices, Transportation Security Administration ("TSA") passenger and baggage screening facilities, a main lobby, baggage claim lobby and baggage conveyors, food, beverage, retail and service concessions, administrative offices of the Board and various support facilities. The Terminal Building was originally constructed in 1976 and subsequently renovated and expanded in 1984, 1990, 2007, and 2009. The Airport is also a "U.S. Customs User Fee" Airport capable of clearing prearranged international flights. There is a permanent United States Customs presence on the Airport with services available 24 hours per day upon request. The United States Customs agents can also handle immigration and agricultural matters related to such flights pursuant to standard federal government interagency agreements.

Parking

The existing public automobile parking areas include both surface and multi-level parking facilities, which provide approximately 2,500 parking spaces divided into short-term, long-term, and park and shuttle parking. The short-term parking areas, comprised of approximately 1,200 spaces, are located in a surface lot adjacent to the Airport's loop road in front of the Terminal Building and the multi-level parking deck, which is also located adjacent to the loop road in front of the Terminal Building. The long-term parking area has approximately 1,000 spaces and is located in a surface lot adjacent to the short term lot The park and shuttle lot has approximately 300 spaces and is located outside the Airport entrance loop road. In addition, there is a cell phone waiting parking lot, which is contiguous to the main Terminal Building entrance roadway.

There are various employee parking areas appurtenant to the Terminal Building area providing 258 parking spaces for employees of the Airport and Airport tenants. The curb lane at the Terminal Building contains curbside parking spaces for the loading and unloading of vehicles, as well as spaces for taxis, limousines and hotel/motel courtesy vehicles.

In addition to the public and employee parking facilities, a rental car ready/return parking lot containing 224 parking spaces for automobiles to be rented or returned by rental car customers is conveniently located proximate to the baggage claim area of the Terminal.

The parking garage and the other public parking facilities of the Airport are managed by REEF Technology/Republic Parking Systems (the "Manager"), pursuant to a concession agreement (the "Parking Agreement"). The Parking Agreement provides for the Airport to be paid a percentage of gross revenues generated by such parking facilities. Under the Parking Agreement, the Manager has the responsibility for the management and operations of the public parking facilities.

Rental Car Service Facilities

Currently, there are three rental car service facilities, in which seven rental car companies offer services. Each of the three service facilities is equipped with cleaning, fueling and service equipment. The aggregate space for the office space, service buildings and associated parking space for rental car vehicles is approximately 407,000 square feet. These facilities are leased by Alamo, Avis Rent-A-Car, Budget Car Rental, Dollar Rent A Car, Enterprise Rent-A-Car, Hertz Rent-A-Car and National Car Rental for the servicing of rental cars used in conducting their rental car businesses at the Airport.

Airport Maintenance Facilities

The Airport has one large maintenance building proximate to the airfield and the Terminal Building. This building is used to house and maintain the Airport's maintenance equipment and tools and to perform various maintenance duties.

General Aviation Facilities

General aviation ("GA") services at the Airport, such as aircraft maintenance, aircraft painting and avionics services for general aviation aircraft and small multi-engine turboprop aircraft, are provided by the Airport's fixed base operator (the "FBO"). The FBO also provides aircraft fueling, cleaning and ground handling services, as well as limited mechanical support to the commercial air carriers. In addition, the Airport developed and opened a general aviation complex (WestLEX), located on the westside of the Airport. WestLEX provides additional hangars for rent and also offers services to hangar tenants such as aircraft fueling services and towing assistance.

Air Freight Facilities

The Airport's air freight facilities include an air freight terminal comprising approximately 5,000 square feet, which is currently used by air carriers and air freight handlers for air cargo and mail-related purposes.

The 2019 Project

The Board has determined that it is necessary to finance the costs of additions, extensions, and improvements to the present Airport facilities, consisting of terminal improvements, general aviation development projects, and land acquisition (i.e., the 2019 Project). See "PLAN OF FINANCE AND REFUNDING" for additional information regarding the 2019 Project and the use of a portion of the proceeds of the Series 2019 Bonds for the financing thereof.

AIRPORT OPERATIONS

Level of Existing Airline Service

Since the Airline Deregulation Act of 1978 (P.L. 95-504), most major airlines have developed "hub-and-spoke" systems in order to fill aircraft. In a hub-and-spoke system, passengers from numerous cities throughout the major airlines' networks are directed each day into a small number of "hub" airports where they connect on flights to "spoke" airports in other cities, thereby creating economies-of-scale and allowing airlines to increase frequency, profitability and serve cities that would otherwise go without service in a "point-to-point" system. Within this system of hub-and-spoke airports, the Airport is considered an origination and destination ("O&D") or "spoke" airport. Most of the scheduled air service provided at the Airport is to the connecting passenger hubs of the airlines serving the Airport and/or their major airline partners.

Ten "regional airlines" service the Airport through association with four major airlines, as described below:

(a) ***Allegiant Air.*** Allegiant Air provides the Airport with non-stop service to seven leisure destinations, including approximately three weekly departures to Punta Gorda, Florida (Punta Gorda Airport), three weekly departures to St. Petersburg, Florida (St. Petersburg/Clearwater International Airport), two weekly departures to Myrtle Beach, South Carolina (Myrtle Beach International Airport) and two weekly departures to Ft. Lauderdale, Florida (Ft. Lauderdale/Hollywood International Airport). Allegiant Air also provides non-stop service to Orlando, Florida (Orlando Sanford International Airport) approximately five to seven times per week, depending on the time of year. In 2018, Allegiant added seasonal non-stop service to Destin, Florida (Destin/Fort Walton Beach Airport), but chose to conclude service to Savannah, Georgia (Savannah Hilton Head International Airport) at the end of the 2018 summer season. Allegiant Air utilizes narrow-body aircraft with 166+ seats on every route.

(b) ***American Airlines.*** American Airlines provides three daily, non-stop departures to Dallas, Texas (Dallas/Fort Worth International Airport), three daily, non-stop departures to Chicago, Illinois (O'Hare International Airport), approximately four to five daily departures to Charlotte, North Carolina (Charlotte Douglas International Airport) and two daily, non-stop departures to Philadelphia, Pennsylvania (Philadelphia International Airport). All markets are served by regional jet aircraft.

(c) ***Delta.*** Delta offers approximately eight daily, non-stop departures from Lexington to its Atlanta, Georgia hub (Hartsfield-Jackson Atlanta International Airport) Five flights per day are provided to its hub in Detroit, Michigan (Detroit Metropolitan Airport). In addition, Delta also serves Lexington with one daily flight each to New York (LaGuardia Airport), Washington, D.C. (Ronald Reagan Washington National Airport) and Minneapolis, Minnesota (Minneapolis-Saint Paul International Airport). The Minneapolis flight is seasonal service typically offered during the summer and fall months. Delta utilizes a combination of narrow-body and regional jet aircraft for its flights.

(d) ***United.*** United provides four daily, non-stop departures to its hub in Chicago, Illinois (O'Hare International Airport) on regional jet aircraft and one daily, non-stop departure to Houston, Texas (George Bush Intercontinental Airport). In 2016, United added one daily, non-stop flight between Lexington and Newark, New Jersey (Newark Liberty International Airport). This flight was discontinued in fall 2018 and was replaced in 2019 by a non-stop flight between Lexington and Washington, D.C. (Washington Dulles International Airport).

The Airport's scheduled seat capacity by airline as of August 2018 is depicted on ***Table 2***. A comparison of the Airport's current seat capacity with that of August 2013 and August 2011 is also provided on ***Table 2*** for the purpose of identifying recent trends with respect to the availability of scheduled seats by type of aircraft operating at the Airport. The average number of weekly departing seats on narrow-body jets increased from 3,153 in August 2011 to 7,561 in August 2018, representing an average annual rate of increase of 13.3%. The average number of weekly departing seats on regional jet aircraft decreased from 11,732 in August 2011 to 11,426 in August 2018, representing an average annual decrease of (0.4%) The transition to narrow-body jets from regional jet aircraft is primarily due to the airlines' shift toward more efficient and economical aircraft. As shown on ***Table 3***, historical enplanements increased by an average annual rate of 3.1% from calendar year 2014 to calendar year 2018. The increase in enplanements can be attributed to the increased population in the area as well as increased passenger demand.

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Table 2 - Aircraft Mix Trends (2018)

Airline	Non-Stop Service	Narrow-body Seats/Week	Regional Jet Seats/Week	Turboprop Seats/Week	Totals
Allegiant Air	FLL (2X/week)	354	0	0	354
	MYR (3X/week, seasonal)	354	0	0	354
	PIE (4X/week)	510	0	0	510
	PGD (5X/week)	531	0	0	531
	SFB (5X/week)	1,008	0	0	1,008
	BWI (2X/week), seasonal)	354	0	0	354
	SAV (2X/week, seasonal)	322	0	0	322
Allegiant Air Total		3,433	0	0	3,433
American Airlines	CLT	0	2,014	0	2,014
	DFW	0	1,520	0	1,520
	ORD	0	1,226	0	1,226
	PHL	0	950	0	950
American Airlines Total		0	5,710	0	5,710
Delta Air Lines	ATL	3,082	1,380	0	4,462
	DCA	0	414	0	414
	DTW	514	1,489	0	2,003
	LGA	532	0	0	532
	MSP (seasonal)	0	483	0	483
Delta Air Lines Total		4,128	3,766	0	7,894
United Airlines	EWR	0	350	0	350
	IAH	0	350	0	350
	ORD	0	1,250	0	1,250
United Airlines Total		0	1,950	0	1,950
AIRPORT TOTAL (AUGUST 2018)		**7,561**	**11,426**	**0**	**18,987**
AIRPORT TOTAL (AUGUST 2013)		3,208	11,314	0	14,522
AIRPORT TOTAL (AUGUST 2011)		3,153	11,732	0	14,885
DIFFERENCE 2011-2018		4,408	-306	0	4,102
AVERAGE ANNUAL GROWTH RATE (DECREASE)		13.3%	-0.4%	0.0%	3.5%
		Aircraft Mix % Share (August 2018):			
		40%	60%	0%	100%
		Aircraft Mix % Share (August 2013):			
		22%	78%	0%	100%
		Aircraft Mix % Share (August 2011):			
		21%	79%	0%	100%

Note: Data provided changes slightly from month to month. Data used reflects the month of August 2018, w hich is a peak travel period.
Source: Diio, August 2011, 2013, 2018

Historical Passenger Traffic

Historical Passenger Enplanements. An analysis of the Airport's historical passenger activity is a useful guide in projecting future levels of passenger activity. ***Table 3*** depicts domestic passenger enplanement activity at the Airport and for the United States from calendar years 1992 through 2018. Total enplaned passengers at the Airport have grown from 453,253 in calendar year 1992 to 682,662 in calendar year 2018, representing an average annual growth rate of 1.6%, which was less than the rate experienced in the U.S. as a whole during the same time period of 2.3%.

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Table 3 - Historical Passenger Enplanements

	Blue Grass Airport		United States	
Calendar Years	Enplanements	% Change	Domestic Enpls (000)	% Change
1992	453,253		429,200	
1993	447,439	-1.3%	470,400	9.6%
1994	415,369	-7.2%	511,300	8.7%
1995	433,188	4.3%	531,100	3.9%
1996	482,489	11.4%	558,100	5.1%
1997	543,840	12.7%	578,300	3.6%
1998	541,636	-0.4%	590,400	2.1%
1999	520,444	-3.9%	610,900	3.5%
2000	507,923	-2.4%	641,200	5.0%
2001	439,857	-13.4%	625,800	-2.4%
2002	486,852	10.7%	575,100	-8.1%
2003	579,135	19.0%	587,800	2.2%
2004	582,188	0.5%	628,500	6.9%
2005	545,394	-6.3%	669,400	6.5%
2006	513,164	-5.9%	668,400	-0.1%
2007	527,231	2.7%	679,200	1.6%
2008	505,471	-4.1%	651,700	-4.0%
2009	463,373	-8.3%	618,100	-5.2%
2010	554,285	19.6%	629,500	1.8%
2011	547,115	-1.3%	638,231	1.4%
2012	546,428	-0.1%	642,289	0.6%
2013	552,114	1.0%	645,600	0.5%
2014	604,091	9.4%	662,827	2.7%
2015	623,242	3.2%	696,027	5.0%
2016	657,652	5.5%	719,991	3.4%
2017	661,296	0.6%	741,735	3.0%
2018	682,662	3.2%	777,973	4.9%
Average Annual % Change:				
1992-2018	1.6%		2.3%	
2009-2018	4.4%		2.6%	
2014-2018	3.1%		4.1%	

Source: Airport Enplanements: Lexington-Fayette Urban County Airport Board
United States Enplanements: FAA Aerospace Forecasts & BTS

Scheduled Passenger Enplanements and Airline Market Share. ***Table 4*** depicts passenger enplanements and market share for each scheduled airline serving the Airport. Delta's enplanements at the Airport have increased at an average annual rate of 4.2 % from the Fiscal Year ended June 30, 2015 to the Fiscal Year ended June 30, 2019. Combined with its code-share regional airlines (d/b/a The Delta Connection), Delta enplaned 42.2% of the Airport's enplaned passengers in the Fiscal Year ended June 30, 2019. Delta and its regional affiliates' total market share of enplaned passengers at the Airport decreased from 44.5% for the Fiscal Year ended June 30, 2015 to 42.2% for the Fiscal Year ended June 30, 2019. In October 2015, US Airways, Inc. and American Airlines officially merged, resulting in American Airlines having the second highest market share of enplanements. The combined airline at June 30, 2019 represents 27.9% of the total enplanements.

As shown on ***Table 4***, the total number of enplaned passengers at the Airport increased at a combined average annual growth rate of 3.8% from Fiscal Year 2015 to Fiscal Year 2019. The increase in passengers was primarily attributable to the addition of Destin/Fort Walton Beach to its route maps, as well as a strong travel year and growing local population.

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Table 4 - Scheduled Passenger Enplanements and Airline Market Share

Scheduled Airline	FY 2015 Passenger Enpls	FY 2015 Market Share	FY 2016 Passenger Enpls	FY 2016 Market Share	FY 2017 Passenger Enpls	FY 2017 Market Share	FY 2018 Passenger Enpls	FY 2018 Market Share	FY 2019 Passenger Enpls	FY 2019 Market Share	Average Annual Growth
Delta Air Lines & Affiliates:											
Delta	91,824	15.0%	111,834	17.5%	120,289	17.8%	114,561	17.5%	86,317	12.1%	-1.5%
Atlantic Southeast /1	90,908	14.9%	91,075	14.3%	61,873	9.2%	49,853	7.6%	15,816	2.2%	-35.4%
Chautuaqua /1	42,648	7.0%	28,254	4.4%	24,372	3.6%	18,813	2.9%	32,234	4.5%	-6.8%
Skywest /1	543	0.1%	12,876	2.0%	41,481	6.1%	41,743	6.4%	42,288	5.9%	197.1%
Endeavor Air/Pinnacle /1	28,523	4.7%	25,566	4.0%	28,015	4.1%	40,143	6.1%	120,778	17.0%	43.4%
Go Jet/1	18	0.0%	1,687	0.3%	0	0.0%	1,759	0.3%	2,731	0.4%	251.0%
Total Delta & Affiliates	254,464	44.5%	271,292	47.5%	276,030	40.8%	266,872	40.7%	300,164	42.2%	4.2%
US Airways & Affiliates:											
Air Wisconsin /2	35,634	5.8%	27,103	4.3%	25,383	3.8%	12,875	2.0%	0	0.0%	-100.0%
Mesa /2	0	0.0%	32,327	5.1%	4,829	0.7%	0	0.0%	0	0.0%	NA
Piedmont /2	0	0.0%	0	0.0%	1,106	0.2%	18,683	2.8%	47,767	6.7%	NA
PSA /2	73,335	12.0%	76,420	12.0%	83,003	12.3%	69,295	10.6%	58,492	8.2%	-5.5%
Total US & Affiliates	108,969	19.1%	135,850	23.8%	114,321	16.9%	100,853	15.4%	106,259	14.9%	-0.6%
American Airlines & Affiliates											
American Eagle /3	65,639	10.7%	32,258	5.1%	72,559	10.7%	82,079	12.5%	92,387	13.0%	8.9%
Total American & Affiliates	65,639	10.7%	32,258	5.1%	72,559	10.7%	82,079	12.5%	92,387	13.0%	8.9%
United Airlines & Affiliates:											
Sky West /4	9,797	1.6%	11,931	1.9%	23,056	3.4%	16,536	2.5%	21,743	3.1%	22.1%
Air Wisconsin /4	0	0.0%	0	0.0%	0	0.0%	10,884	1.7%	30,575	4.3%	NA
CommutAir/4	0	0.0%	0	0.0%	0	0.0%	4,349	0.7%	894	0.1%	NA
Go Jet/4	0	0.0%	0	0.0%	0	0.0%	15,098	2.3%	10,498	1.5%	NA
ExpressJet/4	51,396	8.4%	50,135	7.9%	49,649	7.3%	26,428	4.0%	22,357	3.1%	-18.8%
Total United & Affiliates	61,193	10.0%	62,066	9.7%	72,705	10.8%	73,295	11.2%	86,067	12.1%	8.9%
Continental Airlines & Affiliates											
ExpressJet /5	3,284	0.5%	11,776	1.8%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Total Continental & Affiliates	3,284	0.5%	11,776	1.8%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Allegiant	113,873	18.6%	119,542	18.8%	135,034	20.0%	127,080	19.4%	119,618	16.8%	1.2%
Charters	4,117	0.7%	4,758	0.7%	5,437	0.8%	5,596	0.9%	6,436	0.9%	11.8%
Total	611,539	100.0%	637,542	100.0%	676,086	100.0%	655,775	100.0%	710,931	100.0%	3.8%
Average Annual Growth Rate - Per Year	7.1%		4.3%		6.0%		-3.0%		8.4%		

/1 d/b/a Delta Connection
/2 d/b/a US Airways Express
/3 d/b/a American Connection
/4 d/b/a United Express
/5 d/b/a Continental Express

Source: Lexington-Fayette Urban County Airport Board

Top Origin and Destination Markets. ***Table 5*** depicts the Airport's top 25 domestic markets for calendar year 2018 and their respective distances from the Airport. Of these markets, five are long haul markets (1,000 or more miles), 14 are medium haul markets (500 - 999 miles), and the remaining six are short haul markets (less than 500 miles). The Orlando Sanford International Airport is the largest origin and destination market to/from the Airport, representing approximately 5.9% of all origin and destination passenger activity from January 2018 through December 2018. Non-stop scheduled airline service is currently provided to/from all of the Airport's top ten origin and destination markets. Furthermore, 18 of the Airport's top 25 markets are currently served by non-stop scheduled airline service.

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Table 5 - Top Origin and Destination Markets

	Market	Calendar Year 2018 Enplanements	Percent of Total	Distance from Airport (Miles)
1	Orlando Sanford, FL	40,104.9	5.9%	667
2	Punta Gorda, FL	28,812.1	4.2%	781
3	Ft. Lauderdale, FL	26,997.9	4.0%	864
4	Chicago O'Hare, IL	24,533.6	3.6%	323
5	Atlanta, GA	23,103.2	3.4%	303
6	St. Petersburg/Clearwater, FL	21,829.7	3.2%	706
7	Dallas/Ft. Worth, TX	18,580.3	2.7%	785
8	LaGuardia, NY	17,135.9	2.5%	604
9	Reagan National, Washington DC	17,111.8	2.5%	414
10	Philadelphia, PA	14,898.0	2.2%	519
11	Detroit, MI	11,336.1	1.7%	296
12	Orlando International, FL	11,204.4	1.6%	689
13	Newark, NH	10,224.1	1.5%	587
14	Los Angeles, CA	9,805.2	1.4%	1,905
15	Charlotte, NC	9,689.4	1.4%	282
16	Houston, TX	9,023.6	1.3%	828
17	Minneapolis, MN	8,532.7	1.2%	650
18	Boston, MA	7,654.5	1.1%	778
19	Seattle, WA	7,315.4	1.1%	2,003
20	San Francisco, CA	6,889.4	1.0%	2,052
21	Savannah, GA	6,534.3	1.0%	451
22	Las Vegas, NV	6,418.2	0.9%	1,687
23	San Diego, CA	6,227.2	0.9%	1,866
24	New Orleans, LA	6,144.3	0.9%	642
25	Tampa, FL	6,088.1	0.9%	704
	Sub-total Top 25 Markets	356,194	52.2%	
	Calendar Year 2018 Actual Airport Total	682,662	100.0%	

Source: Diio Mi

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Aircraft Operations

An aircraft operation is defined as an aircraft take-off or landing. ***Table 6*** depicts aircraft operations at the Airport from the Fiscal Year ended June 30, 2015 to the Fiscal Year ended June 30, 2019. As shown on ***Table 6***, total aircraft operations have increased from 69,580 in the Fiscal Year ended June 30, 2015 to 73,070 in the Fiscal Year ended June 30, 2019, representing an average annual increase of approximately 1.2%.

Scheduled airline operations increased from 23,621 in the Fiscal Year ended June 30, 2015 to 24,604 in the Fiscal Year ended June 30, 2019, an increase in the average annual rate of approximately 1.0%. For the Fiscal Year ended June 30, 2019, Delta, combined with its regional affiliate airlines, accounted for 38.3% of the Airport commercial airline operations.

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Table 6 - Aircraft Operations

Airline	FY 2015 Aircraft Ops	FY 2015 Airline Market Share	FY 2016 Aircraft Ops	FY 2016 Airline Market Share	FY 2017 Aircraft Ops	FY 2017 Airline Market Share	FY 2018 Aircraft Ops	FY 2018 Airline Market Share	FY 2019 Aircraft Ops	FY 2019 Airline Market Share	Average Annual Growth
Delta Air Lines & Affiliates:											
Delta	1,910	8.1%	2,184	9.4%	2,244	9.3%	2,460	10.6%	1,542	6.3%	-5.2%
Atlantic Southeast	3,794	16.1%	3,832	16.5%	2,833	11.8%	1,932	8.3%	554	2.3%	-38.2%
Chautauqua	2,502	10.6%	1,544	6.7%	1,386	5.7%	1,140	4.9%	1,305	5.3%	-15.0%
Skywest	26	0.1%	574	2.5%	1,902	7.9%	1,842	7.9%	1,940	7.9%	193.9%
Pinnacle	1,326	5.6%	1,254	5.4%	1,271	5.3%	1,626	7.0%	3,956	16.1%	31.4%
Go Jet	2	0.0%	62	0.3%	0	0.0%	64	0.3%	116	0.5%	176.0%
Total Delta & Affiliates	9,560	40.5%	9,450	40.8%	9,636	40.0%	9,064	39.0%	9,413	38.3%	-0.4%
US Airways & Affiliates:											
Republic	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2	0.0%	NA
Air Wisconsin	1,988	8.4%	1,627	7.0%	1,479	6.1%	752	3.2%	0	0.0%	-100.0%
Mesa	0	0.0%	221	1.0%	136	0.6%	0	0.0%	2	0.0%	NA
American Eagle SkyWest	0	0.0%	0	0.0%	391	1.6%	260	1.1%	263	1.1%	NA
Piedmont	0	0.0%	0	0.0%	76	0.3%	1,198	5.2%	2,804	11.4%	NA
PSA	3,614	15.3%	3,910	16.9%	3,996	16.6%	3,169	13.6%	2,571	10.4%	-8.2%
Total US Airways & Affiliates	5,602	23.7%	5,758	24.9%	6,078	25.2%	5,379	23.1%	5,642	22.9%	0.2%
American Airlines & Affiliates:											
American Eagle	3,701	15.7%	1,789	7.7%	2,692	11.2%	3,130	13.5%	3,533	14.4%	-1.2%
Total American & Affiliates	3,701	15.7%	1,789	7.7%	2,692	11.2%	3,130	13.5%	3,533	14.4%	-1.2%
United Airlines & Affiliates:											
Air Wisconsin	0	0.0%	0	0.0%	0	0.0%	536	2.3%	1,526	6.2%	NA
GoJet	0	0.0%	0	0.0%	0	0.0%	644	2.8%	460	1.9%	NA
Mesa	0	0.0%	826	3.6%	0	0.0%	0	0.0%	0	0.0%	NA
CommutAir	0	0.0%	826	3.6%	0	0.0%	264	1.1%	60	0.2%	NA
Sky West	452	1.9%	580	2.5%	1,136	4.7%	843	3.6%	1,068	4.3%	24.0%
ExpressJet	2,664	11.3%	2,564	11.1%	2,689	11.2%	1,582	6.8%	1,240	5.0%	-17.4%
Total United & Affiliates	3,116	13.2%	3,970	17.1%	3,825	15.9%	3,869	16.6%	4,354	17.7%	8.7%
Continental Airlines & Affiliates:											
ExpressJet	160	0.7%	551	2.4%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Total Continental & Affiliates	160	0.7%	551	2.4%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Allegiant	1,482	6.3%	1,638	7.1%	1,876	7.8%	1,806	7.8%	1,662	6.8%	2.9%
Airline Total	23,621	100.0%	23,156	100.0%	24,107	100.0%	23,248	100.0%	24,604	100.0%	1.0%
Airline	23,621		23,156		24,107		23,248		24,604		1.0%
Charter/Air Taxi	7,199		7,433		7,507		7,286		7,505		1.0%
Military	1,707		1,951		1,712		2,195		1,820		1.6%
General Aviation	37,053		38,173		37,045		38,260		39,141		1.4%
Airport Total	69,580		70,713		70,371		70,989		73,070		1.2%

Source: Lexington-Fayette Urban County Airport Board

Scheduled Airline Landed Weights

Airline landed weights are the unit of measure by which an airport charges airfield landing fees and thus generates airport revenues. ***Table 7*** depicts the historical airline landed weight by airline from the Fiscal Year ended June 30, 2015 to the Fiscal Year ended June 30, 2019. Delta was the largest user of the airfield in terms of aircraft landed weight with approximately 43.2% of the landed weight among all airlines in the Fiscal Year ended June 30, 2019. As shown on Table 7, historical airline landed weights have shown a solid increase, from 714,775 thousand pound units in the Fiscal Year ended June 30, 2015 to 878,451 thousand pound units in the Fiscal Year ended June 30, 2019, representing an average annual increase of approximately 5.3% over that timeframe.

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Table 7 - Scheduled Airline Landed Weights (1,000 Pound Units)

Airline	FY 2015 Aircraft Land Wt	FY 2015 Airline Market Share	FY 2016 Aircraft Land Wt	FY 2016 Airline Market Share	FY 2017 Aircraft Land Wt	FY 2017 Airline Market Share	FY 2018 Aircraft Land Wt	FY 2018 Airline Market Share	FY 2019 Aircraft Land Wt	FY 2019 Airline Market Share	Average Annual Growth Rate
Delta Air Lines & Affiliates:											
Delta	118,551	16.6%	133,010	17.7%	146,505	17.8%	151,525	18.1%	106,481	12.1%	-2.6%
Atlantic Southeast	105,629	14.8%	111,923	14.9%	81,824	9.9%	67,074	8.0%	18,559	2.1%	-35.3%
Chautauqua	55,973	7.8%	45,512	6.0%	47,935	5.8%	41,607	5.0%	47,849	5.4%	-3.8%
Skywest	611	0.1%	16,748	2.2%	52,294	6.3%	52,179	6.2%	55,755	6.3%	209.1%
Pinnacle	34,028	4.8%	34,416	4.6%	35,801	4.3%	52,430	6.3%	147,177	16.8%	44.2%
Go Jet	67	0.0%	2,312	0.3%	0	0.0%	2,160	0.3%	4,007	0.5%	178.1%
Total Delta & Affiliates	314,859	44.1%	343,921	45.7%	364,359	44.2%	366,975	43.9%	379,828	43.2%	4.8%
US Airways & Affiliates:											
Air Wisconsin	54,473	7.6%	38,211	5.1%	34,733	4.2%	17,672	2.1%	0	0.0%	-100.0%
Mesa	0	0.0%	39,353	5.2%	5,107	0.6%	0	0.0%	75	0.0%	NA
American Eagle SkyWest	0	0.0%	0	0.0%	9,312	1.1%	7,050	0.8%	8,617	1.0%	NA
Republic Airways	0	0.0%	0	0.0%	75	0.0%	0	0.0%	75	0.0%	NA
Piedmont	0	0.0%	0	0.0%	1,627	0.2%	26,135	3.1%	61,198	7.0%	NA
PSA	90,405	12.6%	95,685	12.7%	114,708	13.9%	100,804	12.1%	84,759	9.6%	-1.6%
Total US Airways & Affiliates	144,878	20.3%	173,249	23.0%	165,562	20.1%	151,661	18.1%	154,724	17.6%	1.7%
American Airlines/TWA & Affiliates:											
American Eagle	77,701	10.9%	37,817	5.0%	75,269	9.1%	94,373	11.3%	119,508	13.6%	11.4%
Total American & Affiliates	77,701	10.9%	37,817	5.0%	75,269	9.1%	94,373	11.3%	119,508	13.6%	11.4%
United & Affiliates:											
Air Wisconsin	0	0.0%	0	0.0%	0	0.0%	12,596	1.5%	36,096	4.1%	NA
CommutAir	0	0.0%	0	0.0%	655	0.1%	5,711	0.7%	1,320	0.2%	NA
GoJet	0	0.0%	0	0.0%	0	0.0%	21,574	2.6%	15,410	1.8%	NA
Sky West	11,105	1.6%	13,650	1.8%	26,752	3.2%	20,035	2.4%	25,658	2.9%	23.3%
ExpressJet	58,258	8.2%	56,114	7.5%	58,826	7.1%	34,612	4.1%	27,535	3.1%	-17.1%
Total United & Affiliates	69,363	9.7%	69,764	9.3%	86,233	10.5%	94,528	11.3%	106,019	12.1%	11.2%
Continental Airlines & Affiliates											
ExpressJet	3,760	0.5%	12,925	1.7%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Total Continental & Affiliates	3,760	0.5%	12,925	1.7%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Allegiant	104,214	14.6%	115,373	15.3%	132,359	16.1%	128,315	15.4%	118,372	13.5%	3.2%
Total	714,775	100.0%	753,049	100.0%	823,782	100.0%	835,852	100.0%	878,451	100.0%	5.3%

Source: Lexington-Fayette Urban County Airport Board

Historical Airport Revenues

Airline Revenues. ***Table 8*** depicts the Airport's historical airline revenues, operation and maintenance expenses, and capital expenses from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. Airline revenues comprise landing fees and terminal rents. Airline revenues at the Airport have increased from $5,718,212 for the Fiscal Year ended June 30, 2015 to $7,273,094 for the Fiscal Year ended June 30, 2019, an average annual increase of 6.2%. The increase in airline revenues is primarily attributable to the corresponding increase in passenger enplanements and an increase in terminal rental charges during the same time period. ***Table 9*** sets forth the Airport's historical airline cost per enplaned passenger for the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. The airline cost per enplaned passenger has risen at an annual rate of approximately 2.27% from the Fiscal Year ended June 30, 2015 to the Fiscal Year ended June 30, 2019.

General Aviation Revenues. ***Table 8*** depicts the Airport's historical general aviation revenues from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. General Aviation revenues consist of hanger and land rental income and percentage fees paid by the Airport's FBO for services provided to general aviation aircraft operators such as aircraft parking and storage, and maintenance. General Aviation revenues have increased from $1,136,726 for the Fiscal Year ended June 30, 2015 to $1,413,595 for the Fiscal Year ended June 30, 2019, an average annual increase of approximately 5.6%.

Air Freight Revenues. ***Table 8*** depicts the Airport's historical air freight revenues from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. Air freight revenues at the Airport consist of revenues for air freight facility rentals paid by the United States Customs Service and certain of the passenger airlines operating at the Airport. Air freight revenues have increased from $55,449 for the Fiscal Year ended June 30, 2015 to $115,649 for the Fiscal Year ended June 30, 2019, an average annual increase of approximately 20.2%.

Ground Transportation Revenues. ***Table 8*** depicts the Airport's historical ground transportation revenues from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. Ground transportation revenues include rental car revenues and rents, fees and commissions received from transportation network companies, taxi, limousine and other ground transportation providers. Rental car revenues are a major source of revenue for the Airport and represent the majority of ground transportation revenues at the Airport. Rental car revenues primarily consist of concession fees based on a percentage of gross receipts, counter and office rentals, ready/return parking lot rentals and service facility fee rentals which are paid by the Airport's rental car companies. Ground transportation revenues have increased from $2,278,765 for the Fiscal Year ended June 30, 2015 to $2,826,456 for the Fiscal Year ended June 30, 2019, an average annual increase of approximately 5.5%.

Public Parking Revenues. ***Table 8*** depicts the Airport's historical public parking revenue from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. The Airport's annual public parking revenue is generated by a percentage of gross revenues paid from the parking management company (REEF Technology/Republic Parking Systems) to the Airport for managing the operations of the Airport's public parking facilities.

Parking is the second greatest source of revenue for the Airport behind airline revenues. Parking revenues at the Airport have increased from $5,156,943 for the Fiscal Year ended June 30, 2015 to $7,056,255 for the Fiscal Year ended June 30, 2019, an average annual increase of approximately 8.1%. The increase is primarily due to increased enplanements and price adjustments for parking in 2015 and 2018.

Concessions/Rentals/Miscellaneous Revenues. ***Table 8*** depicts the Airport's historical concessions, rentals and miscellaneous revenues from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. Concessions, rentals and miscellaneous revenues represent another important element of the financing of the Airport. These revenues comprise various rentals paid by firms permitted by the Board to conduct food, beverage and retail businesses in and at the terminal, as well as other miscellaneous business operations. Concessions, rentals and miscellaneous revenues have increased from $405,527 for the Fiscal Year ended June 30, 2015 to $554,768 for the Fiscal Year ending June 30, 2019, an average annual increase of approximately 8.1%.

ARFF Training Facility Revenues. ***Table 8*** depicts the Airport's historical ARFF Training Facility revenues from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. "ARFF" Training Facility revenues consist of user fees charged for annual air rescue and firefighting training at the Airport's training facility. Construction of this facility was completed in the Fiscal Year ended June 30, 1999 and is only one of twelve FAA certified air rescue and firefighting facilities in the country. ARFF Training Facility revenues have increased from $93,480 for the Fiscal Year ended June 30, 2015 to $135,700 for the Fiscal Year ended June 30, 2019, an average annual increase of approximately 9.8%.

PFCs. ***Table 8*** depicts the Airport's historical PFC revenues from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. See "SECURITY FOR THE 2019 SERIES A BONDS – Application of Facility Charges for the Payment of Debt Service Charges - PFCs" for a description of the PFCs collected and imposed by the Board.

CFCs. ***Table 8*** depicts the Airport's historical CFC revenues from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. See "SECURITY FOR THE 2019 SERIES A BONDS - Application of Facility Charges for the Payment of Debt Service Charges - CFCs" for a description of the CFCs collected and imposed by the Board.

Historical Airport Expenses

Operating and Maintenance Expense. ***Table 8*** depicts the Airport's historical O&M expense from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019. Operating and Maintenance ("O&M") expenses are incurred for operation and maintenance of the Airport grounds and facilities. The primary components of this expense include the categories of salaries and benefits, utilities, maintenances, supplies, professional services, insurance and other miscellaneous expenses. O&M expenses have increased from $10,980,149 for the Fiscal Year ended June 30, 2015 to $13,995,981 for the Fiscal Year ended June 30, 2019, an average annual increase of approximately 6.3%.

Debt Service Expense. The annual debt service expense attributable to the prior bonds and payable from the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019 is set forth in ***Table 8***.

Capital Expense (Non-Debt). The Airport funds capital expenditures through the issuance of debt and the use of cash-on-hand. The Airport typically funds (a) ancillary capital expenditures, including the purchases of vehicles and equipment, (b) the local portion of capital improvement projects funded by federal grants, and (c) minor airport facility capital improvements and replacement from the Airport's cash-on-hand. The Airport manages annual capital expenditures to coincide with the annual cash flow from operations and goals with respect to days' cash-on-hand. The Airport's historical capital expenditures funded from cash-on-hand are depicted in ***Table 8***.

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Table 8 - Historical Airport Revenues and Expenses

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Average Annual Growth Rate
REVENUES						
Airline Revenues:						
Airline Landing Fees	$1,996,623	$2,446,524	$2,595,497	$2,733,624	$2,955,647	10.3%
Airline Terminal Rents	3,721,589	3,814,172	4,048,019	4,222,456	4,317,447	3.8%
Subtotal Airline Revenues	$5,718,212	$6,260,696	$6,643,516	$6,956,080	$7,273,094	6.2%
TSA Office Rent	$132,054	$132,054	$132,054	$132,054	$136,023	0.7%
General Aviation	1,136,726	1,212,931	1,263,806	1,305,002	1,413,595	5.6%
Air Freight Building	55,449	55,449	89,968	115,189	115,649	20.2%
Ground Transportation	2,278,765	2,442,772	2,579,618	2,526,243	2,826,456	5.5%
Parking	5,156,943	5,769,435	6,195,064	5,881,620	7,056,255	8.2%
Concessions, Rentals & Miscellaneous	405,527	441,099	465,157	485,797	554,768	8.1%
Advertising, in house	389,364	440,405	415,608	476,497	459,514	4.2%
ARFF Training Facility	93,480	82,100	122,075	147,375	135,700	9.8%
Interest Income / Miscellaneous	342,759	256,003	237,436	380,484	439,056	6.4%
Passenger Facility Charges (PFCs)	2,402,511	2,501,697	2,641,342	2,694,643	2,789,405	3.8%
Rental Car Contract Facility Charges (CFCs)	716,064	909,797	1,260,832	1,418,700	1,757,144	25.2%
Subtotal Non-Airline Revenues	$13,109,642	$14,243,742	$15,402,960	$15,563,604	$17,683,565	7.8%
Total Revenues	$18,827,854	$20,504,438	$22,046,476	$22,519,684	$24,956,659	7.3%
OPERATION AND MAINTENANCE EXPENSES						
Airport Services	$2,641,460	$2,930,272	$3,210,369	$3,160,465	$3,461,731	7.0%
Janitorial Maintenance	696,330	743,677	736,871	758,766	859,209	5.4%
Public Safety	1,996,875	2,165,046	2,143,828	2,178,907	2,283,784	3.4%
Administration	4,182,775	4,400,413	4,732,605	4,901,251	5,358,961	6.4%
Engineering	588,962	629,396	649,795	805,543	757,528	6.5%
Operations	692,552	700,601	737,461	812,993	1,015,902	10.1%
Executive Lounge	88,221	85,343	85,328	95,862	100,480	3.3%
BGA Customer Assistance	92,974	116,962	108,039	150,046	158,386	14.2%
Total O&M Expenses	$10,980,149	$11,771,710	$12,404,296	$12,863,833	$13,995,981	6.3%
CAPITAL EXPENSES						
Capital Purchases/Local Construction - Expensed	$6,155,593	$3,191,121	$2,394,444	$2,466,311	$3,019,078	-16.3%
Debt Service - Outstanding Bonds and Bank Notes:						
2009 A Bonds (PFC)	1,913,724	2,066,117	1,460,080	1,467,057	1,463,152	-6.5%
2009 A Bonds (Non-PFC)	783,891	913,356	815,383	930,095	927,619	4.3%
2009 A Bonds (CFC)	429,385	396,532	110,289	0	0	-100.0%
2009 B Bonds (PFC)	33,532	37,992	49,449	80,532	116,495	36.5%
2009 B Bonds (Non-PFC)	0	0	18,753	32,909	47,605	NA
2009 B Bonds (CFC)	13,703	15,528	1,454	0	0	-100.0%
2012A Bonds (PFC)	244,363	244,363	244,363	244,333	243,245	-0.1%
2012A Bonds (Non-PFC)	0	0	86,292	94,125	93,706	NA
2012A Bonds (CFC)	94,137	94,137	7,845	0	0	-100.0%
2012B Bonds (PFC)	460,486	460,488	460,486	460,429	458,380	-0.1%
2012B Bonds (Non-PFC)	0	0	92,596	101,001	100,552	NA
2012B Bonds (CFC)	101,014	101,016	8,418	0	0	-100.0%
2016A Bonds (Non-PFC)	0	0	379,539	381,353	374,492	NA
2016B Bonds (Non-PFC)	0	0	382,348	382,348	382,118	NA
2016C Bonds (PFC)	0	0	457,842	445,695	455,711	NA
2016C Bonds (Non-PFC)	0	0	290,266	282,565	559,247	NA
2016C Bonds (CFC)	0	0	1,416,225	1,418,700	1,133,994	NA
2016D Bonds (Non-PFC)	0	0	0	0	404,250	NA
2016E Bonds (PFC)	0	0	70,384	100,949	100,474	NA
2016E Bonds (Non-PFC)	0	0	44,623	64,000	63,700	NA
Transfer (from) General Fund Reserves to Fund Capital**	(1,725,373)	(715,000)	(346,877)	(335,283)	0	-100.0%
Accounts Receivable from FAA (For Capital Expenditures)	(3,109,247)	0	0	0	0	-100.0%
Transfer Excess PFCs to (from) Reserves	(249,594)	(307,258)	(101,262)	(104,352)	0	-100.0%
Transfer Excess CFCs to Reserves	77,825	302,584	(283,398)	0	0	-100.0%
Total Capital Expenses	$5,223,439	$6,800,976	$8,059,542	$8,512,767	$9,943,818	17.5%
SURPLUS	$2,624,266	$1,931,752	$1,582,638	$1,143,084	$1,016,860	-21.1%

Source: Lexington-Fayette Urban County Airport Board

**The Board approved a plan to draw down excess general fund cash balances to fund certain capital expenditures for the Airport.

As referenced under "AIRPORT OPERATIONS - Historical Airport Revenues - *Airline Revenues*," the following ***Table 9*** sets forth the Airport's historical airline cost per enplaned passenger for the Fiscal Year ended June 30, 2015 through the Fiscal Year ended June 30, 2019.

Table 9 - Historical Airline Cost per Enplaned Passenger

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Average Annual Growth Rate
Passenger Enplanements	611,539	637,542	676,805	655,775	710,931	3.84%
Airline Revenues						
Airline Landing Fees	$1,996,623	$2,446,524	$2,595,497	$2,733,624	$2,955,647	10.30%
Airline Terminal Rents	$3,721,589	$3,814,172	$4,048,019	$4,222,456	$4,317,447	3.78%
Total Airline Revenues	$5,718,212	$6,260,696	$6,643,516	$6,956,080	$7,273,094	6.20%
Airline Cost per Enplaned Passenger	$9.35	$9.82	$9.82	$10.61	$10.23	2.27%

Source: Lexington-Fayette Urban County Airport Board

Airport Improvement Program

One source of federal grants benefiting the Airport is the Airport Improvement Program (the "AIP") established pursuant to the Airport and Airway Improvement Act of 1982 (Public Law 97-248). The AIP is administered by the FAA and is funded from the Airport and Airway Trust Fund. The AIP provides funds to finance capital improvements to commercial, cargo, and general aviation airports. AIP grant moneys include entitlement funds that are appropriated annually based on enplaned passengers as well as discretionary funds that are available at the discretion of the FAA.

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BONDHOLDER RISKS

The purchase and ownership of the 2019 Series A Bonds involves investment risk. Prospective purchasers of the 2019 Series A Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement and should specifically consider risks associated with the 2019 Series A Bonds. The Board's ability to derive General Revenues from operation of the Airport sufficient to pay debt service on the 2019 Series A Bonds depends upon many factors, many of which are not subject to the control of the Board. These factors include the financial strength of the air transportation industry in general, the financial strength of the firms in that industry that operate at the Airport and national economic conditions.

Impact of Economic Conditions on Airport

Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economy. With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger traffic at major U.S. airports. Following significant and dramatic changes which occurred in the financial markets in September 2008, the U.S. economy experienced a recession followed by weak growth. While the global economy generally has rebounded, there can be no assurances that any such rebound will continue. Sustained future increases in passenger traffic at the Airport will depend on stable international conditions as well as national and global economic growth.

Aviation Security Concerns and Related Costs

The 2001 terrorist attacks in the United States and other parts of the world, subsequent conflicts in Iraq and Afghanistan and the increased threat of further terrorist attacks were factors in a decrease in passenger traffic levels which began in 2001. While tighter security measures have restored the public confidence in the integrity of U.S. and world aviation systems, and passenger traffic has rebounded, the Board cannot assess the threat of terrorism and the probability of another attack on American soil or against Americans traveling or American interests abroad. Additional attacks against the air transportation industry, the travel industry, cities, utilities, infrastructure, office buildings or manufacturing plants could have an immediate and significant adverse impact on travel demand.

The Board cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the possibility of increased security restrictions, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions.

Since 2001, government agencies, airlines, and airport operators have enhanced security measures to guard against possible terrorist incidents and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the TSA, more effective dissemination of information about threats, more intensive screening of passengers, baggage, and cargo, and deployment of new screening technologies.

The airlines and the federal government were primarily responsible for, and bore most of the capital costs associated with, implementing such security measures after September 11, 2001. The Airport is currently in compliance with all federally mandated security requirements. The FAA Extension, Safety, and Security Act of 2016 included provisions for increases and advancements in airport security systems.

TSA has noted that more than 804 million aviation passengers were screened in FY 2018 and projects that this number will exceed 965 million passengers in 2020. In October of 2018, Congress passed the FAA Reauthorization Act which included the TSA Modernization Act. This act represents the TSA's first reauthorization since its inception in 2001, will authorize appropriations for FY 2019, 2020, and 2021 and will modernize TSA's structure, operations and delivery of passenger and cargo screening services.

The Board cannot predict the effect of any additional TSA security requirements on passenger activity at the Airport. Nor can the Board predict future TSA staffing levels for the implementation of current or additional security requirements or the effect on passenger activity of such staffing level decisions. Additional widespread security delays and missed flights could result in disruptions in the efficiency of the air travel industry and cause a loss of confidence in the air travel industry, which could ultimately adversely affect the revenues received by the Board.

Information Technology Concerns

General. Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Recent computer system issues at American Airlines, Delta, JetBlue, Southwest Airlines and United have effectively brought airline operations to a halt for significant periods of time, affecting schedules for days. Some industry analysts attribute the disruptions to an underlying need for a fundamental overhaul of the computer infrastructure across the airline industry which dates from the 1990s, rather than additional updates of existing systems. Repeated service disruptions could cause a loss of confidence in the air travel industry, which could ultimately adversely affect the revenues received by the Board.

Information Security. Air travel industry participants, including airlines, the FAA, the TSA, the Board, concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect the revenues received by the Board.

Public Health Concerns

Public health concerns also have affected air travel demand from time to time. In 2003, concerns associated with the spread of severe acute respiratory syndrome ("SARS") led public health agencies to issue advisories against travel to certain regions of the world. Outbreaks of both the H1N1 influenza virus in 2009 and Ebola in 2014 had an adverse impact on international travel and in January of 2016, the US Centers for Disease Control and Prevention issued a travel advisory warning against travel to thirty specific international locations which had been impacted by the Zika virus. While the Board is kept updated by staff of all public health concerns, it is unable to predict the impact of the spread of any virus or illness, the impact on travel demand, property owned by the airport or the operations of any air carriers at the Airport.

Travel Substitutes

Teleconference, video-conference and web-based meetings continue to improve in quality and price and are often considered a satisfactory alternative to some face-to-face business meetings. In addition, leisure and business travelers may choose alternative modes of transportation, such as cars, particularly if gasoline prices remain low compared to prices in recent years.

Consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by discounting fares have changed consumer expectations regarding airfares and the availability of transparent price information on the Internet, which allows easier comparison shopping, has changed consumer purchasing habits. As a result, pricing and marketing have become more competitive in the United States airline industry.

Cost of Aviation Fuel

Airline earnings are significantly affected by the price of aviation fuel. According to Airlines for America, fuel is the largest single cost component for most airline operations, and therefore an important and uncertain determinant of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but there have been significant increases and fluctuations in the price of fuel.

Any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries' policy, increased demand for fuel caused by rapid growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. In recent years, the cost of aviation fuel has fluctuated in response to changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged increases in the cost of aviation fuel in the past have had an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other surcharges, all of which may decrease demand for air travel. While current jet fuel prices are historically low, the Board is unable to predict the impact of the current cost of aviation fuel on airline operations at the Airport or the impact of a rise in the cost of aviation fuel on airline operations at the Airport.

Level of Airline Traffic

The 2019 Series A Bonds are secured, in part, by a pledge of the General Revenues of the Airport and the Pledged Funds held under the Trust Indenture. The General Revenues of the Airport are substantially impacted by the economic health of the airline industry and the airlines serving the Airport. Historically, the financial performance of the airline industry has generally correlated with the strength of the national and global economies. Certain factors that may materially affect the air transportation industry, the Airport and the airlines include, but are not limited to: growth of population and the economic health of the region and the nation; airline service and route networks; national and international economic and political conditions; changes in demand for air travel; service and cost competition; mergers; the availability and cost of aviation fuel and other necessary supplies; levels of air fares, fixed costs and capital requirements; the cost and availability of financing; the capacity of the national air traffic control system; national and international disasters and hostilities; the cost and availability of employees; labor relations within the airline industry; regulation by the federal government; environmental risks and regulations; noise abatement concerns and regulations; the financial health and viability of the airline industry; bankruptcy and insolvency laws; acts of war or terrorism; and other risks.

The total number of enplaned passengers at the Airport has increased 16.3% from Fiscal Year 2015 through Fiscal Year 2019. The most notable increase occurred between Fiscal Years 2018 and 2019, in which passenger enplanements increased at a rate of 8.4% (see "AIRPORT OPERATIONS – Historical Passenger Traffic - *Table 4 - Scheduled Passenger Enplanements*). In June 2018, the Airport experienced the addition of new seasonal Allegiant Air Service between Lexington and Destin/Fort Walton Beach, Florida. No assurances can be given that the airlines now serving the Airport will continue operations or maintain their current levels of activity at the Airport. If one or more airlines were to discontinue operations at the Airport, the activity accounted for by such airlines would not necessarily be replaced by other carriers.

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Effect of Airline Bankruptcies

The Airport derives a substantial portion of its operating revenues from landing, facility rental and concession fees. The financial strength and stability of the airlines using the Airport together with numerous other factors, influence the level of aviation activity and revenues at the Airport. In addition, individual airline decisions regarding level of service and aircraft size such as use of regional jets, can affect total enplanements.

Since December 2000, numerous airlines (including some that served the Airport) ceased operations and/or filed for bankruptcy protection. No assurances can be given that the airlines now serving the Airport will continue operations or maintain their current levels of activity at the

Airport. If one or more airlines were to discontinue operations at the Airport, the activity accounted for by such airlines would not necessarily be replaced by other carriers.

Airline Information Reporting

Certain airlines operating at the Airport (or their parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and, as such, are required to file periodic reports, including financial and operational data (the "SEC Reports"), with the Securities and Exchange Commission ("SEC"). The SEC Reports can be read and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. In addition, electronically filed SEC Reports can be obtained from the SEC's web site at http://www.sec.gov. Each domestic airline is required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports can be inspected at the Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 Seventh Street S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the Department of Transportation at prescribed rates. Non-U.S. airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines.

None of the Board, the Urban County Government or the Underwriter undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the United States Department of Transportation as discussed in the preceding paragraph, including, but not limited to, updates of such information or links to other internet sites accessed through the SEC's website.

Regulations and Restrictions Affecting Airport

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations, including federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports and airlines in the United States. For example, in the aftermath of the events of September 11, 2001, the Airport has also been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and the TSA. There is no assurance that there will not be any change in, interpretation of, or addition to any such applicable laws, regulations and provisions. Any such change, interpretation or addition may have a material adverse effect, either directly or indirectly, on the Airport, which could materially adversely affect the Airport's operations or financial condition.

Climate change concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels that could have a material adverse effect on the operations of the Board and on the airlines operating at the Airport. The United States Environmental Protection Agency (the "EPA") has taken steps towards regulation of greenhouse gas ("GHG") emissions under existing federal law. The Board cannot predict what the EPA's emission standards will be or what effect those standards may have on the Board or on air traffic at the Airport.

Additional Federal Authorization and Funding Considerations

The Board receives funding for the Airport not only in connection with FAA Airport Improvement Program Grants and PFC authorizations, but also in the form of funding for TSA, air traffic control and other FAA staffing and facilities. The FAA operates under the FAA Reauthorization Act of 2018 (the "2018 FAA Reauthorization"), which reauthorizes the FAA and other programs until the end of federal fiscal year 2023. In the event that the current reauthorization were to expire without a long-term reauthorization or a short-term extension, during such period FAA programs would be unauthorized, including FAA programs providing funding for the Airport. The Board is unable to predict whether legislation to extend or reauthorize this statute or otherwise continue FAA programs will be adopted prior to the scheduled expiration date, if not so adopted, the duration of any resulting period of de-authorization, and the impact on the Airport finances which might result therefrom.

The 2018 FAA Reauthorization retains the federal cap on PFCs at $4.50 and authorizes $3.35 billion per year for AIP Grants through federal fiscal year 2023, which is the same funding level as was in place for the preceding five years. The AIP Grants provide federal capital grants to support airport infrastructure through entitlement grants, which are determined by formulas based on passenger, cargo and general aviation activity levels, and discretionary grants, allocated on the basis of specific set-asides and the national priority ranking system. The Board is unable to predict the level of AIP Grant funding at this time, since authorization is subject to Congressional appropriation. If there is a reduction in the amount of AIP Grants awarded to the Board for the Airport, it could: (1) increase by a corresponding amount the capital expenditures that the Board would need to fund from other sources; (2) extend the timing to complete certain projects; or (3) reduce the scope of individual proposed projects.

Federal funding is also impacted by sequestration, a budgetary feature first introduced under the federal Budget Control Act of 2011 (the "BCA"). The BCA requires that the Director of the United States Office of Management and Budget ("OMB") calculate each year through federal fiscal year 2021, using a statutory formula, cuts to federal programs necessary to reduce spending to levels specified in the BCA. These cuts are referred to as the "sequester." The President is required each federal fiscal year to issue an order implementing the cuts for that federal fiscal year. With respect to federal fiscal year 2019, OMB reported in March 2019 that appropriations had not exceeded the caps set in the BCA and sequestration would not be required. The Congressional Budget Office also estimated in its August 2019 report that sequestration would not be required for federal fiscal year 2019. The full impact of any future sequestration measures on the aviation industry and the Airport, generally, resulting from potential layoffs or furloughs of federal employees responsible for federal airport security screening, air traffic control and customs and border control, is unknown at this time.

Capacity of National Air Traffic Control and Airport System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System ("NextGen") air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. The 2018 FAA Reauthorization contains several provisions aimed at accelerating the implementation of NextGen. In recent years airline traffic delays have decreased as a result of a reduction in aircraft operations, but if airline travel increases in the future, flight delays and restrictions can be expected, and no assurances can be given that an increase in airline travel will not again adversely affect airline operations and therefore demand for air travel.

Loss of PFCs

The FAA has the power to terminate the authority to impose PFCs, if (i) the Board's PFCs are not used for approved projects, (ii) project implementation does not commence within the time period specified in the FAA's regulations or (iii) the Board otherwise violates FAA regulations. The Board's authority to impose a PFC may also be terminated if the Board violates certain provisions of the Airport Noise and Capacity Act of 1990 (the "ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the Board's authority to impose a PFC would not be summarily terminated.

The Aviation Safety and Capacity Expansion Act of 1990, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, the VISION 100-Century of Aviation Reauthorization Act of 2008, the FAA Modernization and Reform Act of 2012, and the FAA Reauthorization Act of 2018 (collectively, the "PFC Acts") provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Board) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. Furthermore, the FAA's PFC regulations require carriers collecting the PFCs (the "Collecting Carriers") to account for PFC collections separately, and further indicate that such funds are to be regarded as trust funds held by the Collecting Carriers for the beneficial interest of the public agency imposing the PFC. In early cases, in which PFCs were at issue, certain bankruptcy court decisions indicated that PFCs may not be treated as trust funds and that airports are not entitled to any priority over other creditors of the Collecting Carrier as to such funds. In the more recent cases, such as the American Airlines bankruptcy, however, the bankruptcy court has recognized the airports' interests in the PFCs and taken steps to segregate PFCs from airline revenues. Where an air carrier files for bankruptcy protection and liquidates, PFC revenues may not be recoverable if they have been expended by the carrier before such filing.

The Board's plan of finance for the 2019 Series A Bonds is premised on certain assumptions with respect to the availability of PFCs to pay debt service on the Outstanding Obligations (see "SECURITY FOR THE 2019 SERIES A BONDS – Application of Facility Charges for the Payment of Debt Service Charges" and "- Historical Rate Covenant Compliance"). In the event that PFCs are lower than those expected, the Board may seek alternative sources of funding, including the possible issuance of a greater principal amount of additional Obligations under the Trust Indenture. It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC revenue collections for capital projects for the Airport or whether such restrictions or legislation or regulations would adversely affect General Revenues.

Schedule for Completion of the 2019 Project

The completion of the 2019 Project may be adversely affected by various factors including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material, and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation, (xi) environmental issues, and (xii) additional security improvements and associated costs mandated by the federal government. There can be no assurance that the cost of construction of the 2019 Project will not exceed the currently estimated dollar amount or that the completion of the 2019 Project will not be delayed beyond the currently projected completion dates.

Force Majeure Events Affecting the Board and the Airport

There are certain unanticipated events beyond the Board's control that could have a material adverse effect on the Board's operations and financial condition, or on the Airport's operations and financial condition, if they were to occur. These events include fire, flood, earthquake, epidemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the Board's operations and financial condition or on the Airport's operations and financial condition, as applicable.

Forward-Looking Statements

This Official Statement, and particularly the information contained under the captions "PLAN OF FINANCE AND REFUNDING," "DEBT SERVICE," "SECURITY FOR THE 2019 SERIES A BONDS," and "AIRPORT OPERATIONS" contain statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, federal legislation and/or regulations and regulatory and other restrictions. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The Board does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. See "REGARDING USE OF THE OFFICIAL STATEMENT."

LITIGATION

There is no litigation pending in any court or, to the best of the knowledge of the Board, threatened, questioning the corporate existence of the Board or the Urban County Government or which would restrain or enjoin the issuance or delivery of any of the 2019 Series A Bonds, or which questions or concerns the proceedings of the Board or the Urban County Government taken in connection with the 2019 Series A Bonds or the pledge or application of any General Revenues, Pledged Funds or Lease Rental Payments provided for their payment, or which contests the powers of any such entities with respect to the foregoing.

TAX MATTERS

*A form of the opinion of Bond Counsel with respect to the 2019 Series A Bonds is attached hereto as **Appendix D**.*

State Tax Matters

Bond Counsel is of the opinion that, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, interest on the 2019 Series A Bonds is exempt from income taxation and the 2019 Series A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities.

Federal Income Tax Matters

General

The following is a summary of the principal federal income tax consequences relating to the acquisition, ownership and disposition of the 2019 Series A Bonds for certain U.S. Holders (as defined below). It does not provide a complete analysis of all potential tax considerations relating to the acquisition, ownership and disposition of the 2019 Series A Bonds. This summary is based on the tax laws of the United States, including the current provisions of the Code, its legislative history, current final, temporary and proposed Treasury regulations thereunder, published rulings and pronouncements of the IRS and court decisions, all as currently in effect and all of which are subject to change at any time, possibly with retroactive effect, so as to result in federal income tax consequences different from those described below. There can be no assurance that the IRS will not take a contrary view or that a court would not sustain a contrary view, and no ruling from the IRS has been, or is expected to be, sought on the issues discussed herein. Legislative, judicial or administrative changes or interpretations may occur that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences discussed below.

EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE PURCHASER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. THIS SUMMARY DOES NOT ADDRESS FEDERAL GIFT, GENERATION SKIPPING OR ESTATE TAX CONSEQUENCES OR ALTERNATIVE MINIMUM, FOREIGN, STATE, LOCAL OR OTHER TAX CONSEQUENCES, NOR DOES THIS SUMMARY ADDRESS FEDERAL INCOME TAX CONSEQUENCES FOR BONDHOLDERS OTHER THAN U.S. HOLDERS (AS DEFINED BELOW). EACH PROSPECTIVE PURCHASER CONSIDERING THE PURCHASE OF BONDS SHOULD

CONSULT ITS OWN TAX ADVISOR CONCERNING THESE MATTERS AND CONCERNING THE TAX TREATMENT OF BONDS UNDER STATE AND LOCAL TAX LAWS AND REGULATIONS.

The following summary deals only with 2019 Series A Bonds held as capital assets within the meaning of Section 1221 of the Code (generally assets that are held for investment rather than as inventory or as property used in a trade or business) and not with special classes of holders, such as dealers in securities or currencies, financial institutions, insurance companies, S corporations, grantor trusts, certain former citizens or residents of the United States, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, dealers, persons holding 2019 Series A Bonds as part of a hedging transaction, straddle, conversion transaction, synthetic security transaction or other risk reduction or integrated transaction, persons whose functional currency is not the U.S. dollar, persons who acquire the 2019 Series A Bonds in connection with their employment or other performance of services, tax-exempt persons, mutual funds, small business investment companies, real estate mortgage investment conduits or real estate investment trusts.

If a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) acquires 2019 Series A Bonds, the federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. A partnership holding 2019 Series A Bonds, and partners in such a partnership, should consult its and their own tax advisors with regard to the federal income tax consequences of the acquisition, ownership, and disposition of the 2019 Series A Bonds by the partnership.

The federal income tax discussion that appears below is included in this Official Statement for the general information of a prospective purchaser. Some or all of the discussion may not apply to a particular purchaser depending upon the particular situation of that purchaser. Each prospective purchaser should consult its own tax advisor concerning the tax consequences to such purchaser of owning and disposing of the 2019 Series A Bonds, including the tax consequences under state, local and other tax laws and the possible effects of changes in federal or other tax laws.

As used in this Official Statement, the term “U.S. Holder” means a beneficial owner of a 2019 Series A Bond that is, for federal income tax purposes: (a) a citizen or resident of the United States for federal income tax purposes; (b) a corporation (or other entity treated as a corporation for federal income tax purposes) created or organized in or under the laws of the United States, any of the states thereof or the District of Columbia; (c) an estate, the income of which is includible in gross income for federal income tax purposes regardless of its source; (d) a trust, if such trust is subject to the supervision of a court within the United States and one or more United States persons as described in Section 7701(a)(30) of the Code has the authority to control all of the substantial decisions with respect to such trust; or (e) certain trusts with a valid election in effect under applicable Treasury regulations to be treated as a United States person within the meaning of the Code.

Notwithstanding the rules described below, it should be noted that, under newly enacted law that is effective for tax years beginning after December 31, 2017 (or in the case of original issue discount, for tax years beginning after December 31, 2018), certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the

2019 Series A Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below.

BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, PROSPECTIVE PURCHASERS AND BENEFICIAL OWNERS OF THE BONDS ARE STRONGLY URGED TO CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THEIR PARTICULAR TAX SITUATIONS AND AS TO ANY FEDERAL, FOREIGN, STATE, LOCAL OR OTHER TAX CONSIDERATIONS (INCLUDING ANY POSSIBLE CHANGES IN TAX LAW) AFFECTING THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE BONDS.

Tax Status

The 2019 Series A Bonds are taxable obligations for federal income tax purposes. As such, interest on the 2019 Series A Bonds is not excludible from the gross income of 2019 Series A Bondholders under Section 103 of the Code and will be fully subject to federal income taxation.

Interest

Interest on the 2019 Series A Bonds will be taxable to a 2019 Series A Bondholder as ordinary interest income. A 2019 Series A Bondholder using the accrual method of accounting for federal income tax purposes generally must include such interest in income as the interest accrues, while a 2019 Series A Bondholder using the cash receipts and disbursements method of accounting generally must include such interest in income when payments are actually or constructively received. There is an exception if the 2019 Series A Bondholder makes a constant yield election ("Constant Yield Election") and for original issue discount.

Constant Yield Election

Under applicable regulations, a 2019 Series A Bondholder may elect to include in gross income all income that accrues on a 2019 Series A Bond (including stated interest, acquisition discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) in accordance with the constant yield method. 2019 Series A Bondholders should consult their own tax advisors about how this election would apply to them.

Market Discount

A 2019 Series A Bond purchased by a 2019 Series A Bondholder after its original issue at a price lower than the 2019 Series A Bond's SRPM will be considered to bear "market discount" in an amount equal to such difference except if the difference is less than a specific de minimis amount. The market discount is de minimis if it is less than the product of 0.25% of the 2019 Series A Bond's stated principal amount, multiplied by the remaining number of years to maturity for such 2019 Series A Bond at the time of purchase.

In general, any partial payment of principal or any gain recognized on the maturity or disposition of a 2019 Series A Bond having market discount will be treated as ordinary income to the extent that the gain does not exceed the "accrued market discount" on such 2019 Series A Bond. Generally, the accrued market discount will be the total market discount on a 2019 Series

A Bond multiplied by a fraction, the numerator of which is the number of days the 2019 Series A Bondholder held the 2019 Series A Bond and the denominator of which is the number of days from the date the 2019 Series A Bondholder acquired the 2019 Series A Bond until its maturity date. A 2019 Series A Bondholder may elect, however, to determine accrued market discount under the constant-yield method.

2019 Series A Bondholders who acquire 2019 Series A Bonds at a market discount may be required to defer, until the maturity date of such 2019 Series A Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the 2019 Series A Bondholder paid or accrued during the taxable year on indebtedness incurred or continued to purchase or carry a 2019 Series A Bond in excess of the aggregate amount of interest (including original issue discount) includible in such 2019 Series A Bondholder's gross income for the taxable year with respect to such 2019 Series A Bond. The amount of such net direct interest expense deferred in a taxable year will not exceed the amount of market discount accrued on the 2019 Series A Bond for the days during the taxable year on which the 2019 Series A Bondholder held the 2019 Series A Bond and, in general, would be deductible when such market discount is includible in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the 2019 Series A Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the 2019 Series A Bondholder elects to include such market discount in income currently as described above.

If the 2019 Series A Bond is disposed of in a nontaxable transaction (other than as provided in Code Section 1276(c) and (d)), accrued market discount will be includible as ordinary income to the 2019 Series A Bondholder as if the holder had sold the 2019 Series A Bond at its then fair market value. Alternatively, a 2019 Series A Bondholder may elect to recognize market discount as ordinary income currently as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of the 2019 Series A Bond as ordinary income. The adjusted basis of a 2019 Series A Bond subject to this election will be increased to reflect market discount included in income, thereby reducing any gain or increasing any loss on a sale or taxable disposition. Also, if a 2019 Series A Bondholder elects to include market discount on a current basis, the interest deduction deferral rule described above does not apply. If a 2019 Series A Bondholder does make such election, it will apply to all market discount debt instruments that a 2019 Series A Bondholder acquires on or after the first day of the first taxable year to which the election applies. The election may not be revoked without the consent of the IRS.

Sale, Exchange, Retirement, or Other Taxable Disposition of 2019 Series A Bonds

Upon the sale, exchange, redemption, retirement or other taxable disposition of a 2019 Series A Bond, a 2019 Series A Bondholder generally will recognize gain or loss equal to the difference between (i) the amount of cash proceeds and the fair market value of any property received for the 2019 Series A Bond (which excludes payments for accrued interest not previously reported in income), and (ii) the 2019 Series A Bondholder's adjusted basis in the 2019 Series A Bond or applicable portion of the adjusted basis. The 2019 Series A Bondholder's adjusted basis generally will equal the cost of the 2019 Series A Bond to the 2019 Series A Bondholder, increased by any original issue discount and market discount previously included in the 2019 Series A Bondholder's ordinary income for the 2019 Series A Bond and reduced by any principal payments on the 2019 Series A Bond previously received by the holder and by any amortizable 2019 Series A Bond premium used to offset Qualified Stated Interest and certain other amortizable 2019 Series A Bond premium allowed as a deduction under the regulations described above under the section entitled "–Acquisition Premium; Amortizable Bond Premium." Except as discussed above under the section entitled "–Market Discount" for 2019 Series A Bonds with market discount, or to the extent cash received is attributable to accrued Qualified Stated Interest, any gain or loss recognized upon a sale, exchange, redemption, retirement, or other disposition of a 2019 Series A Bond will be capital gain or loss and will be long-term capital gain or loss if the 2019 Series A Bondholder's holding period in the 2019 Series A Bond exceeds one year on the date of the disposition. The deductibility of capital losses is subject to limitations. Prospective investors should consult their tax advisors regarding the treatment of capital gains and losses as it applies to them.

Defeasance or Material Modification

The legal defeasance or other significant modification of 2019 Series A Bonds may result in a deemed disposition of such 2019 Series A Bonds and a deemed reissuance of a "new" 2019 Series A Bond to the 2019 Series A Bondholder for federal income tax purposes, in which event a 2019 Series A Bondholder will recognize taxable gain or loss equal to the difference between the amount realized from the deemed exchange and the 2019 Series A Bondholder's adjusted tax basis in the 2019 Series A Bond. The "new" 2019 Series A Bond deemed reissued in such a defeasance or significant modification may be treated as issued with original issue discount in an amount equal to the excess, if any, of the stated principal amount of the "new" 2019 Series A Bond over its deemed issue price. Prospective investors should consult their tax advisors regarding the tax consequences of a defeasance or material modification of the 2019 Series A Bonds.

Medicare Tax

The income of a 2019 Series A Bondholder, that is an individual, a certain type of trust or an estate, from a 2019 Series A Bond is potentially subject to the 3.8% Medicare tax under Code Section 1411. 2019 Series A Bondholders are urged to consult with their tax advisors regarding the applicability of the Medicare tax to income and gains in respect of their investment in the 2019 Series A Bonds.

Backup Withholding and Information Reporting

A backup withholding tax, currently at a 24% rate, and information reporting requirements generally apply to specified payments of principal, premium and interest (including original issue discount in some instances) made to, and to the proceeds of sale before maturity by, 2019 Series A Bondholders (other than certain exempt recipients, such as organizations exempt from taxation under Section 501(a) of the Code) who fail to provide and certify certain identifying information (e.g., the holder's taxpayer identification number) in the required manner. Under current Treasury regulations, backup withholding will not apply to payments made on a 2019 Series A Bond or proceeds from the sale of a 2019 Series A Bond if the 2019 Series A Bondholder:

(a) provides its U.S. taxpayer identification number (typically on IRS Form W-9 or a successor form), certifies that it is a U.S. person, and certifies that (1) it is exempt from backup withholding, (2) it has not been notified by the IRS that it is subject to backup withholding or (3) it has been notified by the IRS that it is no longer subject to backup withholding; or

(b) establishes an exemption from backup withholding.

Any amounts withheld from a payment to a 2019 Series A Bondholder under the backup withholding rules will be refunded or credited against that 2019 Series A Bondholder's federal income tax liability. The amount of any "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to those payments will be reported to the 2019 Series A Bondholders of the 2019 Series A Bonds and to the IRS.

APPROVAL OF LEGAL PROCEEDINGS

The authorization, issuance and sale of the 2019 Series A Bonds are subject to the approving opinion of Dinsmore & Shohl LLP, Lexington, Kentucky, substantially in the form set forth in ***Appendix D*** attached hereto. Certain legal matters will be passed upon for the Board by its counsel, Stites & Harbison, PLLC, Louisville, Kentucky. Certain additional legal matters will be passed upon for the Board by Dinsmore & Shohl LLP, Lexington, Kentucky, as disclosure counsel to the Board. Certain legal matters in connection with the public offering of the 2019 Series A Bonds will be passed upon for the Underwriter by Barnes & Thornburg LLP, Indianapolis, Indiana, counsel to the Underwriter.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned its long-term rating of "Aa2" to the 2019 Series A Bonds. S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), has assigned its long-term rating of "AA" to the 2019 Series A Bonds. Moody's and S&P have each assigned a stable outlook to their respective long-term ratings of the 2019 Series A Bonds.

Any explanation of the significance of such ratings may be obtained from Moody's and S&P. Such ratings reflect only the views of the rating agency assigning such rating. An explanation of the ratings may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10004, and from S&P at 55 Water Street, New York, New York 10004. Such ratings are not a recommendation to buy, sell or hold any of the 2019 Series A Bonds. There is no assurance that such ratings will remain in effect for any given period of time or that they may not be lowered, suspended or withdrawn entirely by such rating agencies if in their judgment, circumstances so warrant. Any such downward change in or suspension or withdrawal of such ratings may have an adverse effect on the market prices or the marketability of the 2019 Series A Bonds. Neither the Board nor the Underwriter has undertaken any responsibility either to bring to the attention of the registered owners of the 2019 Series A Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

UNDERWRITING

Purchase of the 2019 Series A Bonds

J.P. Morgan Securities LLC (the "Underwriter") has agreed to purchase the 2019 Series A Bonds, subject to certain conditions set forth in the Bond Purchase Agreement with the Board related to the 2019 Series A Bonds, at an aggregate purchase price of $31,812,967.03, representing the principal amount of the 2019 Series A Bonds of $32,000,000.00, less an underwriter's discount of $187,032.97.

The 2019 Series A Bonds may be offered and sold to certain dealers (including underwriters and other dealers depositing such 2019 Series A Bonds into investment trusts) at yields higher than the public offering yields set forth herein under "MATURITY SCHEDULE," and such public offering yields may be changed from time to time by the Underwriter.

The Underwriter has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2019 Series A Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any 2019 Series A Bonds that such firm sells.

Certain Relationships with respect to the Underwriter and the Board

JPMorgan Chase Bank, National Association, a wholly-owned subsidiary of JPMorgan Chase & Co., will continue to assume certain roles and relationships with or on behalf of the Board with respect to certain Outstanding Bonds.

JPMorgan Chase Bank, National Association is a holder of the Reissued 2009 Series B Bonds, which were privately placed in 2012.

FINANCIAL ADVISOR

Hilltop Securities Inc., Dallas, Texas, is serving as the financial advisor to the Board in connection with the issuance and sale of the 2019 Series A Bonds (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

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CONTINUING DISCLOSURE

Continuing Disclosure Undertaking with respect to the 2019 Series A Bonds

The Board will covenant for the benefit of the Holders of the 2019 Series A Bonds and the Beneficial Owners†, pursuant to the Continuing Disclosure Undertaking to be delivered on the date of issuance of the 2019 Series A Bonds (the "Undertaking"), to annually provide or cause to be provided certain financial information and operating data (the "Annual Financial Information"), with respect to the Board, the Urban County Government and each Obligated Person (as defined in the Undertaking), other than the Board and the Urban County Government, as applicable, and to transmit the same to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system ("EMMA"). Such covenants have been made in order to assist the purchaser of the 2019 Series A Bonds and registered brokers, dealers and municipal securities dealers in complying with the requirements of subsection (b)(5) of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"). The specific nature of the Annual Financial Information, a listing of events for which notices will be provided and the other terms of the Undertaking are set forth in the form of the Undertaking attached hereto as ***Appendix E***.

Compliance with Previous Undertakings

Bonds issued by the Board. The Board has previously entered into certain continuing disclosure agreements in connection with the issuance of airport revenue bonds (the "Existing Airport Disclosure Agreements"). While the Board is currently in compliance with respect to its undertakings pursuant to the Existing Airport Disclosure Agreements, the Board did not file certain prior annual financial information and operating data over the past five years in a timely manner, as set forth below:

(a) On December 22, 2011, the Board filed its audited financial statements for its fiscal year ended June 30, 2011. The deadline for such filing was November 19, 2011. On September 7, 2016, the Board filed a notice of such late filing with the MSRB through EMMA.

(b) On December 28, 2012, the Board filed its audited financial statements for its fiscal year ended June 30, 2012. The deadline for such filing was October 26, 2012. On September 7, 2016, the Board filed a notice of such late filing with the MSRB through EMMA.

(c) On February 4, 2014, the Board filed its audited financial statements for its fiscal year ended June 30, 2013. The deadline for such filing was October 25, 2013. On September 7, 2016, the Board filed a notice of such late filing with the MSRB through EMMA.

† "Beneficial Owner" means, under this caption only, any person which has or shares power, directly or indirectly, to make investment decisions concerning the ownership of any 2019 Series A Bonds (including any person holding 2019 Series A Bonds through nominees, depositories or other intermediaries).

(d) On February 4, 2014, the Board filed the annual financial information with respect to the Board required pursuant to the previous undertakings (the "Board Annual Financial Information") for its fiscal year ended June 30, 2013. The deadline for such filing was January 26, 2014. On September 7, 2016, the Board filed a notice of such late filing with the MSRB through EMMA.

(e) On July 20, 2016, the Board filed the Board Annual Financial Information for its fiscal year ended June 30, 2015. The deadline for such filing was January 26, 2016. On July 23, 2016, the Board filed a notice of such late filing with the MSRB through EMMA.

Urban County Government - General Obligation Bonds. The Urban County Government is currently in compliance with respect to its undertakings pursuant to certain continuing disclosure agreements with respect to its outstanding general obligation bonds (the "Existing General Obligation Disclosure Agreements").

The Urban County Government filed its annual financial information and operating data, consisting of its Comprehensive Annual Financial Report, including its audited annual financial statements (the "LFUCG CAFR") with the MSRB through EMMA over the past five years as follows:

Fiscal Year	Filing Date
2014	November 24, 2014
2015	November 30, 2015
2016	January 24, 2017
2017	January 2, 2018
2018	February 11, 2019

Each such filing was made within nine months after the end of the respective fiscal year, as required by the Existing General Obligation Disclosure Agreements.

While the Urban County Government is currently in compliance with respect to its undertakings pursuant to the Existing General Obligation Disclosure Agreements, the Urban County Government did not file notices of certain events (each as defined in the Rule, an "Event") over the past five years in a timely manner as required under the related Existing General Obligation Disclosure Agreements. On December 8, 2014, the Urban County Government filed notices of the following Events:

(a) an "Event Notice: Ratings Changes/Downgrades (2010)" with respect to a downgrade by Moody's on December 13, 2010 of its rating from "Aa1" to "Aa2" on the general obligation bonds of the Urban County Government;

(b) an "Event Notice: Ratings Downgrades (2008)" with respect to a downgrade by Moody's and S&P of their respective ratings of the bond insurance provider related to the $56,850,000 Lexington-Fayette Urban County Government General Obligation Public Projects Refunding Bonds, Series 2006D; and

(c) an "Event Notice: Ratings Downgrades (2008)" with respect to a downgrade by Moody's and S&P of their respective ratings of the bond insurance provider related to the $10,310,000 Lexington-Fayette Urban County Government General Obligation Bonds (Stormwater Improvements, Neighborhood Redevelopment, Bluegrass Aspendale Parkway, Veterans Park Fire Station and Police Car Projects), Series 2006B.

Urban County Government - Sewer System Revenue Bonds. The Urban County Government has previously entered into certain continuing disclosure agreements in connection with the issuance of sewer system revenue bonds (the "Existing Sewer Disclosure Agreements"). The Urban County Government is currently in compliance with respect to its undertakings pursuant to the Existing Sewer Disclosure Agreements.

Bonds issued by the Lexington Center Corporation. The Lexington Center Corporation ("LCC")* has previously entered into certain continuing disclosure agreements in connection with the issuance of revenue bonds by itself and by the Kentucky Bond Development Corporation for its benefit (the "Existing LCC Disclosure Agreements"). While LCC is currently in compliance with respect to its undertakings pursuant to the Existing LCC Disclosure Agreements, LCC did not file certain prior annual financial information and operating data over the past five years in a timely manner, as set forth below:

(a) On January 9, 2017, LCC made supplemental filings related to its annual financial information for the fiscal years ending June 30, 2012, June 30, 2013, June 30, 2014, June 30, 2015 and June 30, 2016. Each such filing was past the January 1 deadline for the preceding fiscal year, as required by the Existing LCC Disclosure Agreements.

(b) LCC filed its annual financial information for the (i) fiscal year ending June 30, 2017 on September 29, 2017; and (ii) fiscal year ending June 30, 2018 on September 21, 2018. Such filings were within the January 1 deadline for the preceding fiscal year, as required by the Existing LCC Disclosure Agreements.

(c) On January 17, 2018, LCC filed notice of the following Events, which filings were not made in a timely manner as required by the Existing LCC Disclosure Agreements: (i) an "Event Notice: Ratings Downgrades (2017)" with respect to a downgrade by Moody's and S&P of their respective ratings of the bond insurance provider related to the $20,370,000 Lexington Center Corporation Mortgage Revenue Refunding Bonds, Series 2008A (the "2008A LCC Bonds"); (ii) an "Event Notice: Ratings Changes (2010)" with respect to a recalibration by Moody's on April 23, 2010 of its rating from "A1" to "Aa3" on the 2008A LCC Bonds; and (iii) an "Event Notice: Ratings Changes/Downgrade (2011)" with respect to a downgrade by Moody's on April 18, 2011 of its rating from "Aa3" to "A1" on the 2008A LCC Bonds.

(d) A notice of redemption with respect to the remaining outstanding 2008A LCC Bonds was sent by the related trustee to DTC on August 2, 2018 and the 2008A LCC Bonds were redeemed on September 4, 2018, however a notice of such bond call was not posted with the MSRB through EMMA in a timely manner, as required by the Existing

* LCC is an agency and instrumentality of the Urban County Government.

LCC Disclosure Agreements. On September 25, 2018, LCC posted a notice of such bond call with the MSRB through EMMA and a notice of failure to file with respect thereto.

Bonds issued by the Lexington-Fayette Urban County Public Facilities Corporation. The Lexington-Fayette Urban County Public Facilities Corporation (the "Corporation")* has previously entered into certain continuing disclosure agreements in connection with the issuance of revenue bonds (the "Existing Corporation Disclosure Agreements"). While the Corporation is currently in compliance with respect to its undertakings pursuant to the Existing Corporation Disclosure Agreements, the Corporation did not file certain prior annual financial information and operating data and Event notices over the past five years in a timely manner, as set forth below:

(a) The CAFRs for fiscal years 2011, 2012 and 2013 were not filed on the CUSIP prefix for the Corporation at the times that such filings were initially made by the Urban County Government with respect to its outstanding general obligation bonds. The CAFRs for fiscal years 2011, 2012 and 2013 were re-filed on the CUSIP prefix for the Corporation on August 31, 2016 and the Urban County Government filed a notice of such late filing with the MSRB through EMMA on September 7, 2016.

(b) The Corporation did not file notices of certain Events in a timely manner as required under the related Existing Corporation Disclosure Agreements as follows:

(i) On September 7, 2016, the Urban County Government, for itself and on behalf of the Corporation, filed an "Event Notice: Rating Change (Downgrades)" with the MSRB through EMMA related to a downgrade by Moody's of its rating of the bond insurance provider related to the $66,725,000 Lexington-Fayette Urban County Government Mortgage Revenue Refunding Bonds (Courthouse Facilities Project), Series 2006 (the "2006 Corporation Bonds") and its underlying rating of such 2006 Corporation Bonds, which filing was not made in a timely manner as required by the undertaking for such 2006 Corporation Bonds; and

(ii) On October 11, 2019, the Urban County Government, for itself and on behalf of the Corporation, filed an "Event Notice: Rating Changes/Downgrade (2018)" with the MSRB through EMMA with respect to a downgrade by Moody's on February 2, 2018, of the rating from "Aa3" to "A1" with respect to the Corporation's $42,590,000 Mortgage Revenue Refunding Bonds (Court Facilities Project), Series 2016 (the "2016 Corporation Bonds"), which filing was not made in a timely manner as required by the undertaking for such 2016 Corporation Bonds.

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* The Corporation is a nonprofit, nonstock corporation acting as the agency, instrumentality and constituted authority for the Urban County Government in the acquisition, construction, installation and financing of public projects.

Current and Future Disclosure

The Board and the Urban County Government and its agencies listed above have procedures in place to assure compliance with the Rule and the respective continuing disclosure agreements in the future and, except for the late filings mentioned above, are in compliance with the continuing disclosure undertaking requirements of the Rule in connection with the respective bonds which are subject to such requirements. The Board and the Urban County Government and its agencies intend to make timely disclosure in the future.

FINANCIAL STATEMENTS

The audited financial statements of the Board for the Fiscal Years ended June 30, 2018 and 2019 attached as ***Appendix B*** hereto have been audited by Crowe LLP (2018) and MCM CPAs & Advisors LLP ("MCM") (2019), respectively, Independent Certified Public Accountants. MCM's report thereon appears in such ***Appendix B***. Such audited financial statements are set forth therein in reliance upon such report and in reliance upon the knowledge and experience of such firms as auditors.

In addition, the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018 for the Urban County Government is attached as ***Appendix A.***

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OTHER MATTERS

The information set forth herein has been obtained from the Board and other sources which are considered reliable. There can be no assurance that any of the assumptions or estimates contained herein will be realized. The references to resolutions and other documents contained in this Official Statement are made subject to all the provisions of such resolutions and other documents. For further information, reference is made to such resolutions and documents, copies of which may be obtained from the Underwriter upon request.

This Official Statement has been approved and the execution and delivery hereof has been authorized by the Lexington-Fayette Urban County Airport Board.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD

By: /s/ W.V. Alford, Jr.
Chair

Dated: October 22, 2019

APPENDIX A
FINANCIAL INFORMATION WITH RESPECT TO THE
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

[SEE ATTACHED]

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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

Cover by: Amy Wallot/Communications

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY

PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

Paid for with Lexington-Fayette Urban County Government Funds

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INTRODUCTORY SECTION

Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Jim Gray
Mayor

November 30, 2018

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018, continues to reflect growing financial health, continued fiscal discipline and strong financial management.

- We are in our seventh year of budget surpluses, continuing our emphasis on running a lean efficient city government. We live within our means.

- Our economy cooled off some this year, but we adapted and adjusted through an approach to financial management that works when the economy is moving swiftly, and as the pace eases. We have financial hiring controls and efficiencies in place, and we base our budgeting on actual spending, not on the previous year's budgeted levels.

- Job growth is a key focus for us, with an emphasis on growing or attracting good-paying jobs. We have invested in programs that produce jobs, for example, effective incentives like the Jobs Fund; workforce development to attract better jobs; construction projects like Town Branch Commons, a quality of life project, and the Convention Center; and economic development partner agencies.

- As always, public safety dominated our budget in FY18. Over the past six years we have added 75 police officers, increasing our authorized strength to 630 sworn officers, including an additional 30 new officers this year, the largest one-year increase for Lexington police since we merged our city and county governments.

- In the Fire Department, we purchased $2.5 million in new equipment, in part to equip Station 24, the first additional fire station in Lexington in 10 years.

- We again increased funding for social service agencies to overcome federal and state cuts in funding. Since 2012, our City has doubled funding for these grants.

- We invested $10 million in paving, and funded upgrades in traffic signals at several busy intersections … much needed improvements in basic infrastructure.

Lexington is competing and winning. We are building a Great American City.

Sincerely,

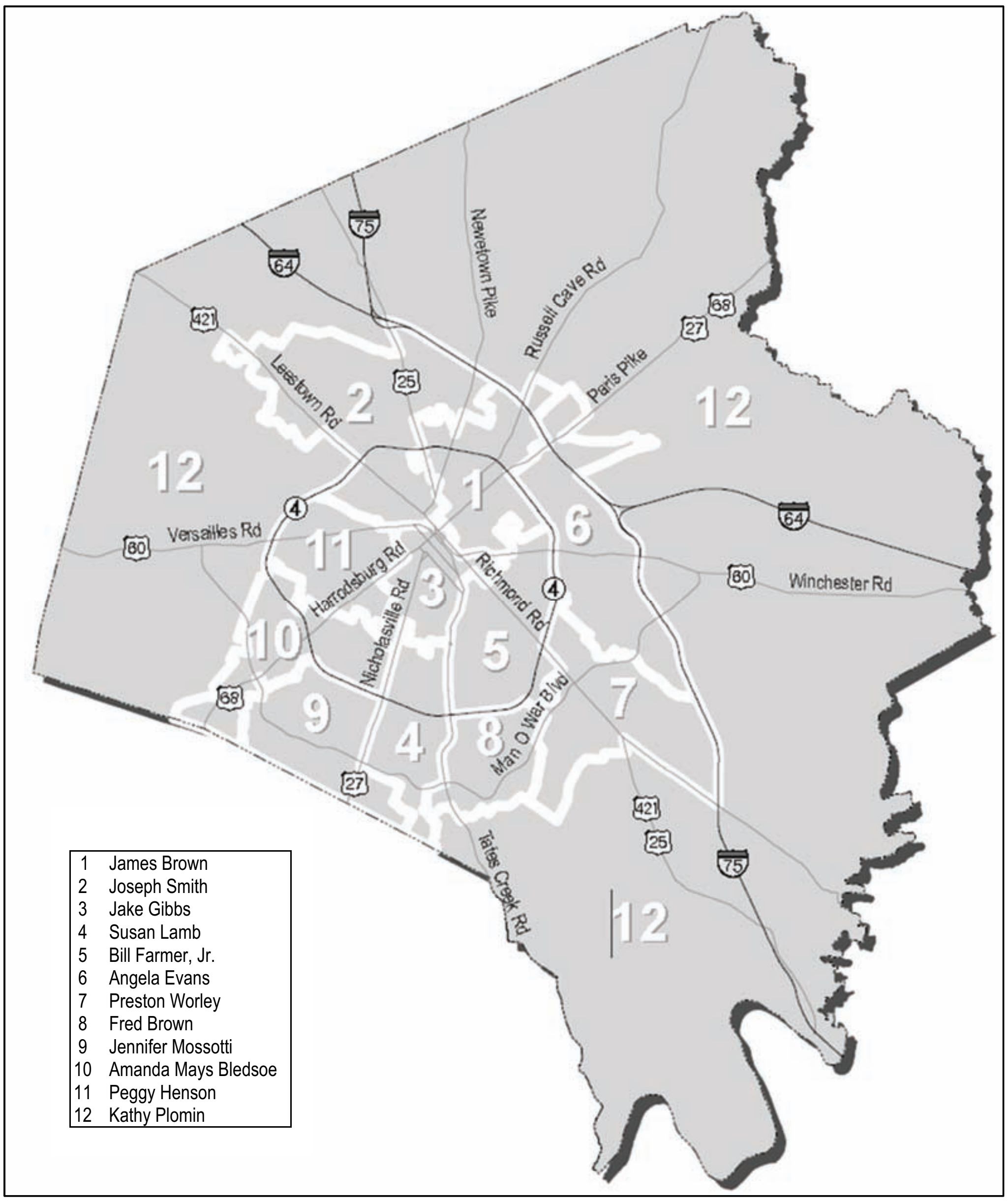
Jim Gray, Mayor

200 East Main Street • Lexington, KY 40507 • (859) 425-2255 • www.lexingtonky.gov
HORSE CAPITAL OF THE WORLD

ELECTED OFFICIALS

MAYOR
Jim Gray

COUNCILMEMBERS-AT-LARGE
Steve Kay – Vice Mayor
Richard Moloney
Kevin Stinnett
DISTRICT COUNCILMEMBERS



Lexington-Fayette Government
DEPARTMENT OF FINANCE

Jim Gray
Mayor

William O'Mara
Commissioner

November 30, 2018

Citizens of Lexington-Fayette Urban County
Honorable Mayor Jim Gray
Members of the Urban County Council
Lexington-Fayette Government

Dear Citizens, Mayor and Members of the Urban County Council:

As Commissioner of Finance, I present the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) (LFUCG) for the fiscal year ended June 30, 2018. The CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the Government and its component units.

The report is organized into three sections: an introductory section, a financial section, and a statistical section. This introductory section provides general information on the Government's structure, as well as information useful in assessing the Government's financial condition. The financial section contains the independent auditor's report on the financial statement audit, management discussion and analysis, basic financial statements, required supplementary information, and information on individual funds not separately provided in the basic financial statements. The statistical section provides a broad range of trend data covering financial, demographic, and economic activity useful in assessing the Government's financial condition.

This CAFR was prepared by the Division of Accounting with assistance from staff in the Divisions of Finance, Revenue and Budgeting. These entities are responsible for both the accuracy of the data presented and the completeness and fairness of the presentation. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the Government's assets from loss, theft or misuse, and to compile sufficient reliable information for preparation of the financial statements in conformance with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use and that such cost-benefit evaluation requires estimates and judgment by management.

State statute and the Charter of the Government both require that an independent financial audit be conducted annually. The accounting firm of Strothman and Company, PLLC performed the audit for the fiscal year ended June 30, 2018. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Government for the fiscal year ended June 30, 2018 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Government's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component in the financial section of this report.

Additionally, the audit engagement also included an audit of federal grants meeting the requirements of federal grantor agencies as outlined by the Federal Single Audit Act of 1984, the Single Audit Act Amendment of 1996, and the related OMB Circular A-133. These standards require the auditor to report not only on the fairness of the representation of the financial statement, but also on the internal controls and compliance with legal requirements of the federal awards. These reports will be available in the Government's separately issued Single Audit Report.

Profile of the Government (As of June 30, 2018)

Demographic Profile
The City of Lexington, with a population of 321,959, is the second largest city in Kentucky. It is ideally located within 600 miles of 50% of the US population. Besides being the horse capital of the world, Lexington is also home of the state's flagship university, the University of Kentucky, with 40,765 students in the talent pool. . Incorporated in 1775, Lexington has since grown to encompass just over 286 square miles of land.

Form of Government
The Government is an urban county with the powers of both a city of the second class and a county created from the merger of the City of Lexington and the County of Fayette in 1974. The Government operates pursuant to Chapter 67A of the Kentucky Revised Statutes. The Government operates under a Mayor-Council form of government, where executive and administrative functions are vested with the Mayor, and legislative authority is vested with the Urban County Council. The Mayor is assisted in the administration of the government by two senior advisors, a Chief Administration Officer (CAO), the Chief Information Officer (CIO), and seven Department Commissioners. The senior advisors, CAO, CIO and Commissioners are appointed by the Mayor with the approval of the Urban County Council. A list of principal officers begins on page 11.

The Government provides a full range of services typical to Municipal governments, including:

- General Government – Mayor, Councilmembers, Chief of Staff, Office of Economic Development, Internal Audit, Chief Administrative Officer, Council Clerk, Division of Risk Management, Division of Government Communications, Division of Human Resources, Division of Homelessness Prevention & Intervention, and the Division Grants & Special Programs
- Information Technology – Divisions of Computer Services and Enterprise Solutions
- Environmental Quality & Public Works – Divisions of Environmental Services, Waste Management, Water Quality, Streets & Roads, and Traffic Engineering
- Finance – Divisions of Accounting, Budgeting, Purchasing, and Revenue
- General Services – Divisions of Facilities & Fleet Management and Parks & Recreation
- Law – Divisions of Corporate Counsel, Litigation, and Claims Management
- Planning, Preservation and Development – Divisions of Building Inspection, Code Enforcement, Engineering, Historic Preservation, Planning, and Purchase of Development Rights
- Public Safety – Community Corrections, Emergency Management/E 911, Fire & Emergency Services, Police, and Security
- Social Services – Divisions of Adult Services, Family Services, Youth Services, and Aging Services

Significant Events (as of November 30, 2018)

Economic Development
LFUCG has developed and implemented two programs to support job growth and economic mobility. The JOBS fund has been allocated $3.5 million, of which $2.7 million has been committed to 23 companies, to support companies that are creating new jobs above the county median wage. Based on payroll reporting, the incentivized companies have created $12.4 million in new payroll in Lexington-Fayette County. Some of the companies have loans, which has also generated repaid principal and interest back into the program fund. The Economic Development Grant has allocated $150,000 between seven (7) non-profit agencies to support workforce development programs. This funding mechanism resulted in 162 unemployed and underemployed individuals receiving workforce services and training, and 62% of those individuals completing training earned new job placements. The allocation was doubled for the second year of the program to further stimulate economic mobility.

Town Branch Commons
Construction has begun on Town Branch Trail, a linear urban trail closing the gap between our downtown parks and two major trails. Once on the Town Branch Trail, users will be able to access 22 continuous miles of dedicated walking, jogging, and cycling trails connecting the city center to the countryside. Within the downtown core, the trail separates bikers from pedestrians. As it travels along Midland Ave. the walkers and bikers are combined for a different experience. Water is featured along the path in interactive fountains and planting areas to collect stormwater. The trail is separated and buffered from adjacent vehicular traffic. The trail is fully funded by a diverse array of federal and state grants that leverage local dollars. Funding sources include a $14.1M federal TIGER Grant, a $3.6M federal CMAQ Grant, a $2.9M federal TAP Grant, a $7.1M Kentucky Infrastructure Loan, and $11.8M of local dollars.

Old Courthouse Renovation In 2016, the Government issued a taxable bond in the amount of $22 million to begin rehabilitation of the historic courthouse. The building had been in disrepair and vacant since 2012. The approximately $32 million project is leveraging $10 million in federal and state historic tax credits to generate additional funds for renovation. Construction began in July 2016 and was substantially completed in spring 2018. The facility is fully leased, with most tenants occupying their spaces by April of 2018. The final tenant space is presently under construction and scheduled to be open in the fall of 2018.

Consent Decree
The Government is required to reduce sanitary sewer overflows as part of a court ordered settlement, the Consent Decree, with the United States (US) Department of Justice, the US Environmental Protection Agency (EPA), and the Commonwealth of Kentucky. The Consent Decree requires Lexington to address structural, operational, and procedural issues within its storm and sanitary sewer systems in accordance with the schedule developed jointly with the EPA. To date Lexington has completed every Consent Decree requirement and has incurred no penalties for missing a deadline.

The sanitary sewer capital construction component of the Consent Decree consists of 116 capital improvement projects intended to rehabilitate the sanitary sewer system to prevent recurring sanitary sewer overflows and unpermitted bypasses. The cost estimate for all the Remedial Measures Plan (RMP) capital projects is $591 million, and LFUCG must complete the projects by December 31, 2026. In fiscal year 2018, both the South Elkhorn Pump station upgrade and West Hickman Trunk Lines B and C were completed and placed into operation. A total of 25 RMP projects have been completed and another seventeen (17) are in the construction phase, totaling approximately $218 million in capital expenditures. The most recent projections show total

RMP capital project expenses continuing to trend approximately 30% below the original estimated expenditure for the projects completed or are under construction to date. The Government will continue to closely monitor this trend as the overall project scope begins to transition away from the storage tank projects and into the pipeline upgrade projects.

While the RMPs outline infrastructure improvements required for Consent Decree compliance, the Capacity, Management, Operation and Maintenance (CMOM) Program is also a requirement of the Consent Decree. The CMOM Program outlines the operational changes that must be implemented and maintained. Since launching the Consent Decree, the Division of Water Quality has completed or implemented all 154 required CMOM Program elements. Many have ongoing, continuous compliance components which are being performed. A program manager is employed to continually improve operational compliance requirements.

Three of the four (4) Supplemental Environmental Projects (SEPs) that were specifically required by the Consent Decree are complete, with the flood mitigation Commonwealth SEP remaining to be completed. The Coldstream Park Stream Corridor Restoration and Preservation SEP was completed in 2018 and was recognized by the Lexington-Fayette Urban County Environmental Commission for a 2018 environmental award. LFUCG has completed $16.7 million of $30 million in flood mitigation projects as required by the flood mitigation SEP, completing the $950,000 Wilson Downing culvert project in 2018. The Southland and Woodhill/Peachtree projects are currently in the design phase with construction for both scheduled to begin in 2019.

The Government has met all Consent Decree compliance measures associated with the Municipal Separate Storm Sewer System (MS4) and is in full compliance with its state-issued KPDES permit. In October 2018, the Government was recognized by the Water Environment Federation (WEF) with two national awards, one for best Program Management for Phase 1 (large system) MS4 programs and a second award for best overall score Phase 1 MS4 program.

Jail Security System

The Jail Security System (JSS) is a system of operating controls, as well as visual and audio recording devices used to provide a safe and secure environment. The current JSS is in the processed of being replaced with a modernized system that takes advantage of current technologies for expanded recording and viewing in the inmate living areas. The new system will expand the number of cameras in two phases. In Phase One, the number of cameras will increase from 171 to 420. Infrastructure is being added for an additional 316 cameras that will be added as Phase Two of the project. The enhanced surveillance will improve safety for the inmates and staff. The outer ring of the detention center is currently being upgraded, which should be completed by December. The inner ring upgrade will then begin. LFUCG has budgeted $4.0 million for Phase One of the project.

PeopleSoft Upgrade

LFUCG utilizes Oracle's PeopleSoft for its Enterprise Resource Planning (ERP) system. LFUCG has initiated a project to upgrade Human Capital Management (HCM), Financial Supply Chain Management (FSCM), and their associated technical environments to the most current version available. LFUCG has budgeted approximately $5.1 million with a go-live scheduled for November 2018.

Strengthening Fiscal Management

Introduction
The Government has benefited from local economic growth and historically low interest rates that have allowed for significant investments in infrastructure and public safety. The Government has also restructured existing debt to benefit from the low interest rate environment and decrease its overall debt service burden. As the Federal Reserve continues to approve rate increases, the Government will monitor the bond market to ensure that it stays in a favorable position regarding its long-term debt.

Local Economy
The unemployment rate in Fayette County was 4.0% in June 2018, up from 4.3% in June 2017. The June 2018 rate was below the state rate of 5.0%. Total employment is well above pre-2008 levels. Employment, as measured by the Bureau of Labor Statistics, was 199,897 for the quarter ended December 31, 2017. By comparison, total employment was 196,650 for the quarter ending December 31, 2016 and 179, 182 for the quarter ending December 31, 2007. Average annual pay has also increased in Lexington-Fayette County during that time period. The average annual pay in 2007 was $39,823. By comparison, the average annual pay in 2017 was $47,945.

Budget Control and Financial Management
The Mayor of the Government submits a proposed annual operating budget and a five-year capital improvement budget to the Urban County Council at least sixty days prior to the beginning of each succeeding fiscal year. The Urban County Council, upon receipt of the proposed budget, conducts a series of public hearings on the proposed budget. The Charter of the Government provides that the Urban County Council may amend the budget; however, the adopted budget shall provide for all expenditures required by law and for all debt service requirements. Other budgeting polices include that the budget must be balanced for each fund, and total available funds must equal or exceed total anticipated expenditures.

The Urban County Council adopts a line-item budget ordinance and must approve all budget amendments moving money within the personnel category or from one category to another (personnel, operating, capital). Budgetary control is maintained at the division level and is facilitated by the use of encumbrance accounting. As purchase orders are issued, corresponding amounts of divisional appropriations are reserved for later payment. Requests for disbursements, which will result in an overrun of budgeted expenditures, must be accompanied by a request for a budget amendment.

The Administration conducts monthly departmental budget reviews. Supplemental information on budget amendments, upcoming issues, and long-term plans are discussed. These meetings, along with the standing Urban County Council Committee of Budget and Finance, give the Government a platform to discuss critical questions related to programs, policies and priorities in addition to the more routine aspects of governmental budget management.

Long-Term Financial Policies
Annually, the Government adopts a Capital Improvement Plan prior to the completion of the annual operating budget. The development of the capital improvement plan budget is coordinated with the development of the operating budgets. Requests for capital projects are accompanied by estimates of project impact on annual operating costs and revenues. Additionally, multi-year forecasts of revenues and expenditures, including operating and capital expenditures, are prepared throughout the year to monitor the adequacy of funding resources and debt capacity.

Cash Management and Investment Policy
The Department of Finance is responsible for the custody, investment, and disbursement of all funds of the Government in accordance with the procedures and standards adopted by the Urban County Council. It is the policy of the Government to invest funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the Government. The Government's investments are governed by state statues (KRS 66.480) and an investment policy approved by the Urban County Council. In fiscal year 2017 all funds were invested in either obligations of the United States and its agencies or instrumentalities, mutual funds comprised of those securities, repurchase agreements, collateralized Certificates of Deposit, or commercial paper.

Awards and Acknowledgements
For the 26th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Government for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the Government must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to the program standards. This report must also satisfy generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for the period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirement, and we are submitting it to the GFOA to determine our eligibility for another certificate.

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the staff of the Divisions of Accounting, Finance, Revenue and Budgeting. Further appreciation is extended to the Mayor, the members of the Urban County Council, Commissioners, and Division Directors for their cooperation and support.

Respectfully submitted,

William O'Mara, Commissioner
Department Of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lexington-Fayette

Urban County Government

Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

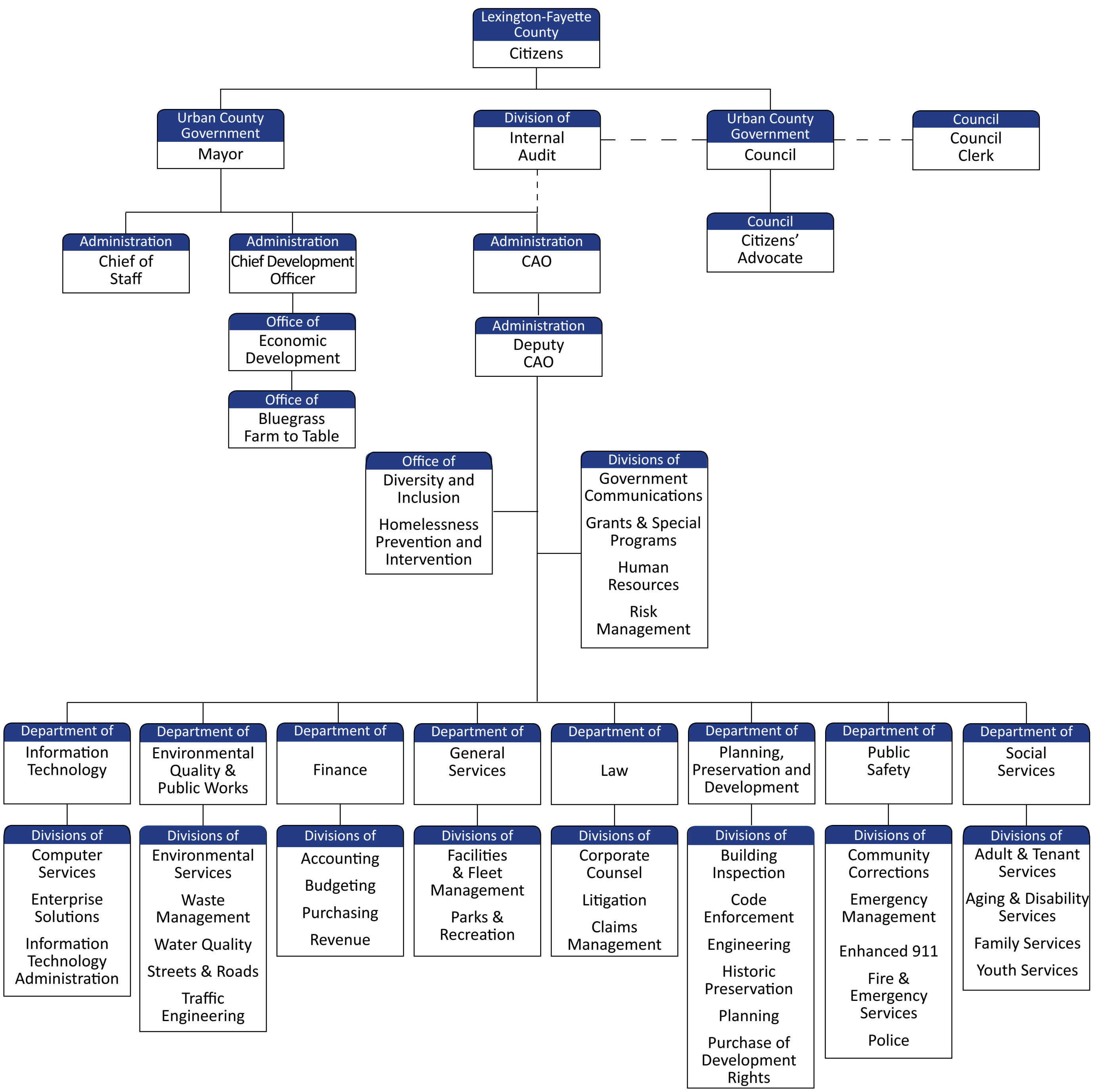
Christopher P. Morrill

Executive Director/CEO

LEXINGTON

Lexington-Fayette Urban County Government

Organizational Chart



Revised April 2018

DIRECTORY OF GOVERNMENTAL OFFICIALS

Council Office	***Stacey Maynard, Council Administrator***
Citizens' Advocate Office	Amber Deitz, Citizens' Advocate
Council Clerk's Office	***Sharon Jones, Acting Director***
Office of the Mayor	***Jim Gray, Mayor***
Chief Development Officer	***Kevin Atkins***
Internal Audit	***Bruce Sahli, Director***
Office of the Chief Administrative Officer	***Sally Hamilton, Chief Administrative Officer***
Grants and Special Programs	Charlie Lanter, Director
Risk Management	Patrick R. Johnston, Director
Public Information Office	Stacey Dimon, Supervisor
LexCall	Vacant
GTV3	Chris Edwards, Supervisor
Human Resources	John Maxwell, Director
Office of Homelessness Prevention & Intervention	Polly Ruddick, Director
Chief Information Officer	***Aldona Valicenti, Chief Information Officer***
Computer Services	Mike Nugent, Director
Enterprise Solutions	Phillip Stiefel, Director
Planning, Preservation, and Development	***Derek Paulsen, Commissioner***
Planning	Jim Duncan, Director
Purchase of Development Rights	Elizabeth Overman, Program Manager
Historic Preservation	Bettie L. Kerr, Director
Engineering	Doug Burton, Director
Building Inspection	Dewey Crowe, Director
Code Enforcement	Alex Olszowy, Director
Finance	***William O'Mara, Commissioner***
Accounting and Payroll	Phyllis Cooper, Director
Purchasing	Todd Slatin, Director
Revenue	Rusty Cook, Director
Budgeting	Melissa Lueker, Director
Environmental Quality and Public Works	***Charlie Martin, Acting Commissioner***
Environmental Services	Susan Plueger, Director
Water Quality	Charles H. Martin, Director
Waste Management	Tracey Thurman, Director
Streets and Roads	Albert Miller, Director
Traffic Engineering	Jeff Neal, Director
Law	***Janet Graham, Commissioner***
Public Safety	***Ken Armstrong, Commissioner***
Community Corrections	Steve Haney, Director
Division of Emergency Management	Patricia Dugger, Director
E911	Robert Stack, Director
Fire and Emergency Services	Kristin Chilton, Chief
Police	Lawrence Weathers, Chief
Social Services	***Chris Ford, Commissioner***
Adult Services	Connie Godfrey, Director
Aging Services	Kristina Stambaugh, Director
Family Services	Joanna Rodes, Director
Youth Services	Stephanie Hong, Director
General Services	***Sally Hamilton, Commissioner***
Facilities and Fleet Management	Jamshid Baradaran, Director
Parks and Recreation	Monica Conrad, Director

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Financial Section

Strothman and Company
Certified Public Accountants and Advisors
1600 Waterfront Plaza
325 West Main Street
Louisville, KY 40202
502 585 1600

Independent Auditors' Report

Strothman+Co

The Honorable Mayor, Members of the
Urban County Council and Citizens
Lexington-Fayette Urban County Government
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lexington-Fayette Urban County Government (the "Government"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following entities:

- Lexington Center Corporation
- Lexington Convention and Visitors Bureau
- Lexington-Fayette Urban County Airport Board
- Lexington-Fayette Urban County Department of Health
- Lexington Public Library
- Transit Authority of the Lexington-Fayette Urban County Government

Collectively, these entities represent 100%, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the financial statements of the entities above, is based solely on the reports of the other auditors.

www.strothman.com

We conducted our audit 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 auditors' 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 auditors consider internal control relevant to the Government'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 Government'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 opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principal – Adoption of GASB Accounting Standard

As discussed in Note 2 to the financial statements, the Government adopted new accounting guidance, Government Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployement Benefits Other Than Pensions*, effective as of July 1, 2017. The implementation of this accounting standard resulted in a restatement of prior year net position. Our opinion is not modified with respect to this matter.

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 16 to 29 and budgetary comparison information on pages 110 to 114 and pension and OPEB information on pages 115 to 122 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 and the other auditors 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and awards and the schedule of expenditures of state awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the Government'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 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 Government's internal control over financial reporting and compliance.

STROTHMAN AND COMPANY

Louisville, Kentucky
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Lexington-Fayette Urban County Government's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the Government's financial performance for the fiscal year ended June 30, 2018. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the Letter of Transmittal (which can be found preceding this narrative on page 3) and the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government–Wide Highlights

- The Government implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 75 required the Government to recognize their long-term obligation for postemployment benefits other than pensions as a liability for the first time. In addition, as a participant in a cost-sharing pension, the Government is reporting a net postemployment benefits other than pension liability, and OPEB related deferred inflows and outflows based on the proportionate share of the collective amounts for all governments in the plan. The Government's unfunded other postemployment benefits liability totals $426.19 million. The OPEB related deferred outflows and inflows total $23.28 million and $32.00 million respectively.

- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately $407.50 million at the close of fiscal year 2018. This amount includes a deficit of approximately $702.25 million in unrestricted net position.

- Governmental Activities' net position was $46.28 million at the end of fiscal year 2018. Of this amount, $718.48 million was the net investment in capital assets. The net investment in capital assets comprises 1,552.51% of total net position.

- Business-Type Activities held a balance of $361.22 million in net position. The unrestricted fund balance at June 30, 2018 is $39.30 million, or 43.83% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2018, the Government's governmental funds reported combined ending fund balances of $149.21 million, an increase of $11.20 million compared to the previous fiscal year. Of this total amount, $85.84 million is restricted for various projects: public works, public safety, capital projects, grants, urban services, and energy improvements.

- The General Fund, the primary operating fund of the Government, held an unassigned fund balance of $5.76 million or 1.58% of General Fund expenditures. There are two categories of committed fund balance; general government and economic stabilization. Committed funds represent amounts restricted for use by the highest level of governing authority, an ordinance passed by the Urban County Council. The total committed fund balance is $37.66 million. The committed fund balance designation for economic stabilization held a balance of $34.02 million, available for spending in the event of an economic downturn or unforeseen event. There are two categories of assigned fund balance; general government and capital projects. Assignments for general government and capital projects represent planning for various projects. These assignments total $17.06 million for fiscal year 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

Three key elements comprise the basic financial statements, including:

A) Government-Wide Financial Statements;
B) Fund Financial Statements, and;
C) Notes to the Financial Statements

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Government's finances in a manner similar to a private-sector business. These statements report financial information about the entire Government, except for fiduciary activities, and provide both short-term and long-term information about the Government's financial position, and assist in the assessment of the Government's economic condition at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. They take into account all revenues and expenses of the fiscal year regardless of when cash is received or paid. The *Government-Wide Financial Statements* include two statements: The *Statement of Net Position* and the *Statement of Activities.*

The *Statement of Net Position* reflects the financial position of the Government at fiscal year ended June 30, 2018. Accordingly, the Government's net position, the difference between assets (what the citizens own) plus deferred outflows of resources and liabilities (what the citizens owe), is one way to determine the financial condition of the Government. Over time, increases or decreases in net position are one indicator of whether the financial health of the Government is improving or deteriorating. However, additional factors such as changes in the Government's revenue structure, its tax base, and its level of assets held, should be considered in order to assess thoroughly the overall financial condition of the Government.

The *Statement of Activities* reflects the Government's revenues and expenses, as well as other transactions that increase or decrease net position. Program revenues are offset by program expenses in order to provide better information regarding program costs financed by general government revenues.

The *Government-Wide Financial Statements* divide the Government's activities into three types:

1. Governmental Activities – The activities in this section are mostly supported by intergovernmental revenues (federal grants) and taxes, namely licenses and permits, property taxes, and charges for services. Most services normally associated with local government fall into this category, including police, fire, solid waste, parks and general administration. Internal Service Fund balances are reported as part of Governmental Activities.

2. Business-Type Activities – These activities normally are intended to recover all or a significant portion of costs through user fees and charges to external users of goods and services provided by the Government. The Business-Type Activities of the Government include the operations of various Enterprise Funds, including sanitary sewer services, landfill and disposal costs, water quality, and leases and operating costs for public facilities related to debt issues.

3. Discretely Presented Component Units – The Government includes eight separate legal entities in its reports. Although legally separate and possessing independent qualities, the Government maintains financial accountability for these entities.

B. Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The *Fund Financial Statements* report the operations of the Government in greater detail than the *Government-Wide Financial Statements* by providing information about the Government's most significant funds. Local ordinance or bond covenants may require the creation of some funds; others may be created at the discretion of the Administration for management and fiscal control of financial resources. All funds of the Government can be divided into three types of funds: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

1. Governmental funds – Governmental funds are used to account for essentially the same functions reported as Governmental Activities in the *Government-Wide Financial Statements*. However, unlike the *Government-Wide Financial Statements*, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

   Most of the basic services performed by the Government are reported in the governmental funds category. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. Because the focus of governmental funds is narrower than that of the *Government-Wide Financial Statements*, it is useful to compare the information presented for governmental funds with similar information presented for Governmental Activities in the *Government-Wide Financial Statements*. By doing so, readers may better understand the long-term impact of the Government's near term funding decisions. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and Governmental Activities.

2. Proprietary funds – When the Government charges a fee for services which is intended to cover the cost of providing those services – whether to outside customers or other units of the Government – those services are generally reported in the proprietary funds category. The subcategories of the proprietary funds include enterprise funds and internal service funds.

   Enterprise funds are used to report the same functions presented as Business-Type Activities in the *Government-Wide Financial Statements*.

   Internal service funds are used to accumulate and allocate costs internally among the various functions of the Government. The Government uses internal service funds to account for its health, general liability, auto, property and worker's compensation self-insurance. These services predominantly benefit Governmental Activities rather than Business-Type Activities and they have been included with Governmental Activities in the *Government-Wide Financial Statements.*

   The proprietary funds are reported in the same way that all activities are reported in the *Government-Wide Financial Statements*, but the fund statements provide more detail. The Government considers the Sanitary Sewer System Fund, the Public Facilities Corporation Fund, the Landfill Fund, and the Water Quality Fund as its major proprietary funds.

3. Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected in the *Government-Wide Financial Statements* because the resources of those funds are not available to support the programs of the Government. The accounting used for the fiduciary funds is similar to that used for proprietary funds. The Government is the trustee, or fiduciary, for two employees' pension funds, the City Employees' Pension Fund and the Policemen's and Firefighters' Retirement Fund.

C. Notes to the Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the *Government-Wide* and *Fund Financial Statements*. They are an integral part of the financial statements and focus on the primary government and its activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net position may serve as a useful indicator of a government's financial position. In Table 1 below, the Government's combined net position (Governmental and Business-Type Activities) totaled $407.50 million as of June 30, 2018, a decrease of $54.51 million from the previous year. Total depreciation expense government wide was $72.56 million.

The largest proportion of the Government's net position, $965.65 million, is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Government uses these capital assets to provide services to its citizens. As such, these assets are not available for future spending.

Table 1
Lexington-Fayette Urban County Government
Summary of Net Position
For Years As Stated
(in thousands)

	Total Net Position		
	FY 2018	Restated FY 2017	Change
ASSETS			
Current and other assets	$407,939	$391,876	$16,063
Capital assets	1,409,839	1,395,604	14,235
Total assets	1,817,778	1,787,480	30,298
DEFERRED OUTFLOWS OF RESOURCES	226,973	138,284	88,689
LIABILITIES			
Current and other liabilities	79,049	87,166	(8,117)
Long-term liabilities	1,496,090	1,376,584	119,506
Total liabilities	1,575,139	1,463,750	111,389
DEFERRED INFLOWS OF RESOURCES	62,111		62,111
NET POSITION			
Net Investment in Capital Assets	965,647	988,532	(22,885)
Restricted for:			
Capital Projects	111,478	108,832	2,646
Energy Improvement Projects	1,271	1,240	31
Debt Service	3,440	3,480	(40)
Capital Replacement	1,327	946	381
Pension	20,632	19,265	1,367
Water Quality Incentive Program	5,217	5,189	28
Grants	250	241	9
Maintenance and Operations	489	539	(50)
Unrestricted	(702,250)	(666,250)	(36,000)
Total net position	$407,501	$462,014	($54,513)

Approximately $144.10 million, or 35.36% of total net position, is subject to external restrictions regarding its use. Restricted amounts within Governmental Activities include fund balances of the general fund, the urban services fund and various special revenue funds. Please refer to the fund analysis beginning on page 25 for more information.

Table 2 indicates that the net position of Governmental Activities totaled $46.28 million, or 3.85% of total assets, a decrease of $69.10 million from the previous year. Of this total, $718.49 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

Table 2
Lexington-Fayette Urban County Government
Summary of Net Position
For Years as Stated
(in thousands)

	Governmental Activities		
		Restated	
	FY 2018	FY 2017	Change
ASSETS			
Current and other assets	$240,112	$231,818	$8,294
Capital assets	962,668	988,778	(26,110)
Total assets	1,202,780	1,220,596	(17,816)
DEFERRED OUTFLOWS OF RESOURCES	206,056	126,059	79,997
LIABILITIES			
Current and other liabilities	60,298	69,969	(9,671)
Long-term liabilities	1,244,061	1,161,311	82,750
Total liabilities	1,304,359	1,231,280	73,079
DEFERRED INFLOWS OF RESOURCES	58,198		58,198
NET POSITION			
Net Investment in Capital Assets	718,485	752,688	(34,203)
Restricted for:			
Capital Projects	47,044	41,100	5,944
Energy Improvement Projects	607	682	(75)
Debt Service	812	603	209
Pension	20,632	19,265	1,367
Grants	250	241	9
Maintenance and Operations			
Unrestricted	(741,551)	(699,204)	(42,347)
Total net position	$46,279	$115,375	($69,096)

Table 3 shows the net position of Business-Type Activities totaled $361.22 million at the end of fiscal year 2018, an increase of $14.58 million from the previous fiscal year. Of total net position, $247.16 million, or 68.42%, is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The Government uses these capital assets in the same way as the capital assets held by Governmental Activities.

Table 3
Lexington-Fayette Urban County Government
Summary of Net Position
For Years as Stated
(in thousands)

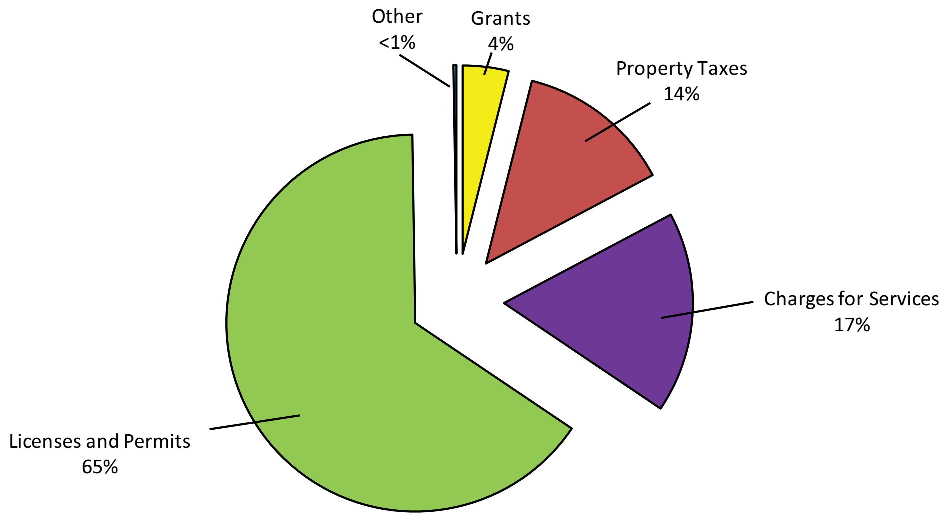
	Business-Type Activities		
	FY 2018	**Restated FY 2017**	**Change**
ASSETS			
Current and other assets	$167,828	$160,059	$7,769
Capital assets	447,171	406,826	40,345
Total assets	614,999	566,885	48,114
DEFERRED OUTFLOWS OF RESOURCES	20,917	12,225	8,692
LIABILITIES			
Current and other liabilities	18,751	17,199	1,552
Long-term liabilities	252,029	215,272	36,757
Total liabilities	270,780	232,471	38,309
DEFERRED INFLOWS OF RESOURCES	3,914		3,914
NET POSITION			
Net Investment in Capital Assets	247,163	235,846	11,317
Restricted for:			
Capital Projects	64,434	67,730	(3,296)
Energy Improvement Projects	664	558	106
Debt Service	2,628	2,878	(250)
Capital Replacement	1,327	946	381
Water Quality Incentive Program	5,217	5,189	28
Maintenance and Operations	489	539	(50)
Unrestricted	39,300	32,953	6,347
Total net position	$361,222	$346,639	$14,583

Governmental Activities

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 65%, of the Government's revenue were provided through licenses and permits. This category includes fees placed on employee withholdings, business returns, insurance premiums, and franchise fees. Charges for Services were 17%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category included charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprised 13% of governmental revenues. Federal and State grant funding represented 4% of governmental revenue. The remaining Other category represented miscellaneous revenues collected by the Government.

Chart 1

Distribution of Governmental Activity Revenues



As indicated by Table 4, revenues from Governmental Activities totaled $466.57 million, which was an increase of $20.83 million, or 4.67%, from the previous fiscal year. Licenses and permits totaled $304.63 million, representing 65.29% of total revenues. As stated earlier, this category includes employee withholdings in the form of an occupational license fee (OLF). This fee is comprised of an assessment of 2.25% on the total wages received by individuals employed in Lexington-Fayette County and an assessment of 2.25% on the net profits of businesses operating in the Lexington-Fayette County area. The Government implemented a new system allowing for improvements in identifying and reporting collections within 60 days of the end of the fiscal year. Licenses and permits increased by $15.86 million, or 5.49% from the previous fiscal year. This is primarily due to increases in occupational license fees and franchise fees collected during the fiscal year of $11.98 million. Of that amount, $5.86 million represents collections within 60 days of the end of the fiscal year. Insurance premiums collected increased $3.83 million. Of that amount, $2.91 million represents collections within 60 days of the end of the fiscal year. Property taxes increased by $3.44 million, due to an increase in realty taxes collected. Charges for services increased by $4.44 million from the previous fiscal year, or 5.78%. Operating and Capital grants decreased by $3.08 million from the previous fiscal year, or 15.87%.

As noted on Table 4, total expenses of Governmental Activities were $534.87 million; a decrease of $2.78 million from the previous fiscal year. This is primarily due to decreases in Program Expenses of $47.08 million. This is primarily offset by increases in the Departments of the Public Safety, Environmental Quality & Public Works, and Social Services of $35.40 million, $4.27 million, and $1.19 million respectively. Other various Departments within the Government had increases totaling $3.44 million.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities increased slightly, $0.34 million from the previous fiscal year. Revenues collected for services provided by the Government increased $0.05 million and other general revenues increased $0.29 million. Total expenses of Business-Type Activities increased when compared to fiscal year 2017, by $3.00 million. Primarily Sanitary Sewer and Water Quality expenses increased $3.28 million and $1.56 million, respectively. Other Business-Type Activities expenses increased approximately $0.90 million. Public Facilities, Public Parking, and CKY Network expenses decreased $0.62 million, $1.97 million, and $0.15 million respectively. The largest program among these activities is the Sanitary Sewer system, with expenses of $53.35 million during the fiscal year, representing 59.51% of all Business-Type Activities expenses.

Table 4
Lexington-Fayette Urban County Government
Summary of Statement of Activities
For Years as Stated
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Revenues						
Program Revenues:						
Charges for Services	$80,408	$76,015	$102,451	$102,405	$182,859	$178,420
Operating Grants & Contributions	10,617	13,147			10,617	13,147
Capital Grants & Contributions	5,718	6,269			5,718	6,269
General Revenues:						
Property Taxes	62,072	58,637			62,072	58,637
Licenses & Permits	304,626	288,770			304,626	288,770
Grants & Unrestricted Contributions	1,951	1,155			1,951	1,155
Other General Revenues	1,179	1,747	991	697	2,170	2,444
Total Revenues	466,571	445,740	103,442	103,102	570,013	548,842
Program Expenses						
General Government	24,040	45,599			24,040	45,599
Administrative Services	10,333	9,578			10,333	9,578
Health, Dental, Vision, Workers Comp, General Insurance	27,763	26,895			27,763	26,895
Chief Development Officer	263	208			263	208
Information Technology	11,012	11,174			11,012	11,174
Finance	36,669	49,393			36,669	49,393
Environmental Quality & Public Works	65,541	61,270			65,541	61,270
Planning, Preservation, & Development	46,217	45,360			46,217	45,360
Public Safety	14,914	14,760			14,914	14,760
Police	94,800	74,437			94,800	74,437
Fire & Emergency Services	92,898	84,839			92,898	84,839
Community Corrections	40,749	33,771			40,749	33,771
Social Services	14,223	13,035			14,223	13,035
General Services	13,443	22,965			13,443	22,965
Parks & Recreation	24,127	23,375			24,127	23,375
Law	2,602	5,652			2,602	5,652
Interest on Long-Term Debt	15,273	15,336			15,273	15,336
Sanitary Sewer System			53,354	50,079	53,354	50,079
Public Facilities			8,050	8,667	8,050	8,667
Public Parking				1,965		1,965
Landfill			4,072	3,962	4,072	3,962
Right of Way			530	494	530	494
Extended School Program			2,137	2,023	2,137	2,023
Prisoners' Account System			2,930	2,825	2,930	2,825
Enhanced 911			4,701	4,171	4,701	4,171
CKY Network			266	413	266	413
Water Quality			13,619	12,063	13,619	12,063
Total Expenses	534,867	537,647	89,659	86,662	624,526	624,309
Increase (Decrease) in Net Position before Transfers	(68,296)	(91,907)	13,783	16,440	(54,513)	(75,467)
Transfers	(800)	1,210	800	(1,210)		
Increase (Decrease) in Net Position	(69,096)	(90,697)	14,583	15,230	(54,513)	(75,467)
Net Position, July 1	115,375	206,072	346,639	331,409	462,014	537,481
Net Position, June 30	$46,279	$115,375	$361,222	$346,639	$407,501	$462,014

PERSONNEL COSTS

During the year, personnel related expenses for salaries and wages covered by collective bargaining agreements increased approximately $3.03 million. Police and Community Corrections increased by $3.37 million and $4.50 million, respectively. Fire & Emergency Services decreased by $4.84 million. Salary and wage costs, including benefits, for non-collective bargaining employees increased 12.95%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2018.

Chart 2
Governmental Activities Personnel Costs with Benefits

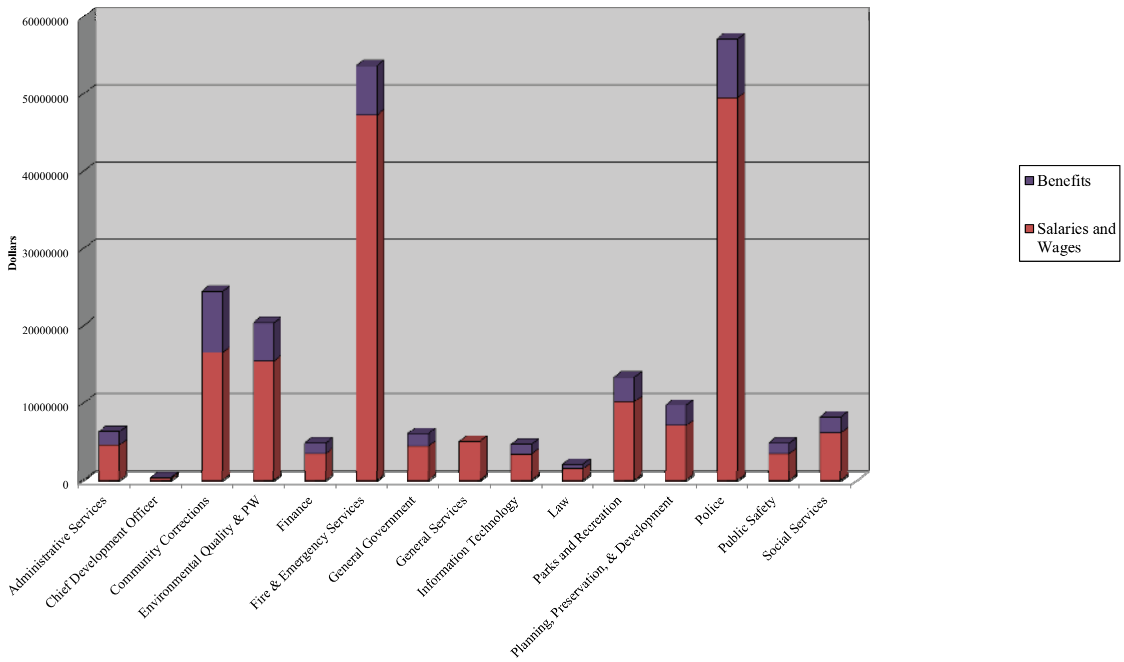
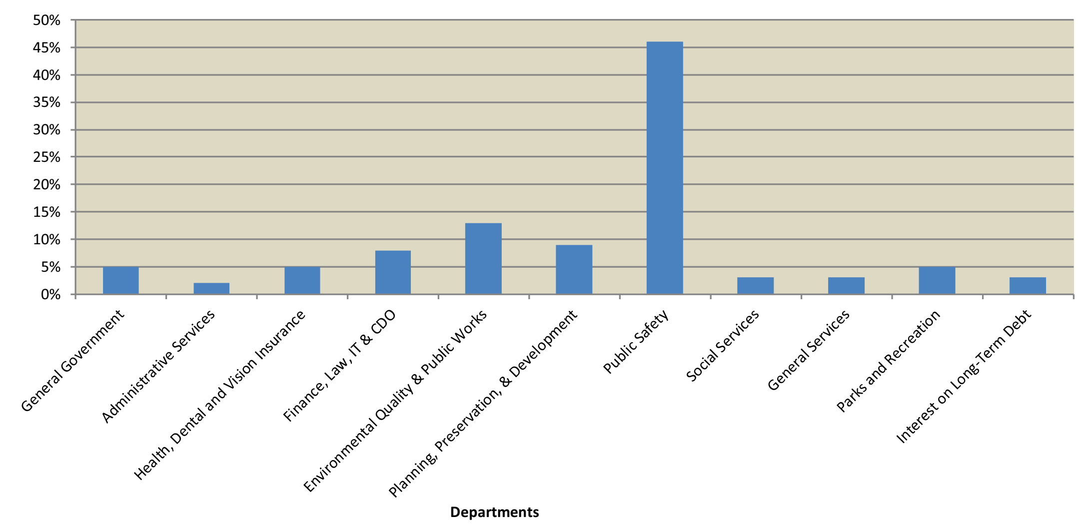


Chart 3 displays the distribution of total costs by governmental activity.

Chart 3
Distribution of Governmental Activity Expenses



FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

As discussed earlier, the Government uses fund accounting to ensure and demonstrate compliance with Generally Accepted Accounting Principles (GAAP) and other finance-related legal requirements.

Governmental Funds

The Government's total governmental funds for the year ended June 30, 2018 reflect a combined ending fund balance of $149.21 million, an increase of $11.95 million from the previous fiscal year. The Government reports fund balance as nonspendable, restricted, committed, assigned, or unassigned (refer to Note 1 to the financial statements for detailed information on the fund balance classifications). The increase is primarily due to expenditures in excess of revenues of $27.07 million, offset by net transfers out and proceeds from the issuance of bonds of $39.02 million.

The Government had $5.76 million of unassigned fund balance available in the General Fund at June 30, 2018. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.58% of total general fund expenditures for fiscal year 2018. At the end of fiscal year 2018, the fund balance held by the General Fund totaled $64.36 million, a decrease of $0.94 million, or 1.44%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of $0.73 million, offset by other financing uses of $0.37 million. In addition, there is a decrease from a prior period adjustment of $1.30 million (see footnote 2.D. for additional details).

The Urban Services Fund is used to finance solid waste collection, streetlights, and street cleaning services for properties within designated property tax districts. At the end of the fiscal year, the Urban Services Fund held a total fund balance of $28.18 million, an increase of $4.32 million over the prior fiscal year. This increase is primarily due to revenues in excess of expenditures of $0.55 million and transfers of $3.77 million. Revenues of the Urban Services Fund increased by $1.51 million or 3.74% compared to the prior fiscal year. Operating expenditures decreased $7.51 million over the prior fiscal year. This was primarily due to a decrease in acquisitions and construction of $9.16 million offset by an increase in departmental expenditures of $1.65 million.

The Federal and State Grants Fund held a balance of $0.25 million for fiscal year ended June 30, 2018, an increase of $0.01 million over the prior fiscal year. This fund balance represents grant revenues received, but not spent, that are restricted for specific activities. During fiscal year 2012, an outstanding loan receivable balance was paid in full. The funding is being used for urban development projects.

The Other Governmental Funds primarily relate to costs associated with various capital bond projects. During fiscal year 2018, $35.12 million was expended on these projects. Bonds in the amount of $32.44 million were issued to reimburse these expenditures and cover any additional costs associated with the projects, for more information please see Note 3.D. to the financial statements.

Proprietary Funds

The Government's proprietary fund statements provide the same type of information found in the *Government-Wide Financial Statements*, but in more detail. Total net position for the Government's proprietary funds totaled $361.22 million as of June 30, 2018, an increase of $14.58 million from the prior fiscal year. Revenues from charges for services increased $0.34 million and total expenses increased $3.00 million when compared to the prior fiscal year.

The Sanitary Sewer System Fund held a total net position of $274.52 million, an increase of $7.15 million over the prior year. Of the total net position held by the Sanitary Sewer System Fund, $64.70 million is restricted by bond covenants for capital replacement, projects, and debt service. In addition, $0.66 million is restricted for energy improvement projects.

The Public Facilities Corporation was created by the Government to act as an agency and instrumentality of the Government to finance and operate public projects. The net position of the Public Facilities Corporation was $20.06 million, a decrease of $1.53 million from the prior fiscal year. Operating income during fiscal year 2018 was $6.15

million. The decrease in net position is primarily due to excess operating expenses of $0.29 million and non-operating expenses of $1.61 million, offset by transfers in of $0.37 million.

The Water Quality Fund was established to account for the revenues and expenses of developing and operating storm water related activities. The net position of the Water Quality Fund totaled $19.63 million, an increase of $0.42 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2018, the total net position of the Landfill Fund held a balance of $38.14 million, an increase of $3.16 million from the prior fiscal year, an 8.28% increase. Revenues in excess of expenses primarily contributed to this increase.

The other enterprise funds were established to account for the acquisition, operation and maintenance of the Government's facilities and services which are entirely or predominantly self-supported by user charges or where the Government has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. As of June 30, 2018 the other enterprise funds held total net position of $6.80 million, a decrease of $0.52 million over the previous fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is the primary operating fund of the Government. Over the course of the year, the Urban County Council revises the budget numerous times; thus, exercising one of the primary duties of the Urban County Council as guardian of the Government's funds. Supplemental appropriations are approved to reflect actual beginning fund balances and to re-appropriate funds for capital projects. As the year progresses and actual revenue collections and budgetary experience is known, amendments are processed in order to reflect the actual results and revised expectations of future revenue and expenditures.

For fiscal year 2018, General Fund revenues totaled $364.10 million, an increase of 4.93% from the previous fiscal year. Total revenues were $4.62 million above the final budgeted amount. This increase in actual revenue is the result of growth in the U.S. economy, which affected both business returns and franchise fees. Total ad valorem taxes and charges for services were equal to the final budgeted amount. Fines and forfeitures, intergovernmental, property sales, and investment returns were $0.01 million above the final budgeted amount. Other income was $0.79 million above the final budgeted amount. Total licenses and permits were $3.82 above the final budgeted amount.

General Fund expenditures of the Government totaled $363.38 million, a decrease of $4.52 million, or 1.23% over the previous fiscal year. Expenditures were $3.01 million below the final budgeted amount. Operating expenditures were $2.68 million below the final budgeted amount. Personnel expenditures, accounting for 61.25% of General Fund expenditures, were $0.23 million above the final budgeted amount. Divisions with collective bargaining agreements had personnel expenditures $4.05 million above the final budgeted amount. Personnel expenditures from these divisions account for 52.69% of the General Fund expenditures. Please see Table 5 below for more details regarding the distribution of General Fund personnel costs and the changes from prior year.

Table 5
Lexington-Fayette Urban County Government
Summary of General Fund Personnel Costs with Benefits
For Years as Stated
(in Thousands)

Departments	2018	2017	Change	% Change	% General Fund Expenditures
Non-Collective Bargaining Divisions					
Administrative Services	$5,217	$4,981	$236	4.7%	1.4%
Chief Development Officer	310	185	125	67.6%	0.1%
Information Technology	4,501	4,441	60	1.4%	1.2%
Department of Finance	4,802	4,815	(13)	(0.3%)	1.3%
Department of General Services	3,476	6,064	(2,588)	(42.7%)	1.0%
Department of Law	2,055	2,017	38	1.9%	0.6%
Department of Public Safety	4,678	4,382	296	6.8%	1.3%
Department of Social Services	7,038	6,778	260	3.8%	1.9%
Department of Environmental Quality & PW	6,028	5,750	278	4.8%	1.7%
Department of Planning, Preservation & Dev	9,053	8,992	61	0.7%	2.5%
General Government	6,048	5,755	293	5.1%	1.7%
Parks and Recreation	13,381	13,173	208	1.6%	3.7%
Total Non-Collective Bargaining Divisions	66,587	67,333	(746)	(1.1%)	18.3%
Divisions with Collective Bargaining					
Police	66,718	62,623	4,095	6.5%	18.4%
Community Corrections	24,994	24,247	747	3.1%	6.9%
Fire & Emergency Services	64,281	72,589	(8,308)	(11.4%)	17.7%
Total Collective Bargaining Divisions	155,993	159,459	(3,466)	(2.2%)	42.9%
Total Personnel Costs with Benefits	$222,580	$226,792	($4,212)	(1.9%)	61.3%

CAPITAL ASSETS

The Government's capital assets totaled $1.41 billion as of June 30, 2018, details of which are in Note 3.B. to the financial statements. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the net investment in capital assets totaled $718.48 million. Governmental Activities net investment in capital assets decreased by $34.20 million from the prior fiscal year. The net investment in capital assets of Business-Type Activities totaled $247.16 million, an increase of $11.32 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by $26.11 million compared to the previous fiscal year. The decrease was primarily due to depreciation of $55.62 million and asset retirements of $0.31 million, offset by capital additions of $29.26 million and a prior period adjustment increase of $0.56 million. Infrastructure assets decreased by $26.99 million, primarily due to depreciation of $34.21 million, offset by reclassifications of $6.34 million and capital additions of $0.88 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items.

- Capital assets for Business-Type Activities increased by $40.35 million. The overall increase was primarily due to additions of $57.31 million, offset by depreciation of $16.94 million and asset retirements of $0.02 million. The increase represents several projects underway related to the Government's Remedial Measures Plan, filed with the Environmental Protection Agency. Additional information can be found in Note 5.B. to the financial statements.

- Construction in progress assets totaled $17.69 million in the Governmental Activities and $68.87 million in Business-Type Activities. The overall increase from the previous year in construction in progress assets totaled $28.99 million. The increase was primarily due to additions of $71.46 million offset by net asset retirements and reclassifications of $42.47 million.

Table 6
Lexington-Fayette Urban County Government
Summary of Capital Assets
For Years as Stated
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	$61,888	$61,888	$46,342	$46,300	$108,230	$108,188
Purchase of Development Rights	80,220	78,809			80,220	78,809
Intangibles	7,902	8,825	4,726	5,785	12,628	14,610
Buildings	112,694	115,638	31,516	34,390	144,210	150,028
Vehicles, Equipment, & Furniture	44,323	47,378	19,174	19,999	63,497	67,377
Land and Leasehold Improvements	18,689	17,249	6,881	7,339	25,570	24,588
Infrastructure & Sewer Lines/Plants	594,357	621,349	260,198	241,453	854,555	862,802
Construction in Progress	17,689	14,511	68,869	43,057	86,558	57,568
Developments in Progress*	24,906	23,131	9,465	8,503	34,371	31,634
Total	$962,668	$988,778	$447,171	$406,826	$1,409,839	$1,395,604

* Restated beginning balance due to prior period adjustment, see Note 2.D. to the financial statements.

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

DEBT ADMINISTRATION

The Government began issuing General Obligation (GO) bonds in fiscal year 1999 because of changes in state law that had previously precluded this type of financing. Since GO bonds are backed by the full faith and credit of the Government, they carry a higher credit rating than other forms of debt and have lower interest rates. As a result, future debt issues on behalf of the Government will be GO debt unless such debt is secured by Enterprise Fund activities.

Prior to the issuance of GO bonds, mortgage revenue bonds were issued through various public corporations in order to finance public projects. For mortgage revenue bonds, the Government enters into annual renewable lease agreements automatically with the corporations whereby lease payments from the Government, combined with revenues generated by the operation of the facilities, are sufficient to meet debt service obligations. The underlying security for the bond is the annual lease agreements and the underlying mortgages on the property. Revenue bonds, where only the revenues from the operation of the facilities are pledged as security for the bonds, are issued to finance improvements to the sanitary sewer system.

At the end of fiscal year 2018, the Government had $585.78 million in bonds and notes outstanding; Governmental Activities' debt increased by $10.64 million and total debt increased by $38.40 million. The increase in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling $39.34 million, offset by principal payments and amortized bond costs in the current fiscal year on outstanding debt of $28.70 million. The Business-Type Activities debt increased $27.76 million primarily from note payable proceeds of $36.15 million, offset by principal payments and amortized bond costs of $8.39 million.

Despite legal changes that provide for the issuance of GO debt, legal limits remain on the total amount of GO indebtedness that may be incurred. The Kentucky Constitution provides that the total principal amount of GO debt cannot exceed 10% of the value of taxable property in the county, or $3.22 billion. State law provides the same limitation as set forth in the constitution except that the limitation applies to "net indebtedness", which excludes self-supporting obligations, revenue bonds, special assessment debt and non-tax supported debt issued prior to July 15, 1996 (the effective date of the previously discussed statutory change). The total amount of debt subject to the legal limitation is $183.99 million.

Table 7
Lexington-Fayette Urban County Government
Summary of Outstanding Debt
For Years as Stated
(in thousands)

	Governmental		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds, Notes, Leases	$389,046	$378,407	$120,023	$86,873	$509,069	$465,280
Mortgage Revenue Bonds			46,578	49,080	46,578	49,080
Revenue Bonds			30,129	33,018	30,129	33,018
Total	$389,046	$378,407	$196,730	$168,971	$585,776	$547,378

The Government maintains a general obligation bond rating of "Aa2" from Moody's and "AA" from Standard & Poor's. The revenue bonds of the sanitary sewer system have a bond rating of "Aa2" from Moody's and "AA" from Standard & Poor's. The rating of the Government's mortgage revenue debt is "Aa3" from Moody's and "AA-" from Standard & Poor's. The Government has not issued mortgage revenue debt since 1998 due to changes in state law that provided for the issuance of general obligation debt. Additional information regarding the Government's long-term debt can be found in Note 3.D. to the financial statements.

NEXT YEAR'S BUDGET

The Lexington-Fayette Urban County Government Fiscal Year 2018 Budget, for all funds combined, net of interfund transfers, is $650,354 million. Significant initiatives in the budget include:

- A commitment of $78.26 million for storm sewer projects and programs as required by the Environmental Protection Agency Consent Decree.
- GO bonds were approved as part of the fiscal year 2018 budget for $44.68 million. The bonds will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, building improvements, fleet replacement, and the Lexington Convention Center renovations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Commissioner of Finance, 200 East Main Street, Lexington-Fayette Urban County Government, Lexington, Kentucky, 40507.

BASIC FINANCIAL STATEMENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			
	Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
ASSETS				
Cash	$41,635,617	$66,197,871	$107,833,488	$41,675,197
Investments	76,891,094	91,114,167	168,005,261	14,009,961
Receivables (Net)	37,019,175	6,272,702	43,291,877	3,725,941
Due from Other Governments	5,858,009		5,858,009	5,048,477
Due from Primary Government				2,445,785
Other Current Assets				845,588
Inventories and Prepaid Expenses	2,887,494	288,191	3,175,685	852,980
Net Pension Asset	20,631,915		20,631,915	87,855
Restricted Assets:				
Cash				14,787,820
Receivables (Net)	5,145,234		5,145,234	678,592
Grants Receivable	1,000,000		1,000,000	814,366
Investments	47,657,986	3,954,901	51,612,887	45,774,257
Other				116,190
Capital Assets:				
Non-depreciable	187,924,124	125,174,745	313,098,869	69,340,961
Depreciable (Net)	774,744,316	321,995,902	1,096,740,218	231,653,285
Other Assets	1,384,503		1,384,503	10,439,909
Total Assets	$1,202,779,467	$614,998,479	$1,817,777,946	$442,297,164
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount on Bond Refunding	$4,243,352	$3,499,607	$7,742,959	$1,553,657
Deferred Pension Amounts	181,882,704	14,067,657	195,950,361	19,317,234
Deferred Other Post Employment Benefit Amounts	19,929,895	3,350,223	23,280,118	3,589,865
Total Deferred Outflows of Resources	$206,055,951	$20,917,487	$226,973,438	$24,460,756
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	$19,470,607	$9,335,687	$28,806,294	$6,826,176
Interest Payable	4,891,678	467,095	5,358,773	
Internal Balances	2,072,912	(2,072,912)		
Due to Other Governments	9,829		9,829	
Due to Component Units	2,445,785		2,445,785	
Unearned Revenue and Other	5,548,070	4,956	5,553,026	250,737
Claims Liabilities	25,858,896		25,858,896	
Liabilities Payable from Restricted Assets:				
Accounts, Contracts and Retainage Payable		4,105,501	4,105,501	4,582,601
Bonds and Notes Payable		6,342,030	6,342,030	
Interest Payable		568,396	568,396	1,438,756
Noncurrent Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	29,245,000	2,418,042	31,663,042	7,509,338
Compensated Absences	3,657,338	484,455	4,141,793	541,679
Landfill Closure and Postclosure Care Costs		440,069	440,069	
Due in More Than One Year:				
Unearned Revenue and Other	272,286		272,286	347,627
Bonds and Notes Payable	359,801,016	187,970,416	547,771,432	130,297,030
Compensated Absences	22,466,504	985,003	23,451,507	860,445
Landfill Closure and Postclosure Care Costs		12,405,492	12,405,492	
Unfunded Other Post Retirement Benefit Liability	413,934,415	12,252,482	426,186,897	63,487,995
Unfunded Pension Liability	414,684,282	35,073,479	449,757,761	24,605,509
Total Liabilities	$1,304,358,618	$270,780,191	$1,575,138,809	$240,747,893
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	$26,875,271	$3,234,274	$30,109,545	$12,568,619
Deferred Other Post Employment Benefit Amounts	31,322,574	679,313	32,001,887	515,868
Total Deferred Inflows of Resources	$58,197,845	$3,913,587	$62,111,432	$13,084,487

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			
	Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
NET POSITION				
Net Investment in Capital Assets	$718,483,933	$247,162,736	$965,646,669	$181,786,394
Restricted for:				
Governmental and Program Funds				607,795
Capital Projects	47,044,427	64,433,886	111,478,313	3,951,773
Energy Improvement Projects	606,795	664,122	1,270,917	
Debt Service	812,350	2,628,036	3,440,386	29,656,151
Capital Replacement		1,326,865	1,326,865	
Pension	20,631,915		20,631,915	
Water Quality Incentive Program		5,217,408	5,217,408	
Grants	250,200		250,200	
Maintenance and Operations		488,861	488,861	
Unrestricted (Deficit)	(741,550,665)	39,300,274	(702,250,391)	(3,076,573)
Total Net Position	$46,278,955	$361,222,188	$407,501,143	$212,925,540

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position — Primary Government			
Function/Program Activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Component Units**
Primary Government:								
Governmental Activities:								
Administrative Services	$10,332,453	$2,123,003	$1,419,504	$21,867	($6,768,079)	$0	($6,768,079)	$0
Chief Development Officer	263,297	9,159	9,882		(244,256)		(244,256)	
Community Corrections	40,748,826	9,309,583	96,494		(31,342,749)		(31,342,749)	
Environmental Quality & Public Works	65,541,170	3,005,644	274,303	1,669,604	(60,591,619)		(60,591,619)	
Finance	36,669,013	462,509			(36,206,504)		(36,206,504)	
Fire & Emergency Services	92,898,310	6,817,192	3,014,940		(83,066,178)		(83,066,178)	
General Government	24,040,021	19,438,510	369	(577)	(4,601,719)		(4,601,719)	
General Services	13,442,525	16,548			(13,425,977)		(13,425,977)	
Health, Dental, and Vision	27,763,298	27,763,298						
Information Technology	11,011,888	213			(11,011,675)		(11,011,675)	
Law	2,602,304	1,087			(2,601,217)		(2,601,217)	
Parks & Recreation	24,127,163	4,325,061			(19,802,102)		(19,802,102)	
Planning, Preservation, & Development	46,217,442	3,134,064		3,830,692	(39,252,686)		(39,252,686)	
Police	94,799,943	2,068,459	3,538,945	176,886	(89,015,653)		(89,015,653)	
Public Safety	14,913,489	69,023	1,164,182		(13,680,284)		(13,680,284)	
Social Services	14,222,704	1,864,271	1,098,381	19,991	(11,240,061)		(11,240,061)	
Interest on Long-Term Debt	15,273,176				(15,273,176)		(15,273,176)	
Total Governmental Activities	534,867,022	80,407,624	10,617,000	5,718,463	(438,123,935)	0	(438,123,935)	
Business-Type Activities:								
Sanitary Sewer System	53,354,239	64,451,293				11,097,054	11,097,054	
Public Facilities	8,049,921	6,145,356				(1,904,565)	(1,904,565)	
Landfill	4,071,987	7,028,050				2,956,063	2,956,063	
Right of Way	529,580	656,344				126,764	126,764	
Extended School Program	2,137,227	2,060,463				(76,764)	(76,764)	
Prisoners' Account System	2,930,224	3,165,206				234,982	234,982	
Enhanced 911	4,701,497	4,542,449				(159,048)	(159,048)	
CKY Network	266,242	319,414				53,172	53,172	
Water Quality	13,618,632	14,082,286				463,654	463,654	
Total Business-Type Activities	89,659,549	102,450,861	0	0	0	12,791,312	12,791,312	
Total Primary Government	$624,526,571	$182,858,485	$10,617,000	$5,718,463	($438,123,935)	$12,791,312	($425,332,623)	

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position — Primary Government			
Function/Program Activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Component Units**
Component Units:								
Lexington Center Corporation	$22,280,187	$17,208,875	$348,000	$74,110				($4,649,202)
Lexington Airport Board	26,299,017	22,309,853		6,608,874				2,619,710
Fayette County Department of Health	15,105,373	3,608,203	6,853,254					(4,643,916)
Nonmajor Component Units	54,840,521	4,677,819	5,916,383	3,102,789				(41,143,530)
Total Component Units	$118,525,098	$47,804,750	$13,117,637	$9,785,773	$0	$0	$0	($47,816,938)
General Revenues (Expenses):								
Property Taxes					$62,072,333	$0	$62,072,333	$58,254,074
Licenses Fees - Wages and Net Profits Taxes					304,625,553		304,625,553	
Grants and Contributions Not Restricted to Specific Programs:								
Community Development Block Grant					1,951,474		1,951,474	
Income on Investments					1,029,385	962,755	1,992,140	1,117,155
Net Change in Fair Value of Investments								(529,954)
Gain on Sale of Capital Assets					149,226	28,641	177,867	3,238
Miscellaneous								(656,597)
Payment from Lexington-Fayette Urban County Government								186,723
Transfers					(800,072)	800,072		
Total General Revenues and Transfers					369,027,899	1,791,468	370,819,367	58,374,639
Change in Net Position					(69,096,036)	14,582,780	(54,513,256)	10,557,701
Net Position, Beginning					411,412,174	354,855,050	766,267,224	214,945,281
Adjustment to Opening Net Position (Note 2.D.)					(296,037,183)	(8,215,642)	(304,252,825)	(12,577,442)
Net Position, Beginning - Restated					115,374,991	346,639,408	462,014,399	202,367,839
Net Position, Ending					$46,278,955	$361,222,188	$407,501,143	$212,925,540

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$0	$8,236,518	$0	$16,881,067	$25,117,585
Investments	54,938,896	21,025,907		926,291	76,891,094
Receivables:					
Loans			2,366,938		2,366,938
License Fees	30,261,693				30,261,693
Other	10,313,180	253,359	392	750,793	11,317,724
Less Allowance for Uncollectible Amounts	(4,595,030)		(2,366,938)		(6,961,968)
Due from Other Governments			5,858,009		5,858,009
Inventories and Prepaid Items	2,480,783	62,543		5,334	2,548,660
Restricted Investments	626		28,927	47,628,433	47,657,986
Total Assets	$93,400,148	$29,578,327	$5,887,328	$66,191,918	$195,057,721
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	$7,266,332	$1,171,395	$1,449,862	$4,815,914	$14,703,503
Accrued Payroll & Related Liabilities	3,669,379	223,989	48,743		3,942,111
Due to Other Funds	13,919,411		1,744,328	3,531,575	19,195,314
Due to Other Governments	9,829				9,829
Due to Component Units	2,445,785				2,445,785
Unearned Revenue and Other	1,726,698	881	2,394,195	1,426,296	5,548,070
Total Liabilities	29,037,434	1,396,265	5,637,128	9,773,785	45,844,612
Fund Balances:					
Nonspendable	2,480,783	62,543			2,543,326
Restricted for:					
Public Works				7,765,585	7,765,585
Public Safety	812,350			1,253,572	2,065,922
Capital Projects				47,044,427	47,044,427
Grants Projects			250,200		250,200
Urban Services		28,107,799			28,107,799
Energy Improvement Projects	595,075	11,720			606,795
Committed for:					
General Government	3,640,127				3,640,127
Economic Stabilization	34,015,454				34,015,454
Assigned to:					
General Government	15,400,000			390,941	15,790,941
Capital Projects	1,660,938				1,660,938
Unassigned	5,757,987			(36,392)	5,721,595
Total Fund Balances	64,362,714	28,182,062	250,200	56,418,133	149,213,109
Total Liabilities and Fund Balances	$93,400,148	$29,578,327	$5,887,328	$66,191,918	$195,057,721

* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2014. There is no impact on total Governmental Funds.

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund balances - Governmental Funds		$149,213,109
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,625,011,320	
Less accumulated depreciation	(662,342,880)	962,668,440
The net pension asset is not an available resource and, therefore, is not reported in the funds.		20,631,915
Restricted receivables and other long-term assets are not available to pay for expenditures in the current period and, therefore, are not reported in the funds.		
Restricted receivables (Net)		6,145,234
Other assets		1,384,503
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(389,046,016)	
Unearned revenue and other	(272,286)	
Interest payable	(4,891,678)	
Compensated absences	(26,123,842)	
Unfunded pension liability and other post retirement benefits	(828,618,697)	(1,248,952,519)
Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1.G.)		4,243,352
Outflows and inflows related to pension have been deferred in the Statement of Net Position		155,007,433
Outflows and inflows related to other post employment benefit amounts have been deferred in the Statement of Net Position		(11,392,679)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in Governmental Activities in the Statement of Net Position.		9,403,079
Internal balances due to non-governmental activities related to items listed above		(2,072,912)
Net Position of Governmental Activities		$46,278,955

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
License Fees and Permits	$308,811,807	$1,566,983	$0	$0	$310,378,790
Taxes	24,528,574	37,543,759			62,072,333
Charges for Services	24,865,154	2,461,920			27,327,074
Fines and Forfeitures	184,729	332			185,061
Intergovernmental	775,621		18,229,087	8,174,482	27,179,190
Exactions				148,447	148,447
Property Sales	248,629	84,006			332,635
Income on Investments	556,641	190,395	20,048	262,301	1,029,385
Other	4,131,498	79,618	2,269,471	290,803	6,771,390
Total Revenues	364,102,653	41,927,013	20,518,606	8,876,033	435,424,305
EXPENDITURES					
Current:					
Administrative Services	7,731,122	535,322	1,130,925		9,397,369
Chief Development Officer	1,288,532		33,614		1,322,146
Community Corrections	36,874,049		93,881	1,506,477	38,474,407
Environmental Quality & Public Works	11,551,435	34,866,033	327,093		46,744,561
Finance	5,938,150	23,385		42,562	6,004,097
Fire and Emergency Services	75,920,772		3,032,199		78,952,971
General Government	3,444,293	2,553,048		357,170	6,354,511
General Services	8,332,944	134,582			8,467,526
Information Technology	10,127,236	539,179		2,460,844	13,127,259
Law	2,454,494	11,218		124,638	2,590,350
Outside Agencies	20,987,190		2,483,742		23,470,932
Parks and Recreation	21,249,871		54,708	685,406	21,989,985
Planning, Preservation, & Development	13,370,172		1,035,988	100,445	14,506,605
Police	76,220,486		3,754,202	1,333,130	81,307,818
Public Safety	12,027,722		811,235		12,838,957
Social Services	9,257,104		1,595,444		10,852,548
Debt Service:					
Principal	26,334,181	278,008		242,811	26,855,000
Interest	14,917,115	208,068		18,074	15,143,257
Other Debt Service	79,583			134,038	213,621
Capital:					
Equipment	3,083,424	1,951,742	476,047	6,716,642	12,227,855
Acquisitions and Construction	2,185,957	279,635	7,787,982	21,394,659	31,648,233
Total Expenditures	363,375,832	41,380,220	22,617,060	35,116,896	462,490,008
Excess (Deficiency) of Revenues Over (Under) Expenditures	726,821	546,793	(2,098,454)	(26,240,863)	(27,065,703)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt				32,435,000	32,435,000
Premium on Bonds				4,660,804	4,660,804
Discount on Bonds				(138,157)	(138,157)
Issuance of Refunding Debt, par	22,445,000				22,445,000
Issuance of Refunding Debt, premium	(71,721)				(71,721)
Payment to Refunded Debt Escrow Agent	(19,990,000)				(19,990,000)
Transfers In	6,147,960	4,000,000	2,237,650		12,385,610
Transfers Out	(8,897,410)	(229,522)	(130,039)	(3,453,475)	(12,710,446)
Total Other Financing Sources (Uses)	(366,171)	3,770,478	2,107,611	33,504,172	39,016,090
Net Change in Fund Balances	360,650	4,317,271	9,157	7,263,309	11,950,387
Fund Balances, Beginning	65,306,186	23,864,791	241,043	48,596,149	138,008,169
Adjustment to Opening Fund Balance (Note 2.D.)	(1,304,122)			558,675	(745,447)
Fund Balances, Beginning - Restated	64,002,064	23,864,791	241,043	49,154,824	137,262,722
Fund Balances, Ending	$64,362,714	$28,182,062	$250,200	$56,418,133	$149,213,109

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in fund balances - Governmental Funds		$11,950,387
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditure for capital assets	28,023,830	
Less current year depreciation	(55,616,290)	(27,592,460)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(265,754)
The change in other assets is reported in the Statement of Activities and does not require the use of current resources, therefore the change is not reported as an expenditure in the funds:		
Other assets		323,214
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Exaction fees		1,093,149
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Issuance of debt	(32,435,000)	
Issuance of refunding debt	(22,445,000)	
Premium on bonds	(4,660,804)	
Premium on refunding bonds	71,721	
Discount on bonds	138,157	
Principal payment to refunded bond escrow agent	19,990,000	
Principal payments	26,855,000	(12,485,926)
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds.		
Change in net pension asset	1,366,571	
Amortization of current year bond (discounts) premiums	1,847,036	
Amortization of current year bond refunding losses	1,938,977	
Change in unfunded pension liability	(61,218,301)	
Change in unfunded other post retirement benefit liability	(10,045,294)	
Change in deferred outflows from pension plans	58,128,155	
Change in deferred outflows from other post retirement benefits	19,929,895	
Change in deferred inflows from pension plans	(26,875,271)	
Change in deferred inflows from other post retirement benefits	(31,322,574)	
Unearned revenue and other	(148,544)	
Change in accrued interest payable	(129,919)	
Change in restricted receivables (net)	2,178,496	
Change in compensated absences	(789,199)	(45,139,972)
Internal Service Funds are used by management to charge self-insurance to individual funds. The net expense of the Internal Service Funds is reported within Governmental Activities.		3,021,326
Change in net position of Governmental Activities		($69,096,036)

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-Type Activities Enterprise Funds						
	Sanitary Sewer System	**Public Facilities Corporation**	**Landfill**	**Water Quality**	**Other Enterprise Funds**	**Total**	**Governmental Activities Internal Service Funds**
ASSETS & DEFERRED OUTFLOWS OF RESOURCES							
Current Assets:							
Cash	$20,610,350	$2,389,098	$14,547,636	$18,205,674	$10,445,113	$66,197,871	$16,518,032
Investments	62,528,366	296,021	25,356,102	1,491,377	1,442,301	91,114,167	
Receivables:							
User Fees Receivable	10,605,006		1,670,630	2,002,547		14,278,183	
Other Receivables	526,871	99,317	51,231		329,773	1,007,192	34,788
Less Allowance for Uncollectible Accounts	(6,588,005)		(1,111,052)	(1,277,749)	(35,867)	(9,012,673)	
Inventories and Prepaid Expenses	128,958		20,515	38,379	100,339	288,191	338,834
Due from Other Funds						0	19,195,314
Restricted Investments:							
Reserved for Sinking Fund	2,628,036					2,628,036	
Total Current Assets	90,439,582	2,784,436	40,535,062	20,460,228	12,281,659	166,500,967	36,086,968
Noncurrent Assets:							
Restricted Investments:							
Reserved for Capital Replacement	1,266,865			60,000		1,326,865	
Capital Assets:							
Land	5,867,628	32,578,646	5,194,637	2,701,225		46,342,136	
Land Improvements	354,183	23,498,213	16,832,022	169,259	10,000	40,863,677	
Buildings	4,875,045	114,754,327	800,936	17,500	7,514	120,455,322	
Sewer Plants	209,402,390		88,764			209,491,154	
Sewer Lines	225,666,133		410,356	9,214,563		235,291,052	
Leasehold Improvements		2,087,090				2,087,090	
Vehicles, Equipment, and Furniture	30,955,634	3,083,345	200,830	214,710	3,317,312	37,771,831	
Intangibles	6,402,794	69,281	597,535	1,037,106	1,357,849	9,464,565	
Less Accumulated Depreciation	(201,771,109)	(114,158,492)	(11,907,971)	(1,176,618)	(3,916,773)	(332,930,963)	
Construction in Progress	66,393,168		3,500	2,472,697		68,869,365	
Developments in Progress	9,465,418					9,465,418	
Total Noncurrent Assets	358,878,149	61,912,410	12,220,609	14,710,442	775,902	448,497,512	0
Total Assets	449,317,731	64,696,846	52,755,671	35,170,670	13,057,561	614,998,479	36,086,968
Deferred outflows of resources:							
Deferred Amount on Bond Refunding	$982,219	$2,517,388	$0	$0	$0	$3,499,607	
Deferred Other Post Employment Benefit Amounts	1,767,933		152,890	863,861	565,539	3,350,223	
Deferred Pension Amounts	7,423,590		641,987	3,627,371	2,374,709	14,067,657	
Total Deferred Outflows of Resources	10,173,742	2,517,388	794,877	4,491,232	2,940,248	20,917,487	0
Total Assets & Deferred Outflows of Resources	$459,491,473	$67,214,234	$53,550,548	$39,661,902	$15,997,809	$635,915,966	$36,086,968

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-Type Activities Enterprise Funds						
	Sanitary Sewer System	**Public Facilities Corporation**	**Landfill**	**Water Quality**	**Other Enterprise Funds**	**Total**	**Governmental Activities Internal Service Funds**
LIABILITIES							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	$6,910,338	$115,691	$164,198	$1,497,748	$333,980	$9,021,955	$824,993
Accrued Payroll	152,730		15,930	75,442	69,630	313,732	
Claims Payable							25,858,896
Bonds Payable		2,165,000		253,042		2,418,042	
Interest Payable		459,769		7,326		467,095	
Unearned Revenue and Other			418	4,538		4,956	
Compensated Absences	304,574		4,956	128,932	45,993	484,455	
Landfill Closure and Postclosure Care Costs			440,069			440,069	
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	4,105,501					4,105,501	
Bonds and Notes Payable	6,342,030					6,342,030	
Interest Payable	568,396					568,396	
Total Current Liabilities	18,383,569	2,740,460	625,571	1,967,028	449,603	24,166,231	26,683,889
Noncurrent Liabilities:							
Bonds and Notes Payable	138,834,636	44,412,790		4,722,990		187,970,416	
Compensated Absences	710,673		44,605	128,932	100,793	985,003	
Landfill Closure and Postclosure Care Costs			12,405,492			12,405,492	
Unfunded Other Post Employment Benefit Liability	6,465,711		559,150	3,159,325	2,068,296	12,252,482	
Unfunded Pension Liability	18,508,493		1,600,602	9,043,761	5,920,623	35,073,479	
Total Noncurrent Liabilities	164,519,513	44,412,790	14,609,849	17,055,008	8,089,712	248,686,872	0
Total Liabilities	$182,903,082	$47,153,250	$15,235,420	$19,022,036	$8,539,315	$272,853,103	$26,683,889
Deferred Inflows of Resources							
Deferred Other Post Employment Benefit Amounts	$358,477	$0	$31,001	$175,162	$114,673	$679,313	
Deferred Pension Amounts	1,706,747		147,598	833,964	545,965	3,234,274	
Total Deferred Inflows of Resources	2,065,224	0	178,599	1,009,126	660,638	3,913,587	
Total Liabilities & Deferred Inflows of Resources	$184,968,306	$47,153,250	$15,414,019	$20,031,162	$9,199,953	$276,766,690	
NET POSITION							
Net Investment in Capital Assets	$209,157,197	$15,334,618	$12,220,608	$9,674,412	$775,901	$247,162,736	$0
Restricted for:							
Capital Projects	60,806,947					60,806,947	
Capital Projects - Park Acquisition		3,626,939				3,626,939	
Debt Service	2,628,036					2,628,036	
Capital Replacement	1,266,865			60,000		1,326,865	
Energy Improvement Projects	664,122					664,122	
Water Quality Incentive Program				5,217,408		5,217,408	
Maintenance and Operations		488,861				488,861	
Unrestricted		610,566	25,915,921	4,678,920	6,021,955	37,227,362	9,403,079
Total Net Position	$274,523,167	$20,060,984	$38,136,529	$19,630,740	$6,797,856	359,149,276	$9,403,079
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						2,072,912	
Net Position of Business-Type Activities						$361,222,188	

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total	
OPERATING REVENUES							
User Charges	$60,398,087	$0	$6,762,666	$14,021,528	$0	$81,182,281	$46,889,213
Fees	2,923,533	314,953	260,559	2,083	6,918,952	10,420,080	
Exactions	329,120					329,120	
License Fees and Permits					656,344	656,344	
Rental Income		5,016,976				5,016,976	
Theater Revenues		813,427				813,427	
Gross Profit - Commissary					2,747,822	2,747,822	
Other	82,988		4,825	20,908	420,758	529,479	
Total Operating Revenues	63,733,728	6,145,356	7,028,050	14,044,519	10,743,876	101,695,529	46,889,213
OPERATING EXPENSES							
Treatment Plant	8,157,629					8,157,629	
Collection System	1,832,856					1,832,856	
Property Management		2,212,611				2,212,611	
Theater Management		747,563				747,563	
Landfill			2,086,747			2,086,747	
Right of Way					524,856	524,856	
Extended School Program					1,895,911	1,895,911	
Prisoners' Account					560,849	560,849	
Inmate Trust Account					2,369,375	2,369,375	
Enhanced 911					4,324,509	4,324,509	
CKY Network					266,242	266,242	
Administration	28,262,383		1,411,175	13,156,693	237,705	43,067,956	3,188,110
Depreciation	12,137,121	3,475,879	574,065	369,556	385,323	16,941,944	
Claims and Benefit Payments							39,924,445
Total Operating Expenses	50,389,989	6,436,053	4,071,987	13,526,249	10,564,770	84,989,048	43,112,555
Operating Income (Loss)	13,343,739	(290,697)	2,956,063	518,270	179,106	16,706,481	3,776,658

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds						
	Sanitary Sewer System	**Public Facilities Corporation**	**Landfill**	**Water Quality**	**Other Enterprise Funds**	**Total**	**Governmental Activities Internal Service Funds**
NONOPERATING REVENUES (EXPENSES)							
Income on Investments	620,805	4,045	282,133	38,656	17,116	962,755	
Interest Expense and Fiscal Agent Fees	(3,019,649)	(1,875,009)		(92,383)		(4,987,041)	
Amortization of Bond Costs	55,399	261,141				316,540	
Gain (Loss) on Sale of Capital Assets	54,131		(2,700)	(22,790)		28,641	
Total Nonoperating Revenues (Expenses)	(2,289,314)	(1,609,823)	279,433	(76,517)	17,116	(3,679,105)	0
Income (Loss) Before Transfers	11,054,425	(1,900,520)	3,235,496	441,753	196,222	13,027,376	3,776,658
Transfers In	150,000	375,084				525,084	
Transfers Out	56,435		(77,680)	(23,170)	319,403	274,988	
Change in Net Position	11,260,860	(1,525,436)	3,157,816	418,583	515,625	13,827,448	3,776,658
Net Position, Beginning	267,374,801	21,586,420	35,392,332	21,549,201	7,634,716		5,626,421
Adjustment to Opening Net Position (Note 2.D.)	(4,112,494)		(413,619)	(2,337,044)	(1,352,485)		
Net Position, Beginning - Restated	263,262,307	21,586,420	34,978,713	19,212,157	6,282,231		5,626,421
Net Position, Ending	$274,523,167	$20,060,984	$38,136,529	$19,630,740	$6,797,856		$9,403,079

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	755,332
Change in net position of Business-Type Activities	$14,582,780

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds						
	Sanitary Sewer System	**Public Facilities Corporation**	**Landfill**	**Water Quality**	**Other Enterprise Funds**	**Total**	**Governmental Activities Internal Service Funds**
Increase (Decrease) in Cash and Cash Equivalents:							
Cash Flows from Operating Activities:							
Receipts from Customers	$63,400,687	$6,126,953	$7,029,263	$13,720,124	$10,790,172	$101,067,199	$0
Receipts from Employees and Other Sources							34,704,123
Receipts from Interfund Services Provided							20,163,800
Payments to Suppliers	(16,314,149)	(1,565,510)	(2,036,610)	(6,179,545)	(368,390)	(26,464,204)	(2,964,464)
Payments to Employees	(11,970,751)		(991,083)	(5,719,142)	(4,297,107)	(22,978,083)	
Payments for Interfund Services Used	(2,461,664)		(170,971)	(953,127)	(242,876)	(3,828,638)	
Payments for Claims							(39,178,704)
Net Cash Provided by Operating Activities	32,654,123	4,561,443	3,830,599	868,310	5,881,799	47,796,274	12,724,755
Cash Flows from Noncapital Financing Activities:							
Transfers In	150,000	375,084				525,084	
Transfers Out	56,435		(77,680)	(23,170)	319,803	275,388	
Net Cash Provided by (Used in) Noncapital Financing Activities	206,435	375,084	(77,680)	(23,170)	319,803	800,472	0
Cash Flows from Capital and Related Financing Activities:							
Purchase of Capital Assets	(54,331,833)	(8,829)	(314,975)	(2,038,943)	(304,421)	(56,999,001)	
Proceeds from Note Payable	36,153,715					36,153,715	
Principal Paid on Bonds	(5,220,135)	(2,055,000)		(248,512)		(7,523,647)	
Interest and Fiscal Agent Fees Paid on Bonds	(3,038,604)	(1,875,009)		(92,383)		(5,005,996)	
Proceeds on Sale of Capital Assets	54,131					54,131	
Net Cash Used in Capital and Related Financing Activities	(26,382,726)	(3,938,838)	(314,975)	(2,379,838)	(304,421)	(33,320,798)	0
Cash Flows from Investing Activities:							
Purchase Sale of Investments	(14,847,007)				(17,117)	(14,864,124)	
Proceeds from Sales and Maturities of Investments		1,745	727,808	238,001		967,554	
Income on Investments	776,073	4,045	282,133	34,526	17,116	1,113,893	
Net Cash Flows Provided by (Used in) Investing Activities	(14,070,934)	5,790	1,009,941	272,527	(1)	(12,782,677)	0
Net Increase (Decrease)	(7,593,102)	1,003,479	4,447,885	(1,262,171)	5,897,180	2,493,271	12,724,755
Cash at Beginning of Year	28,203,452	1,385,619	10,099,751	19,467,845	4,547,933	63,704,600	3,793,277
Cash at End of Year	$20,610,350	$2,389,098	$14,547,636	$18,205,674	$10,445,113	$66,197,871	$16,518,032

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds						
	Sanitary Sewer System	**Public Facilities Corporation**	**Landfill**	**Water Quality**	**Other Enterprise Funds**	**Total**	**Governmental Activities Internal Service Funds**
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:							
Operating Income (Loss)	$13,343,739	($290,697)	$2,956,063	$518,270	$179,106	$16,706,481	$3,776,658
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	12,137,121	3,475,879	574,065	369,556	385,323	16,941,944	
Allowance for Bad Debts	705,739		3,189	102,922	(515)	811,335	
(Increase) Decrease in Assets:							
Accounts Receivable	137,039		(15,558)	(328,933)		(207,452)	
Other Receivables	(161,708)	(18,403)	16,353		46,296	(117,462)	24,467
Inventories and Prepaid Expenses	(126,985)		(12,914)	(37,655)	(59,928)	(237,482)	17,364
Due from Other Funds		1,498,934	12,566		3,030,509	4,542,009	7,954,243
Developments in Progress	(308,373)					(308,373)	
(Increase) Decrease in Deferred Outflows:							
Deferred Other Post Employment Benefit Amounts	(1,767,933)		(152,890)	(863,861)	(565,539)	(3,350,223)	
Deferred Pension Amounts	(3,141,942)		(303,927)	(1,547,490)	(902,824)	(5,896,183)	
Increase (Decrease) in Liabilities:							
Accounts Payable	3,249,872	(78,723)	(39,868)	950,581	102,318	4,184,180	206,282
Accrued Payroll	3,077		3,722	1,779	(277)	8,301	
Claims Payable							745,741
Due to Other Funds	(3,710,383)			(4,532,435)		(8,242,818)	
Unearned Revenue			418	4,538		4,956	
Other Liabilities	(9,213)	(25,547)	(439,048)	(373)		(474,181)	
Compensated Absences	(174,496)		39,735	92,374	23,297	(19,090)	
Unfunded Other Post Employment Benefit Liability	6,465,711		559,150	3,159,325	2,068,296	12,252,482	
Unfunded Pension Liability	3,947,634		450,944	1,970,586	915,099	7,284,263	
Increase (Decrease) in Deferred Inflows:							
Deferred Other Post Employment Benefit Amounts	358,477		31,001	175,162	114,673	679,313	
Deferred Pension Amounts	1,706,747		147,598	833,964	545,965	3,234,274	
Total Adjustments	19,310,384	4,852,140	874,536	350,040	5,702,693	31,089,793	8,948,097
Net Cash Provided by (Used In) Operating Activities	$32,654,123	$4,561,443	$3,830,599	$868,310	$5,881,799	$47,796,274	$12,724,755

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$4,466,919	$1,743,783
Receivables:		
Interest Receivable	2,573,833	
Other Receivables		51
Investments, at Fair Value:		
Debt Securities:		
Bank Loans	347,631	
Corporate Debt	87,139,797	
International Bonds	7,513,441	
Municipal Obligations	2,990,453	
US Agencies	32,107,686	
US Government Obligations	33,342,248	
Repurchase Agreements	35,690,216	
Other Investments:		
Equity Mutual Funds	467,818,734	
Equity Real Estate	68,495,596	
Equity Securities - Domestic	357,923	
Equity Securities - International	68,224,013	
Total Investments	804,027,738	0
Total Assets	$811,068,490	$1,743,834
LIABILITIES		
Accounts Payable and Accrued Expenses	$11,392	$0
Securities Lending Transactions	35,690,216	
Payable to Others		1,743,834
Total Liabilities	$35,701,608	$1,743,834
NET POSITION		
Net position restricted for pensions	$775,366,882	$0

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	$27,576,764
Employer - Administration	4,952,442
Plan Members	10,750,008
Other	8,396
Total Contributions	43,287,610
Investment Income:	
Net Change in Fair Value of Investments	59,751,024
Interest	10,684,069
Dividends	4,160,319
Total Investment Income	74,595,412
Less Investment Expense	3,265,832
Net Investment Income	71,329,580
Income from Securities Lending Activities:	
Securities Lending Income	296,155
Securities Lending Expenses:	
Borrower Rebates	(871,342)
Management Fees	118,396
Total Securities Lending Expenses (Income)	(752,946)
Net Income on Securities Lending Activities	1,049,101
Total Additions	115,666,291
DEDUCTIONS	
Benefit Payments	65,267,163
Administrative Expense	311,710
Total Deductions	65,578,873
Net Increase	50,087,418
Net Position, Beginning	725,279,464
Net Position, Ending	$775,366,882

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2018

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
ASSETS					
Cash	$3,095,780	$5,761,679	$14,365,544	$18,452,194	$41,675,197
Investments		8,744,546		5,265,415	14,009,961
Receivables:					
Accounts Receivable	1,482,875	1,670,203	106,153	334,116	3,593,347
Other		20,254		129,406	149,660
Less Allowance for Uncollectible Accounts	(17,066)				(17,066)
Due from Primary Government	943,206			1,502,579	2,445,785
Due from Other Governments				5,048,477	5,048,477
Other Current Assets	286,121	559,467			845,588
Inventories and Prepaid Expenses			21,199	831,781	852,980
Net Pension Asset				87,855	87,855
Restricted Current Assets:					
Cash		13,574,090		1,213,730	14,787,820
Accounts Receivable		678,592			678,592
Investments	11,549,306	30,873,861		3,351,090	45,774,257
Grants Receivable		814,366			814,366
Other		116,190			116,190
Capital Assets:					
Non-depreciable	28,244,481	31,650,430		9,446,050	69,340,961
Depreciable (Net)	40,063,089	129,247,407	2,441,126	59,901,663	231,653,285
Other Assets	55,406		2,029,503	8,355,000	10,439,909
Total Assets	85,703,198	223,711,085	18,963,525	113,919,356	442,297,164
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on bond refunding	$32,431	$1,521,226	$0	$0	$1,553,657
Deferred Pension Amounts			12,672,460	6,644,774	19,317,234
Deferred Other Post Employment Benefit Amounts			2,013,874	$1,575,991	3,589,865
Total Deferred Outflows of Resources	32,431	1,521,226	14,686,334	8,220,765	24,460,756
Total Assets and Deferred Outflows of Resources	$85,735,629	$225,232,311	$33,649,859	$122,140,121	$466,757,920
LIABILITIES					
Accounts, Contracts Payable and Accrued Liabilities	$2,374,415	$1,483,516	$1,033,692	$1,934,553	$6,826,176
Unearned Revenue and Other		227,953	19,337	3,447	250,737
Liabilities Payable from Restricted Assets:					
Accounts Payable		4,582,601			4,582,601
Interest Payable		1,438,756			1,438,756
Noncurrent Liabilities:					
Due Within One Year					
Compensated Absences				541,679	541,679
Bonds and Notes Payable	2,340,000	3,660,000		1,509,338	7,509,338
Due in More Than One Year					
Compensated Absences			501,533	358,912	860,445
Bonds and Notes Payable	18,332,275	84,797,006		27,167,749	130,297,030
Other		347,627			347,627
Unfunded Other Post Retirement Benefit Liability			55,998,909	7,489,086	63,487,995
Unfunded Pension Liability			10,607,093	13,998,416	24,605,509
Total Liabilities	$23,046,690	$96,537,459	$68,160,564	$53,003,180	$240,747,893
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Amounts	$0	$0	$9,052,613	$3,516,006	$12,568,619
Deferred Other Post Employment Benefit Amounts			228,256	287,612	515,868
Total Deferred Inflows of Resources	0	0	9,280,869	3,803,618	13,084,487
Total Liabilities and Deferred Inflows of Resources	$23,046,690	$96,537,459	$77,441,433	$56,806,798	$253,832,380
NET POSITION					
Net Investment in Capital Assets	$47,667,726	$89,796,131	$2,441,126	$41,881,411	$181,786,394
Restricted for:					
Governmental and Program Funds			216,863	390,932	607,795
Capital Projects	3,137,407	814,366			3,951,773
Debt Service	6,139,999	23,387,302	128,850		29,656,151
Unrestricted	5,743,807	14,697,053	(46,578,413)	23,060,980	(3,076,573)
Total Net Position	$62,688,939	$128,694,852	($43,791,574)	$65,333,323	$212,925,540

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2018

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
Lexington Center Corporation									
Lexington Center Operations	$16,956,067	$17,208,875	$348,000	$74,110	$674,918				$674,918
Depreciation	4,603,038				(4,603,038)				(4,603,038)
Interest on Long-Term Debt	721,082				(721,082)				(721,082)
Total Lexington Center Corporation	22,280,187	17,208,875	348,000	74,110					(4,649,202)
Lexington Airport Board									
Airport Operations	12,986,397	22,309,853		6,608,874		$15,932,330			15,932,330
Depreciation	10,311,573					(10,311,573)			(10,311,573)
Interest on Long-Term Debt	3,001,047					(3,001,047)			(3,001,047)
Total Lexington Airport Board	26,299,017	22,309,853	0	6,608,874					2,619,710
Fayette County Department of Health									
Department of Health Operations	14,676,226	3,608,203	6,853,254				($4,214,769)		(4,214,769)
Depreciation	429,147						(429,147)		(429,147)
Total Fayette County Department of Health	15,105,373	3,608,203	6,853,254						(4,643,916)
Nonmajor Component Units	54,840,521	4,677,819	5,916,383	3,102,789				($41,143,530)	(41,143,530)
Total Component Units	$118,525,098	$47,804,750	$13,117,637	$9,785,773	($4,649,202)	$2,619,710	($4,643,916)	($41,143,530)	($47,816,938)
General Revenues (Expenses):									
Taxes					$8,261,489		$8,580,798	$41,411,787	$58,254,074
Payment from/(to) Lexington-Fayette Urban County Government								186,723	186,723
Income on Investments					57,292	842,004	109,569	108,290	1,117,155
Net Change in Fair Value of Investments						(529,954)			(529,954)
Gain on Sale of Capital Assets								3,238	3,238
Miscellaneous								(656,597)	(656,597)
Total General Revenues					8,318,781	312,050	8,690,367	41,053,441	58,374,639
Change in Net Position					3,669,579	2,931,760	4,046,451	(90,089)	10,557,701
Net Position, Beginning					59,019,360	125,763,092	(39,420,748)	69,583,577	214,945,281
Adjustment to Opening Net Position (Note 2.D.)							(8,417,277)	(4,160,165)	(12,577,442)
Net Position, Beginning-Restated					59,019,360	125,763,092	(47,838,025)	65,423,412	202,367,839
Net Position, Ending					$62,688,939	$128,694,852	($43,791,574)	$65,333,323	$212,925,540

The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
INDEX

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lexington-Fayette Urban County Government (the Government) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for government accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Reporting Entity – The Government is a merged city-county government governed by an elected mayor and a fifteen-member council. The accompanying financial statements present the Government and its component units (traditionally separate reporting entities), for which the Government is considered to be financially accountable. The Government (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefit to, or impose specific financial burden on the Government. Additionally, the Government is required to consider other organizations for which the nature and significance of their relationship with the Government are such that exclusion would cause the Government's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

1. Blended Component Units – The agencies and organizations listed below are, in substance, the same as the Government, despite being legally separate from the Government. Therefore, they are reported as part of the primary government. They have a governing body that is substantially the same as the governing body of the Government; provide services entirely, or almost entirely, to the Government; or otherwise exclusively, or almost exclusively, benefit the Government even though they do not provide services directly to the Government; and whose total debt outstanding is expected to be repaid entirely, or almost entirely, with resources of the Government.

The Public Library Corporation (PLC) is an instrumentality of the Government created solely for acquiring, constructing, equipping, and financing public projects to be used for public library purposes. The board consists of the Mayor, Vice Mayor, two members appointed by the Lexington Public Library, and one member appointed by the other four board members.

The Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund are single employer, defined benefit pension plans that cover eligible Government personnel. Members of both boards are comprised of officials, employees and retirees of the Government. The Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund are Fiduciary Funds.

The Public Facilities Corporation (PFC) was created to act as an agency and instrumentality of the Government in acquiring, developing and financing public improvements and public projects. The Mayor, Vice Mayor, and Commissioner of Finance serve ex officio on the board.

The Public Parking Corporation (PPC) was created to act as an agency and instrumentality of the Government in the acquisition and financing of public parking projects. The Mayor, Vice Mayor, and Commissioner of Finance serve ex-officio on the board.

2. Discretely Presented Component Units – The agencies described below are included in the Government's reporting entity because the Government appoints the governing body or a financial benefit or burden relationship exits. Additionally, the agencies are fiscally dependent on the Government. All of these agencies are reported as discretely presented component units since the governing body is not substantively the same as the governing body of the Government, and they provide services to the citizens of Fayette County and the surrounding area as opposed to only the primary government. To emphasize that they are legally separate from the Government, they are reported in a separate column in the financial statements. Fund information for the component units, if applicable, may be found in their separately issued financial statements. Requests for separately issued financial statements should be directed to the attention of those respective entities.

The Lexington Public Library's (Library) primary mission is to maintain a free public library in Lexington-Fayette County. The Mayor appoints all seven members of the board with approval by the Urban County Council and they may be removed by the vote of the Urban County Council. The Government provides financial support in the form of annual appropriations based upon property tax collections.

The Lexington-Fayette Urban County Department of Health (Board of Health) has the general statutory responsibility of promoting and protecting the health of Fayette County residents. This entity provides critical services to the citizens of Fayette County on behalf of the Government. The Board of Health is governed by a nine-member board that is appointed by the Mayor and approved by the Urban County Council. In addition, the Urban County Council approves their Ad Valorem tax rate annually.

The Lexington Downtown Development Authority, Inc. (DDA) is a non-profit government corporation created in fiscal year 2002 to act as an agency of the Government in various economic development, redevelopment and physical improvement activities associated with downtown. The DDA is governed by a nine-member board that is appointed by the Mayor and approved by the Urban County Council. The Government provides in-kind and financial support to the DDA by providing accounting and payroll services and annual appropriations to help meet operating expenses. In fiscal year 2018, the DDA merged with the Downtown Lexington Corporation, which is an economic development partner agency of the Government. The merged entity is the Downtown Lexington Partnership (see Note 2.B.)

The Lexington Transit Authority (LexTran) was organized to provide unification and coordination of a mass transportation system for Fayette County. This entity provides critical services to the citizens of Fayette County on behalf of the Government. LexTran is governed by an eight-member board appointed by the Mayor and approved by the Urban County Council. In addition, the Urban County Council approves the annual budget for LexTran.

The Lexington Convention and Visitors Bureau (Visitors Bureau) was established by the Government for the purpose of promoting recreational, convention and tourist activity in Fayette County. The Government may abolish the Visitors Bureau by repealing the ordinance that created it. All nine members of the Visitors Bureau board are appointed by the Mayor and approved by the Urban County Council. The Government has a statutory authority to provide funds for the operation of the Visitors Bureau by imposing a transient room tax not exceeding four percent (4%) of qualified occupancy rental.

The Lexington Center Corporation (LCC) is a non-profit, non-stock corporate agency and instrumentality of the Government. The purpose of the LCC is to plan, finance, develop and operate a convention, trade show, performing arts venue and sports facility. The thirteen-member board is appointed by the Mayor and approved by the Urban County Council. The Government has statutory authority to impose a transient room tax, not exceeding two percent (2%) of qualified occupancy rental, to provide funds for payment of debt service. As discussed in Note 5.D., the Government entered into a Lease Agreement that provides for an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

The Lexington-Fayette Urban County Airport Board (Airport Board) is responsible for the operation, maintenance, and planning of airport facilities designed to serve the general public of the Central Kentucky area. The ten board members are appointed by the Mayor and approved by the Urban County Council. The Government has entered into a Contract Lease and Option Agreement, discussed in Note 5.E., which requires an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

The DDA is included in the comprehensive audit of the Government and does not issue separate financial statements. The DDA has one fund for financial reporting. Complete audited financial statements for the other component units may be obtained from the Commissioner of Finance of the Government or from the respective agencies.

B. Related Organization – A related organization is an entity for which the Government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the Government appoints a voting majority of the related organization's governing board.

The Lexington-Fayette Urban County Housing Authority (Housing Authority) was created in order to develop and operate decent, safe and sanitary housing for low income, elderly and disabled residents. The appointment of the governing board by the Mayor and the scope of public service are not considered an adequate demonstration of oversight and control. The Government has no responsibility for their budget, debt, financing deficits, or fiscal management. Additionally, the Government does not influence their operations in any respect. Therefore, the Housing Authority is not considered to be a component unit of the Government.

Explorium of Lexington was established to provide a unique educational opportunity for Fayette County and Central Kentucky children. The Government has no responsibility for their budget, debt, financing deficits, or fiscal management. Additionally, the Government does not influence their operations in any respect. Therefore, the Explorium is not considered to be a component unit of the Government.

The Downtown Lexington Management District was established for the purpose of providing and financing economic improvements that specifically benefit property within the District. The Government has no responsibility for their budget, debt, financing deficits, or fiscal management. Additionally, the Government does not influence their operations in any respect. Therefore, the Downtown Lexington Management District is not considered to be a component unit of the Government.

Parking Authority of Lexington (Parking Authority) was established to centralize all public parking functions into one entity, to improve parking operations, and ultimately to improve the availability of parking in downtown Lexington. The Government has no responsibility for their budget, debt, financing deficits, or fiscal management. Additionally, the Government does not influence their operations in any respect. Therefore, the Parking Authority is not considered to be a component unit of the Government.

The Downtown Lexington Partnership (DLP) promotes physical and economic development that strengthens and maintains downtown Lexington as the cultural and economic heart of Central Kentucky as well as being dedicated to enhancing downtown Lexington as a unique and vibrant destination to live, work, and play. The Government has no responsibility for their budget, debt, financing deficits, or fiscal management. Additionally, the Government does not influence their operations in any respect. Therefore, the DLP is not considered to be a component unit of the Government.

C. Jointly Governed Organizations – The Government has some level of representation in the following organizations. Since the Government does not retain an ongoing financial interest or an ongoing financial responsibility for these organizations, these are not joint ventures and are not presented in the financial statements.

The Bluegrass Regional Recycling Center (BRRC) is a non-profit Kentucky corporation whose purpose is to reduce the volume of solid waste being placed in landfills and engage in activities that promote recycling. Pursuant to an Interlocal Agreement, the BRRC is operated by the Government and fourteen counties. The Government has no legal interest in or access to the resources of the BRRC. Neither does it have any legal responsibility for the deficits or debts of, or financial support to, the BRRC.

The Valley View Ferry Authority is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Government, three appointed by the Madison County Fiscal Court and two appointed by the Jessamine County Fiscal Court. The Government is not legally responsible for the Valley View Ferry Authority's finances. The Government contributed $28,919 to support the Ferry's operations in fiscal year 2018.

D. Basic Financial Statements

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide and the fund financial statements. The reporting model focus is either on the Government as a whole or on major individual funds. The government-wide financial statements report information on all of the non-fiduciary activities of the Government and its component units. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental Activities normally are supported by taxes and intergovernmental revenues. Business-Type Activities rely to a significant extent on fees and charges for support. In the Government-Wide Statement of Net Position, both the Governmental and Business-Type Activities are presented on a consolidated basis by column.

The Government-Wide Statement of Activities demonstrates the degree to which the direct expenses of a function (Public Works, Police, Fire and Emergency Services, Parks and Recreation, etc.) are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include charges for services, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital-specific. Occupational license fees applied to gross wages and net profits, other license fees and permits, taxes, interest income, and other revenues not included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds (by category) are summarized into a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary, and fiduciary fund (with the exception of the agency fund, which has no measurement focus) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities, including long-term assets as well as long-term debt and obligations, are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the period. Revenues susceptible to accrual are intergovernmental revenues, investment earnings, emergency medical services fees (EMS), insurance revenues and license fees. Major revenue sources not susceptible to accrual include charges for services (other than EMS), fines and forfeitures and miscellaneous revenues. Such revenues are recorded as revenues when received because they are generally not measurable or available until actually received. Intergovernmental revenues received for specific purposes or projects are recognized when the applicable eligibility requirements are met. Revenues received before the eligibility requirements are met are reported as unearned revenue. Expenditures are recorded when the liability is incurred except: (1) principal and interest on long-term debt, pension liabilities, and claims and judgements are recorded when due, and (2) compensated absences are accounted for as expenditures in the period used.

Agency fund financial statements report only assets and liabilities and accordingly have no measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds provide services primarily to other funds of the Government and are presented in summary form as part of the proprietary fund statements. Since the principal users of the internal services are the Government's governmental activities, the internal service funds' financial statements are consolidated into the governmental activities column in the government-wide financial statements. To the extent possible, the costs of these services are reflected in the appropriate functional activity. The internal service funds also provide services to the proprietary funds. Therefore, a portion of the net position of the internal service funds is allocated to Business-Type Activities and is reported as an adjustment on the Statement of Net Position of the proprietary funds.

The Government's fiduciary funds are presented in the fund financial statements by type (pension and agency). Since these assets are being held for the benefit of a third party (private parties, pension participants, etc.) and cannot be used for activities or obligations of the Government, these funds are not incorporated into the government-wide financial statements.

The Government reports the following major governmental funds:

The *General Fund* is the primary operating unit of the Government and accounts for the revenues and expenditures not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services, and general administration are reported in this fund.

The *Urban Services Fund* accounts for the taxes that are assessed on property within designated areas, or taxing districts, based on the type of services available to property owners. These services include solid waste collection, streetlights and street cleaning. Property taxes raised from the urban services taxing districts can only be used to finance these services.

The *Federal and State Grants Fund* accounts for the receipts of intergovernmental funds that are restricted for operational and capital use of a particular function.

The Government reports the following major proprietary funds:

The *Sanitary Sewer System Fund* accounts for the construction activities, operation and maintenance, and the payment of principal and interest for bond issues of the Government's sanitary sewer system.

The *Public Facilities Corporation Fund* accounts for the acquisition, construction, and operation of government-owned facilities.

The *Landfill Fund* accounts for the operations, closure, and postclosure care costs of the Government's landfill.

The *Water Quality Fund* accounts for the revenues and expenses of developing and operating storm water related activities.

Additionally, the Government reports the following fund types:

Internal Service Funds account for the Government's insurance programs for employee health, dental and vision care insurance benefits. Workers' compensation, vehicle liability and physical damage, general liability, and property damage insurance coverage are also accounted for in Internal Service Funds.

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Government. Trust funds account for assets held by the Government under the terms of a formal trust agreement. Agency funds generally are used to account for assets that the Government holds on behalf of others as their agent, are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations. Fiduciary funds are as follows:

Pension Trust Funds account for the revenues received, expenses incurred, and the net position available for retirement benefits of the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund.

Agency Funds account for assets held by the Government for others in an agency capacity. These are funds collected from juvenile and adult offenders and disbursed to victims in accordance with court decrees, funds collected from and disbursed for inmates who are on work release, funds collected from prisoners and disbursed based on court order, funds collected from special assessments for payment of debt service for neighborhood capital projects, funds collected from noncustodial parents for child support and disbursed to the custodial parents, and funds managed by the Government on behalf of adults who are unable to manage their own money.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Government’s sewer, landfill, public facilities, parking, and various other functions of the Government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include occupational license fees on wages and net profits, taxes, and interest income.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Government’s enterprise and internal service funds are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Government administers the *Expansion Area Master Plan* as follows:

The Government established a program in 1996, called the Expansion Area Master Plan (EAMP), to ensure uniform development of the Urban Services Area in Fayette County. The EAMP allows for the collection of exaction fees on new construction. The Government requires that those who develop property bear the cost of improvements in approximate proportion to the need generated by the development. Ordinance 196-96 acknowledges that it is in the best interest of the Government to encourage developers to build the system improvements identified in the Infrastructure Element of the EAMP and to provide developers who “front end” public improvements with credits against fair share fees and repayment for costs incurred in excess of their fair share.

Generally credits are granted to developers via a resolution passed by the Urban County Council. The Chief Administrative Officer has the authority to grant credits outside the resolution process and has occasionally done so. Exaction fees are assessed according to the guidelines established in the EAMP. They are due and payable when a developer applies for a building permit. Fees may be satisfied either with a cash payment or the surrender of exaction credits.

E. Budgetary Control

Budget Policy – The Urban County Council annually approves the budget ordinance for all operating funds of the Government, which includes governmental, proprietary, fiduciary, and agency funds. Federal and State Grant funds and capital projects funds adopt project-length budgets. Additional special revenue funds which are not budgeted include the Industrial Revenue Bond Fund, Police Confiscated Funds, and the Public Safety Fund. Budgets are adopted on a basis consistent with GAAP except that budgetary basis expenditures include purchase orders and contracts (encumbrances). Budgetary control is maintained at the division level, e.g. Division of Police, Division of Parks and Recreation, etc. The Mayor may authorize transfers within a division; however, the Urban County Council must approve by ordinance any other amendments to the budget. All budgeted amounts presented in the financial statements reflect the original budget and the amended budget which have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations lapse at year-end; however, uncompleted capital projects may be re-appropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2018. The net effect of these supplemental appropriations was an increase of $5,673,080 in the General Fund and a decrease of $5,434,431 in the Urban Services Fund, which included re-appropriations of encumbrances from prior fiscal years and various waste management and street light re-appropriations to the following fiscal year 2019, respectively.

F. Assets, Liabilities, and Fund Equity

Cash and Investments – Management has adopted written policies and procedures for cash and investment management. Cash and cash equivalents include cash on hand, demand deposits and cash with fiscal agents. Cash balances of most Government funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's average monthly cash balance, except as required by ordinance for various restricted reserves. Funds that incur a negative balance in pooled cash and investments during the year are not allocated interest. The Government has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires that investments in interest-earning investment contracts, external investment pools, open-end mutual funds, and debt and equity securities be reported at fair value. Investments in the Pension Trust Funds and investments with a maturity of more than one year at the time of purchase are stated at fair value. Fair value for securities traded on a national exchange is determined by the last reported sales price. All other investments are stated at cost.

Receivables – Receivables are amounts due representing revenues earned or accrued in the current period. Allowances for uncollectible loans in the Federal and State Grants Fund fully reserve loan balances due to the nature of the individual projects and terms of the loans. Accounts receivable from other governments include amounts due from grantors for grants for specific programs and capital projects. The majority of other receivables in the General Fund are for taxpayer-assessed revenues that are collected 30 days after year end. Franchise fee revenues are recognized if collected within 60 days after year end.

Property taxes for fiscal year 2018 were levied on August 30, 2017 on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Per KRS 134.020
Due date for payment of taxes	Upon receipt
2% discount period	By November 1
Face value amount payment dates	November 2 to December 31
Delinquent date, 5% penalty	January 1 to January 31
10% penalty plus 10% add on fee date	April 15

Per Kentucky statute, the county sheriffs are responsible for collection of property taxes. Vehicle taxes, collected by the County Clerk of Fayette County, are due and collected in the birth month of the vehicle's licensee. During the year, property tax revenues are recognized when cash is received. At year-end, a receivable is recorded for delinquent property taxes, but revenues are only recognized for taxes collected within 60 days of the close of the fiscal year.

Allowance for Uncollectable Amounts – An allowance for uncollectable amounts relates to the estimated uncollectable balance of the revenues earned or accrued that have been included in accounts receivable at year end. An allowance is recorded on receivable balances based on historical bad debt experience related to the nature of each receivable balance.

Interfund Transactions – During the course of its operations, the Government has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded as "due to/from other funds". These accounts are eliminated on the Government-Wide Statement of Net Position. Any residual balances outstanding between the Governmental Activities and Business-Type Activities are reported in the government-wide financial statements as "internal balances."

Interfund transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the Government are similarly treated when involving funds of the Government. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the reimbursed fund. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

Inventories and Prepaid Items – Fuel and vehicle parts inventories are stated at average cost. Other inventories are valued using the first-in, first-out method. The costs of inventory items are recognized as expenditures or expenses when used.

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2018 are recorded in assets as prepaid items under the consumption method.

In the governmental fund financial statements, reported inventories and prepaid items are equally offset in the fund balance as nonspendable, which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

Restricted Assets – Restricted assets are liquid assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the Balance Sheet and Statement of Net Position since their use is limited by applicable bond indentures. The other restricted assets are required to be maintained until the related bonds mature. The Construction and Capital Acquisitions account is used to report proceeds of bonds and notes payable that are restricted for use in construction and capital acquisitions. The Government uses the Construction and Capital Acquisitions assets for their intended purpose before using unrestricted assets. The Maintenance and Operations account represents the resources set aside to operate, maintain and insure the Sanitary Sewer System for three full months. The Capital Replacement account represents the resources set aside to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs and contingencies in the operation of the Sanitary Sewer System. The Debt Service account is used to report resources set aside to prevent a default in payment of principal or interest on the bonds. The Sinking Fund account represents the resources accumulated for debt service payments over the next twelve months.

The balances of the restricted asset's accounts in the governmental funds are as follows:

Various purpose general obligation notes account	$46,816,709
Federal Grants and Contracts	28,927
Debt Service on QECB Bond	812,350
Total restricted assets	$47,657,986

The balances of the restricted asset's accounts in the enterprise funds are as follows:

Sanitary sewer revenue bond sinking fund account	$2,628,036
Sanitary sewer and stormwater capital replacement account	1,326,865
Total restricted assets	$3,954,901

Unrestricted Assets – Unrestricted assets represent unrestricted liquid assets. While Government management may have categorized and segmented portions for various purposes, the Urban County Council has the unrestricted authority to revisit or alter these management decisions.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, traffic signals and similar items), and intangible assets, are reported in the applicable Governmental or Business-Type Activities columns in the government-wide financial statements and in the proprietary funds. Expenditures for items having a useful life greater than one year and having a cost greater than $5,000 for equipment and $25,000 for land, buildings, infrastructure and related improvements are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value and recorded as donations at the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10-40 years
Land and leasehold improvements	10-50 years
Infrastructure	10-50 years
Sanitary sewer system lines and plants	10-50 years
Vehicles, equipment, and furniture	5-25 years
Intangibles	3-5 years

Construction in progress (CIP) represents construction projects for capital assets that have not yet been placed in service. Developments in progress (DIP) represent fees accrued on urban development projects in the EAMP currently underway that have not yet been completed, where settlement of the fees by the respective developer is expected to be made through contributing infrastructure type assets (e.g. roads, sewer systems, etc.) to the Government. CIP and DIP are not depreciated until the projects are complete and placed in service. For more information on the EAMP plan, please see page 55. Land, purchase of development rights, and permanent easements are not depreciated.

The Government has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future use. These items are not capitalized or depreciated as part of capital assets.

Compensated Absences – Compensated absences include accumulated unpaid vacation, sick and holiday leave. Government employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. In the event of termination, an employee is reimbursed for accumulated holiday and vacation days. Employees receive annual compensation for accumulated unused sick leave in excess of 600 hours (or 840 hours for firefighters). Employees are reimbursed for all accumulated unused sick leave upon retirement. All accumulated leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental funds, compensated absences are not payable with available and spendable resources, and, therefore, are only recorded when they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations – In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or Proprietary Fund Statement of Net Position. The discounts and premiums related to bonds and notes issued are amortized over the life of the bond or note using the straight-line method. Bonds and notes payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred. Losses on advance refunding issues are reported as deferred outflows of resources and recognized as an outflow as required by GASB Statement No. 65.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

The difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt of the proprietary funds is amortized as a component of interest expense over the life of the old or new bonds, whichever is shorter, using the straight-line method.

Long-term liabilities include the following:

- Compensated absences, which is the accrual for vacation time earned but not taken by employees.
- Principal outstanding on general obligation bonds, general obligation notes, and revenue bonds.
- Unfunded Post-Retirement Health Benefits, which is the net retirement health benefit obligation for the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund. In addition, it includes the Government's proportionate share of the unfunded liability in the CERS multi-employer defined benefit post-employment health insurance plan.
- Landfill closure and postclosure care liability, which is the estimated total cost to perform certain maintenance and monitoring functions for thirty years after closure.
- Unearned revenue and other liabilities, which is the cash received in advance of being earned, and other long term liabilities.
- Unfunded postemployment benefit liability, which is the net postemployment benefits obligation for the Policemen's and Firefighters' Retirement Fund. In addition, it includes the Government's proportionate share of the unfunded postemployment benefits liability in the CERS multi-employer defined benefit pension plan.
- Unfunded pension liability, which is the net retirement obligation for the Policemen's and Firefighters' Retirement Fund. In addition, it includes the Government's proportionate share of the unfunded pension liability in the CERS multi-employer defined benefit pension plan.

G. Deferred Inflows of Resources and Deferred Outflows of Resources

With the implementation of GASB Statements 65 and 68, and GASB Statements 74 and 75, the Government's Statement of Net Position includes deferred inflows (or deferred outflows) of resources when appropriate. Deferred outflows of resources represent a consumption of net position that applies to one or more future periods. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period.

Deferred Outflows – include the differences between reacquisition price and the net carrying amount of refunded debt obligations that is recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In addition, it includes differences between expected and actual experience, changes of assumptions, changes in proportionate share, and differences between projected and actual earnings on investments in both pension plans and other paid employee benefit plans, and contributions to pension plans and other paid employee benefit plans made subsequent to the Government's measurement date of June 30, 2017.

Deferred Inflows – include differences between expected and actual experience, changes of assumptions, changes in proportionate share, and projected and actual earnings on investments, in both pension plans and other paid employee benefit plans.

H. Net Position/Fund Balances

The government-wide and proprietary financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets – is intended to reflect the portion of net position associated with capital assets (net of accumulated depreciation), less outstanding capital assets related debt, net of unspent bond proceeds.

Restricted Net Position – represents amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws/regulations of other governments or constitutional provisions, or (b) resources resulting from enabling legislation.

Unrestricted Net Position – This category represents amounts not appropriated for expenditures, or legally segregated for a specific future use.

In the Balance Sheet of governmental funds the difference between the assets and liabilities of governmental funds is reported as fund balance. The Government's fund balance is divided into the following classifications, as applicable:

Nonspendable – These resources include amounts that cannot be spent because they are either not spendable in form, or are legally or contractually required to be maintained intact. The Government's nonspendable funds consisted of prepaid expenses and inventories as of June 30, 2018.

Restricted – Restricted amounts represent resources that are constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation. The Government had restricted funds for various projects: public works, public safety, capital projects, grants, urban services, and energy improvement as of June 30, 2018.

Committed – Committed amounts are constrained for a specific purpose by the Government using its highest level of decision-making authority. For resources to be considered committed, the Urban County Council issues an ordinance that can only be changed with another corresponding ordinance.

Committed fund balance for the General Fund is further classified as follows:

Affordable Housing & Homelessness Intervention	$1,177,283
Economic Stabilization	34,015,454
Chief Development Officer	1,353,157
Social Services	649,517
Special Programs	460,170
Committed Fund Balance	$37,655,581

The Government developed and adopted a General Fund Balance ("Economic Stabilization Fund" or "Contingency Designation Fund") Policy on December 5, 1996, and revised on April 17, 2016.

It is the Government's policy to:

- Maintain a Contingency Designation Fund funding goal of ten percent (10%) of the previous year's total General Fund Revenues. Interest earned accrues to the fund.
- Budget a deposit of $50,000 per month, for each fiscal year until meeting the Contingency Designation Fund funding goal of 10% of the last completed fiscal year total General Fund revenues, beginning with the 2007 fiscal year.
- Annually report to the Budget, Finance, and Economic Development Committee the dollar amount that could be deposited to the fund to maintain ten percent (10%) of the previous year's General Fund Revenues.

The Contingency Designation Fund balance may be used in the following circumstances:

- Unanticipated or unforeseen extraordinary needs of an emergency nature.
- Revenue stabilization to balance the budget in the event of an unanticipated shortfall.
- Unanticipated situations of an unusual nature involving nonrecurring expenditure(s).

The Government has made a complete and rational analysis, with justifying evidence that the Contingency Designation Fund can be maintained in the future.

Assigned – Assigned amounts represent resources that the Government intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Urban County Council or by the Commissioner of Finance under the authorization of the Mayor. Amounts classified as assigned have gone before the Government's Urban County Council subsequent to June 30, 2018 for approval through ordinance.

Assigned for:	General Fund	Non Major Funds
Information Technology	$377,926	$0
Environmental Quality & Public Works	60,417	
Fire & Emergency Services	599,820	
General Government	15,402,683	390,941
General Services	27,519	
Parks and Recreation	243,231	
Planning Preservation & Development	204,502	
Public Safety	115,922	
Social Services	28,918	
Assigned Fund Balance	$17,060,938	$390,941

Unassigned – Unassigned amounts represent resources that have not been classified as nonspendable, restricted, committed, or assigned to a specific purpose within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are nonspendable, restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When both restricted and unrestricted resources are available for use, it is the Government's policy to use restricted resources first, then unrestricted resources as they are needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes. Unassigned fund balances would be used as needed.

I. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Revenues

Emergency medical service fees are billed and collected by Software Development, Inc. (SDI) as an agent for the Government. Cash collected by SDI is remitted daily to the Government. The Government records all revenues (net of an allowance for doubtful accounts) billed through the end of the fiscal year by SDI.

The Government utilizes an internal billing system to collect sanitary sewer and landfill user fees, along with the water quality management fee.

Unearned revenue in the government-wide and proprietary funds Statement of Net Position and the Governmental Funds Balance Sheet result from resources that the Government has received before it has a legal claim to it, such as when grant money is received prior to incurring eligible expenditures. In a subsequent period, when revenue is earned, the liability is removed and revenue recognized.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The liability was measured at June 30, 2017.

L. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources, OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) Post Employment Health Insurance Plan (the Plan), and additions to/deductions from CERS the Plan's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The liability was measured at June 30, 2017.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

Management of the Government believes it has no material violations of finance related legal and contractual provisions.

B. Excess of Expenditures over Appropriations - The following divisions, in funds that have budgets adopted annually, had excess expenditures over appropriations for the fiscal year ended June 30, 2018:

	Excess Expenditures
General Fund:	
Accounting	$41,597
Adult Services	52,967
Circuit Judges	3,557
Community Corrections	524,045
Council Office	56,082
DEEM/Enhanced 911	172,046
Enterprise Solutions	7,405
Environmental Services	42,085
Fire & Emergency Services	2,557,367
Historic Preservation	741
Human Resources	35,694
Indirect Cost Allocation	295,589
Internal Audit Office	15,661
Planning	321,140
Police	966,442
Purchase of Development Rights	4,727
Revenue	285
Streets & Roads	217,357
Traffic Engineering	228,383
Youth Services	10,766
Urban Services Fund:	
Environmental Quality	$54,849
Government Communications	107,206
Streets & Roads	291,891

Excess expenditures over appropriations were funded by favorable budget variances in other categories.

C. Fund Deficits

Other Government Funds – the 2007, 2008, & 2009 Bond Projects Fund had a fund deficit of ($36,692) as a result of capital bond projects. There is adequate funding for these projects in the General Fund.

Proprietary funds – the Extended School Program had a fund deficit of ($611,525) as a result of the unfunded pension liability.

D. Prior Period Adjustments

Primary Government

The following prior period adjustments were made to the Governmental fund financial statements:

General Funds: To recognize expenditures incurred in the prior fiscal year in the amount of $3,272. To recognize expenditures incurred in prior fiscal years and eliminate the loan receivable balance for Explorium Children's Museum in the amount of $72,833. The amount of $10,233 was from fiscal year 2017 and $62,600 was from fiscal year 2015. To recognize expenditures incurred in fiscal year 2007 in the amount of $1,228,017 to fund capital projects in the Exactions Area Master Plan (EAMP).

Other Governmental Funds: To recognize funding received in fiscal year 2007 in the amount of $558,675 for infrastructure projects in the Exactions Area Master Plan (EAMP).

The following prior period adjustments were made to the government-wide financial statements:

The Governmental Funds: To recognize noncapital expenditures incurred in fiscal year 2007 in the amount of $90,258 to fund projects in the Exactions Area Master Plan (EAMP).

The Business-Type Activities Funds: To recognize funding received in fiscal year 2007 in the amount of $670,378 to fund infrastructure projects for the Sanitary Sewer System in the Exactions Area Master Plan (EAMP).

To derecognize expenditures incurred in prior fiscal years for overpayments in Other Enterprise Funds that were refunded in the amount of $177,493. Of this amount $44,988, $127,261, and $5,244 was overpaid in fiscal years 2017, 2016, and 2015, respectively.

GASB requires Statement No.75 to be applied retroactively, which resulted in a restatement of beginning net position. To implement GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits other than Pensions (OPEB)*, government-wide net position was reduced $305,010,438. The Governmental Activities net position was reduced $295,946,925 to reflect the unfunded other post-retirement benefit liability. Of that amount, $53,406,283 represents the Governmental funds proportionate share of the unfunded other post-retirement liability in the County Employee Retirement System. In addition, $242,540,642 represents the Governmental funds unfunded other post-retirement liability in the Policemen's and Firefighters' Retirement Plan. The Business-Type Activities net position was reduced $9,063,513 for the proportionate share of the unfunded other post-retirement liability in the County Employee Retirement System.

Component Units

The implementation of GASB Statement No.75, *Accounting and Reporting for Postemployment Benefits other than Pensions (OPEB)* required reductions in net position. GASB requires Statement No.75 to be applied retroactively, which resulted in a restatement of beginning net position. The following reductions occurred in fiscal year 2018:

Fayette County Department of Health	$8,417,277
Lexington Public Library	$3,207,048
Lexington Convention and Visitors Bureau	$752,562

The Downtown Development Authority merged with the Downtown Lexington Corporation, creating the Downtown Lexington Partnership on January 1, 2018. All assets were transferred to Downtown Lexington Partnership. The merger resulted in a reduction of net position in the amount of $200,555.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

Primary Government

The Government's bank balances at June 30, 2018 are entirely insured by the Federal Deposit Insurance Corporation (FDIC) and/or collateralized with securities held by the Government's agent in the Government's name. In accordance with Kentucky Revised Statute (KRS) 66.480 and the Government's investment policy, the Government is allowed to invest in the following:

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
3. Obligations of any corporation of the United States government.
4. Certificates of deposit or other interest-bearing accounts issued by any bank or savings and loan institution which are insured by the FDIC, or similar entity, or which are collateralized to the extent uninsured.
5. Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
6. Commercial paper rated in the highest category by a nationally recognized rating agency.
7. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
8. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
9. Shares of mutual funds, each of which shall have the following characteristics:
    a. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended
    b. The management company of the investment company shall have been in operation for at least five (5) years; and
    c. All of the securities in the mutual fund shall be eligible investments under this section.

In addition, the Pension Trust Funds are allowed to invest in equity securities, corporate bonds and international stocks listed as American Depository Receipts (ADR). Investments of the Government as of June 30, 2018 are summarized and categorized in the following table:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and Cash Equivalents	$48,118,124	$48,118,124	$0	$0
Certificates of Deposit	15,464,464		15,464,464	
Money Market Mutual Funds	110,751,702		110,751,702	
U.S. Government Agency Obligations	45,283,858		45,283,858	
Total Investments	$219,618,148	$48,118,124	$171,500,024	$0

The Government categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Level 2 fixed income securities are priced by industry standard vendors, such as Interactive Data Corporation (IDC), using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. IDC also monitors market indices and industry and economic events including credit rating agency actions. The Government has no Level 3 inputs.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. While the Government has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the policy does not place any formal limits of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the "prudent person rule" outlined in the Government's investment policy. This rule is defined to mean "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived." The prudent investor standard shall be applied in the context of managing the overall portfolio.

Primary Government (except Fiduciary Funds)

		Investment Maturities (in years)					
Investment Type	Fair Value	Less Than 1 Year	1 to 5	6 to 10	More than 10	S&P Rating	Fair Value
Cash and Cash Equivalents	$48,118,124	$48,118,124				AA+	$58,708,771
Certificates of Deposit	15,464,464	6,824,170	7,784,830		855,464	NR	160,909,377
Money Market Mutual Funds	110,751,702	110,751,702					
U.S. Government Agency Obligations	45,283,858	22,413,747	22,398,826	471,285			
Total Investments	$219,618,148	$188,107,743	$30,183,656	$471,285	$855,464		$219,618,148

Concentration of Credit Risk – The risk of loss attributed to the magnitude of the Government's investment in a single issuer. Government securities and investments in mutual funds are excluded from this risk. In order to reduce the credit risk, the investments held by a financial institution in the Government's name should be limited to no more than 35% of the total investments, excluding that held in a Money Market Mutual Fund.

Pension Trust Funds

The Government's Pension Trust Funds are made up of the Policemen's and Firefighters' Retirement Fund (PFRF) and the City Employees' Pension Fund (CEPF). The disclosures below are separate as the pension funds have different investment policies and different objectives. The PFRF is an active growing fund, while the CEPF has been closed since 1983. Investments of the PFRF as of June 30, 2018 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
Bank Loans	$347,631	$0	$347,631	$0
Corporate Debt	79,786,587		79,786,364	223
International Bonds	7,513,441		7,513,441	
Municipal Obligations	2,990,453		2,990,453	
SL Comingle Fund	35,690,216		35,690,216	
US Agencies	32,107,686		32,107,686	
US Government Obligations	30,128,911		30,128,911	
	$188,564,925	$0	$188,564,702	$223
Other Investments				
Equity Mutual Funds	$448,912,777	$358,684,835	$90,227,942	$0
Equity Real Estate	68,495,596		68,495,596	
Equity Securities - Domestic	357,923	355,642	2,280	1
Equity Securities - International	68,224,013		68,224,013	
	$774,555,234	$359,040,477	$415,514,533	$224

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Level 2 domestic and international equities are priced using the closing price from the applicable exchange as provided by industry standard vendors, such as Interactive Data Corporation (IDC), which prices to capture market movements between local stock exchange closing time and portfolio valuation time each day. Level 2 fixed income securities are priced by industry standard vendors, such as IDC, using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. IDC also monitors market indices and industry and economic events including credit rating agency actions. Level 3 inputs from Corporate Debt are either fair valued by a third party advisor based on quarterly financials or are fair valued internally by the Government's fund manager, subject to an internal fair valuation methodology. The share price is calculated by discounting the distribution amounts from the company's liquidation process. Level 3 inputs from Domestic Equity Securities were fair valued internally by the Government's fund manager, subject to an internal fair valuation methodology.

The PFRF has contracted with external investment managers to manage all of the funds. The Board has adopted an investment policy that recommends the following target allocations based on asset class:

Asset Class	Target Allocation
Passive Large Cap Core	10.00%
Active Large Cap Growth	7.50%
Active Large Cap Value	7.50%
Small Cap Equity	15.00%
International Growth Equities	9.25%
International Value Equities	9.25%
Emerging Markets	4.50%
Total Equities	63.00%
US Core Fixed Income	15.50%
US High Yield Fixed Income	7.50%
Total Fixed Income	23.00%
Real Estate	9.00%
Real Return	5.00%
Total Plan	100.00%

Interest Rate Risk – The PFRF does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market losses arising from increasing interest rates.

Credit Risk – The PFRF investment policy manages credit risk by the limitation of certain investments within the above asset classes. For US Equity asset classes up to 15% of US Small Cap Value, 7.5% of US Large Cap Growth, 7.5% of US Large Cap Value, and 10% of Passive Large Cap Core portfolio's current market value may be invested in ADR's. The US Core Fixed Income manager's debt securities must have a minimum quality rating of Baa/BBB or above, while the overall portfolio weighted average credit quality rating must not fall below AA- or equivalent. The US High Yield Fixed Income manager's portfolio may have, on average, no more than 20% of the portfolio in debt securities with a quality rating of CCC/Caa and below, while the overall portfolio rating must not fall below Baa3, BBB-, A2 or P2.

Policemen's and Firefighters' Retirement Fund

		Investment Maturities (in years)					
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10	S&P Rating	Fair Value
Debt Securities						A	$34,823,802
Bank Loans	$347,631	$0	$168,139	$179,492	$0	AA	71,077,346
Corporate Debt	79,786,587	641,226	48,957,862	24,712,134	5,475,365	AAA	5,364,818
International Bonds	7,513,441	95,627	4,493,813	2,004,384	919,617	B	16,191,695
Municipal Obligations	2,990,453	658,107	1,994,687	337,659		BB	25,220,148
SL Comingle Fund	35,690,216	24,348,012	11,033,212		308,992	BBB	15,294,542
US Agencies	32,107,686	13,949	3,621,445	4,731,535	23,740,757	CC	26,400
US Government Obligations	30,128,911		12,224,050	8,529,849	9,375,012	CCC	2,365,318
	$188,564,925	$25,756,921	$82,493,208	$40,495,053	$39,819,743	NR	604,191,165
Other Investments							
Equity Mutual Funds	$448,912,777						
Equity Real Estate	68,495,596						
Equity Securities - Domestic	357,923						
Equity Securities - International	68,224,013						
	$774,555,234						

Concentration of Credit Risk – Government securities and investments in mutual funds are excluded from this risk. The PFRF places a restriction on equity managers that at the time of purchase they may not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of their portfolios' assets in the outstanding securities with one issuer. The US Core Fixed Income manager may not invest more than 5% of the outstanding securities with one issuer nor invest more than 5% of the portfolio's assets in the outstanding securities of one issuer, except for Treasury and Agency securities. The US High Yield Fixed Income manager may not invest more than the greater of 1.5 times the index weight, or 20% of the portfolio, in any one industry. The US High Yield Fixed Income manager may not invest more than 5% of the Plan's assets in the outstanding securities of any one issuer.

Securities Lending – The PFRF has a securities lending agreement with Northern Trust, a national banking association (the agent). The agent, also the custodian for the retirement fund, acts as an agent to lend securities held in the retirement fund portfolios.

Per the agreement, the PFRF has authorized the lending of domestic bonds and securities in return for collateral. Collateral for loaned securities may be in the form of cash, securities issued or guaranteed by the United States Government or its agencies or irrevocable letters of credit. The broker/dealer collateralizes their borrowing to 102% of the security value, plus accrued interest. If the broker/dealer fails to return the security upon request, then the agent will utilize the collateral to replace the security loaned. The Government does not have the ability to pledge or sell collateral securities without a borrower default.

Investment of the cash collateral may be in commercial paper that is rated in the highest category of at least two nationally recognized security agencies, short-term obligations of banks, short-term obligations of the United States Government or its agencies, repurchase agreements, funding agreements issued by insurance companies rated "A" or higher by A. M. Best & Company or money market mutual funds. The investments of the collateral do not generally match the maturities of the securities lending arrangements themselves; they are typically very short-term in nature and mostly invested in overnight repurchase agreements.

The agent agrees to indemnify the retirement fund for losses resulting directly or indirectly from the failure of the borrower to return the loaned securities in accordance with the terms of the loan agreement, limited to an indemnification amount equal to the difference between the market value of the loaned securities and the value of the collateral. There are no restrictions in the agreement that limit the amount of securities that can be lent at one time or to one borrower.

As of June 30, 2018, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is $35,690,216.

Investments of the CEPF as of June 30, 2018 are summarized and categorized in the following table:

City Employees Pension Fund

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities:				
Corporate Debt	$7,353,210	$0	$7,353,210	$0
US Agencies				
US Government Obligations	3,213,337	3,213,337		
Other Investments:				
Equity Mutual Funds	18,905,957		18,905,957	
	$29,472,504	$3,213,337	$26,259,167	$0

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Level 2 fixed income securities are priced by industry standard vendors, such as Interactive Data Corporation (IDC), using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. IDC also monitors market indices, and industry and economic events including credit rating agency actions.

The CEPF has contracted with external investment managers to manage all of the funds. The Board has adopted an investment policy that recommends the following target allocations based on asset class:

Asset Class	Target Allocation
Domestic Equity	20.00%
International Equity	10.00%
Fixed Income	70.00%
	100.00%

Interest Rate Risk – The CEPF does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market losses arising from increasing interest rates.

Credit Risk – The CEPF investment policy limits its equity manager to investments in ADR's to 10% of the equity portfolio's current market value. The fixed income manager's debt securities must have a minimum quality rating of Baa/BBB or above, while the overall fixed income portfolio rating must be A+ or above. No more than 10% of the equity portfolio can be of quality rating Baa/BBB and below.

City Employees Pension Fund

		Investment Maturities (in years)					
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10	S&P Rating	Fair Value
Debt Securities:						AAA	$257,706
Corporate Debt	$7,353,210	$898,360	$5,331,981	$1,122,869	$0	AA	5,041,783
US Government Obligations	3,213,337			1,078,636	2,134,701	A	4,689,518
	10,566,547	898,360	5,331,981	2,201,505	2,134,701	BBB	577,540
Other Investments:						NR	18,905,957
Equity Mutual Funds	18,905,957						
	$29,472,504						

Concentration of Credit Risk – The CEPF investment policy places a restriction on equity managers that at the time of purchase, managers may not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of their portfolios' assets in the outstanding securities with one issuer. The fixed income manager may not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of the fixed income portfolio assets in the outstanding securities of one issuer, except for Treasury and Agency securities.

Component Units

For complete information on custodial credit risk, interest rate risk, credit risk, and concentration of credit risk, refer to the individual reports on each component unit. Summarized investment information for the component units is included in the table below:

	Reported Amount/ Fair Value
U.S. Government and Government Agency Obligations	$41,890,307
Investments not subject to categorization:	
Certificates of Deposit	8,616,505
Money Market Funds	9,277,406
Total Investments	$59,784,218

As of June 30, 2018, LCC had $1,805,560 and $532,036 in deposits and investments, respectively, which were uninsured and uncollateralized.

B. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable Assets:				
Land	$61,888,243	$0	$0	$61,888,243
Purchase of Development Rights	78,808,945	1,410,993		80,219,938
Intangibles	3,130,162	90,850		3,221,012
Construction in Progress	14,511,107	17,120,044	(13,941,881)	17,689,270
Developments in Progress *	23,692,748	1,346,727	(133,814)	24,905,661
Depreciable Assets:				
Buildings	183,204,377	2,895,863		186,100,240
Intangibles	16,802,019	783,232		17,585,251
Vehicles, Equipment & Furniture	139,255,665	7,821,210	(5,771,212)	141,305,663
Land & Leasehold Improvements	42,047,693	4,515,997		46,563,690
Infrastructure	1,026,741,828	6,835,235	(10,975)	1,033,566,088
Sewer Lines	11,366,648	382,819		11,749,467
Sewer Plants	216,797			216,797
Totals at Historical Cost	1,601,666,232	43,202,970	(19,857,882)	1,625,011,320
Less Accumulated Depreciation For:				
Buildings	(67,566,822)	(5,838,975)		(73,405,797)
Intangibles	(11,107,547)	(1,797,112)		(12,904,659)
Vehicles, Equipment & Furniture	(91,877,577)	(10,697,994)	5,593,102	(96,982,469)
Land & Leasehold Improvements	(24,798,793)	(3,075,580)		(27,874,373)
Infrastructure	(415,698,816)	(33,970,706)	6,076	(449,663,446)
Sewer Lines	(1,265,050)	(231,588)		(1,496,638)
Sewer Plants	(11,162)	(4,336)		(15,498)
Total Accumulated Depreciation	(612,325,767)	(55,616,290)	5,599,178	(662,342,880)
Governmental Activities Capital Assets, Net	$989,340,465	($12,413,320)	($14,258,704)	$962,668,440
Business-Type Activities:				
Nondepreciable Assets:				
Land	$46,299,704	$42,432	$0	$46,342,136
Construction in Progress	43,057,435	54,338,939	(28,527,009)	68,869,365
Developments in Progress *	8,507,717	958,375	(674)	9,465,418
Intangibles	455,826	42,000		497,826
Depreciable Assets:				
Buildings	119,621,995	833,327		120,455,322
Intangibles	8,862,207	104,532		8,966,739
Vehicles, Equipment & Furniture	35,818,715	2,158,476	(205,360)	37,771,831
Land & Leasehold Improvements	42,950,767			42,950,767
Infrastructure	12,952,478	3,073,827		16,026,305
Sewer Lines	208,095,620	11,169,127		219,264,747
Sewer Plants	196,399,924	13,091,230		209,491,154
Totals at Historical Cost	723,022,388	85,812,265	(28,733,043)	780,101,610
Less Accumulated Depreciation For:				
Buildings	(85,232,464)	(3,706,399)		(88,938,863)
Intangibles	(3,532,957)	(1,205,967)		(4,738,924)
Vehicles, Equipment & Furniture	(15,820,081)	(2,980,033)	202,264	(18,597,850)
Land & Leasehold Improvements	(35,611,467)	(458,265)		(36,069,732)
Infrastructure	(1,403,604)	(303,073)		(1,706,677)
Sewer Lines	(74,253,687)	(4,064,444)		(78,318,131)
Sewer Plants	(100,337,023)	(4,223,763)		(104,560,786)
Total Accumulated Depreciation	(316,191,283)	(16,941,944)	202,264	(332,930,963)
Business-Type Activities Capital Assets, Net	$406,831,105	$68,870,321	($28,530,779)	$447,170,647

* Restated beginning balance due to prior period adjustment

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	$616,872
Computer Information Technology	519,483
Administrative Services	535,055
Finance	720,306
Public Safety	1,645,468
Environmental Quality & Public Works	4,929,513
Police	1,264,314
Fire and Emergency Services	1,860,136
Law	3,936
Community Corrections	2,676,212
Social Services	612,651
General Services	5,209,533
Parks and Recreation	1,680,987
Planning, Preservation, & Development	33,341,824
Total depreciation expense - Governmental Activities	$55,616,290

Business-Type Activities:	
Sanitary Sewer System	$12,137,121
Public Facilities Corporation	3,475,879
Landfill	574,065
Right of Way	4,724
Extended School Program	3,611
Enhanced 911	376,988
Water Quality	369,556
Total depreciation expense - Business-Type Activities	$16,941,944

	Discretely Presented Component Units			
	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**
Nondepreciable Assets:				
Land	$33,017,090	$0	$ (392,740)	$32,624,350
Construction in Progress	13,686,429	23,004,098	(16,969,009)	19,721,518
Other	7,963,242	9,031,851		16,995,093
Depreciable Assets:				
Buildings & Improvements	361,338,233	1,909,766	154,417	363,402,416
Vehicles, Equipment, & Furniture	76,644,729	7,901,199	(291,827)	84,254,101
Land & Leasehold Improvements	68,470,104	1,608,198	6,769,131	76,847,433
Intangibles	49,605			49,605
Totals at Historical Cost	561,169,432	43,455,112	(10,730,028)	593,894,516
Less Accumulated Depreciation	(277,966,966)	(20,997,004)	6,063,700	(292,900,270)
Component Unit Activities Capital Assets, Net	$283,202,466	$22,458,108	($4,666,328)	$300,994,246

Construction Commitments

The Government has active construction projects as of June 30, 2018. The projects include improvements to buildings, sanitary sewer storm water systems and major roadways. At June 30, 2018, the Government had the following commitments on construction contracts:

Project	Commitment
Buildings	$5,704,057
Capital Repairs & Maintenance	1,758,757
Land Improvements	1,482,039
Public Safety	27,560
Sanitary Sewer Collection System	61,707,524
Sanitary Sewer Treatment System	11,720,877
Storm Drainage	1,062,394
Street Resurfacing Maintenance	4,750,289
Streets & Roadways	4,536,827
Street Lighting	259,071
Traffic Control & Markings	569,938
	$93,579,333

Buildings are primarily financed through general obligation bonds for various renovations and construction. Capital repairs & maintenance, and traffic control & markings are funded by intergovernmental revenues and general obligation bonds. Land improvements are funded by a combination of intergovernmental revenues, general obligation bonds, and grant funds. Sanitary sewer projects are financed with both sewer revenues and Kentucky Infrastructure Authority State Revolving Fund Loans. Storm drainage improvements are supported by the water quality management fee revenues. Intergovernmental revenues, local contributions, general obligation bonds, and grants provide funding for major roadway improvements. The Urban Services funds finance the construction of street lighting.

C. Interfund Receivables, Payables, and Transfers

The principal purpose of the Government's interfund transfers is indicative of funding for capital projects or subsidies of various Government operations and reallocation of special revenues. Due to our practice of cash management by pooling the Government's funds, interfund balances exist as of June 30, 2018. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2018, is as follows:

Fund Description	Due from (to) General Fund
Federal & State Grants	($1,744,328)
Other Governmental Funds	(3,531,575)
Internal Service Funds	19,195,314
Total due from General Fund	$13,919,411

Receivable Entity	Payable Entity	Amount
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	$1,502,579
Component unit - Lexington Center Corporation	Primary government - General fund	943,206
Total		$2,445,785

Interfund Transfers:

Transfers are indicative of 1) funding for capital projects, 2) moving unrestricted revenues collected in the General Fund to subsidize various programs accounted for in other funds in accordance with budgetary authorization, and 3) reallocation of special revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The following schedule briefly summarizes the Government's transfer activity:

	General	Urban Services	Fed St Grants	Nonmajor Governmental	Total Governmental	Sanitary Sewer	Public Facilities Corp	Landfill	Water Quality	Nonmajor Proprietary	Total Proprietary
General	$0	$4,000,000	$1,607,326	($3,182,960)	$2,424,366	$206,435	$375,084	$0	($23,170)	$319,651	$878,000
Urban Services	(4,000,000)		229,522		(3,770,478)						
Fed St Grants	(1,607,326)	(229,522)		(270,515)	(2,107,363)					(248)	(248)
Nonmajor Governmental	3,182,960		270,515		3,453,475	(77,680)					(77,680)
Public Facilities Corp	(375,084)				(375,084)						
Water Quality	50,000				50,000						
Nonmajor Proprietary			248		248						
Grand Total	($2,749,450)	$3,770,478	$2,107,611	($3,453,475)	($324,836)	$128,755	$375,084	$0	($23,170)	$319,403	$800,072

D. Long-Term Debt

Revenue bonds and other directly related long-term liabilities, which are intended to be paid from proprietary funds, are included in the accounts of such funds. All other long-term indebtedness is accounted for in the governmental activities column of the Government-Wide Statement of Net Position.

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2018 are as follows:

	Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year
Governmental Activities						
Bonds, Notes, Loans, and Leases:						
Pension Obligation,Series 2009B	Police/Fire Pension Fund	$70,610,000	3.50% - 6.00%	1-Apr-2029	$46,550,000	$3,210,000
General Obligation, Series 2010B	Refunding of 1999B and 2000A	$7,735,000	1.00% - 3.00%	1-Sep-2019	1,675,000	825,000
General Obligation, Series 2010C	Refunding of 2000E	$6,635,000	1.00% - 3.00%	1-Dec-2020	1,955,000	630,000
Pension Obligation,Series 2010D	Police/Fire Pension Fund	$35,825,000	.95%-5.45%	1-Jun-2030	4,960,000	1,580,000
General Obligation, Series 2010H	Refunding of 2001B	$4,465,000	1.00%-3.80%	1-Dec-2021	2,055,000	490,000
Pension Obligation,Series 2012A	Police/Fire Pension Fund	$31,000,000	2.50% - 4.00%	1-Oct-2032	24,850,000	1,320,000
General Obligation, Series 2012B	Refunding of 2002C and 2004C	$6,275,000	2.00% - 4.00%	1-Jul-2024	5,245,000	700,000
General Obligation, Series 2013A	Road Resurfacing	$11,275,000	2.00% - 5.00%	1-Oct-2023	6,725,000	990,000
General Obligation, Series 2013B	Refunding of 2004,2005C,2006B	$6,005,000	2.00% - 4.00%	1-Jul-2025	3,855,000	455,000
General Obligation, Series 2013C	CIP projects	$17,035,000	3.00% - 4.00%	1-Oct-2037	14,535,000	675,000
General Obligation, Series 2014A	Refunding of 2010A	$55,925,000	3.00% - 5.00%	1-Sep-2030	44,080,000	2,560,000
General Obligation, Series 2014B	CIP projects	$24,245,000	3.25%-5.00%	1-Jan-2035	21,970,000	850,000
General Obligation, Series 2014C	QECB Detention Center	$2,900,000	3.25%	1-Jun-2027	2,795,000	
General Obligation, Series 2015A	Refunding of 2006C,2009A,2010G	$19,845,000	3.00% - 5.00%	1-Oct-2028	18,605,000	2,985,000
General Obligation, Series 2015B	CIP projects	$24,860,000	2.00% - 5.00%	1-Oct-2035	21,475,000	1,825,000
General Obligation, Series 2016A	Historic Courthouse Renovation	$22,450,000	.80%-3.00%	1-Aug-2036	21,540,000	920,000
General Obligation, Series 2016B	CIP projects	$8,870,000	2.00% - 5.00%	1-Aug-2036	8,320,000	570,000
General Obligation, Series 2016C	CIP projects	$37,555,000	2.00% - 5.00%	1-Oct-2036	35,020,000	2,665,000
General Obligation, Series 2016D	Refunding of 2006D Detention Center	$28,495,000	4.00% - 5.00%	1-Nov-2024	22,430,000	3,305,000
General Obligation, Series 2017A	CIP projects	$32,435,000	3.00% - 5.00%	1-Sep-2037	32,435,000	2,395,000
General Obligation, Series 2017B	Refunding of 2010D Police/Fire Pension	$22,445,000	2.00% - 2.85%	1-Jun-2030	21,975,000	295,000
Premiums and Discounts					25,996,016	
Total Bonds, Notes, and Loans Payable					389,046,016	29,245,000
Other Liabilities:						
Compensated Absences					26,123,842	3,657,338
Unfunded Other Post Employment Benefit Liability					413,934,415	
Unfunded Pension Liability					414,684,282	
Total Other Liabilities					854,742,539	3,657,338
Total Governmental Activities					$1,243,788,555	$32,902,338
Business-Type Activities						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 2014A Refunding	Refunding	$24,190,000	3.00% - 5.00%	1-Sep-2030	$24,190,000	$500,000
Sanitary Sewer, Series 2014B Refunding	Refunding	$10,410,000	5.00%	1-Sep-2019	3,170,000	2,165,000
Public Facilities, Series 2016D Refunding	Refunding	$42,590,000	2.65% - 5.00%	1-Oct-2031	40,535,000	2,165,000
Radcliffe road A209-09	SRF Loan	$113,523	2.00%	1-Jun-2030	73,767	5,497
KIA Streetscape A209-8	SRF Loan	$1,254,980	2.00%	1-Dec-2030	841,751	59,905
So. Elkhorn A09-01	SRF Loan	$14,045,119	2.00%	1-Dec-2031	10,081,857	657,494
Wolf Run A10-08	SRF Loan	$8,373,431	2.00%	1-Dec-2035	8,088,653	390,256
A13-002 Bob-O-Link	SRF Loan	$2,657,197	1.75%	1-Dec-2037	2,601,428	113,006
A13-003 East Lake	SRF Loan	$743,414	1.75%	1-Dec-2037	696,521	32,187
A13-003 Century Hills	SRF Loan	$1,327,844	1.75%	1-Dec-2037	1,244,087	57,490
A13-003 West Hickman Trk A	SRF Loan	$4,337,917	1.75%	1-Dec-2037	4,065,051	187,849
A13-003 Woodhill Trk	SRF Loan	$3,588,021	1.75%	1-Dec-2037	3,362,274	155,373
A13-018 E2A	SRF Loan	$5,264,306	1.75%	1-Dec-2037	5,042,367	225,840
A13-007 AW PH3	SRF Loan	$989,346	1.75%	1-Dec-2037	926,500	42,819
A13-007 IDLHR N	SRF Loan	$620,324	1.75%	1-Dec-2037	580,941	26,832
A13-002 Wolf Run Trk	SRF Loan	$452,195	1.75%	1-Dec-2037	442,705	19,231
A13-002 Wolf Run WWS	SRF Loan	$5,696,256	1.75%	1-Dec-2037	5,576,704	242,251
A12-016 Blue Sky	SRF Loan	$1,594,026	2.00%	1-Dec-2037	1,461,629	68,201
A13-007 Walhampton Rogers	SRF Loan	$719,816	1.75%	1-Dec-2037	674,100	31,148
A13-007 Cardinal-Laramie PH1-3	SRF Loan	$226,247	1.75%	1-Dec-2037	211,871	9,795
A13-015 Town Branch*	SRF Loan	$19,989,939	1.75%	1-Dec-2037	19,883,366	863,730
A14-001 Lower Cane Run WWS*	SRF Loan	$7,227,053	1.75%	1-Dec-2037	11,781,461	511,785
A13-015 Marquis Ave*	SRF Loan	$282,067	1.75%	1-Dec-2037	571,086	24,808
A13-015 UK Trunk*	SRF Loan	$1,946,502	1.75%	1-Dec-2037	2,935,759	127,530
A15-026 West Hickman WWS*	SRF Loan	$4,347,825	1.75%	1-Dec-2037	36,000,000	
A13-007 Rodgers Rd*	SRF Loan	$1,742,814	1.75%	1-Dec-2037	1,667,100	77,045
A17-003 Lower Griffin Gate Trunk	SRF Loan	$1,286,628	1.75%	1-Dec-2037	1,286,628	
Premiums and Discounts					8,737,880	
Total Bonds, Notes, and Loans Payable					196,730,488	8,760,072
Other Liabilities:						
Compensated Absences					1,469,458	484,455
Landfill Closure & Postclosure Care Costs					12,845,561	440,069
Unfunded Other Post Employment Benefit Liability					12,252,482	
Unfunded Pension Liability					35,073,479	
Total Other Liabilities					61,640,980	924,524
Total Business-Type Activities					$258,371,468	$9,684,596

*Amounts represents draws as of 6/30/2018

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases:					
General and Pension Obligation Bonds	$355,015,000	$54,880,000	($46,845,000)	$363,050,000	$29,245,000
Net of Bond Premiums and Discounts	23,392,126	4,617,175	(2,013,285)	25,996,016	
Total Bonds, Notes, and Loans Payable	378,407,126	59,497,175	(48,858,285)	389,046,016	29,245,000
Other Liabilities:					
Compensated Absences	25,334,643	2,356,636	(1,567,437)	26,123,842	3,657,338
Unfunded Other Post Employment Benefit Liability	403,889,121	10,045,294		413,934,415	
Unfunded Pension Liability	353,465,981	195,783,347	(134,565,046)	414,684,282	
Total Governmental Activities Long-Term Liabilities	$1,161,096,871	$267,682,452	($184,990,768)	$1,243,788,555	$32,902,338
Business-Type Activities					
Bonds, Notes, and Loans:					
Revenue Bonds	$29,900,000	$0	($2,540,000)	$27,360,000	$2,665,000
Mortgage Revenue Bonds	42,590,000		(2,055,000)	40,535,000	2,165,000
Notes and Loans	86,872,538	36,153,717	(2,928,647)	120,097,608	3,930,073
Bonds, Notes, and Loans Payable	159,362,538	36,153,717	(7,523,647)	187,992,608	8,760,073
Net of Bond Premiums and Discounts	9,608,110		(870,230)	8,737,880	
Total Bonds, Notes, and Loans Payable	168,970,648	36,153,717	(8,393,877)	196,730,488	8,760,073
Other Liabilities:					
Compensated Absences	1,488,546	379,502	(398,590)	1,469,458	484,455
Landfill Closure and Postclosure Care Costs	13,722,665		(877,104)	12,845,561	440,069
Unfunded Other Post Employment Benefit Liability	9,063,513	3,188,969		12,252,482	
Unfunded Pension Liability	27,789,216	13,112,765	(5,828,502)	35,073,479	
Total Business-Type Activities Long-Term Liabilities	$221,034,588	$52,834,953	($15,498,073)	$258,371,468	$9,684,597

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for Governmental Activities. For the Governmental Activities, compensated absences are generally liquidated by the General Fund and the Urban Services Fund. The General Fund is used to liquidate both the net pension obligation and the net other postemployment benefit obligation. For Business-Type Activities, landfill closure and postclosure care costs are liquidated from fees charged for landfill services.

Principal and interest requirements to maturity for the Primary Government's bonds and notes are as follows:

	Governmental Activities		Business-Type Activities					
	General Obligation Bonds, Notes, and Loans		Revenue Bonds, Notes, and Loans		Mortgage Revenue Bonds		Total Primary Government	
Fiscal Year	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2019	$14,971,841	$29,245,000	$3,273,402	$6,595,071	$1,795,056	$2,165,000	$20,040,299	$38,005,071
2020	13,683,389	29,465,000	3,037,063	9,980,997	1,684,181	2,270,000	18,404,633	41,715,997
2021	12,347,034	29,970,000	2,791,704	8,649,226	1,567,681	2,390,000	16,706,419	41,009,226
2022	11,009,251	29,135,000	2,537,678	8,902,464	1,445,181	2,510,000	14,992,110	40,547,464
2023	9,731,191	29,045,000	2,318,517	7,402,577	1,316,431	2,640,000	13,366,139	39,087,577
2024 - 2028	30,395,865	130,085,000	8,922,720	39,672,618	4,407,781	15,375,000	43,726,366	185,132,618
2029 - 2033	8,804,751	64,660,000	4,422,577	38,519,051	884,085	13,185,000	14,111,413	116,364,051
2034 - 2039	1,280,869	21,445,000	1,268,532	27,735,601			2,549,401	49,180,601
Total	$102,224,191	363,050,000	$28,572,193	147,457,605	$13,100,396	40,535,000	$143,896,780	551,042,605
Less principal payable within one year		29,245,000		6,595,071		2,165,000		38,005,071
Long term principal due after one year		$333,805,000		$140,862,534		$38,370,000		$513,037,534

Component Units

The Government is contingently liable for the Lexington Center Corporation and Airport Board's debt. Principal and interest requirements for Component Units' debt are as follows:

	Principal			
Fiscal Year	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	Total
2019	$2,340,000	$3,660,000	$1,509,338	$7,509,338
2020	4,055,191	3,990,000	1,563,007	9,608,198
2021	5,021,602	4,100,000	1,614,999	10,736,601
2022	2,555,852	4,130,000	1,672,657	8,358,509
2023	2,627,030	4,210,000	1,727,613	8,564,643
2024-2028	4,067,669	21,715,000	6,835,156	32,617,825
2029-2033		24,955,000	905,568	25,860,568
2034-2038		16,990,000	175,349	17,165,349
2033-2041		680,000		680,000
2042-2047			12,673,400	12,673,400
Total	20,667,344	84,430,000	28,677,087	133,774,431
Less payable within one year	(2,340,000)	(3,660,000)	(1,509,338)	(7,509,338)
Refinancing loss/premium-discount	4,931	4,027,006		4,031,937
Long term principal due after one year	$18,332,275	$84,797,006	$27,167,749	$130,297,030

	Interest			
Fiscal Year	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	Total
2019	$642,605	$2,929,436	$694,378	$4,266,419
2020	534,509	2,896,200	640,505	4,071,214
2021	368,475	2,775,963	589,152	3,733,590
2022	271,280	2,680,903	537,251	3,489,434
2023	199,115	2,569,947	486,883	3,255,945
2024-2027	174,475	10,843,808	1,367,016	12,385,299
2028-2032		6,349,262	1,060,765	7,410,027
2033-2037		1,490,110	929,312	2,419,422
2038-2041		15,899	925,629	941,528
2042-2047			509,096	509,096
Total	$2,190,459	$32,551,528	$7,739,987	$42,481,974

General Description of the Government's Bonds and Notes Payable

Revenue and Mortgage Revenue Bonds

The Sanitary Sewer System (the System) issues revenue bonds to finance improvements and expansions of the sanitary sewer system operated by the Government. The Sanitary Sewer System has issued the following bonds:

1. $24,190,000 of Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A, issued at a premium, and payable annually in principal installments ranging from $500,000 to $3,095,000 plus interest over 13 years, to fully refund the Sewer System Revenue Bonds, Series 2009A, (Taxable Build America Bonds). The refunding provided for a cumulative savings of $1,119,864 over the life of the bonds and a net present value savings of $1,317,979 or 4.35% including the escrow of the partial BAB subsidy from the Sewer System Revenue Bonds, Series 2009A.

2. $10,410,000 of Taxable Sewer System Revenue Refunding Bonds, Series 2014B, issued at a premium and payable annually in principal installments ranging from $1,005,000 to $2,540,000 plus interest over 5 years to fully refund the Sewer System Refunding Revenue Bonds Series 2010A. The issue resulted in a net present value loss of ($284,163) or (2.42%). However, this issue was refunded in conjunction with the Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A to provide the Government the opportunity to update the bond ordinances for current and future Sewer bond issues, see the below section on the updates to the Sewer System Bond Ordinances.

In fiscal year 2014, the Government defeased all of the outstanding debt under its prior Sewer indenture. The new indenture provides that the gross income and revenues of the System first be used to pay operating and maintenance expenses of the System. Net Revenues of the System are then deposited into the Bond Account, which is held by the Trustee, and are to be disbursed as follows:

- Each month, 1/6 of the next interest payment to the Interest Subaccount and 1/12 of the next principal payment to the Principal Subaccount.

- If necessary, deposit to the Bond Reserve Account. Indenture is structured so that the requirement of reserve is applied on a series specific basis.

- Payment of any prior deficiencies in regards to the Interest Subaccount, Principal Subaccount, and Bond Reserve Account.

- If necessary, payment of administrative fees associated with the outstanding bonds.

- Deposit to the Rebate Fund.

- Payment of debt service of other debt obligations related to the Sewer System.

- Deposit to the Rate Stabilization Fund.

- Deposit to the Surplus Account.

- Funds can be requested by LFUCG from the Surplus Account for Operating and Maintenance or capital projects.

The Indenture also outlines parity provisions for the issuance of additional bonds for the acquisition or construction of sewer system facilities. The Net Revenues of the System, as defined in the bond ordinance, must provide coverage of 120% of Maximum Annual Debt Service.

The Public Facilities Corporation (PFC) was created by the Government to act as the agency and instrumentality of the Government in acquiring, developing and financing public improvements and public projects. The PFC financed various projects through bank and mortgage notes and the issuance of revenue bonds. The debt is collateralized by the properties, a pledge of specified Government revenues and lease payments from the Government sufficient to retire the debt and to provide for the operation and maintenance of the facilities.

The Government entered into various contracts, leases, and option agreements with the PFC. These agreements provide that the PFC receives title to the properties mortgaged as security for the revenue bond issues, the proceeds of which have been used to finance the acquisition, construction, and improvements to the properties. Upon payment of the outstanding bonds, title to the properties will be conveyed to the Government. The lease agreements are renewable annually and the likelihood of the leases not being renewed is remote.

The PFC issued $42,590,000 Mortgage Revenue Refunding Bonds, Series 2016D, to refund $48,910,000 total principal remaining on Series 2006 bonds, issued at a premium and payable annually in principal installments ranging from $981,387 to $3,961,556 plus interest over 16 years. The refunding provided a cumulative savings of $7,984,977 over the life of the bonds resulting in a net present value savings of $6,804,749 or 13.91% of the refunded principal.

Kentucky Infrastructure Authority (KIA) State Revolving Fund (SRF) Loans

SRF Loans are loans that are issued by the Commonwealth of Kentucky for infrastructure improvements. These loans are 20 year loans with a 2% interest rate. The Government has received the following KIA SRF Loans.

1. KIA Loan A209-09 Radcliffe Road issued in the amount of $113,523, payable annually in principal installments ranging from $1,837 to $3,438 plus interest over 20 years. Financing improvements to the storm water system along Radcliffe Road in Fayette County.

2. KIA Loan A209-08 Streetscape issued in the amount of $1,254,980, payable annually in principal installments ranging from $25,671 to $37,843 plus interest over 20 years. Financing improvements to the storm water system in the city center of Lexington. These funds were used in conjunction with the streetscape project that included upgrades to the sidewalks, sewer and storm water systems. This capital project included South Limestone, East and West Main Street, and Vine Street.

3. KIA Loan A09-01 South Elkhorn Pump station issued in the amount of $14,045,119, payable annually in principal installments ranging from $281,600 to $423,692 plus interest over 20 years. Financing the upgrade of the South Elkhorn pump station and construction of a new 36-inch force main. The Capital Replacement Reserve Fund requirement is $43,020 annually for 10 years.

4. KIA Loan A10-08 Wolf Run Pump station issued in the amount of $10,500,000, payable annually in principal installments ranging from $375,028 to $536,379 plus interest over 20 years for the upgrade and expansion of the Wolf Run pump station. The Capital Replacement Reserve Fund requirement is $26,250 annually for 10 years.

5. KIA Loan A13-002 issued in the amount of $8,805,648, payable annually in principal installments ranging from $184,181 to $259,589 for the upgrades to the Bob-O-Link Trunk Line, Wolf Run Trunk Line and the Wolf Run Storage Tank Capacity Upgrade.. The Capital Replacement Reserve Fund requirement is $35,000 annually for 10 years.

6. KIA Loan A13-003 issued in the amount of $9,997,196, payable annually in principal installments ranging from $205,263 to $582,140 plus interest over 20 years for the upgrades to the Eastlake Trunk Line, Century Hills Trunk Line, West Hickman Trunk Line and the Woodhill Trunk Line. The Capital Replacement Reserve Fund requirement is $25,000 annually for 10 years.

7. KIA Loan A13-007 issued in the amount of $4,298,547, payable annually in principal installments ranging from $91,001 to $252,328 plus interest over 20 years for the upgrades to the Storm Water Systems of Anniston Wickland, Idlehour, Walhamption Rogers, and Perimeter Park Neighborhoods. The Capital Replacement Reserve Fund requirement is $12,000 annually for 10 years.

8. KIA Loan A13-018 issued in the amount of $5,264,306, payable annually in principal installments ranging from $110,486 to $306,355 plus interest over 20 years for the upgrades to the Expansion Area 2A Wastewater System. The Capital Replacement Reserve Fund requirement is $15,000 annually for 10 years.

9. KIA Loan A12-016 issued in the amount of $1,594,025, payable annually in principal installments ranging from $32,606 to $48,066 for the acquisition and conversion to a pump station of the Blue Sky Wastewater Treatment plant. The Capital Replacement Reserve Fund requirement is $4,825 annually for 10 years.

10. KIA Loan A13-015 issued in the amount of $31,801,000, payable annually in principal installments ranging from $501,433 to $704,322 for design and construction of Phase 1 of a multi-phase waste water storage facility at the Town Branch Wastewater Treatment Facility, upgrades to Marquis Avenue, and the UK Trunk Line. The Capital Replacement Reserve Fund requirement is $80,000 annually for 10 years.

11. KIA Loan A14-001 issued in the amount of $12,134,178, payable annually in principal installments ranging from $252,567 to $357,777 for design and construction of Phase 1 of a multi-phase waste water storage facility at the Lower Cane Run Pump Station. The Capital Replacement Reserve Fund requirement is $50,000 annually for 10 years.

12. KIA Loan A15-026 issued in the amount of $67,944,188 for design and construction of Phase 1 of a multi-phase waste water storage facility at the West Hickman Waste Water Treatment Plant. As of June 30, 2018 the Government has received only a partial draw of $36,000,000 with the remaining balance of $31,944,188 to be requested in future years. Until the remaining balance is requested, the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan, nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is $170,000 annually for 10 years.

13. KIA Loan A17-003 issued in the amount of $1,286,628, payable annually in principal installments ranging from $27,003 to $37,929 for the replacement of 4,700 linear feet of gravity sewer pipes. The Capital Replacement Reserve Fund requirement is $5,900 annually for 10 years.

General Obligation Bonds and Notes

The Government issues General Obligation bonds and notes to provide funds for the acquisition and construction of capital assets used by Governmental Activities. The Government has issued the following general obligation bonds and notes:

1. $24,830,000, Series 2009A, issued at a premium and payable annually in principal installments ranging from $745,000 to $1,725,000 plus interest over 20 years, to finance the cost of the Purchase of Development Rights Program, Street Resurfacing, Bluegrass Aspendale improvements, and other various construction projects. Of the outstanding balance, $15,043,284 was refunded through the issuance of Series 2015A, leaving a remaining balance of $1,680,000. The remaining balance was paid during fiscal year 2018.

2. $70,610,000, Series 2009B, Taxable General Obligation Pension Funding Bonds, issued at a discount and payable annually in principal installments ranging from $2,315,000 to $5,515,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.

3. $7,735,000, Series 2010B, General Obligation Refunding Bonds, for refunding the Series 1999B and 2000A General Obligation Bonds. Issued at a discount and payable annually in principal installments ranging from $715,000 to $850,000 plus interest over 10 years. The refunding provided for a cumulative savings of $1,394,276 over the life of the bonds resulting in a net present value savings of $1,189,304 or 15.37% of the refunded principal.

4. $6,635,000, Series 2010C, General Obligation Refunding Bonds, for refunding the Series 2000E General Obligation Bonds. Issued at a discount and payable annually in principal installments ranging from $60,000 to $675,000 plus interest over 12 years. The refunding provided for a cumulative savings of $675,874 over the life of the bonds resulting in net present value savings of $593,504 or 8.95% of the refunded principal.

5. $35,825,000, Series 2010D, Taxable General Obligation Pension Funding Bonds issued at a discount and payable annually in principal installments ranging from $1,195,000 to $2,700,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan. Of the outstanding balance $22,445,000 was refunded through the issuance of Series 2017B, leaving a remaining balance of $6,480,000.

6. $4,465,000, Series 2010H, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2001B. Issued at a discount and payable in annual principal payments ranging from $30,000 to $540,000 plus interest over 12 years. The refunding provided for a cumulative savings of $150,459 over the life of the bonds resulting in a net present value savings of $126,407 or 3.03% of the refunded principal.

7. $31,000,000, Series 2012A, Taxable General Obligation Pension Funding Bonds, issued at a premium and payable annually in principal installments ranging from $1,170,000 to $2,110,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.

8. $6,275,000, Series 2012B, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2002C and the General Obligation Bond Series 2004C. Issued at a discount and payable in annual principal payments ranging from $20,000 to $825,000 plus interest over 12 years. The refunding provided for a cumulative savings of $597,633 over the life of the bonds resulting in net present value savings of $545,403 or 8.76% of the refunded principal.

9. $11,275,000, Series 2013A, Various Purpose General Obligation Bonds to finance various street and highway improvements including the rehabilitation and paving of existing roads and streets throughout Lexington, Fayette County, Kentucky. Issued at a premium and payable in annual principal payments ranging from $845,000 to $1,265,000 plus interest over 10 years.

10. $6,005,000, Series 2013B, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2004C, General Obligation Bond Series 2005C and General Obligation Bond Series 2006B. Issued at a premium and payable annually in principal installments ranging from $40,000 to $925,000 plus interest over 13 years. The refunding provided for a cumulative savings of $402,579 over the life of the bonds resulting in net present value savings of $293,222 or 5.10% of the refunded principal.

11. $17,035,000, Series 2013C, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to communications and computer equipment and other equipment, traffic engineering equipment, police and fire equipment, police and fire vehicles, and golf carts, remodeling and renovation of public safety buildings, Kentucky Theatre renovations, maintenance building, fire stations, street and sidewalk improvements, various park projects and improvements, HVAC system maintenance, and weather and emergency systems upgrades. Issued at a premium and payable in annual principal payments ranging from $595,000 to $1,195,000 plus interest over 20 years.

12. $55,925,000, Series 2014A, Various Purpose General Obligation Refunding Bonds, for refunding the General Obligation Bond Series 2010A Build America Bonds. Issued at a premium and payable annually in principal installments ranging from $2,325,000 to $4,220,000 plus interest over 17 years. The refunding provided for a cumulative savings of $2,214,916 over the life of the bonds resulting in net present value savings of $2,437,443 or 4.35% of the refunded principal.

13. $24,245,000 Series 2014B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to financing managed email solution/exchange,

storage area network, new tax revenue system, procurement website upgrade, Accela software, network infrastructure remediation, police patrol transport wagon, general repairs, life safety, autos vehicle replacement, pothole patcher, public safety ops/Lexcall center, sidewalk and catch basin repair, sidewalks, jail management system, public safety radio system, roof repair and replacement, HVAC repair and replacement, infrastructure improvements, Shillito multipurpose sports fields, Carver Center improvements, dugout replacement, aquatics improvements, Kentucky Theatre concession renovation, fire training tower, land acquisition and fire station design #24 and relocation of fire station #2, providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights, and construction of a new senior center. Issued at a premium and payable in annual principal payments ranging from $690,000 to $1,830,000 plus interest over 20 years.

14. $2,900,000 Series 2014C, Energy Conservation General Obligation Bonds-Federally Taxable Qualified Energy Conservation Bonds to finance energy conservation measures and other qualifying projects at the Fayette County Detention Center including, but not limited to, LED lighting retrofits, chiller plant optimization, intake HVAC retrofit, inner ring HVAC retrofits, constant-volume reheat fan reset, controls upgrade, demand controlled ventilation, Variable-Air-Volume (VAV) box occupancy controls, energy efficient motors, demand controlled ventilation, kitchen hoods, and installation of new walk-in refrigeration. Issued at Par with annual sinking fund payments of $196,441 and a 70% interest subsidy with a final maturity of 12 years. In March of 2018, $105,000 in unused proceeds were redeemed in an extraordinary call per IRS guidelines. The new par amount is $2,795,000.

15. $19,845,000, Series 2015A, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2006C, General Obligation Bond Series 2009A and full refunding of Series 2010G, Various Purpose General Obligation Public Projects Recovery Zone Economic Development Bonds. Issued at a premium and payable annually in principal installments ranging from $1,080,000 to $2,985,000 plus interest over 14 years. The refunding provided for a cumulative savings of $1,118,502 over the life of the bonds resulting in net present value savings of $849,671 or 4.28% of the refunded principal.

16. $24,860,000 Series 2015B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to financing an ERP software upgrade, new Budgeting system, procurement website upgrade, general repairs, life safety, autos vehicle replacement, roof repair and replacement, HVAC repair and replacement, neighborhood paving, infrastructure improvements, parks improvements and upgrades providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights, and additional funding for the Emergency Operations Center. Issued at a premium and payable in annual principal payments ranging from $495,000 to $2,015,000 plus interest over 20 years.

17. $22,450,000 Series 2016A, Taxable General Obligation Bonds to finance the restoration and rehabilitation of the historic Fayette County Courthouse (the “Historic Courthouse Project”) located at 215 West Main Street in downtown Lexington, Fayette County, Kentucky which Historic Courthouse Project will help preserve the history and architecture of Lexington-Fayette County, enhance the economic development of downtown Lexington, assist in elimination of blight, and reinforce and promote additional redevelopment activities in downtown Lexington-Fayette County. Issued at Par and payable in annual principal payments ranging from $910,000 to $1,435,000 plus interest over 20 years.

18. $8,870,000 Series 2016B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to: financing the design and infrastructure improvements for Town Branch Commons Corridor (TBCC), an innovative multimodal greenway that will link two regional trail systems, the Legacy Trail and Town Branch Trail, and through its unique linear park-like design and stormwater management systems, TBCC will create a livable, sustainable streetscape in downtown Lexington and will connect established and emerging neighborhoods to each other, downtown, and adjacent higher education (collectively, the "Town Branch Commons Corridor Project"); streetscape and sidewalk

improvements located in the Versailles Road area; and street improvements including widening, opening, extending, realigning, grading, repaving, resurfacing, and otherwise rehabilitating and improving streets, roads, thoroughfares, avenues, and expressways throughout Lexington-Fayette County. Issued at a premium and payable in annual principal payments ranging from $190,000 to $815,000 plus interest over 20 years.

19. $37,555,000 Series 2016C, Various Purpose General Obligation Bonds financing the acquisition of various projects for departments within the Lexington-Fayette Urban County Government, including, but not limited to, (i) the construction, installation and equipping of a new fire station, software system upgrades, safety operations and other safety related projects, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, renovations, repairs and upgrades related to public buildings, renovations, repairs and upgrades related to park projects, and providing financial assistance to Lexington Center Corporation for the expansion and replacement of the Lexington Convention Center, and (ii) providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights. Issued at a premium and payable in annual principal payments ranging from $975,000 to $3,100,000 plus interest over 20 years.

20. $28,495,000 Series 2016D, Various Purpose General Obligation Refunding Bonds to finance the refunding of the 2006D Detention Center Refunding Bond. Issued at a premium and payable in annual principal payments ranging from $2,920,000 to $4,180,000 plus interest over 8 years. The refunding provided for a cumulative savings of $3,942,183 over the life of the bonds resulting in net present value savings of $3,742,315 or 11.47% of the refunded principal.

21. $32,435,000 Series 2017A, Various Purpose General Obligation Bonds financing the acquisition of various projects for departments within the Lexington-Fayette Urban County Government, including, but not limited to, (i) the construction, installation, renovations, repairs and upgrades and equipping of fire stations, software system upgrades, safety operations and other safety related projects, new firetrucks, new police equipment, new police cars, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, renovations, repairs and upgrades related to public buildings, renovations, repairs and upgrades related to park projects, and various other improvements within departments of the Lexington-Fayette Urban County Government, (ii) providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights. Issued at a premium and payable in annual principal payments ranging from $585,000 to $2,925,000 plus interest over 20 years.

22. $22,445,000 Series 2017B Taxable General Obligation Pension Funding Refunding Bonds issued to finance the refunding of a portion of the 2010D Lexington-Fayette Urban County Government Taxable General Obligation Pension Funding Bonds. Issued at a premium and payable in annual principal payments ranging from $295,000 to $2,595,000 plus interest over 13 years. The refunding provided for a cumulative savings of $1,963,714 over the life of the bonds resulting in net present value savings of $1,964,340 or 9.82% of the refunded principal.

Landfill Closure and Postclosure Care Cost

State and Federal laws and regulations require the Government to place final covers on its landfills and to perform certain maintenance and postclosure monitoring functions at its landfills for thirty years. Since the operations and maintenance of the Government's landfills are accounted for in an Enterprise Fund, the accrued liability for these costs are reported in the Landfill Fund as required by GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The liability at June 30, 2018 is based on the estimated cost of maintaining and monitoring the Old Frankfort Pike Landfill (OFPLF) and the Haley Pike Landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations and these costs will be funded by the Landfill Fund. The OFPLF ceased accepting waste decades ago. The Haley Pike Landfill ceased accepting waste in December 2011. Both of these landfills are at 100% capacity. The Haley Pike Landfill has been capped. Environmental monitoring and maintenance of the property will occur over the next 30 years, in accordance with Kentucky State Law.

NOTE 4. SELF-INSURANCE PROGRAM

A. Health, Dental, and Vision Care – The Government offers health, dental, and vision care insurance options to employees of the Government. The self-insured medical and pharmacy health plan is provided by Anthem and City Pharmacy. The fully insured dental and vision plans are provided by Delta Dental and Eye Med, respectively. Third party administrators are responsible for the processing of claims and cost containment. Premiums are paid through payroll deductions and may be funded fully or partially by the Benefit Pool provided by the Government. The Health, Dental, and Vision Care Insurance Fund accounts for these activities and is reported in an internal service fund. Changes in the balances of claims liabilities during the past two years are as follows:

Surplus at June 30, 2016	$0
Claims and changes in estimates	33,203,405
Claims paid	(33,203,405)
Surplus at June 30, 2017	0
Claims and changes in estimates	34,704,123
Claims paid	(34,704,123)
Surplus at June 30, 2018	$0

B. Insurance and Risk Management – The Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through the Property and Casualty Claims Fund (the Fund), a self-insured program established in 1982. There are five types of coverage provided by the self-insured program: auto liability, auto physical damage, general liability, property (including boiler and machinery), and workers' compensation.

All assets and employees of the primary government are covered by the Fund. Premiums are paid into the Fund by the General Fund, the Urban Services Fund, and the Sanitary Sewer System Fund and are based on both exposure and experience factors. Premiums include amounts needed to pay prior and current-year claims and administrative costs.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. Estimated recoveries, from subrogation and excess insurance policies, for example, are another component of the claims liability estimate.

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the IBNR claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value, with a discount rate of 3.5%. As of June 30, 2018 the undiscounted estimated liability was $30,154,492. The discounted estimated liability as of June 30, 2018 was $24,893,740. Changes in the balances of claims liabilities during the past two years are as follows:

	Auto Liability and Physical Damage	General Liability	Property	Workmens' Compensation	Total
Liability at June 30, 2016	$2,815,109	$6,523,013	$192,470	$17,219,578	$26,750,170
Claims and changes in estimates FY17	(971,181)	2,329,098	353,971	5,768,560	7,480,448
Claims paid 2017	(313,330)	(3,383,255)	(390,572)	(6,060,512)	(10,147,669)
Liability at June 30, 2017	1,530,598	5,468,856	155,869	16,927,626	24,082,949
Claims and changes in estimates FY18	(113,378)	402,117	5,850,015	2,565,896	8,704,650
Claims Incurred FY 2018	293,551	(1,241,718)	(5,843,586)	(1,102,106)	(7,893,859)
Liability at June 30, 2018	$1,710,771	$4,629,255	$162,298	$18,391,416	$24,893,740

The Fund uses excess insurance policies, purchased from various commercial carriers, to reduce its exposure to large losses on all types of insured events or for exposures that are difficult to self-insure. These insurance policies permit recovery of losses above the self-insured retention limits from the insurance carriers, although it does not discharge the primary liability of the Self-Insured Retention Fund as the direct source for payment of claims made against the Government. Workers' compensation self-insured retention was $1,000,000 and property self-insured retention was $250,000. The following schedule indicates the types of excess insurance purchased, the SIR (self-insured retention level) maintained by the Fund, limits and some of the sub-limits of the excess insurance coverage:

Line of coverage	Self-insured Retention Per Occurrence	Excess Reinsurance Annual Limit
Property	$250,000	$500,000,000 Per Occurrence
Flood Loss	250,000	$50,000,000 Per Occurrence
Flood-Specified (3) Locations	500,000	$5,000,000 Annual Aggregate for (3) Specified Locations
Earthquake Loss	250,000	$100,000,000 Per Occurrence
EDP - Equipment Only	250,000	Included in Property Limits
Data, Programs or Software	250,000	$5,000,000 Sublimit
Traffic Control Equipment	250,000	Included in Property Limits
Cyber Coverage – First Party	75,000	$2,000,000 Aggregate (Separate Policy - Not Included in Property)
Boiler and Machinery	250,000	Included in Property Limits
Auto Physical Damage	100,000	Included in Property Limits
Auto Liability	1,500,000	$2,000,000 Combined Single Limit Per occurrence/$8,000 000 Commercial Excess Liability Umbrella
General Liability	1,500,000	$2,000,000 Per Occurrence with varying sublimits/$8,000 000 Commercial Excess Liability Umbrella
Public Officials Liability	1,500,000	$2,000,000 Per Occurrence/$8,000 000 Commercial Excess Liability Umbrella
Law Enforcement Liability	1,500,000	$2,000,000 Per Occurrence/$8,000 000 Commercial Excess Liability Umbrella
Workers' Compensation	1,000,000	Statutory Per Occurrence
Employers' Liability	1,000,000	$2,000,000 Occurrence/$2,000,000 Aggregate
Pollution Liability	75,000 per pollution loss	$1,000,000 Aggregate

NOTE 5. CONTINGENT LIABILITIES AND COMMITMENTS

A. Litigation – The Government is party to numerous legal proceedings where the ultimate outcome cannot be determined with certainty or cannot be reasonably estimated, many of which normally occur in government operations. The Government's Department of Law estimates that there are pending cases in which there is a reasonably possible likelihood that the Government will incur some liability. As of June 30, 2018 the Government has accrued approximately $12,500,000 for potential liabilities for the cases covered by self-insurance (See Note 4.B.).

B. United States Environmental Protection Agency Consent Decree – The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet (KYEPPC) filed suit in federal court against the Government in 2006 alleging various violations of the Clean Water Act. The Government completed negotiations with the EPA and KYEPPC to resolve the alleged violations. The resulting Consent Decree agreement was entered in the United States District Court – Eastern District of Kentucky on January 3, 2011. The settlement agreement requires the Government to undertake extensive studies, sewer improvement projects, and management plans to correct the problems that were alleged. The settlement affords the Government up to 13 years to correct the problems. The Government has estimated that the cost of remedial measures would approach $591 million over the life of the Consent Decree. The Government increased sanitary sewer rates to fund obligations under the Consent Decree and also adopted a storm water management fee.

C. Federal and State Grants – The Government receives grant funds from various Federal and State government agencies to be used for specific designated purposes and are governed by various rules and regulations of the grantor agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions surrounding the granting of funds. If a grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the Government for its expenditures. In management's opinion, any liability for any refunds or reimbursements which may arise as a result of audits of grant funds would not have a material impact on the financial position of the Government. Continuation of the Government's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

D. Lexington Center Corporation – LCC is a non-profit, non-stock corporate agency and instrumentality of the Government. The Government entered into a lease agreement that provides for leasing the Lexington Center from LCC on an annual basis beginning June 15, 1993. This lease agreement replaces a contract lease and option agreement that began October 1, 1974. The annual rental to be paid by the Government to LCC is an amount equal to interest and principal paid on the Series 2008A Bonds and Capital Appreciation Bonds, less a credit for interest earned by investments in the Debt Service Reserve Account and Bonds Service Account, plus a credit for any revenues or assets of LCC constituting operation revenue. The agreement grants the Government an exclusive option to renew the lease for additional one-year periods through June 30, 2022, but the Government may elect not to renew the lease with written notice to LCC. The Government may acquire title to the facilities on any interest payment date by notifying LCC and the Trustee within sixty days before such date and by paying to the Trustee an amount equal to principal, interest, and redemption premiums on bonds outstanding at that time, plus costs associated with the redemption of the bonds.

On July 13, 2001, LCC and the University of Kentucky (UK) Athletic Association entered into a lease agreement through the 2017-18 basketball season for the use of Rupp Arena. In December 15, 2016, the University signed a Letter of Intent with LCC outlining goals and terms to be negotiated in a new 15-year lease that would extend to 2033. On February 7, 2018 UK signed a Facility Right of Use Agreement with a minimum of 16 events must be University of Kentucky men's basketball games. LCC is to provide UK four club spaces to be constructed in the Convention Project. The agreement has a term of 15 years and will terminate June 30, 2033.

An agreement between LCC and the Lexington Convention and Visitors Bureau, dated March 20, 2001, provides for annual contributions of $948,000 to LCC for the period beginning 2001 and ending 2012. Contributions shall decrease in the amount of $100,000 each successive fiscal year beginning in 2013, with a final contribution of $48,000 in 2021.

A Memorandum of Agreement dated March 23, 2016 between the Finance and Administration Cabinet (the cabinet), a governmental agency of the Commonwealth of Kentucky (the Commonwealth), LFUCG, and LCC provides that the Cabinet shall pay to LCC $60,000,000 if LFUCG agrees to levy an additional 2.5% transient room tax (2% to LCC and 0.5% to the Cabinet for the recoupment of its $60 million investment) and contribute an additional $10,000,000 to LCC. LCC agrees to finance approximately $171,000,000 through the sale of bonds, and spend all funds for the renovation, expansion, or improvement of a convention center. LCC also agrees to reimburse the Commonwealth for $2,187,500, on or before December 31, 2016, it previously received towards the Arts and Entertainment Project. LCC repaid its commitment to the Commonwealth in fiscal 2017. LCC anticipates obtaining $214 million for the convention project through the sales of bonds before the end of calendar year 2018.

On January 1, 2018, LCC entered into an agreement with Oak View Group LLC (OVG) to retain OVG as exclusive third party booking agent for events and concerts at Rupp Arena. This agreement expires December 31, 2022.

E. Lexington-Fayette Urban County Airport Corporation (Airport Corporation) – The Airport Corporation is a non-profit, non-stock corporate agency and instrumentality of the Government and the Airport Board. The Government and the Airport Board have entered into a joint and severable Contract Lease and Option Agreement that provides for leasing the Bluegrass Airport from the Airport Corporation on an annual basis beginning October 1, 1976. The annual rental to be paid by the Government to the Airport Corporation is an amount equal to interest and principal on the bonds, plus costs of operating, maintaining, and insuring the leased premises, less all receipts of the Airport Corporation that are not required to be otherwise applied. The agreement grants the Government the option to renew the lease for additional one-year periods through June 30, 2024, but the Government may elect not to renew the lease with written notice to the Airport Corporation. The Airport Corporation has had sufficient revenues to pay all debt service costs without a lease payment from the Government. The financial status is expected to remain the same.

The Airport Corporation is subject to federal, state, and local regulations in regards to the discharge of various materials into the environment. Costs are routinely incurred to remove, contain, and neutralize existing environmental contaminates and these costs are generally expensed as incurred. Future costs for existing conditions are not readily determinable and are not reflected in the financial statements.

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

F. **Lexington Public Library** – The Library is a non-profit, non-stock corporate agency and instrumentality of the Government. The Lexington Public Library Board of Trustees is a defendant in a lawsuit filed by the Library's former Director, for contract damages associated with her 2009 termination by the Board. This matter came before an American Arbitration Association panel that on May 17, 2014 issued an Order of Damages totaling $907,762. On each of the panel's findings for damages, a panel member dissented to the order except in the case of the salary remaining on the contract which totals $257,731. The Lexington Public Library Board of Trustee's legal counsel presented to the Fayette Circuit Court arguments and memoranda supporting the Board's position that the Arbitration Panel exceeded its authority under Kentucky law. On August 18, 2016, the Kentucky Supreme Court denied the Motion for Discretionary Review filed by the Plaintiff. The case was remanded to the Fayette Circuit Court. Since remand, the Library filed two motions for summary judgement. On August 9, 2017, the Fayette Circuit Court granted both motions for summary judgment and held that the Plaintiff was not entitled to recover damages. The deadline for appeal has not passed. On September 5, 2017, the Plaintiff filed a Notice of Appeal. The parties have fully briefed the Court of Appeals and are awaiting the Court's decision.

In November 1999 the Public Library Corporation (the Corporation), a component unit of the Lexington-Fayette Urban County Government, issued $3,570,000 in tax-exempt bonds for the construction of the Tates Creek Branch. As security for the bonds, the Library has pledged to transfer amounts equal to annual debt service plus the highest annual debt service amount that will be on hand in the Corporation.

Through cancelable lease and sublease agreements, the Library is leasing the Tates Creek Branch from the Public Library Corporation for an annual rental equal to the annual debt service on the bonds. During the past fiscal year, the Library transferred $256,580 to the Public Library Corporation to pay current debt service. As of June 30, 2018, the Library is committed to fund a total of $519,632 through fiscal year 2020 for this purpose.

G. **Lexington Downtown Housing Fund, LLC** – On December 9, 2004 the Government passed ordinance 319-2004 approving a lease and sublease for the purpose of creating, enhancing, and extending market-rate housing in downtown Lexington (the Project). The Ordinance authorized entering into one or more leases with the Kentucky League of Cities Funding Trust to enable the Government to finance the Project for an aggregate principal amount of $2,000,000 outstanding at any one time. The leases are a general obligation pledge of the Government. The sublease agreement between the Government and the Lexington Downtown Housing Fund, LLC (DHL LLC) assigns administrative management and support of the loan programs to DHL LLC. Under the loan program, DHL LLC makes loans to developers of approved projects. The loans made by DHL LLC are funded in part by the sublease and in part from funds contributed or loaned from local participating banks. The interest on the loans is paid by the developers, and the principal of the loans are subsequently repaid by the revenues from the projects. In the event of default by the developer on the loan payment, the portion of the loan funded by the sublease would become an obligation of the Government. The Project has been closed, and the loans have been repaid to the bank. The Government has entered into financial agreements with the remaining two developers. Artek, LLC has agreed to a promissory note made payable to the Government of $150,000, maturing June 13, 2019. In addition, Artek, LLC agrees to use its best efforts to pay any additional funds that may be available at the maturity date, up to a maximum amount of $75,000. The Government has recorded a long term note receivable in the guaranteed amount of $150,000. The remaining principal balance of $355,000 has been forgiven. The Government has recorded a long term note receivable in the amount of $405,000 due from Lexington Centercourt on June 13, 2019. The Government anticipates the amount to be paid in full.

H. Liens and Encumbrances – While the Government has satisfactory title to all owned assets, there may be some liens and encumbrances on such assets for matters unrelated to bond issues. Only a complete accurate title search of all properties would disclose such liens and encumbrances.

I. Conduit Debt – The Government has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector or nonprofit entity served by the bond issue. The Government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2018, there were 23 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately $141,867,000.

To provide for the construction of a hospital facility, the PFC issued Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project). The bonds are a special limited obligation of the PFC, payable solely from and secured by a pledge of rentals to be received from a lease agreement between the PFC and the Commonwealth of Kentucky. The bonds do not constitute a debt or pledge of the faith and credit of the PFC or the Government, and accordingly have not been reported in the accompanying financial statements. At June 30, 2018, the Lease Revenue Bonds outstanding total approximately $115,575,000.

J. Encumbrances – Encumbrance accounting is utilized during the year to facilitate effective budgetary control. Encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. Budgetary comparisons presented in this report are on this budgetary basis of accounting. Adjustments necessary to convert from the budgetary basis to GAAP are provided on the face of the budgetary comparison statements.

In governmental funds, encumbrances outstanding at year-end represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances are not treated as expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances for the governmental funds at June 30, 2018 were as follows:

General Fund	$4,697,148
Urban Service Fund	6,873,200
Nonmajor Governmental Funds	11,880,562

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2018 for these funds are as follows:

Sanitary Sewer System	$71,927,721
Public Facilities Corporation	1,492
Water Quality	5,745,996
Landfill	510,023
Nonmajor Enterprise Funds	494,555

K. Tax Abatements – The Government participates in the Commonwealth of Kentucky's Tax Increment Financing (TIF) program. For a full disclosure of the program requirements, please see KRS Chapters 65 and 154. Any inducements offered under the TIF program are negotiated by the Cabinet for Economic Development officials and presented as a recommendation to the Kentucky Economic Development Finance Authority for approval. There are three state participation programs available. State participation is limited to a specific project within a blighted urban redevelopment or vacant land with 5,000 seat arena development area. Only the tax revenues generated within the footprint of the specific identified project are included in the increment. The tax abatements are granted to development areas that meet two of seven specified blight/deterioration conditions established in KRS 65.7049(3), such as abandonment or deterioration of structures, presence of environmentally contaminated land, and inadequate or deteriorating public infrastructure. Abatements are obtained through application by the property owner, including proof that the improvements have been made. The state specifies a percentage reduction of up to 100% of incremental property taxes and occupational license taxes or fees for up to 30 years.

As of June 30, 2018, the Government has property tax abatement agreements through two programs available for specific projects designated to be within the blighted redevelopment areas as follows (dollars in thousands):

- *Commonwealth Participation Program for Real Property Ad Valorem Tax Revenues* – The Government's revenues for realty, business returns, and employee withholdings will be reduced by an estimated $21,947 for tax credits related to fiscal year 2018 under an agreement entered into by the state in the next fiscal year. Participation requirements include a positive impact on the Commonwealth as certified by a qualified independent consultant; a minimum capital investment of $10 million; not more than 20 percent of the approved project costs or 20 percent of the finished square footage shall be devoted to retail; and pledged revenues shall not exceed 100 percent of approved public infrastructure costs. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 20 years. As of June 30, 2018, one state abatement agreement has been entered into with a local business.
- *Commonwealth Participation Program for Mixed Use Redevelopment in Blighted Urban Areas* – The Government's revenues for realty, business returns, and employee withholdings will be reduced by an estimated $334,342 for tax credits related to fiscal year 2018 under an agreement entered into by the state in the next fiscal year. Projects must meet several qualifications for mixed use and blighted/deteriorated conditions. Participation requirements include being a new economic activity in the Commonwealth; having a positive impact on the Commonwealth; a minimum capital investment of at least $20 million but not over $200 million; and recovery of up to 100 percent of approved public infrastructure costs, and costs related to land preparation, demolition and clearance up to 20 years. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 20 years. As of June 30, 2018, four state abatement agreements have been entered into with local businesses.
- *Commonwealth Participation Program for Signature Projects* – The Government's revenues for realty, business returns, and employee withholdings will be reduced by an estimated $100,000 for tax credits related to fiscal year 2018 under an agreement entered into by the state in the next fiscal year. Participation requirements include a positive impact on the Commonwealth as certified by a qualified independent consultant; a minimum capital investment of $200 million; not more than 20 percent of the approved project costs or 20 percent of the finished square footage shall be devoted to retail; pledged revenues shall not exceed 80 percent of approved public infrastructure costs; recovery of up to 100 percent of public infrastructure costs less sales taxes paid, signature costs less sales tax paid, and financing costs related to the public infrastructure costs over a period of up to 30 years; and qualifies for a sales tax refund on the purchase of construction materials that no not qualify as an approved public infrastructure cost or an approved signature cost. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 30 years. As of June 30, 2018, one state abatement agreement has been entered into with a local business.

The Government participates in the Commonwealth of Kentucky's Kentucky Business Investment Program. This program is a state administered tax incentive, authorized by KRS 154.32, and approved by the Kentucky Economic Development Finance Authority. In order to be eligible, a company must create ten (10) new full-time jobs for

Kentucky residents, incur eligible costs of at least $100,000, pay average hourly wages of at least one hundred fifty percent (150%) of the federal minimum wage, and provide a minimum level of benefits by the activation date. Incentives are approved for up to ten (10) years. The Government participates by providing an inducement of one percent (1%) of payroll taxes to the company per authorized job. This reduces the payroll taxes paid per job from 2.25% to 1.25%. The local inducement is approved by resolution of the Urban County Council. As of June 30, 2018, twenty five (25) companies participated in that program at the local level. Payroll withholdings are reduced by an estimated amount of $741,182.

NOTE 6. THE SINGLE AUDIT ACT

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires non-federal entities that expend $750,000 or more a year in Federal awards to have an audit performed in accordance with the provisions of the Circular. A separate supplemental report will be issued on active grant programs of the Government in accordance with applicable provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

NOTE 7. SUBSEQUENT EVENTS

Primary Government

On September 12, 2018, the Urban County Council approved the issuance of General Obligation bonds with a par value of $42.06 million to finance various projects including, but not limited to, (i) software system upgrades, safety operations and other safety related projects, new firetrucks, new police cars, road resurfacing, road maintenance, streetscapes and sidewalk improvements, renovations and upgrades related to public buildings, fleet vehicle replacement, and upgrades related to park projects, and various other improvements within departments of the Lexington-Fayette Urban County Government, and (ii) providing funding for renovations to the Lexington Convention Center.

Component Unit

On September 2018, the Lexington Convention and Visitors Bureau entered into an agreement with the Lexington Center Corp. to pledge $750,000 annually for thirty years beginning January 1, 2019 in order to support the Lexington Center Corp. and its convention and tourism facilities.

On June 2018, Lexington Center Corp. (LCC) Board of Directors approved final plans for the Convention Project which is approximately $300 million project and will be built over three years in two phases. The Project will be funded by a $214 million in the sale of bonds, $60 million from Commonwealth of Kentucky and a $30 million contribution from LFUCG. The $35 million interim loan will be repaid through the sale of the Project bonds scheduled to take place in late October 2018.

NOTE 8. DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS

The Policemen's and Firefighters' Retirement Fund (PFRF) and The City Employees' Pension Fund (CEPF)

A. Plan Descriptions

The Government contributes to two single employer defined benefit pension plans: The PFRF and the CEPF.

The sworn personnel of the divisions of Police and Fire are eligible to participate in the PFRF. For members whose participation date in the PFRF is prior to March 14, 2013, benefits vest after twenty years of service. The annuity is 2.5% of average salary multiplied by years of total service. For members whose participation date is on or after March 14, 2013, benefits vest after twenty-five years of service. The annuity is 2.25% of average salary multiplied by years of total service. Cost of living adjustments (COLA) will be granted on the following schedule for both current and future retirees beginning on the earlier of a member turning age 50 or being retired for five years until the PFRF, utilizing the current COLA provisions, is 85% funded. At that time, COLA's will be granted each year by an amount, determined by the Board, of between 2% and 5% compounded annually. In addition, those receiving an annuity of over $100,000 will not be eligible to receive a COLA until the later of the proposed conditions or January 1, 2018.

Annual Annuity	COLA %
Above $100,000	1%
$75,000 to $99,000	1%
$50,000 to $74,999	1.5%
$40,000 to $49,999	1.5%
$35,000 to $39,999	2%
$30,000 to $24,999	2%
Under $30,000	2%

Members may add unused sick leave to service credit and average annual salary for purposes of calculating retirement benefits. The costs of administering the PFRF are financed by a combination of additional contributions as well as investment income.

Civil service employees of the City of Lexington were covered by the CEPF. In 1973, the governments of the City of Lexington and Fayette County merged to form the Government. In December 1973, the City of Lexington froze admission of new entrants into the CEPF, and in January 1974 the new merged Government assumed the City of Lexington's liability for covered employees and the CEPF was closed to any new members. A member who has attained age 60 and completed 20 years of service or completed 30 years of service regardless of age may apply for retirement. Members who are 45 years old or older with 10 years of service may request a deferred retirement benefit to be paid when they reach 60 years of age. Retirees receive 2.5% of their average salary for each year of service up to 20 years plus 1% of average salary for each year of service over 20 years, with a maximum benefit of 65% of average salary. Members may add unused sick leave to service credit and average annual salary for purposes of calculating retirement benefits. Death and disability benefits are also provided under certain conditions. In addition, the plan includes an annual cost of living adjustment of 3% for any member retiring after July 1, 1981 that has attained age 61 or has been retired for one year. The costs of administering the CEPF are financed by a combination of additional contributions as well as investment income.

Both pension plans are included in the Government's comprehensive annual report and do not issue stand-alone financial reports. Membership for both plans consisted of the following at June 30, 2017:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,230
Active Plan Participants:	
Active members	1,123
Total	2,353

B. Summary of Significant Accounting Policies

Basis of Accounting – The preparation of the financial statements of the PFRF and CEPF conform to the provisions of GASB Statement No. 68. For purposes of measuring the net pension liability/(asset) deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the PFRF and CEPF, and additions to/deductions from the PFRF and CEPF fiduciary net position have been determined on the same basis as they are reported by the PFRF and CEPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are stated at fair value.

C. Contributions

The contribution requirements and benefit provisions for the PFRF are established by state statute and Government ordinance. In fiscal year 2017, the Government contributed 35.85% to the PFRF. Administrative costs were financed by a combination of additional contributions as well as investment income. The required contribution rate is shown in the following table:

	PFRF
Required Contribution Rates:	
Government	35.85%
Plan Member	12.00%

D. Net Pension Liability

The Government's net pension liability/(asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. Additional information as of the latest actuarial valuation is presented in the following table.

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Valuation date	July 1, 2017	July 1, 2017
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Dollar - Closed	Level Dollar - Open
Remaining amortization period	27 years closed	15 years open
Asset valuation method	5 year smoothed market	Market
Actuarial assumptions:		
Investment rate of return	7.50%	7.00%
Projected salary increases	9.50% to 3.50%	N/A
Cost-of-living adjustments	See Note 8.A. on page 94	3.00%
Inflation	2.75%	N/A

Changes in the Net Pension Liability (Asset)

	PFRF Increase (Decrease)			CEPF Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a)-(b)
Balances at 6/30/2016	$814,146,141	$619,901,142	$194,244,999	$10,841,052	$30,106,397	($19,265,345)
Changes for the year:						
Service Cost	15,736,332		15,736,332			
Interest	58,934,015		58,934,015	712,234		712,234
Differences between expected and actual experience	17,343,653		17,343,653	(756,397)		(756,397)
Changes of assumptions	53,757,251		53,757,251			
Contributions-employer		29,667,706	(29,667,706)			
Contributions-employee		11,186,704	(11,186,704)			
Net investment income		91,231,369	(91,231,369)		1,329,650	(1,329,650)
Benefit payments, including refunds of employee contributions	(56,718,545)	(56,718,545)		(1,332,557)	(1,332,557)	
Administrative expense		(226,211)	226,211		(7,240)	7,240
Other changes		141,051	(141,051)		(2)	2
Net changes	89,052,706	75,282,074	13,770,632	(1,376,720)	(10,149)	(1,366,571)
Balances at 6/30/2017	$903,198,847	$695,183,216	$208,015,631	$9,464,332	$30,096,248	($20,631,916)

The following presents the net pension liability of the Government's CEPF pension plan, calculated using the discount rate of 7.00%, as well as what the CEPF's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
CEPF's net pension liability (asset)	($20,078,207)	($20,631,916)	($21,127,995)

The following presents the net pension liability of the Government's PFRF pension plan, calculated using the discount rate of 7.50%, as well as what the PFRF's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PFRF's net pension liability	$312,941,463	$208,015,631	$120,745,457

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the CEPF and PFRF reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

CEPF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$994,735	$0
Total	$994,735	$0

PFRF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$27,905,747	$0
Changes of assumptions	43,005,801	
Net difference between projected and actual earnings on pension plan investments		9,748,520
Employer contributions subsequent to the Measurement date	27,576,764	
Total	$98,488,312	$9,748,520

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the CEPF pension will be recognized in pension expense as follows:

Year ended June 30:	
2019	$36,467
2020	526,476
2021	285,611
2022	146,181
Thereafter	0

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the PFRF pension will be recognized in pension expense as follows:

Year ended June 30:	
2019	$12,061,511
2020	23,114,230
2021	17,073,559
2022	8,071,462
Thereafter	842,266

E. Other Post Employment Benefit (OPEB)

The Governmental Accounting Standards Board issued Statement No. 75 (GASB 75), "*Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions"* in June 2015. GASB 75's effective date is for an employer's fiscal year beginning after June 15, 2017. For the purposes of reporting under GASB 75, the Plan is assumed to be a single-employer defined benefit OPEB plan without a special funding situation where no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Plan Description – In August 1999, the Urban County Council passed an ordinance that authorized the Government to provide a health insurance benefit to the retirees of both retirement funds, effective July 1, 1999 (the Plan). All retirees who continue to participate in the Government's group health insurance plan are eligible for this benefit.

Funding Policy – The Government pays the premiums for single coverage on a pay-as-you-go basis.

Plan membership – As of June 30, 2017 the plan membership data is as follows:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,029
Active Plan Participants:	
Active members	1,123
Total	2,152

Benefits Provided – The Government administers a single-employer defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note 8. This plan is included in Trust Funds for the City Employees' Pension Fund and the in the Government's financial statements. The plan does not issue a publicly available financial report.

ELIGIBILITY FOR BENEFITS – In August 1999, the Council passed an ordinance that authorized the Government to provide a health insurance benefit to the retirees of both retirement funds, effective July 1, 1999. All retirees who retire (according to the one of the retirement eligibilities listed above) after July 1, 1999 and have continuous participation in the health insurance programs sponsored by the Government are eligible to receive a health insurance benefit.

AMOUNT OF ALLOWANCE – For eligible employees the Government pays the single premium for the plan coverage selected by the retiree, but not more than one hundred percent (100%) of the Government's contribution to the health insurance component of the benefit pool for current urban-county government employees for eligible members. All payments are made to the approved provider of the group health insurance plan, not to the retiree, and the retiree shall not be entitled to receive any portion of the government contribution remaining after payment is made to the approved provider. Upon the death of an active member due to occupational causes, the Government will pay one hundred percent (100%) of the cost of the family medical coverage for the member's surviving spouse and dependent children as long as they remain eligible for a monthly retirement allowance from the retirement fund. Upon the death of an active member due to non-occupational causes, the member's surviving spouse and dependent children are able to stay on the plan as long as the applicable premium payments are made.

DEPENDENT COVERAGE – Group rates under the group health insurance plan approved by the Government are made available to the spouse, dependents and disabled children of a qualified and participating retiree, if the premium is paid by the retired member, spouse, dependent, or disabled child. Upon the death of a retiree, the retiree's surviving spouse is able to stay on the plan as long as the applicable premium payments are made.

RETIREE GROUP HEALTH INSURANCE PLAN OPTIONS:

- Humana PPO-A
- Humana PPO-B
- Humana HSA1
- Humana HSA2
- Humana Seniors Medicare Advantage Plan
- Anthem Seniors Standard Plan
- Anthem Seniors Comprehensive Plan

Retirees under age 65 may select from the Humana PPO Plan options. Retirees age 65 and older may select from any of the last three plan options above only if they are covered under Medicare Parts A and B. Medicare Part D coverage is provided to those retirees electing one of the Senior Plans above.

CURRENT GROUP HEALTH MONTHLY INSURANCE PREMIUMS EFFECTIVE JANUARY 1, 2016:

Plan Option	Single	Two Party
Humana PPO-A	$696.57	$1,267.75
Humana PPO-B	515.47	938.15
Humana HSA1	469.16	853.85
Humana HSA2	460.30	731.30
Humana Seniors Medicare Advantage Plan	360.79	721.58
Anthem Seniors Standard Plan	157.98	315.96
Anthem Seniors Comprehensive Plan	198.05	396.10

The Government contributes $430.75 for an individual without the tobacco credit, $455.74 for an individual or an individual covering a spouse with the tobacco credit, and $480.74 for a family with the tobacco credit toward the premium for single coverage for retirees and $75 for surviving spouses without the tobacco credit and $100 for surviving spouses with the tobacco credit of active members who die in service due to occupational causes. The remainder of any premium is paid by retirees.

The amounts contributed to both retirement funds OPEB were $4,952,442, $5,638,286, and $4,632,488 respectively, for the years ended June 30, 2018, 2017, and 2016.

OTHER POST EMPLOYMENT BENEFITS – Health care and prescription drug coverage is provided in all of the group health insurance plan options. Vision coverage is extended to those members electing the Humana Platinum Plan or the Humana Gold Plan.

Total OPEB Liability (TOL) of the Government

Total OPEB Liability	$341,737,302
Fiduciary Net Position	0
Net OPEB Liability	$341,737,302

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation	2.75%
Real Wage growth	N/A
Wage Inflation	N/A
Municipal Bond Index Rate	
Prior Measurement Date	3.01%
Measurement Date	3.56%
Health Care Cost Trends	
Pre-Medicare	7.50% for 2018 decreasing to an ultimate rate of 5.00% by 2024
Post-Medicare	5.50% for 2018 decreasing to an ultimate rate of 5.00% by 2024

Discount rate – The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56% due to a change in the Municipal Bond Rate.

The RP-2000 Combined Table Generational with Scale AA was used for the inactive members receiving a benefit in the City Employees' Pension Fund. The RP-2000 Combined Table Projected with scale BB to 2017 was used for the members of the Policemen's and Firefighters' Retirement Fund, both actives and the inactive members receiving a benefit.

Changes in the Total OPEB Liability (Asset)

	Increase / (Decrease)
	Total OPEB Liability (TOL)
Balances at 6/30/2016	$350,482,838
Changes for the year:	
Service Cost	18,518,517
Interest on the TOL and Cash Flow	10,445,265
Differences between expected and actual experience	(1,289,809)
Changes of assumptions	(30,781,223)
Benefit payments	(5,638,286)
Net changes	(8,745,536)
Balances at 6/30/2017	$341,737,302

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Government, as well as what the Government's net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	$379,841,269	$341,737,302	$271,006,000

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability of the Government, as well as what the Government's net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Net OPEB Liability	$266,578,188	$341,737,302	$386,368,430

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

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB Expense they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB Expense they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period.

For the year ended June 30, 2017, the Government recognized OPEB expense of $24,212,518. At June 30, 2017 the Government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$0	$1,098,726
Changes of assumptions		26,221,042
Total	$0	$27,319,768

Amounts to be recognized as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	$(4,751,264)
2019	(4,751,264)
2020	(4,751,264)
2021	(4,751,264)
2022	(4,751,264)
Thereafter	(3,563,448)

Payable to the OPEB Plan

At June 30, 2017, the Government had no payables for outstanding contributions to the Plan required for the year ended June 30, 2017.

F. Pension Plan Financial Statements

STATEMENT OF NET POSITION
June 30, 2018

	PFRF	CEPF	Total Pension Trust Funds
ASSETS			
Cash and Cash Equivalents	$3,796,104	$670,815	$4,466,919
Receivables:			
Interest Receivable	2,519,453	54,380	2,573,833
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	347,631		347,631
Corporate Debt	79,786,587	7,353,210	87,139,797
International Bonds	7,513,441		7,513,441
Municipal Obligations	2,990,453		2,990,453
SL Comingled Funds	35,690,216		35,690,216
US Agencies	32,107,686		32,107,686
US Government Obligations	30,128,911	3,213,337	33,342,248
Other Investments:			
Equity Mutual Funds	448,912,777	18,905,957	467,818,734
Equity Real Estate	68,495,596		68,495,596
Equity Securities - Domestic	357,923		357,923
Equity Securities - International	68,224,013		68,224,013
Total Investments	774,555,234	29,472,504	804,027,738
Total Assets	$780,870,791	$30,197,699	$811,068,490
LIABILITIES			
Accounts Payable and Accrued Expenses	$9,601	$1,791	$11,392
Securities Lending Transactions	35,690,216		35,690,216
Total Liabilities	$35,699,817	$1,791	$35,701,608
NET POSITION			
Net position restricted for pensions	$745,170,974	$30,195,908	$775,366,882

STATEMENT OF CHANGES IN NET POSITION
June 30, 2018

	PFRF	CEPF	Total Pension Trust Funds
ADDITIONS			
Contributions:			
Employer	$27,576,764	$0	$27,576,764
Employer - Administration	4,904,724	47,718	4,952,442
Plan Members	10,750,008		10,750,008
Other	8,396		8,396
Total Contributions	43,239,892	47,718	43,287,610
Investment Income:			
Net Change in Fair Value of Investments	58,922,532	828,492	59,751,024
Interest	10,285,518	398,551	10,684,069
Dividends	3,924,933	235,386	4,160,319
Total Investment Income	73,132,983	1,462,429	74,595,412
Less Investment Expense	3,172,768	93,064	3,265,832
Net Investment Income	69,960,215	1,369,365	71,329,580
Income from Securities Lending Activities:			
Securities Lending Income	296,155		296,155
Securities Lending Expenses:			
Borrower Rebates	(871,342)		(871,342)
Management Fees	118,396		118,396
Total Securities Lending Expenses (Income)	(752,946)	0	(752,946)
Net Income on Securities Lending Activities	1,049,101	0	1,049,101
Total Additions	114,249,208	1,417,083	115,666,291
DEDUCTIONS			
Benefit Payments	63,954,734	1,312,429	65,267,163
Administrative Expense	306,716	4,994	311,710
Total Deductions	64,261,450	1,317,423	65,578,873
Net Decrease	49,987,758	99,660	50,087,418
Net Position, Beginning	695,183,216	30,096,248	725,279,464
Net Position, Ending	$745,170,974	$30,195,908	$775,366,882

G. The County Employees' Retirement System

Plan description – The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, school board, and any additional eligible local agencies electing to participate in the System. At June 30, 2016, there were over 1,400 local government agencies participating in CERS, which provides for retirement, disability and death benefits. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS.

Contributions – Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6% of their salary to the plan. The Government's contribution rate for nonhazardous employees was 14.48%. Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who began participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The Government's contribution rate for hazardous employees was 22.20%.

The contribution requirements and the amounts contributed to CERS were $18,775,515 and $17,646,807 respectively, for the years ended June 30, 2018 and 2017.

Benefits provided – Benefits fully vest upon reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who began participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, were issued in June 2012. The Statement replaced the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet those criteria.

At June 30, 2017, the Government reported a liability of $241,742,130 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Government's proportion of the net pension liability was based on a projection of the Government's long term share of contributions to the pension plan relative to the projected contributions of all participating governmental agencies, actuarially determined. At June 30, 2017, the Government's portion of nonhazardous and hazardous was 3.20% and 2.44%, respectively.

At June 30, 2017, the Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$2,235,114	$4,750,231
Net difference between projected and actual earnings on pension plan investments	18,402,620	15,610,795
Change of assumptions	45,424,387	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	11,639,912	
Government contributions subsequent to the measurement date	18,765,280	
Total	$96,467,313	$20,361,026

$18,765,280 reported as deferred outflows of resources related to pensions resulting from Government contributions subsequent to the measurement date will be recognized as a reductions of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$25,747,273
2019	24,512,230
2020	10,080,253
2021	(2,998,749)
2022	0
Thereafter	0

The Schedule of Deferred Inflows and Outflows, and Pension Expense include certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments, change in the Government's proportionate share of contributions, and contributions made subsequent to the measurement date. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed 5 year period. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation is 0.75%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

The Actuarial Cost Method is Entry Age Normal, Level Percentage of Pay, as required by GASB Statement No. 67. The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of pay necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Projected salary increases	2 %, average, including inflation
Inflation	2.00%

The following presents the net pension liability of the Government's CERS pension plan, calculated using the discount rate of 6.25%, as well as what the CERS's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	**Current Discount Rate (6.25%)**	**1% Increase (7.25%)**
Nonhazardous	$236,014,853	$187,132,756	$146,243,250
Hazardous	68,661,394	54,609,374	43,004,458
CERS's net pension liability	$304,676,247	$241,742,130	$189,247,708

Payable to the Pension Plan

At June 30, 2018, the CERS reported payables of $333,068 from the Government for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

Detailed information about the pension plan's fiduciary net position is available in the CERS financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone at (502) 696-8800.

H. The County Employees' Retirement System Other Paid Employee Benefits (OPEB)

Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan, and the administrative costs incurred by those receiving an insurance benefit, in accordance with the provisions of Kentucky Revised Statute Sections 16.510, 61.515, 61.702, 78.520, and 78.630.

CERS Non-hazardous and CERS Hazardous Insurance Funds are costsharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plans for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Relationship to Combining Financial Statements

The Schedule was reconciled to the Plan's Statement of Changes in Plan Net Position – Insurance Fund in KRS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017, with the following difference.

- The 1% of pay member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount on the Pension Funds is considered as an OPEB asset. As a result, the reported plan net position for the Insurance Fund as of June 30, 2017, includes the 401(h) asset balance.

The components associated with OPEB expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position as shown in the Combining Statement of Changes in Plan Net Position and in accordance with requirements promulgated by GASB Statements No. 74 and 75. The net OPEB liability at June 30, 2017, is reported in the Notes to Combining Financial Statements and Required Supplementary Information.

Summary of Significant Accounting and Reporting Policies

Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, KRS adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

The CERS Non-hazardous and CERS Hazardous Insurance Funds are reported as OPEB trust funds, and are accounted for on the accrual basis of accounting. OPEB contributions are determined by the KRS Board and required by the employers and employees. KRS recognized employer and employee contributions to the plans through June 30, 2017. OPEB expenses are recognized as the benefits come due for the CERS Non-hazardous and CERS Hazardous Insurance Funds, which includes payments made to the Department of Employee Insurance (DEI), and Humana Inc. for OPEB costs incurred for the fiscal year ended June 30, 2017. KRS contracts with DEI and Humana to administer the claims. DEI administers retiree claims for retirees under the age of 65, and Humana administers retiree claims for members 65 and over. Since, the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. Investment income/loss is allocated to each plan based on the plan's ownership in the respective investment account.

The systems are charged administrative expenses based on the number of members and dependents electing an insurance policy provided by DEI or Humana, on a monthly basis. The administrative expenses are reported in KRS' basic financial statements included in its CAFR for the Insurance Fund. The Schedule of Employer Allocations reflects employer contributions received for the fiscal year ended June 30, 2017, and includes the following for each individual employer:

employer contributing entity and reporting code;
the amount of the employer contributing entity's contributions; and,
the employer contributing entity's contributions as a percentage of total employer contributions, as defined by this policy.

The components of the net OPEB liability of CERS for the Government as of June 30, 2017, calculated in accordance with GASB Statement No. 74, are as follows (dollars in thousands):

	CERS Non-Hazardous	CERS Hazardous
Total OPEB Liability	$135,007,225	$49,200,240
Fiduciary Net Position	70,735,725	29,022,146
Net OPEB Liability	$64,271,500	$20,178,094

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2017, were based on an actuarial valuation date of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016, but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS nonhazardous and hazardous
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend
Pre-65	rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).

For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Discount Rate

The projection of cash flows used to determine the discount rate of 5.84% for CERS Non-hazardous, and 5.96% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The following presents the net OPEB liability of the Government's CERS OPEB plan, calculated using the discount rate of 5.84%, as well as what the CERS's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease (4.84%)	**Current Discount Rate (5.84%)**	**1% Increase (6.84%)**
Nonhazardous	$81,781,920	$64,271,500	$49,700,078
Hazardous	27,041,411	20,178,094	14,562,773
CERS's net OPEB liability	$108,823,331	$84,449,594	$64,262,851

The following presents the net OPEB liability of the Government's CERS OPEB plan, as well as what the Government's net OPEB liability of the Government's CERS OPEB plan would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease (6.50%)	**Current Discount Rate (7.50%)**	**1% Increase (8.50%)**
Nonhazardous	$49,299,548	$64,271,500	$83,734,157
Hazardous	14,283,763	20,178,094	27,472,224
CERS's net OPEB liability	$63,583,311	$84,449,594	$111,207,381

Use of Estimates in the Preparation of the Schedules

The preparation of the Schedules in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2017

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay

Remaining Amortization Period	28 Years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	Initial trend starting at 7.50% and gradually decreasing
Pre-65	to an ultimate trend rate of 5.00% over a period of 5 years.
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Contributions

The Government's non-hazardous contribution rate was 4.70%. Hazardous covered employees who began participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The Government's contribution rate for hazardous employees was 9.35%.

The contribution requirements and the amounts contributed to CERS were $1,135,927 and $1,072,259 respectively, for the years ended June 30, 2018 and 2017.

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedule of OPEB Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of OPEB Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June 30, 2017, is based on the June 30, 2016, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. At June 30, 2017, the Government reported deferred outflows if resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$0	$225,531
Net difference between projected and actual earnings on pension plan investments		4,303,446
Change of assumptions	24,427,925	
Changes in proportion and differences between Employer contributions and proportionate share of contributions		153,141
Government contributions subsequent to the measurement date	1,135,927	
Total	$25,563,852	$4,682,118

The $1,135,927 reported as deferred outflows of resources related to OPEB resulting from Government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	$3,598,859
2019	3,598,859
2020	3,598,859
2021	2,638,339
2022	2,586,635
Thereafter	724,258

Payable to the OPEB Plan

At June 30, 2018, the CERS reported payables of $57,557 from the Government for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

Detailed information about the OPEB plan's fiduciary net position is available in the CERS financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone at (502) 696-8800.

NOTE 9. RECENT GASB PRONOUNCEMENTS

The Government implemented the following accounting pronouncements during the fiscal year ended June 30, 2018:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or "OPEB"), and provides guidance for measuring the present value of the projected benefits to be provided to employees that is attributed to those employees' past periods of service. This Statement was adopted during the current year and the impact is reflected on the Statement of Net Position and notes to the financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*, establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts, or other legally enforceable agreements. This primarily affects colleges. This Statement was adopted during the current year and did not have an impact on the financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues*, this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is applicable to advanced refundings using only existing resources. The Statement was adopted during the current year and did not have an impact on the financial statements.

The Government will implement the following new accounting pronouncements in future years:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). (FY 2019)

Statement No. 84, *Fiduciary Activities,* establishes criteria for identifying fiduciary activities of all state and local governments. (FY 2020)

Statement No. 87, *Leases,* the objective of which is to better meet the information needs financial statement users by improving accounting and financial reporting for leases by governments. (FY 2021)

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the objective of this Statement is to improve the information that is disclosed in the notes to the financial statements relating to debt. (FY2019)

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, this Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. (FY 2021)

The Government has not yet determined the effect, if any, that the adoption of these Statements may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget-Positive
	Original	Final	Actual	(Negative)
REVENUES				
Licenses and Permits:				
Employee Withholdings	$198,631,800	$198,631,800	$199,492,920	$861,120
Business Returns	43,700,000	43,700,000	44,427,190	727,190
Insurance Premiums	32,029,000	32,029,000	34,581,967	2,552,967
Bond Deposits			(2,500)	(2,500)
Regulated License Fee	886,486	886,486	913,239	26,753
Franchise Fee	25,340,000	25,360,000	25,212,737	(147,263)
Bank Franchise Fee	1,510,000	1,510,000	1,566,983	56,983
Vehicle License	240,000	240,000		(240,000)
Deed Tax Fee	2,000,000	2,000,000	2,004,880	4,880
Registration Fee	415,000	415,000	412,868	(2,132)
Filing Fee - Planning & Zoning	129,000	129,000	117,354	(11,646)
Animal License	46,000	46,000	41,061	(4,939)
Certificates of Occupancy	9,000	9,000	6,390	(2,610)
Hotel - Motel License Fee	35,000	35,000	36,718	1,718
Total Licenses and Permits	304,971,286	304,991,286	308,811,807	3,820,521
Taxes:				
Realty Taxes	20,336,320	20,915,190	20,832,659	(82,531)
Personal Taxes	1,631,000	1,668,000	1,733,582	65,582
PSC Taxes	840,000	886,000	1,076,974	190,974
Property Tax Discount	(376,980)	(366,000)	(408,932)	(42,932)
Property Tax Commission	(936,270)	(960,000)	(996,218)	(36,218)
Delinquent - Realty & Personal	200,000	200,000	66,411	(133,589)
Motor Vehicle Ad Valorem Tax	1,842,000	1,926,000	2,088,136	162,136
County Clerk Com - Motor Vehicle	(72,000)	(72,000)	(73,633)	(1,633)
Supplementary Tax Bills	15,000	3,500	118,557	115,057
Omitted Tax	150,000	150,000	91,038	(58,962)
Total Taxes	23,629,070	24,350,690	24,528,574	177,884
Charges for Services:				
Accident Report Sales	110,000	110,000	121,117	11,117
Administrative Collection Fees	12,000	12,000	12,802	802
Adult Probation Fees	80,000	80,000	46,055	(33,945)
Animal Shelter Collections	20,000	20,000	18,000	(2,000)
Building Permits	1,613,975	1,613,975	1,697,476	83,501
Computer Services Fees	4,500	4,500	2,956	(1,544)
Detention Center	7,582,000	7,582,000	8,469,445	887,445
Developer Landscape Fees	1,800	1,800	11,710	9,910
District Court Jail Fees	90,000	90,000	87,995	(2,005)
Domestic Relations Collection	1,000	1,000	398	(602)
Downtown Arts Center	109,048	109,048	91,916	(17,132)
EMS	8,000,000	8,000,000	6,775,382	(1,224,618)
Excess Fees and Collections	2,850,000	2,850,000	2,887,431	37,431
Golf Course Collections	2,645,069	2,645,069	2,516,045	(129,024)
Park Land Acquisition	275,000	275,000	351,445	76,445
Parks & Recreation Programs	1,039,080	1,039,080	1,143,939	104,859
Rent or Lease Income	609,800	609,800	631,042	21,242
Total Charges for Services	25,043,272	25,043,272	24,865,154	(178,118)
Fines and Forfeitures	239,216	239,216	184,729	(54,487)
Intergovernmental	797,630	797,630	775,621	(22,009)
Property Sales	200,000	200,000	248,629	48,629
Investments	521,350	521,350	556,641	35,291
Other Income:				
Contributions	3,600	87,304	97,857	10,553
Other Income			735,332	735,332
Penalties & Interest	1,826,500	1,826,500	1,598,346	(228,154)
School Board Tax Fee	15,000	15,000	15,000	
Payment in Lieu of Taxes			87,483	87,483
Miscellaneous	1,121,685	1,408,871	1,597,480	188,609
Total Other Income	2,966,785	3,337,675	4,131,498	793,823
Total Revenues	358,368,609	359,481,119	364,102,653	4,621,534

continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget-Positive
	Original	Final	Actual	(Negative)
EXPENDITURES				
General Government:				
Council Office	2,748,696	2,791,565	2,847,647	56,082
Office of the Mayor	1,699,593	1,723,333	1,667,688	(55,645)
Special Programs	254,810	254,810	233,249	(21,561)
Board of Elections	707,794	707,794	660,237	(47,557)
Clerk of the Urban County Council	523,228	521,260	479,915	(41,345)
County Attorney	1,161,200	1,161,200	1,160,865	(335)
Coroner	1,169,475	1,178,673	1,147,957	(30,716)
Property Valuation Administrator	341,800	341,800	341,800	
Contingency	6,257,172	4,500,000		(4,500,000)
Circuit Judges	424,926	424,926	428,483	3,557
County Court Clerk	111,552	106,918	68,746	(38,172)
Citizens' Advocate	37,006	37,006	20,773	(16,233)
Commonwealth Attorney	269,162	273,022	232,245	(40,777)
County Judge Executive	16,165	16,165	4,875	(11,290)
Indirect Cost Allocation	(6,145,776)	(6,145,776)	(5,850,187)	295,589
Total General Government	9,576,803	7,892,696	3,444,293	(4,448,403)
Administrative Services:				
Office of the Chief Administrative Officer	1,985,994	2,175,035	2,168,843	(6,192)
Government Communications	1,091,642	1,145,132	1,049,776	(95,356)
Grants & Special Projects	611,388	689,567	651,634	(37,933)
Human Resources	3,077,486	3,128,766	3,164,460	35,694
Internal Audit Office	610,796	606,801	622,462	15,661
Neighborhood Programs	100,000	108,141	94,569	(13,572)
Total Administrative Services	7,477,306	7,853,442	7,751,744	(101,698)
Chief Development Officer				
Chief Development Officer	752,654	1,437,224	1,288,532	(148,692)
Total Chief Development Officer	752,654	1,437,224	1,288,532	(148,692)
Department of Information Technology:				
Office of the CIO	1,785,830	2,583,137	2,434,825	(148,312)
Computer Services	7,358,061	7,475,760	7,122,594	(353,166)
Enterprise Solutions	1,178,481	1,239,485	1,246,890	7,405
Total Information Technology	10,322,372	11,298,382	10,804,309	(494,073)
Department of Finance:				
Accounting	1,488,305	1,535,499	1,577,096	41,597
Budgeting	546,575	546,942	535,906	(11,036)
Central Purchasing	690,657	690,584	617,117	(73,467)
Revenue	2,354,811	2,356,994	2,357,279	285
Finance Administration	824,882	859,413	850,752	(8,661)
Total Finance	5,905,230	5,989,432	5,938,150	(51,282)
Division of Environmental Quality & Public Works:				
Environmental Quality & PW Admin	280,930	351,467	337,222	(14,245)
Division of Water & Air Quality			(173)	(173)
Division of Environmental Services	2,615,022	2,729,971	2,772,056	42,085
Streets & Roads	3,599,611	4,568,236	4,785,593	217,357
Traffic Engineering	3,985,500	4,246,196	4,474,579	228,383
Total Environmental Quality & Public Works	10,481,063	11,895,870	12,369,277	473,407
Department of Planning, Preservation, & Development:				
Building Inspection	2,572,288	2,572,288	2,567,106	(5,182)
Code Enforcement	2,243,569	2,251,399	2,021,518	(229,881)
Engineering	1,764,522	1,795,578	1,675,273	(120,305)
Planning, Preservation, & Development Admin	2,636,890	4,101,093	4,060,139	(40,954)
Historic Preservation	441,197	441,227	441,968	741
Planning	2,025,660	2,115,642	2,436,782	321,140
Purchase of Development Rights	192,207	192,207	196,934	4,727
Total Planning, Preservation, & Development	11,876,333	13,469,434	13,399,720	(69,714)
Department of Public Safety:				
Police	73,951,047	76,255,854	77,222,296	966,442
Fire & Emergency Services	72,118,967	74,641,372	77,198,739	2,557,367
Community Corrections	36,012,898	36,504,867	37,028,912	524,045
Public Safety Administration	7,381,327	7,394,733	6,910,325	(484,408)
DEEM/Enhanced 911	4,489,829	4,342,123	4,514,169	172,046
Security	944,618	951,712	747,694	(204,018)
Total Public Safety	194,898,686	200,090,661	203,622,135	3,531,474
Department of Social Services:				
Youth Services	2,519,255	2,496,871	2,507,637	10,766
Family Services	2,812,977	2,903,590	2,865,627	(37,963)
Adult Services	1,292,089	1,317,770	1,370,737	52,967
Social Services Administration	2,525,733	2,540,183	2,518,531	(21,652)
Total Social Services	9,150,054	9,258,414	9,262,532	4,118

continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget-Positive (Negative)
EXPENDITURES, continued				
Department of General Services:				
Parks & Recreation	21,431,413	22,459,936	22,234,790	(225,146)
Fleet & Facilities Management	9,463,963	6,889,460	5,734,820	(1,154,640)
General Services Administration	2,911,386	2,844,325	2,752,966	(91,359)
Total General Services	33,806,762	32,193,721	30,722,576	(1,471,145)
Department of Law:				
Law	2,514,692	2,461,019	2,454,494	(6,525)
Total Law	2,514,692	2,461,019	2,454,494	(6,525)
Outside Agencies:				
Commerce Lexington	457,000	571,250	457,000	(114,250)
Downtown Lexington Corporation	40,000	30,678	20,000	(10,678)
Downtown Lexington Partnership		181,734	181,734	
Environmental Commission	5,910	5,660	5,040	(620)
World Trade Center	55,000	73,000	55,000	(18,000)
Grants & Special Projects Agencies	682,750	684,500	682,750	(1,750)
Social Service Agencies	2,645,976	2,669,820	2,654,490	(15,330)
LexArts	489,050	489,053	489,050	(3)
Lexington Center Corporation	750,000			
Lexington Public Library	15,291,270	15,786,567	15,786,567	
Explorium of Lexington	263,500	263,500	263,500	
Carnegie Literacy Center	106,900	106,900	80,326	(26,574)
Downtown Development Authority	323,467	161,734	161,734	
Lyric Theatre	150,000	187,500	150,000	(37,500)
Total Outside Agencies	21,260,823	21,211,896	20,987,191	(224,705)
Debt Service:				
Principal	27,509,181	26,333,289	26,334,181	892
Interest	15,179,562	14,918,911	14,917,115	(1,796)
Other Debt Service		80,210	79,583	(627)
Total Debt Service	42,688,743	41,332,410	41,330,879	(1,531)
Total Expenditures	360,711,521	366,384,601	363,375,832	(3,008,769)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,342,912)	(6,903,482)	726,821	7,630,303
OTHER FINANCING SOURCES (USES)				
Issuance of Debt			22,445,000	22,445,000
Premium on Bonds			(71,721)	(71,721)
Payment to Refunded Debt Escrow Agent			(19,990,000)	(19,990,000)
Transfers In	6,215,710	6,505,314	6,147,960	(357,354)
Transfers Out	(3,758,488)	(10,062,251)	(8,897,410)	1,164,841
Total Other Financing Sources	2,457,222	(3,556,937)	(366,171)	3,190,766
Net Change in Fund Balance	114,310	(10,460,419)	360,650	10,821,069
Fund Balance, Beginning	1,500,000	1,500,000	65,306,186	63,806,186
Adjustment to Opening Fund Balance (Note 2.D.)			(1,304,122)	(1,304,122)
Fund Balances - Restated July 1	1,500,000	1,500,000	64,002,064	62,502,064
Fund Balance, Ending	$1,614,310	($8,960,419)	$64,362,714	$73,323,133

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
FULL URBAN SERVICES DISTRICT FUND
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	$1,510,000	$1,510,000	$1,566,983	$56,983
Total Licenses and Permits	1,510,000	1,510,000	1,566,983	56,983
Taxes:				
Realty Taxes	36,874,000	37,769,000	37,904,574	135,574
PSC Taxes	304,000	347,000	355,099	8,099
Property Tax Discount	(627,260)	(640,000)	(675,720)	(35,720)
Property Tax Commission	(350,000)	(350,000)	(350,000)	
Delinquent - Realty & Personal	268,000	268,000	91,502	(176,498)
Supplementary Tax Bills	1,000	1,000	218,304	217,304
Total Taxes	36,469,740	37,395,000	37,543,759	148,759
Charges for Services:				
Rent or Lease Income	4,500	4,500	4,085	(415)
Commodities	2,333,900	2,333,900	2,447,120	113,220
Dumpster Permit Fees	12,330	12,330	10,715	(1,615)
Total Charges for Services	2,350,730	2,350,730	2,461,920	111,190
Property Sales	100,000	100,000	84,006	(15,994)
Fines and Forfeitures	200	200	332	132
Investments	286,952	286,952	190,395	(96,557)
Other Income:				
Penalties & Interest	15,000	15,000	73,276	58,276
Miscellaneous	20,000	20,000	6,342	(13,658)
Total Other Income	35,000	35,000	79,618	44,618
Total Revenues	40,752,622	41,677,882	41,927,013	249,131
EXPENDITURES				
General Government:				
Contingency	235,196	95,000		(95,000)
Indirect Cost Allocation	2,721,468	2,721,468	2,553,048	(168,420)
Total General Government	2,956,664	2,816,468	2,553,048	(263,420)
Administrative Services:				
Government Communications	1,080,486	902,289	1,009,495	107,206
Human Resources	7,000	7,000	4,740	(2,260)
Total Administrative Services	1,087,486	909,289	1,014,235	104,946
Department of Information Technology				
Computer Services	378,855	318,823	249,179	(69,644)
Office of the CIO		290,000	290,000	
Total Information Technology	378,855	608,823	539,179	(69,644)
Department of Finance:				
Finance	31,940	31,940	23,385	(8,555)
Total Finance	31,940	31,940	23,385	(8,555)
Division of Environmental Quality & Public Works				
Waste Management	30,686,463	30,579,203	26,569,984	(4,009,219)
Division of Environmental Services	689,692	731,863	723,569	(8,294)
Environmental Quality	160,895	158,395	213,244	54,849
Streets & Roads	2,113,082	2,128,692	2,420,583	291,891
Traffic Engineering	6,508,871	6,475,148	6,223,023	(252,125)
Total Environmental Quality & Public Works	40,159,003	40,073,301	36,150,403	(3,922,898)
Department of General Services:				
Fleet & Facilities Management	6,059,954	799,650	602,676	(196,974)
Total General Services	6,059,954	799,650	602,676	(196,974)

continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
FULL URBAN SERVICES DISTRICT FUND
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget-Positive
	Original	Final	Actual	(Negative)
EXPENDITURES, continued				
Department of Law:				
Law	20,210	20,210	11,218	(8,992)
Total Law	20,210	20,210	11,218	(8,992)
Debt Service:				
Principal	278,008	278,008	278,008	
Interest	208,068	208,068	208,068	
Total Debt Service	486,076	486,076	486,076	0
Total Expenditures	51,180,188	45,745,757	41,380,220	(4,365,537)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,427,566)	(4,067,875)	546,793	4,614,668
OTHER FINANCING SOURCES (USES)				
Transfers In	2,000,000	4,000,000	4,000,000	
Transfers Out	(40,450)	(370,765)	(229,522)	141,243
Total Other Financing Sources (Uses)	1,959,550	3,629,235	3,770,478	141,243
Net Change in Fund Balance	(8,468,016)	(438,640)	4,317,271	4,755,911
Fund Balance, Beginning	31,400,000	31,400,000	23,864,791	(7,535,209)
Fund Balance, Ending	$22,931,984	$30,961,360	$28,182,062	($2,779,298)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Total pension liability								
Service cost	$15,273,403	$0	$15,682,820	$0	$15,545,613	$0	$15,736,332	$0
Interest	53,365,849	852,811	54,617,104	805,933	56,566,064	736,800	58,934,015	712,334
Changes of benefit terms								
Differences between expected and actual experience			7,523,715	(345,366)	14,500,618	291,530	17,343,653	(756,397)
Changes of assumptions							53,757,251	
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)	(50,314,337)	(1,470,392)	(53,360,681)	(1,425,983)	(56,718,545)	(1,332,557)
Net change in total pension liability	15,041,900	(721,783)	27,509,302	(1,009,825)	33,251,614	(397,653)	89,052,706	(1,376,620)
Total pension liability-beginning	738,343,325	12,970,313	753,385,225	12,248,530	780,894,527	11,238,705	814,146,141	10,841,052
Total pension liability-ending (a)	$753,385,225	$12,248,530	$780,894,527	$11,238,705	$814,146,141	$10,841,052	$903,198,847	$9,464,432
Plan fiduciary net position								
Contributions-employer	$27,636,473	$0	$22,705,036	$0	$24,755,620	$0	$29,667,706	$0
Contributions-member	9,730,115		9,881,338		9,493,378		11,186,704	
Net investment income	96,386,758	4,356,048	16,827,976	898,062	4,396,040	1,365,187	91,231,369	1,329,650
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)	(50,314,338)	(1,470,392)	(53,360,681)	(1,425,983)	(56,718,545)	(1,332,557)
Administrative Expense	(598,923)	(27,178)	(665,175)	(28,356)	(178,943)	(15,639)	(226,211)	(7,240)
Other					80,010		141,051	(2)
Net change in plan fiduciary net position	79,557,071	2,754,276	(1,565,163)	(600,686)	(14,814,576)	(76,435)	75,282,074	(10,149)
Plan fiduciary net position-beginning	556,723,810	28,029,242	636,280,881	30,783,518	634,715,718	30,182,832	619,901,142	30,106,397
Plan fiduciary net position-ending (b)	$636,280,881	$30,783,518	$634,715,718	$30,182,832	$619,901,142	$30,106,397	$695,183,216	$30,096,248
Net pension liability-ending (a) - (b)	$117,104,344	($18,534,988)	$146,178,809	($18,944,127)	$194,244,999	($19,265,345)	$208,015,631	($20,631,816)
Plan fiduciary net position as a percentage of the total pension liability	84.46%	251.32%	81.28%	268.56%	76.14%	277.71%	76.97%	317.99%
Covered payroll	$63,248,485	$0	$62,102,632	$0	$65,934,339	$0	$73,360,313	$0
Net pension liability as a percentage of covered payroll	185.15%	0.00%	235.38%	0.00%	294.60%	0.00%	283.55%	0.00%

*In 1973 the City of Lexington froze new entrants into the CEPF; In fiscal year 2010 the last active employee retired

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.

Source: Department of Finance, Lexington-Fayette Urban County Government

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS
SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2009		2010		2011		2012		2013	
	Police & Fire	City	Police & Fire	City*	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	$28,689,989	$0	$30,665,280	$0	$28,216,938	$0	$30,665,280	$0	$22,322,068	$0
Contributions in relation to the actuarially determined contribution	84,023,573	7,864	49,469,806	2,632	14,408,809		47,585,689		22,322,068	
Contribution deficiency (excess)	($55,333,584)	($7,864)	($18,804,526)	($2,632)	$13,808,129	$0	($16,920,409)	$0	$0	$0
Covered payroll	$61,368,960	$42,972	$65,765,448	$43,416	$60,512,412	$0	$64,258,162	$0	$62,455,725	$0
Contributions as a percentage of covered payroll	136.92%	18.30%	75.22%	NA	23.81%	NA	74.05%	NA	35.74%	NA

*In 1973 the City of Lexington froze new entrants into the CEPF; In fiscal year 2010 the last active employee retired

Source: Department of Finance, Lexington-Fayette Urban County Government

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS
SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2014		2015		2016		2017		2018	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	$23,217,413	$0	$22,705,036	$0	$24,755,620	$0	$29,808,757	$0	$27,576,764	$0
Contributions in relation to the actuarially determined contribution	23,217,413		22,705,036		24,755,620		29,808,757		27,576,764	
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Covered payroll	$63,248,485	$0	$62,102,632	$0	$65,934,339	$0	$73,360,313	$0	$73,131,137	$0
Contributions as a percentage of covered payroll	36.71%	NA	36.56%	NA	37.55%	NA	40.63%	NA	37.71%	NA

*In 1973 the City of Lexington froze new entrants into the CEPF; In fiscal year 2010 the last active employee retired

Source: Department of Finance, Lexington-Fayette Urban County Government

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2014		2015		2016		2017		2018	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Annual money-weighted rate of return, net of investment expense	7.45%	5.56%	3.08%	3.49%	-0.23%	2.17%	6.20%	3.80%	18.37%	6.48%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.

Source: Department of Finance, Lexington-Fayette Urban County Government

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	Fiscal Year
	2017
	Police & Fire
Total OPEB liability	
Service cost	$18,518,517
Interest	10,445,265
Changes of benefit terms	
Differences between expected and actual experience	(1,289,809)
Changes of assumptions	(30,781,223)
Benefit payments, including refunds of member contributions	(5,638,286)
Net change in total OPEB liability	(8,745,536)
Total OPEB liability-beginning	350,482,838
Total OPEB liability-ending	341,737,302
Covered payroll	$73,360,313
Net OPEB liability as a percentage of covered payroll	465.83%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.

Source: Department of Finance, Lexington-Fayette Urban County Government

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - CERS PENSION
SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET LIABILITY
LAST TEN FISCAL YEARS

	2014	2015	2016	2017
The Government's proportion of the net pension liability (asset)	$115,215,078	$155,544,394	$187,010,198	$241,742,130
The Government's proportionate share of the net pension liability (asset)				
Nonhazardous	2.71%	2.76%	2.96%	3.20%
Hazardous	2.28%	2.39%	2.41%	2.44%
Covered payroll	$72,558,727	$74,948,371	$84,194,948	$88,823,610
The Government's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	158.79%	207.54%	222.12%	287.12%
Plan fiduciary net position as a percentage of the total pension liability	66.06%	66.12%	55.19%	55.19%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.

Source: Kentucky Retirement Systems

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - CERS PENSION
SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2014	2015	2016	2017
Contractually required contribution	$15,852,724	$10,836,390	$10,952,366	$13,388,248
Contribution in relation to the contractually required contribution	16,161,747	16,354,078	16,954,959	13,767,651
Contribution deficiency (excess)	($309,023)	($5,517,688)	($6,002,593)	($379,403)
Government's covered payroll	$72,558,727	$74,948,371	$84,194,948	$88,823,610
Contributions as a percentage of covered payroll	22.27%	21.82%	20.14%	15.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.

Source: Kentucky Retirement Systems

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - CERS OPEB
SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS

	2016	2017
The Government's proportion of the collective net OPEB liability (asset)	$62,469,796	$84,449,594
The Government's proportionate share of the net OPEB liability (asset)		
Nonhazardous	50,412,648	64,271,500
Hazardous	12,057,148	20,178,094
Covered payroll	84,194,948	88,823,610
The Government's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.20%	95.08%
Plan fiduciary net position as a percentage of the total OPEB liability	359.01%	272.62%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.

Source: Kentucky Retirement Systems

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - CERS OPEB
SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2017
Contractually required contribution	$5,205,891
Contribution in relation to the contractually required contribution	4,934,657
Contribution deficiency (excess)	$271,234
Government's covered payroll	$88,823,610
Contributions as a percentage of covered payroll	5.56%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled,

Source: Kentucky Retirement Systems

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The **County Aid Program Fund** accounts for the allocation of county road funds from the Commonwealth of Kentucky as provided by HB 973 and adopted by the 1980 General Assembly based upon the motor fuels taxes collected.

The **Municipal Aid Program Fund** accounts for the allocation from the Commonwealth of Kentucky as provided by KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road expenditures.

The **Industrial Revenue Bond Fund** accounts for receipts and disbursements of IRB issuance fees.

The **Mineral Severance Fund** and **Coal Severance Fund** account for receipts and disbursements of the Coal and Mineral Severance Tax received from the Commonwealth of Kentucky.

The **Police Confiscated Fund** accounts for recoveries from federal criminal case settlements awarded to the LFUCG Division of Police. Expenditures are restricted to police law enforcement programs.

The **Police Confiscated State Fund** accounts for recoveries from state criminal case settlements awarded to the Government's Division of Police. Expenditures are restricted to police law enforcement programs.

The **Public Safety Fund** accounts for revenues and disbursements of the House Bill 413 fees received from the Commonwealth of Kentucky.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds.

The **Lexington Cultural Center** is a project to construct a performing arts and exhibit facility in downtown Lexington.

The **2003 Bond Projects** are for acquisition of vehicles, equipment, the next phase of replacement of the Government Center HVAC system, and fire trucks.

The **2007, 2008, & 2009 Bond Projects** are for park projects, computer equipment, and building renovations and improvements.

The **2010 Bond Projects** are to finance various projects for departments within the Government, including acquisition of equipment, infrastructure projects, and the Purchase of Development Rights program.

The **2011 & 2012 Bond Projects** are to finance the acquisition of various equipment for departments within the Government including but not limited to Computer Services, Public Safety, Parks and Recreation, Solid Waste, Purchase of Development Rights, Recycling Center, and Public Works utility design.

The **2013 Bond Projects** are to finance the acquisition of vehicles and equipment, various parks projects, and complete renovation of the Emergency Operations Center.

The **2014 Bond Projects** will fund projects for Purchase of Development Rights, conservation easements, Public Safety radios, renovation and construction of Parks and funding for the Arena, Arts, and Entertainment District.

The **2015 Bond Projects** will fund projects for Purchase of Development Rights, conservation easements, Public Safety, traffic signal upgrades, renovation and construction of Parks, Facilities and Fleet Management vehicle replacement and repairs, and a new senior citizens center.

The **QECB Bond Project** will fund renovations at the Corrections Detention Center.

The **2016 Bond Projects** will fund projects and infrastructure improvements for departments within the Government including but not limited to Chief Information Officer, General Services, Public Safety, and Planning, Preservation, & Development. Additional projects include a greenway that will link two regional trail systems, the Legacy Trail and Town Branch Trail; streetscape improvements on the Versailles Road Corridor; and paving. A taxable bond portion will finance the restoration and rehabilitation of the historic Fayette County Courthouse in order to preserve the history and architecture of Lexington.

The **2017 Bond Projects** will fund projects including, but not limited to, (i) the construction, installation and equipping of a new fire station, software system upgrades, safety operations and other safety related projects, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, renovations, repairs and upgrades related to public buildings, renovations, repairs and upgrades related to park projects, and (ii) providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights.

The **2018 Bond Projects** will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, and building improvements. In addition it will provide funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights.

The **Public Library Corporation** is for the acquisition, construction, equipping, and financing of public projects to be used for public library purposes.

The **Roads, Parks, Open Space, Storm Water Exactions** are for improvements necessary to provide roads, parks, open space, and storm water management in the Expansion Area Master Plan funded by developer and property owner exaction fees.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds									Capital Projects Funds		
				Local Economic Assistance								
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	2003 Bond Projects	2007, 2008, & 2009 Bond Projects
ASSETS												
Current Cash	$3,485,913	$2,800,787	$205,725	$345,846	$186,246	$1,442,055	$252,550	$950,378	$9,669,500	$4,309	$0	$0
Current Investments	193,003	312,232		64,334					569,569	39,542		
Receivables:												
Other	71,842	550,104		56,570		5,040		67,237	750,793			
Restricted Investments									0		463,854	1,351,582
Total Assets	$3,750,758	$3,663,123	$205,725	$466,750	$186,246	$1,447,095	$252,550	$1,017,615	$10,989,862	$43,851	$463,854	$1,351,582
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts and Contracts Payable	$15,470	$24,797	$0	$75,809	$0	$20,799	$16,593	$0	$153,468	$0	$3,511	$0
Due to Other Funds									0		427,568	1,387,974
Unearned Revenue & Other						1,426,296			1,426,296			
Total Liabilities	15,470	24,797	0	75,809	0	1,447,095	16,593	0	1,579,764	0	431,079	1,387,974
Fund Balances:												
Restricted for:												
Public Works	3,735,288	3,638,326	205,725		186,246				7,765,585			
Public Safety							235,957	1,017,615	1,253,572			
Capital Projects									0	43,851	32,775	
Assigned				390,941					390,941			
Unassigned									0			(36,392)
Total Fund Balances	3,735,288	3,638,326	205,725	390,941	186,246	0	235,957	1,017,615	9,410,098	43,851	32,775	(36,392)
Total Liabilities and Fund Balances	$3,750,758	$3,663,123	$205,725	$466,750	$186,246	$1,447,095	$252,550	$1,017,615	$10,989,862	$43,851	$463,854	$1,351,582

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Capital Projects Funds												
	2010 Bond Projects	**2011 & 2012 Bond Projects**	**2013 Bond Projects**	**2014 Bond Projects**	**2015 Bond Projects**	**QECB Bond Projects**	**2016 Bond Projects**	**2017 Bond Projects**	**2018 Bond Projects**	**Public Library Corporation**	**Roads, Parks, Open Space, Storm Water Exactions**	**Total**	**Total Nonmajor Governmental Funds**
ASSETS													
Current Cash	$0	$346,461	$14,095	$37,419	$7,551	$0	$473,328	$0	$1,763,485	$495,506	$4,069,413	$7,211,567	$16,881,067
Current Investments										317,180		356,722	926,291
Receivables:													
Other												0	750,793
Inventories and Prepaid Items									5,334			5,334	5,334
Restricted Investments	1,219,251	340,041	12,347	415,259	920,663	812,351	5,543,706	13,540,138	23,009,241			47,628,433	47,628,433
Total Assets	$1,219,251	$686,502	$26,442	$452,678	$928,214	$812,351	$6,017,034	$13,540,138	$24,778,060	$812,686	$4,069,413	$55,202,056	$66,191,918
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts and Contracts Payable	$73,351	$1,251	$2	$15,411	$524	$0	$471,240	$609,848	$3,487,308	$0	$0	$4,662,446	$4,815,914
Due to Other Funds	927,597					721,638		66,798				3,531,575	3,531,575
Unearned Revenue & Other												0	1,426,296
Total Liabilities	1,000,948	1,251	2	15,411	524	721,638	471,240	676,646	3,487,308	0	0	8,194,021	9,773,785
Fund Balances:													
Restricted for:													
Public Works												0	7,765,585
Public Safety												0	1,253,572
Capital Projects	218,303	685,251	26,440	437,267	927,690	90,713	5,545,794	12,863,492	21,290,752	812,686	4,069,413	47,044,427	47,044,427
Assigned												0	390,941
Unassigned												(36,392)	(36,392)
Total Fund Balances	218,303	685,251	26,440	437,267	927,690	90,713	5,545,794	12,863,492	21,290,752	812,686	4,069,413	47,008,035	56,418,133
Total Liabilities and Fund Balances	$1,219,251	$686,502	$26,442	$452,678	$928,214	$812,351	$6,017,034	$13,540,138	$24,778,060	$812,686	$4,069,413	$55,202,056	$66,191,918

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds									Capital Projects Funds		
				Local Economic Assistance								
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	2003 Bond Projects	2007, 2008, & 2009 Bond Projects
REVENUES												
Charges for Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Intergovernmental	784,281	5,797,526		233,151	71,020	817,750	221,335	249,419	8,174,482			
Income on Investments	2,292	3,730		764		882	1,744		9,412	364	1,685	5,276
Total Revenues	786,573	5,801,256	0	233,915	71,020	818,632	223,079	249,419	8,183,894	364	1,685	5,276
EXPENDITURES												
Current:												
Planning, Preservation, & Development		70							70			0
Police						372,931	187,426		560,357			28,469
Parks and Recreation				29,938					29,938			
Capital:												
Equipment						445,701	150,000		595,701			1,455
Acquisitions and Construction	811,300	547,913		270,803	27,675				1,657,691		106,993	169,985
Total Expenditures	811,300	547,983	0	300,741	27,675	818,632	337,426	0	2,843,757	0	106,993	199,909
Excess (Deficiency) of Revenues over (under) Expenditures	(24,727)	5,253,273		(66,826)	43,345	0	(114,347)	249,419	5,340,137	364	(105,308)	(194,633)
OTHER FINANCING SOURCES (USES)												
Transfers Out		(3,124,988)						(300,000)	(3,424,988)		0	
Total Other Financing Sources (Uses)	0	(3,124,988)	0	0	0	0	0	(300,000)	(3,424,988)	0	0	0
Net Change in Fund Balances	(24,727)	2,128,285	0	(66,826)	43,345	0	(114,347)	(50,581)	1,915,149	364	(105,308)	(194,633)
Fund Balances (Deficits), Beginning	3,760,015	1,510,041	205,725	457,767	142,901	0	350,304	1,068,196	7,494,949	43,487	138,083	158,241
Adjustment to Opening Fund Balance (Note 2.D.)												
Fund Balances, Beginning - Restated	3,760,015	1,510,041	205,725	457,767	142,901	0	350,304	1,068,196	7,494,949	43,487	138,083	158,241
Fund Balances (Deficits), Ending	$3,735,288	$3,638,326	$205,725	$390,941	$186,246	$0	$235,957	$1,017,615	$9,410,098	$43,851	$32,775	($36,392)

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Capital Projects Funds												
	2010 Bond Projects	2011 & 2012 Bond Projects	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	QECB Bond Projects	2016 Bond Projects	2017 Bond Projects	2018 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
REVENUES													
Charges for Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Intergovernmental												0	8,174,482
Exactions											148,447	148,447	148,447
Other				13,008						277,795		290,803	290,803
Income on Investments	4,731	1,340	48	2,578	6,203	13,378	43,067	72,618	79,034	3,798	18,769	252,889	262,301
Total Revenues	4,731	1,340	48	15,586	6,203	13,378	43,067	72,618	79,034	281,593	167,216	692,139	8,876,033
EXPENDITURES													
Current:													
General Government									357,170			357,170	357,170
Finance							42,188			374		42,562	42,562
Information Technology	62,000						878,290	500,000	1,020,554			2,460,844	2,460,844
Planning, Preservation, & Development							100,375					100,375	100,445
Police		4,953	24,501					445,250	269,600			772,773	1,333,130
Community Corrections									1,506,477			1,506,477	1,506,477
General Services								685,406				685,406	685,406
Parks and Recreation							90,600	4,100				94,700	124,638
Debt Service:													
Principal										242,811		242,811	242,811
Interest										18,074		18,074	18,074
Other Debt Service									134,038			134,038	134,038
Capital:													
Equipment	6	1,250	3	13,937	1,840		55,854	321,103	5,725,493			6,120,941	6,716,642
Acquisitions and Construction	266,144	100,000		327,117	1,140,674	69,339	5,072,357	5,751,762	6,732,597			19,736,968	21,394,659
Total Expenditures	328,150	106,203	24,504	341,054	1,142,514	69,339	6,239,664	7,707,621	15,745,929	261,259	0	32,273,139	35,116,896
Excess (Deficiency) of Revenues over (under) Expenditures	(323,419)	(104,863)	(24,456)	(325,468)	(1,136,311)	(55,961)	(6,196,597)	(7,635,003)	(15,666,895)	20,334	167,216	(31,581,000)	(26,240,863)
OTHER FINANCING SOURCES (USES)													
Transfers Out							(28,487)					(28,487)	(3,453,475)
Issuance of Debt									32,435,000			32,435,000	32,435,000
Premium on Bonds									4,660,804			4,660,804	4,660,804
Discount on Bonds									(138,157)			(138,157)	(138,157)
Total Other Financing Sources (Uses)	0	0	0	0	0	0	(28,487)	0	36,957,647	0	0	36,929,160	33,504,172
Net Change in Fund Balances	(323,419)	(104,863)	(24,456)	(325,468)	(1,136,311)	(55,961)	(6,225,084)	(7,635,003)	21,290,752	20,334	167,216	5,348,160	7,263,309
Fund Balances (Deficits), Beginning	541,722	790,114	50,896	762,735	2,064,001	146,674	11,770,878	20,498,495	0	792,352	3,343,522	41,101,200	48,596,149
Adjustment to Opening Fund Balance (Note 2.D.)											558,675	558,675	558,675
Fund Balances, Beginning - Restated	541,722	790,114	50,896	762,735	2,064,001	146,674	11,770,878	20,498,495	0	792,352	3,902,197	41,659,875	49,154,824
Fund Balances (Deficits), Ending	$218,303	$685,251	$26,440	$437,267	$927,690	$90,713	$5,545,794	$12,863,492	$21,290,752	$812,686	$4,069,413	$47,008,035	$56,418,133

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/18

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2017	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2018
US Department of Agriculture:							
Direct Programs:							
Child Care Food Program	10.558	11475	$3,619	$17,321	$0	$13,702	$0
Child Care Food Program	10.558	11475		38,086		46,955	8,869
Purchase of Development Rights (PDR)	10.931	545C161501JPC				702,043	702,043
Total US Department of Agriculture			3,619	55,407	0	762,700	710,912
US Department of Housing and Urban Development:							
Direct Programs:							
Community Dev Block Grant	14.218		33	65,568	106,000	80,536	121,001
Community Dev Block Grant	14.218		60,548	157,650	55,296	91,891	50,085
Community Dev Block Grant	14.218			57,924	474,839	226,731	643,646
Community Dev Block Grant	14.218			486,782	123,074	793,107	429,399
Emergency Solutions	14.231		245	245			
Emergency Solutions	14.231		18,582	68,083	21,722	55,525	27,746
Emergency Solutions	14.231				83,146	2,836	85,982
HOME	14.239		85,481	537,123	511,882	558	60,798
HOME	14.239		11,280	124,089	55,984	68,379	11,554
HOME	14.239		17,995	109,301	126,064		34,758
HOME	14.239			64,085	66,688		2,603
Housing Opp for Pers with AIDS (HOPWA)	14.241		31,516	276,208	242,156	2,536	
Housing Opp for Pers with AIDS (HOPWA)	14.241			79,326	162,468		83,142
Continuum of Care	14.267		18,182	29,641		11,459	
Continuum of Care	14.267			5,928		8,100	2,172
Total US Department of Housing and Urban Development			243,862	2,061,953	2,029,319	1,341,658	1,552,886
US Department of Justice:							
Direct Programs:							
Police Confiscated Funds	16.001	NA	(1,483,952)	760,977		818,633	(1,426,296)
Safe Havens	16.527		11,294	134,771	123,477		
Arrest Policy	16.590		22,184	43,411	7,450	13,777	
SCAAP	16.606		(124)			124	
SCAAP	16.606		(46,602)			45,658	(944)
SCAAP	16.606		(33,501)			2,613	(30,888)
SCAAP	16.606		(42,100)				(42,100)
SCAAP	16.606		(44,231)				(44,231)
Cops Hire	16.710		157,165	489,019		386,996	55,142
Justice Assistance Grant	16.738		(34)			34	
Justice Assistance Grant	16.738		(11,407)			10,681	(726)
Justice Assistance Grant	16.738		(16,957)			2,786	(14,171)
Passed through Commonwealth of Kentucky:							
Office Justice Delinquency Prevention	16.540	2016-JF-FX-0029		5,514		12,059	6,545
Lexington Police Victim Advocate Project	16.575	VOCA-2016-LFUCG-STRE-0026	2,468	13,409		10,941	
Lexington Police Victim Advocate Project	16.575	VOCA-2017-LFUCG-STRE-00039				4,324	4,324
Underserved Minority Victim	16.575	VOCA-2017-LFUCG-STRE-00058		3,220		16,191	12,971
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2016-LFUCG-ST-00483	5,698	16,280		10,582	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2017-LFUCG-ST-00531		1,976		5,929	3,953
National PAL Mentoring Program	16.726	2016-JU-FX-0014	1,080	15,942		14,862	
Street Sales (Confiscated Funds)	16.738	2016-JAG-LFUCG-STRE-01144		23,978		23,978	
Street Sales (Confiscated Funds)	16.738	2017-JAG-LFUCG-STRE-01160		11,903		11,903	
Street Sales	16.738	2016-JAG-LFUCG-STRE-01144	18,845	18,845			
Total US Department of Justice			(1,460,174)	1,539,245	130,927	1,392,071	(1,476,421)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/18

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2017	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2018
US Department of Transportation:							
Passed through Commonwealth of Kentucky:							
Air Quality Planning	20.205	PO2-625-1600006758	47,723	47,723			
Air Quality Planning	20.205	1700006017		29,349		91,960	62,611
Armstrong Mill Sidewalks	20.205	PO2-628-1700004143				29,700	29,700
Beaumont YMCA Trail Project	20.205	PO2-628-1700004155		7,000		12,000	5,000
Bicycle and Pedestrian Planning	20.205	PO2-625-1600006758	17,581	17,581			
Bicycle and Pedestrian Planning	20.205	1700006017		33,099		51,066	17,967
Bike Plan	20.205	1600006170	14,567	149,741		135,174	
Brighton Trail Pedestrian Bridge	20.205	P02-628-1700002505		340		340	
Citation Trail	20.205	PO2-628-1700004156		9,694		48,153	38,459
Clays Mill Road	20.205	C-03328686		31,561		31,561	
Clays Mill Road	20.205	PO2-625-1500002693	184,150	556,910		451,708	78,948
CNG Fueling Station (Compressed Nat.Gas)	20.205	P02-628-1600005819		776,240		776,240	
Federal Highway Planning	20.205	1600003892	67,515	67,515			
Federal Highway Planning	20.205	1700005044		298,673		392,000	93,327
Fiber Optic Cable Installation	20.205	P02-628-1600004546				3,277	3,277
Forbes Road	20.205	PO2-628-1700002506	16,683	21,523		5,091	251
Four Side	20.205	PO2-628-1600005725	47,921	112,634		70,174	5,461
Intelligent Transpor. System (ITS)	20.205	PO2-625-1600002350	1,592	415,670		414,078	
Intelligent Transpor. System (ITS)	20.205	PO2-625-1700002191		113,285		476,008	362,723
Legacy Trail Enhancements	20.205	PO2-625-1200003879		8,580		10,775	2,195
Legacy Trail Phase III	20.205	PO2-628-1400005764	45,269	115,535		70,266	
Lexington Community Land Trust	20.205	PO2-625-1500000828	55,358				55,358
Liberty Road/Todds Road	20.205	C-00021586	50,510	50,510			
Liberty Road/Todds Road	20.205	C-04073306	485,243	485,243		7,686	7,686
Loudon Avenue Sidewalk Project	20.205	PO2-628-1100001626	48,285	50,729		2,444	
W. Loudon Avenue Streetscape	20.205	PO2-628-1800002729		5,420		5,420	
Man O' War & Alumni Intersection Project	20.205	PO2-625-1400004868		310,830		310,830	
Mercer Rd/Greendale Rd Turn lanes	20.205	PO2-628-1800001345				12,215	12,215
Mobility Office	20.205	PO2-625-1600006758	67,043	67,043			
Mobility Office	20.205	1700006017				100,681	100,681
Newtown Pike	20.205	C-00343167	21,326				21,326
Newtown Pike Supplement #1	20.205	C-00343167	719,283	22,893		443	696,833
Newtown Pike Supplement #2	20.205	C-00343167	530,183	54,082		297,759	773,860
Old Frankfort Pike Scenic Byway Viewing Area	20.205	PO2-628-1500003392	4,000	23,425		21,867	2,442
Oxford Circle Sidewalks	20.205	P02-628-1700004160		15,900		18,000	2,100
Polo Club Boulevard Project	20.205	PO2-625-1300001036				18,084	18,084
Rose Street Bike Lanes	20.205	C-01099430	1,760	1,760			
Rosemont Garden Sidewalks	20.205	PO2-628-1700004171		8,209		15,749	7,540
South Elkhorn Trail	20.205	PO2-628-1700004176		23,916		31,212	7,296
Squires Road Sidewalks	20.205	PO2-628-1600003546		12,002		12,002	
Todds Road Sidewalks	20.205	PO2-628-1700004177				52,110	52,110
Town Branch	20.205	PO2-628-1200004353	9,915	36,013		41,648	15,550
Town Branch Commons Corridor-Zone 2	20.205	PO2-628-1600003719	30,492	82,120		115,502	63,874
Town Branch Trail Commons-Midland Section	20.205	PO2-628-1600005544	85,102	250,132		203,231	38,201
Town Branch Trail Crossing	20.205	PO2-628-1500004792	3,664	5,130		1,466	
Town Branch Trail Phase IV, V, VI	20.205	PO2-628-1500003706	103,452	293,083		225,590	35,959
Transit Route Facilities Inventory	20.205	PO2-620-1700000432	652	20,643		19,991	
West Hickman Trail	20.205	PO2-628-1600005956	19,302	83,091		71,305	7,516
Wilson Downiing Sidewalks	20.205	PO2-628-1700004178		12,456		33,088	20,632
Winchester/Liberty Intersection Improvements	20.205	PO2-628-1600003038	5,687	5,687			
MCSAP	20.218	No Number	1,499	5,448		3,949	
MCSAP	20.218	No Number		29,392		40,159	10,767
Ticketing Aggressive Cars/Trucks (TACT)	20.218	No Number	5,545	16,977		11,432	
Ticketing Aggressive Cars/Trucks (TACT)	20.218	No Number		4,601		6,736	2,135
Brighton Rail Trail Phase 4	20.219	RTP 484-13	4,288	89,951		85,663	
Fed Transit Admin Section 5303	20.505	P030217442		18,504		48,400	29,896
Traffic Safety	20.600	PO2-625-17000005061	3,211	16,485		13,274	
Traffic Safety Supplement	20.600	PO2-625-18000010731		27,609		37,735	10,126
Traffic Safety Supplement	20.600	PO2-625-18000045321				2,684	2,684
Traffic Safety Supplement #2	20.600	PO2-625-17000043701	13,178	24,992		11,814	
Traffic Safety	20.616	PO2-625-18000009371		30,485		37,952	7,467
Traffic Safety Impaired Driving Enforcement	20.616	PO2-625-17000007651	1,745	12,897		11,152	
Total US Department of Transportation			2,713,724	5,010,311	0	4,998,844	2,702,257

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/18

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2017	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2018
US Environmental Protection Agency							
Passed through Commonwealth of Kentucky:							
Century Hills	66.458	A13-003 SWR					
Town Branch WWS	66.458	A13-015 SWR		319,678		319,678	
Lower Cane Run WWS	66.458	A14-001 SWR		1,541,779		1,541,779	
Lower Griffin Gate Trunk	66.458	A17-003 SWR		1,286,628		1,286,628	
Marquis Ave	66.458	A13-015 SWR		301,262		301,262	
UK Trunk Sewer A	66.458	A13-015 SWR		1,052,193		1,052,193	
West Hickman Wet Weather Storage	66.458	A15-026 SWR	5,522,776	31,652,175		26,355,894	226,495
Total US Environmental Protection Agency			5,522,776	36,153,715	0	30,857,434	226,495
US Department of Health and Human Services:							
Passed through Commonwealth of Kentucky:							
Senior Citizens	93.044	PON2-725-1600003936	1,092	1,092			
Senior Citizens	93.044	PON2-725-1600003936		69,911		72,081	2,170
Refugee Targeted Assistance Program	93.584	257-107042-2017	2,664	5,309		2,645	
Refugee Targeted Assistance Program	93.584	257-107042-2018		686		686	
Home Network	93.597	2013-1014-PUBLIC-R	(6,505)			6,505	
Home Network	93.597	2014-2015-PUBLIC-R	(21,988)			21,988	
Home Network	93.597	2015-2016-PUBLIC-R	(343,715)			343,715	
Home Network	93.597	2016-2017-PUBLIC-R	(233,890)	45,320			(279,210)
Home Network	93.597	2017-2018-PUBLIC-R		236,540			(236,540)
Head Start Program	93.600	No Number	4,592	4,592			
Head Start Program	93.600	No Number		29,129		32,162	3,033
Total US Department of Health and Human Services			(597,750)	392,579	0	479,782	(510,547)
US Department of Homeland Security Office of Domestic Preparedness:							
Direct Programs:							
Assistance to Firefighters	97.044		2,003	2,003			
Assistance to Firefighters	97.044					110,286	110,286
Passed through Commonwealth of Kentucky:							
Hazard Mitigation Grant Prog.(HMGP_Versailles)	97.039	PON20951300000009		23,625		23,625	
Hazard Mitigation Grant Prog.(HMGP_EOC)	97.039	PON209513000000082	1,346	13,504		12,158	
Hazard Mitigation Grant Prog.(HMGP_PLAN)	97.039	PON209517000013341		11,372		42,965	31,593
Chemical Stockpile Emergency (CSEPP)	97.040	PO209513000036521	78,527	129,788		51,261	
Chemical Stockpile Emergency (CSEPP)	97.040	PO209514000033041	210,102	210,102			
Chemical Stockpile Emergency (CSEPP)	97.040	PO209515000044461	120,364	125,961		5,597	
Chemical Stockpile Emergency (CSEPP)	97.040	PO209516000047101	59,129	264,372		259,917	54,674
Chemical Stockpile Emergency (CSEPP)	97.040	PO209517000054301		153,709		275,109	121,400
Emergency Management Assistance	97.042	PO209517000014471	13,142	40,677		27,535	
Emergency Management Assistance	97.042	PO209518000015671		63,161		94,131	30,970
State Homeland Police	97.067	PO2-094-1700002251	24,028	57,008		32,980	
State Homeland Police	97.067	PO209418000022321		32,747		41,200	8,453
State Homeland Personal Protection Equip.	97.067	PO2-094-1700002261	5,384	5,900		516	
State Homeland Fire	97.067	PO209417000023251				39,200	39,200
State Homeland Fire Infrastructure	97.067	P02-094-1700000910	7,830	7,830			
Total US Dept. of Homeland Security Office of Domestic Preparedness			521,855	1,141,759	0	1,016,480	396,576
Total Federal Financial Assistance			$6,947,912	$46,354,969	$2,160,246	$40,848,969	$3,602,158

Note: Per generally accepted accounting principles, grant revenues received but not earned with purpose restrictions only are recognized as revenues and fund balance in the financial statements.

See Independent Auditors' Report

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2018

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2017	Revenue Received	Passed Through to Sub recipients Expenditures	Expenditures	Accrued or (Deferred) Revenue at June 30, 2018
Day Treatment	PON252316000030821	Kentucky Dept. of Juvenile Justice	$16,506	$16,506	$0	$0	$0
Day Treatment	PON252316000030821	Kentucky Dept. of Juvenile Justice		165,058		198,071	33,013
Economic Development-Ashland	N/A	Kentucky Cabinet Economic Development	(450,000)				(450,000)
Economic Development-Belcan Engineer.	N/A	Kentucky Cabinet Economic Development	(34,000)				(34,000)
Economic Development-Bingham McCutchen	N/A	Kentucky Cabinet Economic Development	(200,000)				(200,000)
Economic Development-Tiffany	N/A	Kentucky Cabinet Economic Development	(13,800)	27,000			(40,800)
FCDC Substance Abuse Recovery Program	PON2-527-1600001825	Kentucky Dept. of Corrections	4,923	4,923			
FCDC Substance Abuse Recovery Program	PON2-527-17000014611	Kentucky Dept. of Corrections		45,486		45,486	
Federal Highway Planning	1600003892	Kentucky Transportation Cabinet	4,220	4,220			
Federal Highway Planning	1700005044	Kentucky Transportation Cabinet		18,666		24,500	5,834
Fire Training Incentive	155	Kentucky Fire Commission		2,864,938		2,864,938	
Hazard Mitigation Grant Prog.(HMGP_EOC)	PON209513000000082	Kentucky Emergency Management Agency	215	2,160		1,945	
Hazard Mitigation Grant Prog.(HMGP_PLAN)	PON209517000013341	Kentucky Emergency Management Agency		1,819		6,875	5,056
Hazard Mitigation Grant Prog.(HMGP_Versailles)	PON20951300000009	Kentucky Emergency Management Agency		3,780		3,780	
Home Network	2015-2016-PUBLIC-R	Lexington Fayette County Health Dept	(29,017)			29,017	
Home Network	2016-2017-PUBLIC-R	Lexington Fayette County Health Dept	(147,420)	33,520		58,561	(122,379)
Home Network	2017-2018-PUBLIC-R	Lexington Fayette County Health Dept		129,800		41	(129,759)
Local Food Coordinator	A2015-008	Kentucky Agricultural Development Board	(9,882)			9,882	
Kentucky Fire Commission Training Facility	N/A	Kentucky Fire Commission		65,000			(65,000)
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet	(107,036)			107,036	
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet		154,797		45,030	(109,767)
Kentucky Pride Fund Composting	PO2-625-1700097314	Kentucky Division of Waste Management		33,500		33,500	
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management	(10,356)	(10,356)			
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management		78,781		75,447	(3,334)
LPS Settlement	N/A	Kentucky Office of the Attorney General	(213,603)				(213,603)
Law Enforcement Service Fee	LSF-2016-LFUCG-STRE-00288	Kentucky Justice Cabinet	11,400	11,400			
Legacy Trail Enhancements	PO2-625-1200003879	Kentucky Transportation Cabinet	66,694			(66,694)	
Lexington Community Land Trust	PO2-625-1500000828	Kentucky Transportation Cabinet	5,766				5,766
Liberty Road/Todds Road	C-0021586	Kentucky Transportation Cabinet	12,627	12,627			
Liberty Road/Todds Road	C-04073306	Kentucky Transportation Cabinet	121,312	121,312		1,921	1,921
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	5,331				5,331
Paula Nye Memorial Education	2016-02	Kentucky Bicycle and Bikeway Commission	(11,034)			10,635	(399)
Paula Nye Memorial Education	2017-13	Kentucky Bicycle and Bikeway Commission		10,000		1,637	(8,363)
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	234,411	234,411			
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		2,702,303		2,947,647	245,344
Recycling	N/A	Kentucky Division of Waste Management	(1,619)	(1,619)			
SANE3 (Sexual Assault Treatment Project)	VAWA-2015-LFUCG-ST-00438	Kentucky Justice Cabinet	200	200			
SANE3 (Sexual Assault Treatment Project)	VAWA-2016-LFUCG-ST-00483	Kentucky Justice Cabinet	3,400	8,200		4,800	
SANE3 (Sexual Assault Treatment Project)	VAWA-2017-LFUCG-ST-00531	Kentucky Justice Cabinet				3,600	3,600
Senior Citizens	PON2-725-1600003936	Bluegrass Area Development District	1	1			
Senior Citizens	PON2-725-1600003936	Bluegrass Area Development District		120,525		120,525	
State Homeland Commercial Mobile Radio	PO2 094 1800001186 1	Kentucky Office Homeland Security				29,921	29,921
State Homeland Commercial Mobile Radio (2)	PO2 094 1800001195 1	Kentucky Office Homeland Security		257,903		329,363	71,460
Unsewered Areas 2	SX21067001 & SX21067008	Kentucky Infrastructure Authority	65,507	65,507			
Waste Tire	PO2-625-1700099294	Kentucky Energy & Environmental Cabinet		4,000		4,000	
Total State Financial Assistance			($675,254)	$7,186,368	$0	$6,891,464	($970,158)

Per generally accepted accounting principles, grant revenues received but not earned with purpose restrictions only are recognized as revenues and fund balance in the financial statements.

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are established to account for the acquisition, operation, and maintenance of the Government's facilities and services which are entirely or predominantly self-supported by user charges or where the Government has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes.

The **Right of Way** program was established in 2003 to account for fees levied to monitor and manage public facilities located in public rights-of-way.

The **Extended School Program** was established in 1994 to provide before and after school care for children in participating elementary and middle schools.

The **Prisoners' Account System** was transferred to the Government in 1994 and accounts for the operations of the commissary at the Fayette County Detention Center.

The **Enhanced 911 Fund** was established in 1996 to account for the revenues and expenses of developing and operating an enhanced 911 system.

The **Central Kentucky Network Fund** was established in 2014 to ensure the appropriate treatment of revenues or other monies received from jurisdictions participating in the Central Kentucky 911 Network.

The **Small Business Development Fund** was established in 2000 to promote and assist the growth and development of business concerns. This program was previously administered by the Urban County Development Corporation, a component unit of the Government, which was dissolved in March 2000.

The **Public Parking Corporation** was established in 1984 to account for the construction and operation of government-owned parking facilities.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2018

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
ASSETS								
Current Assets:								
Cash	$1,881,863	$848,428	$854,405	$5,045,773	$261,501	$154,640	$1,398,503	$10,445,113
Investments				1,425,979		16,322		1,442,301
Receivables:								
Other Receivables		2,680		260,447	30,779	35,867		329,773
Less Allowance for Uncollectible Accounts						(35,867)		(35,867)
Inventories and Prepaid Expenses	48,152	1,238		46,509	4,440			100,339
Total Current Assets	1,930,015	852,346	854,405	6,778,708	296,720	170,962	1,398,503	12,281,659
Noncurrent Assets:								
Land Improvements		10,000						10,000
Buildings				7,514				7,514
Vehicles, Equipment, and Furniture	107,245	103,481	143,647	2,962,939				3,317,312
Intangibles				1,357,849				1,357,849
Less Accumulated Depreciation	(61,743)	(99,484)	(143,647)	(3,611,899)				(3,916,773)
Total Noncurrent Assets	45,502	13,997	0	716,403	0	0	0	775,902
Total Assets	$1,975,517	$866,343	$854,405	$7,495,111	$296,720	$170,962	$1,398,503	$13,057,561
Deferred outflows of resources:								
Deferred Pension Amounts	$228,514	$573,085	$0	$1,573,110	$0	$0	$0	$2,374,709
Deferred Other Post Employment Benefit Amounts	54,421	136,481		374,637				565,539
Total Deferred Outflows of Resources	282,935	709,566	0	1,947,747	0	0	0	2,940,248
Total Assets & Deferred Outflows of Resources	$2,258,452	$1,575,909	$854,405	$9,442,858	$296,720	$170,962	$1,398,503	$15,997,809
LIABILITIES								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	$50,330	$14,325	$226,529	$42,037	$759	$0	$0	$333,980
Accrued Payroll	4,566	27,428		37,636				69,630
Compensated Absences	7,554	1,749		36,690				45,993
Total Current Liabilities	62,450	43,502	226,529	116,363	759	0	0	449,603
Noncurrent Liabilities:								
Compensated Absences	7,556	56,547		36,690				100,793
Unfunded Other Post Employment Benefit Liability	199,028	499,139		1,370,129				2,068,296
Unfunded Pension Liability	569,730	1,428,815		3,922,078				5,920,623
Total Noncurrent Liabilities	776,314	1,984,501	0	5,328,897	0	0	0	8,089,712
Total Liabilities	$838,764	$2,028,003	$226,529	$5,445,260	$759	$0	$0	$8,539,315
Deferred inflows of resources:								
Deferred Pension Amounts	$52,537	$131,757	$0	$361,671	$0	$0	$0	$545,965
Deferred Other Post Employment Benefit Amounts	11,035	27,674		75,964				114,673
Total Deferred Inflows of Resources	63,572	159,431	0	437,635	0	0	0	660,638
Total Liabilities & Deferred Inflows of Resources	$902,336	$2,187,434	$226,529	$5,882,895	$759	$0	$0	$9,199,953
NET POSITION								
Net Investment in Capital Assets	$45,502	$13,996	$0	$716,403	$0	$0	$0	$775,901
Unrestricted (Deficits)	1,310,614	(625,521)	627,876	2,843,560	295,961	170,962	1,398,503	6,021,955
Total Net Position	$1,356,116	($611,525)	$627,876	$3,559,963	$295,961	$170,962	$1,398,503	$6,797,856

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2018

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Operating Revenues								
User Charges	$0	$0	$0	$0	$0	$0	$0	$0
Fees		2,060,409		4,539,129	319,414			6,918,952
License Fees and Permits	656,344							656,344
Gross Profit - Commissary			2,747,822					2,747,822
Other		54	417,384	3,320				420,758
Total Operating Revenues	656,344	2,060,463	3,165,206	4,542,449	319,414	0	0	10,743,876
Operating Expenses								
Right of Way	524,856							524,856
Extended School Program		1,895,911						1,895,911
Prisoners' Account			560,849					560,849
Inmate Trust Account			2,369,375					2,369,375
Enhanced 911				4,324,509				4,324,509
CKY Network					266,242			266,242
Administration		237,705						237,705
Depreciation	4,724	3,611		376,988				385,323
Total Operating Expenses	529,580	2,137,227	2,930,224	4,701,497	266,242	0	0	10,564,770
Operating Income (Loss)	126,764	(76,764)	234,982	(159,048)	53,172	0	0	179,106
Nonoperating Revenues (Expenses)								
Income on Investments				16,931		185		17,116
Total Nonoperating Revenues	0	0	0	16,931	0	185	0	17,116
Income (Loss) Before Transfers	126,764	(76,764)	234,982	(142,117)	53,172	185	0	196,222
Transfers Out	26,540	24,549	(400)	244,330	24,384			319,403
Change in Net Position	153,304	(52,215)	234,582	102,213	77,556	185	0	515,625
Net Position, Beginning	1,350,039	(190,083)	215,801	4,471,274	218,405	170,777	1,398,503	7,634,716
Net Position, Beginning - Restated	(147,227)	(369,227)	177,493	(1,013,524)				(1,352,485)
Net Position, Ending	$1,356,116	($611,525)	$627,876	$3,559,963	$295,961	$170,962	$1,398,503	$6,797,856

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2018

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Increase (Decrease) in Cash and Cash Equivalents:								
Cash Flows from Operating Activities:								
Receipts from Customers	$656,344	$2,059,723	$3,165,206	$4,551,193	$357,706	$0	$0	$10,790,172
Payments to Suppliers	1,065,668	322,645	(2,873,411)	926,432	(192,940)		383,216	(368,390)
Payments to Employees	(376,468)	(1,439,928)		(2,480,419)	(292)			(4,297,107)
Payments for Interfund Services Used	(3,616)	(237,705)		(1,307)	(248)			(242,876)
Net Cash Provided by (Used in) Operating Activities	1,341,928	704,735	291,795	2,995,899	164,226	0	383,216	5,881,799
Cash Flows from Noncapital Financing Activities:								
Transfers Out	26,540	24,549		244,330	24,384			319,803
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	26,540	24,549	0	244,330	24,384	0	0	319,803
Cash Flows from Capital and Related Financing Activities:								
Purchases of Capital Assets	(25,608)			(278,813)				(304,421)
Net Cash Flows Used in Capital and Related Financing Activities	(25,608)	0	0	(278,813)	0	0	0	(304,421)
Cash Flows Provided by Investing Activities:								
Purchases of Investments				(16,931)		(186)		(17,117)
Income on Investments				16,931		185		17,116
Net Cash Flows Provided by (Used in) Investing Activities	0	0	0	0	0	(1)	0	(1)
Net Increase (Decrease)	1,342,860	729,284	291,795	2,961,416	188,610	(1)	383,216	5,897,180
Cash at Beginning of Year	539,003	119,144	562,610	2,084,357	72,891	154,641	1,015,287	4,547,933
Cash at End of Year	$1,881,863	$848,428	$854,405	$5,045,773	$261,501	$154,640	$1,398,503	$10,445,113
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:								
Operating Income (Loss)	$126,764	($76,764)	$234,982	($159,048)	$53,172	$0	$0	$179,106
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Depreciation	4,724	3,611		376,988				385,323
Allowance for Bad Debts		(515)						(515)
(Increase) Decrease in Assets:								
Other Receivables		(740)		8,744	38,292			46,296
Inventories and Prepaid Expenses	(48,152)	(1,238)		(6,098)	(4,440)			(59,928)
Due from Other Funds	998,282	204,509		1,344,612	99,890		383,216	3,030,509
(Increase) Decrease in Deferred Outflows:								
Deferred Other Post Employment Benefit Amounts	(54,421)	(136,481)		(374,637)				(565,539)
Deferred Pension Amounts	(88,429)	(237,083)		(586,291)	8,979			(902,824)
Increase (Decrease) in Liabilities:								
Accounts Payable	48,642	780	56,813	(3,077)	(840)			102,318
Accrued Payroll	12	(2,170)		2,173	(292)			(277)
Compensated Absences	(1,430)	6,101		18,626				23,297
Unfunded Other Post Employment Benefit Liability	199,028	499,139		1,370,129				2,068,296
Unfunded Pension Liability	93,336	286,155		566,143	(30,535)			915,099
Increase (Decrease) in Deferred Inflows:								
Deferred Other Post Employment Benefit Amounts	11,035	27,674		75,964				114,673
Deferred Pension Amounts	52,537	131,757		361,671				545,965
Total Adjustments	1,215,164	781,499	56,813	3,154,947	111,054	0	383,216	5,702,693
Net Cash Provided by (Used In) Operating Activities	$1,341,928	$704,735	$291,795	$2,995,899	$164,226	$0	$383,216	$5,881,799

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing on a cost-reimbursement basis of services provided by one department to other departments within the Government and outside agencies associated with the Government. Individual funds included in this fund type are as follows:

The **Health, Dental and Vision Care Insurance Fund** accounts for the Government's self-insurance programs for employee medical, dental and vision care benefits.

The **Insurance and Risk Management Fund** accounts for the Government's self-insurance programs for workers' compensation, vehicle liability and physical, general liability and property damage coverage.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018

	Health, Dental and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	$1,376,557	$15,141,475	$16,518,032
Due from Other Funds		19,195,314	19,195,314
Receivables	1,724	33,064	34,788
Inventories and Prepaid Expenses	338,834		338,834
Total Current Assets	$1,717,115	$34,369,853	$36,086,968
LIABILITIES			
Current Liabilities:			
Accounts Payable	$751,959	$73,034	$824,993
Claims Payable:			
Reported		11,518,706	11,518,706
Incurred But Not Reported	965,156	13,375,034	14,340,190
Total Current Liabilities	1,717,115	24,966,774	26,683,889
Total Liabilities	$1,717,115	$24,966,774	$26,683,889
NET POSITION			
Unrestricted	$0	$9,403,079	$9,403,079

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018

	Health, Dental and Vision Care Insurance				Insurance and Risk Management	Total
	Health	Dental	Vision Care	Total		
Operating Revenues						
Premiums	$32,219,317	$2,304,790	$180,016	$34,704,123	$12,185,090	$46,889,213
Total Operating Revenues	32,219,317	2,304,790	180,016	34,704,123	12,185,090	46,889,213
Operating Expenses						
Claims and Benefit Payments	28,971,775	2,331,090	213,148	31,516,013	8,408,432	39,924,445
Operating Supplies and Expense	3,188,110			3,188,110		3,188,110
Total Operating Expenses	32,159,885	2,331,090	213,148	34,704,123	8,408,432	43,112,555
Operating Income (Loss)	59,432	(26,300)	(33,132)	0	3,776,658	3,776,658
Change in Net Position	59,432	(26,300)	(33,132)	0	3,776,658	3,776,658
Net Position, Beginning	315,600	(352,084)	36,484	0	5,626,421	5,626,421
Net Position, Ending	$375,032	($378,384)	$3,352	$0	$9,403,079	$9,403,079

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018

	Health, Dental and Vision Care	Insurance and Risk Management	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Employees and Other Sources	$34,704,123	$0	$34,704,123
Receipts from Interfund Services Provided	1,147,174	19,016,626	20,163,800
Refunds from/(Payments to) Suppliers	(2,958,183)	(6,281)	(2,964,464)
Payments for Claims	(31,581,063)	(7,597,641)	(39,178,704)
Net Cash Used in Operating Activities	1,312,051	11,412,704	12,724,755
Net Increase (Decrease) in Cash and Cash Equivalents	1,312,051	11,412,704	12,724,755
Cash at Beginning of Year	64,506	3,728,771	3,793,277
Cash at End of Year	$1,376,557	$15,141,475	$16,518,032
Reconciliation of Operating Income to Net Cash Used In Operating Activities:			
Operating Income	$0	$3,776,658	$3,776,658
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:			
(Increase) Decrease in Assets:			
Due from Other Funds	1,143,631	6,810,612	7,954,243
Other Receivables	3,543	20,924	24,467
Inventories and Prepaid Expenses	17,364		17,364
Increase (Decrease) in Liabilities:			
Accounts Payable	212,563	(6,281)	206,282
Claims Payable	(65,050)	810,791	745,741
Total Adjustments	1,312,051	7,636,046	8,948,097
Net Cash Used in Operating Activities	$1,312,051	$11,412,704	$12,724,755

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Government in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds. These include pension trust, expendable trust, and agency funds. Individual funds included in this fund type are as follows:

AGENCY FUNDS

The **Neighborhood Sewer Projects Fund** is an agency fund that accounts for the collection of special assessments and debt service payments on financing for neighborhood capital projects.

The **Juvenile & Adult Probation Fund** accounts for funds collected by the divisions of Youth Services and Detention Services from juvenile and adult offenders and disbursed to victims in accordance with court decrees and funds collected from and disbursed for inmates on work release.

The **Property & Evidence Fund** accounts for monies collected from prisoners. Once the case has been adjudicated through the court system, money is distributed as ordered.

The **Domestic Relations Fund** accounts for the child support payments collected by the Government from non-custodial parents and disbursed to custodial parents.

The **Representative Payee Fund** accounts for funds managed by the Government on behalf of adults who are unable to manage their own money in order to prevent the exploitation, abuse, and neglect of these citizens.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
For Years as Stated

	Balance June 30, 2017	Balance June 30, 2018
NEIGHBORHOOD SEWER PROJECTS FUND		
Cash and Short-Term Investments	$714	$714
Total Assets	$714	$714
Payable to Property Owners	$714	$714
Total Liabilities	$714	$714
JUVENILE & ADULT PROBATION FUND		
Cash	$316,826	$321,223
Total Assets	$316,826	$321,223
Accounts Payable	$316,826	$321,223
Total Liabilities	$316,826	$321,223
PROPERTY & EVIDENCE FUND		
Cash	$1,162,913	$1,031,366
Total Assets	$1,162,913	$1,031,366
Accounts Payable	$1,162,913	$1,031,366
Total Liabilities	$1,162,913	$1,031,366
DOMESTIC RELATIONS FUND		
Cash	$314,226	$314,226
Accounts Receivable	51	51
Total Assets	$314,277	$314,277
Accounts Payable	$314,277	$314,277
Total Liabilities	$314,277	$314,277
REPRESENTATIVE PAYEE FUND		
Cash	$23,423	$76,254
Total Assets	$23,423	$76,254
Accounts Payable	$23,423	$76,254
Total Liabilities	$23,423	$76,254
TOTALS - AGENCY FUNDS		
Cash and Short-Term Investments	$1,818,102	$1,743,783
Accounts Receivable	51	51
Total Assets	$1,818,153	$1,743,834
Liabilities	$1,818,153	$1,743,834
Total Liabilities	$1,818,153	$1,743,834

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
NEIGHBORHOOD SEWER PROJECTS FUND				
Cash and Short-Term Investments	$714	$0	$0	$714
Total Assets	$714	$0	$0	$714
Payable to Property Owners	$714	$0	$0	$714
Total Liabilities	$714	$0	$0	$714
JUVENILE & ADULT PROBATION FUND				
Cash	$316,826	$18,431	$14,034	$321,223
Total Assets	$316,826	$18,431	$14,034	$321,223
Accounts Payable	$316,826	$18,431	$14,034	$321,223
Due to Other Funds		354	354	
Total Liabilities	$316,826	$18,785	$14,388	$321,223
PROPERTY & EVIDENCE FUND				
Cash	$1,162,913	$198,915	$330,462	$1,031,366
Total Assets	$1,162,913	$198,915	$330,462	$1,031,366
Accounts Payable	$1,162,913	$191,757	$323,304	$1,031,366
Due to Other Funds		51,938	51,938	
Total Liabilities	$1,162,913	$243,695	$375,242	$1,031,366
DOMESTIC RELATIONS FUND				
Cash	$314,226	$964	$964	$314,226
Accounts Receivable	51	51	51	51
Total Assets	$314,277	$1,015	$1,015	$314,277
Accounts Payable	$314,277	$0	$0	$314,277
Due to Other Funds		354	354	
Total Liabilities	$314,277	$354	$354	$314,277
REPRESENTATIVE PAYEE FUND				
Cash	$23,423	$603,644	$550,813	$76,254
Total Assets	$23,423	$603,644	$550,813	$76,254
Accounts Payable	$23,423	$504,578	$451,747	$76,254
Due to Other Funds		141,992	141,992	
Total Liabilities	$23,423	$646,570	$593,739	$76,254
TOTALS - AGENCY FUNDS				
Cash and Short-Term Investments	$1,818,102	$821,954	$896,273	$1,743,783
Accounts Receivable	51	51	51	51
Total Assets	$1,818,153	$822,005	$896,324	$1,743,834
Liabilities	$1,818,153	$909,404	$983,723	$1,743,834
Total Liabilities	$1,818,153	$909,404	$983,723	$1,743,834

NONMAJOR COMPONENT UNITS

The **Lexington Transit Authority** is authorized to promote and develop mass transportation, including acquisition, operation, and extension of the existing mass transit system.

The **Lexington Public Library** provides educational, informational, and recreational services to Lexington and Fayette County through circulating and reference materials.

The **Lexington Convention and Visitors Bureau** promote recreational, convention, and tourist activity in Lexington and Fayette County.

The **Downtown Development Authority** acts as an agency of the Government in various economic development, redevelopment, and physical improvement activities associated with downtown Lexington.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS
June 30, 2018

	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Downtown Development Authority	Total Nonmajor Component Units
ASSETS					
Cash	$11,022,614	$6,795,634	$633,946	$0	$18,452,194
Investments		5,265,415			5,265,415
Receivables:					
Accounts Receivable	233,237		100,879		334,116
Other	111,874	17,532			129,406
Due from Primary Government			1,502,579		1,502,579
Due from Other Governments	5,048,477				5,048,477
Inventories and Prepaid Expenses	485,054	127,304	219,423		831,781
Net Pension Asset	87,855				87,855
Restricted Current Assets:					
Cash	1,210,784		2,946		1,213,730
Investments			3,351,090		3,351,090
Restricted Non-Current Investments					
Capital Assets:					
Non-depreciable	4,578,833	4,844,615	22,602		9,446,050
Depreciable (Net)	37,384,736	20,510,791	2,006,136		59,901,663
Other Assets	8,355,000				8,355,000
Total Assets	$68,518,464	$37,561,291	$7,839,601	$0	$113,919,356
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Pension Amounts	$1,063,261	$4,398,604	$1,182,909	$0	$6,644,774
Deferred Other Post Employment Benefit Amounts		1,279,368	296,623		1,575,991
Total Deferred Outflows of Resources	1,063,261	5,677,972	1,479,532	0	8,220,765
Total Assets and Deferred Outflows of Resources	$69,581,725	$43,239,263	$9,319,133	$0	$122,140,121
LIABILITIES					
Accounts, Contracts Payable and Accrued Liabilities	$827,720	$755,018	$351,815	$0	$1,934,553
Unearned Revenue and Other		501	2,946		3,447
Non-Current Liabilities:					
Due Within One Year:					
Compensated Absences	151,547	311,312	78,820		541,679
Bonds and Notes Payable	911,425	597,913			1,509,338
Due in More Than One Year:					
Compensated Absences	358,912				358,912
Bonds and Notes Payable	18,517,412	8,650,337			27,167,749
Unfunded Other Post Retirement Benefit Liability		4,449,229	3,039,857		7,489,086
Unfunded Pension Liability		12,954,365	1,044,051		13,998,416
Total Liabilities	$20,767,016	$27,718,675	$4,517,489	$0	$53,003,180
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Amounts	$1,719,259	$1,516,429	$280,318	$0	$3,516,006
Deferred Other Post Employment Benefit Amounts		232,950	54,662		287,612
Total Deferred Inflows of Resources	1,719,259	1,749,379	334,980	0	3,803,618
Total Liabilities and Deferred Inflows of Resourc	$22,486,275	$29,468,054	$4,852,469	$0	$56,806,798
NET POSITION					
Net Investment in Capital Assets	$23,745,516	$16,107,156	$2,028,739	$0	$41,881,411
Restricted for:					
Governmental and Program Funds		390,932			390,932
Unrestricted	23,349,934	(2,726,879)	2,437,925		23,060,980
Total Net Position	$47,095,450	$13,771,209	$4,466,664	$0	$65,333,323

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2018

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position				
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Lexington Transit Authority**	**Lexington Public Library**	**Lexington Convention and Visitors Bureau**	**Downtown Development Authority**	**Total Nonmajor Component Units**
Lexington Transit Authority									
Transit Operations	$24,499,618	$4,054,156	$4,892,175	$3,018,618	($12,534,669)				($12,534,669)
Depreciation	3,904,155				(3,904,155)				(3,904,155)
Interest on Long-Term Debt	219,660				(219,660)				(219,660)
Total Lexington Transit Authority	28,623,433	4,054,156	4,892,175	3,018,618					(16,658,484)
Lexington Public Library									
Library Operations	16,057,277	623,663	701,880	105,000		($14,626,734)			(14,626,734)
Depreciation	1,592,398					(1,592,398)			(1,592,398)
Interest on Long-Term Debt	357,419					(357,419)			(357,419)
Total Lexington Public Library	18,007,094	623,663	701,880	105,000					(16,576,551)
Lexington Convention and Visitors Bureau									
Convention and Tourism Operations	7,837,827		322,328				($7,515,499)		(7,515,499)
Depreciation	174,194						(174,194)		(174,194)
Total Lexington Convention and Visitors Bureau	8,012,021	0	322,328	0					(7,689,693)
Downtown Development Authority									
Downtown Design Center	197,973			(20,829)				($218,802)	(218,802)
Total Downtown Development Authority	197,973	0	0	(20,829)					(218,802)
Total Nonmajor Component Units	$54,840,521	$4,677,819	$5,916,383	$3,102,789	($16,658,484)	($16,576,551)	($7,689,693)	($218,802)	($41,143,530)
General Revenues (Expenses):									
Taxes					$18,225,355	$15,786,567	$7,399,865	$0	$41,411,787
Payment from/to Lexington-Fayette Urban County Government					24,989			$161,734	186,723
Income on Investments						97,436	10,718	136	108,290
Gain on Sale of Capital Assets						3,238			3,238
Miscellaneous					(751,523)	73,290	21,636		(656,597)
Total General Revenues					17,498,821	15,960,531	7,432,219	161,870	41,053,441
Change in Net Position					840,337	(616,020)	(257,474)	(56,932)	(90,089)
Net Position, Beginning					46,255,113	17,594,277	5,476,700	257,487	69,583,577
Adjustment to Opening Net Position (Note 2.D.)						(3,207,048)	(752,562)	(200,555)	(4,160,165)
Net Position, Beginning - Restated					46,255,113	14,387,229	4,724,138	56,932	65,423,412
Net Position, Ending					$47,095,450	$13,771,209	$4,466,664	$0	$65,333,323

STATISTICAL SECTION

The Lexington-Fayette Urban County Government's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Government's overall financial health.

Financial Trends: Tables 1 – 6

These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.

Revenue Capacity: Tables 7 – 12

These schedules contain information to help the reader assess the Government's most significant local revenue sources.

Debt Capacity: Tables 13 – 17

These schedules present information to help the reader assess the affordability of the Government's current level of outstanding debt and the Government's ability to issue additional debt in the future.

Demographic & Economic Indicators: Tables 18 – 21

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Government's financial activity takes place.

Operating Information: Tables 22 – 24

These schedules contain service and infrastructure data to help the reader understand how the information in the Government's financial report relates to the services the government provides and the activities it performs.

TABLE 1

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NET POSITION
LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	$934,789,342	$920,938,945	$921,236,876	$899,350,344	$877,691,469	$860,074,409	$838,877,310	$813,823,945	$752,686,501	$718,483,933
Restricted	6,255,432	(31,494,181)	32,640,718	20,289,131	26,895,407	22,045,314	34,719,227	58,884,930	61,892,472	69,345,687
Unrestricted (Deficit)	(6,454,734)		(110,023,238)	(98,714,274)	(94,638,121)	(83,112,939)	(350,353,804)	(370,433,940)	(403,166,799)	(741,550,665)
Total governmental activities net position	934,590,040	889,444,764	843,854,356	820,925,201	809,948,755	799,006,784	523,242,733	502,274,935	411,412,174	46,278,955
Business-type Activities										
Net Investment in Capital Assets	254,269,159	239,666,463	209,276,568	217,434,369	217,313,258	222,913,279	227,825,104	231,848,112	235,845,376	247,162,736
Restricted	24,680,839	35,249,098	50,637,360	57,712,759	66,194,803	68,209,300	60,086,906	69,892,072	77,840,186	74,759,178
Unrestricted (Deficit)	7,399,034	14,702,006	33,023,663	29,435,424	27,429,362	33,237,351	36,179,971	38,061,916	41,169,488	39,300,274
Total business-type activities net position	286,349,032	289,617,567	292,937,591	304,582,552	310,937,423	324,359,930	324,091,981	339,802,100	354,855,050	361,222,188
Primary Government										
Net Investment in Capital Assets	1,189,058,501	1,160,605,408	1,130,513,444	1,116,784,713	1,095,004,727	1,082,987,688	1,066,702,414	1,045,672,057	988,531,877	965,646,669
Restricted	30,936,271	3,754,917	83,278,078	78,001,890	93,090,210	90,254,614	94,806,133	128,777,002	139,732,658	144,104,865
Unrestricted (Deficit)	944,300	14,702,006	(76,999,575)	(69,278,850)	(67,208,759)	(49,875,588)	(314,173,833) *	(332,372,024)	(361,997,311)	(702,250,391)
Total primary government net position	$1,220,939,072	$1,179,062,331	$1,136,791,947	$1,125,507,753	$1,120,886,178	$1,123,366,714	$847,334,714	$842,077,035	$766,267,224	$407,501,143

* In 2015, the Government implemented GASB Statement No. 68 which revised the reporting for its liability related to pensions.

Source: Department of Finance, Lexington-Fayette Urban County Government

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
Administrative Services	$3,315,306	$1,299,382	$1,386,040	$21,143,480	$11,761,053	$5,342,699	$7,433,487	$7,800,854	$9,578,189	$10,332,453
Chief Development Officer				470,018	620,665	192,555	513,854	2,074,348	207,793	263,297
Community Corrections	30,670,339	30,894,261	31,104,781	31,286,365	32,631,937	34,000,937	30,066,104	30,814,432	33,771,433	40,748,826
Environmental Quality	24,729,110	21,516,034	23,500,067							
Environmental Quality & Public Works				80,559,723	83,878,537	45,339,718	54,933,912	60,134,890	61,270,031	65,541,170
Finance	13,378,819	24,047,223	28,515,655	19,357,661	14,744,087	16,726,346	14,049,319	39,135,165	49,393,398	36,669,013
Fire & Emergency Services	66,077,180	63,116,000	67,106,441	66,413,015	62,781,239	67,689,682	56,832,342	66,853,053	84,838,719	92,898,310
General Government	22,706,306	22,726,537	24,197,239	22,985,046	23,692,990	26,973,537	25,480,664	30,180,917	45,598,791	24,040,021
General Services**	13,944,835	14,629,238	14,242,698	10,041,709	10,898,533	10,551,162	11,827,132	12,486,401	22,964,722	13,442,525
Health, Dental and Vision Insurance	25,824,211	26,711,492	34,755,417	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758	27,763,298
Information Technology**	14,522,324	9,161,677	9,713,226			6,983,029	8,401,242	9,464,131	11,174,379	11,011,888
Law	10,803,413	9,301,249	10,227,268	3,497,483	4,006,240	3,811,867	2,650,481	2,109,025	5,652,482	2,602,304
Outside Agencies										
Parks & Recreation	19,955,406	18,320,506	19,064,298	19,386,251	19,653,677	19,693,483	18,854,526	21,010,506	23,375,486	24,127,163
Planning, Preservation, & Development*					3,767,295	47,343,980	42,415,735	53,776,224	45,359,659	46,217,442
Police	69,507,685	70,694,372	71,714,415	68,164,371	69,945,322	69,822,219	56,418,416	64,145,155	74,436,600	94,799,943
Public Safety**	13,145,251	11,259,687	11,162,765	13,042,036	14,666,437	10,776,283	12,593,479	12,560,199	14,759,631	14,913,489
Public Works	62,907,588	61,841,096	63,671,436							
Social Services	14,719,158	11,836,703	10,672,881	9,780,945	10,194,745	10,478,516	10,964,083	11,754,471	13,035,311	14,222,704
Special Projects										
Interest on Long-Term Debt	6,357,236	10,692,416	13,131,617	12,835,920	13,116,205	13,053,635	13,116,151	13,722,941	15,336,458	15,273,176
Debt Service - Other										
Total governmental activities	412,564,167	408,047,873	434,166,244	405,175,480	401,365,596	413,673,193	391,551,819	460,655,438	537,647,840	534,867,022
Business-type Activities:										
Sanitary Sewer System	35,438,026	41,453,360	42,472,580	40,124,346	39,014,016	43,664,387	41,207,716	44,271,125	50,078,962	53,354,239
Public Facilities	10,971,103	10,806,267	10,741,225	10,333,320	9,419,886	8,895,507	8,829,979	9,596,104	8,666,540	8,049,921
Public Parking	1,012,399	927,900	906,926	847,894	84,866	265,226	66,994	66,987	1,965,274	
Landfill	6,209,619	6,641,801	6,581,625	5,271,593	4,099,770	6,060,197	4,426,038	5,542,566	3,962,016	4,071,987
Right of Way	299,598	313,383	312,770	298,896	284,470	308,683	280,214	336,415	493,872	529,580
Extended School Program	2,333,357	2,456,874	2,207,310	2,339,148	2,198,555	1,977,394	1,951,359	2,262,605	2,023,018	2,137,227
Prisoners' Account System	1,628,156	1,421,523	1,287,139	1,373,473	1,393,543	1,844,393	1,253,423	1,716,855	3,002,164	2,930,224
Enhanced 911	3,314,149	3,634,032	3,083,806	2,973,088	2,930,379	2,384,796	2,638,373	3,940,313	4,170,674	4,701,497
CKY Network	63,502	57,644	84,242	29,307	10,668	450,919	1,307,829	879,328	412,763	266,242
Small Business Development										
Water Quality	1,841,975	4,528,403	6,280,081	9,182,669	8,308,501	9,139,302	8,618,921	11,290,945	12,062,937	13,618,632
Total Business-Type Activities	63,111,884	72,241,187	73,957,704	72,773,734	67,744,654	74,990,804	70,580,846	79,903,243	86,838,220	89,659,549
Total Primary Government	$475,676,051	$480,289,060	$508,123,948	$477,949,214	$469,110,250	$488,663,997	$462,132,665	$540,558,681	$624,486,060	$624,526,571

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (contd.)
(Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues										
Governmental Activities:										
Charges for Services										
Administrative Services	$0	$0	$1,000	$1,603,453	$559,050	$367,363	$351,158	$498,615	$769,505	$2,123,003
Chief Development Officer						6,281	76,504	2,500	6,569	9,159
Community Corrections	6,413,349	6,319,484	7,429,351	7,707,225	8,286,565	9,161,315	8,574,892	9,330,723	9,263,554	9,309,583
Environmental Quality	1,265,393	1,850,487	2,406,997							
Environmental Quality & Public Works				2,912,917	2,757,405	2,681,977	3,140,243	2,485,454	3,113,988	3,005,644
Finance	4,385,600	3,807,077	3,145,043	2,511,142	2,413,363	3,358,781	1,912,603	472,126	55,401	462,509
Fire & Emergency Services	6,773,040	6,191,913	6,478,108	7,340,946	6,952,394	7,036,029	8,211,753	9,210,668	6,422,785	6,817,192
General Government	14,300,517	13,541,123	15,644,382	15,086,369	23,141,015	17,046,255	19,035,778	19,035,469	18,642,898	19,438,510
General Services**	104,442	113,498	97,898	63,132	28,827	4,155	97,971	18,346	1,700	16,548
Health, Dental, and Vision	25,824,211	26,711,492	34,755,417	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758	27,763,298
Information Technology**	56,344	14,368	20,876			4,271	3,821	3,096	981	213
Law	21,528	34,444	18,217	35,293	36,944	49,006	15,013	31,416	17,700	1,087
Outside Agencies										
Parks & Recreation	5,381,956	4,691,533	4,258,091	4,810,535	4,156,325	3,869,990	4,327,985	4,403,431	4,333,455	4,325,061
Planning, Preservation, & Development*					240,168	2,245,228	2,709,381	3,119,969	3,114,354	3,134,064
Police	2,031,643	2,007,988	2,402,840	1,528,342	1,942,297	2,039,209	1,640,754	1,513,686	1,717,739	2,068,459
Public Safety**	403,491	445,029	329,460	2,045,401	1,857,059	64,898	247,994	69,522	73,187	69,023
Public Works	3,775,946	5,770,608	4,088,338							
Social Services	3,754,793	2,848,473	3,542,915	1,766,790	1,857,123	1,703,695	1,804,885	1,662,363	1,586,791	1,864,271
Debt Service - other										
Operating Grants & Contributions	13,251,883	20,192,672	13,849,522	14,139,426	13,065,758	15,108,425	15,087,470	13,383,964	13,146,822	10,617,000
Capital Grants & Contributions	10,276,393	10,434,599	7,078,729	8,316,236	6,272,539	9,200,572	8,190,685	8,319,315	6,269,038	5,718,463
Total Governmental Activities	98,020,529	104,974,788	105,547,184	96,078,664	98,573,466	98,840,995	100,429,782	96,193,389	95,431,225	96,743,087
Business-Type Activities:										
Charges for Services										
Sanitary Sewer System	36,605,347	47,470,305	48,803,593	47,287,791	52,927,780	50,480,049	52,007,762	58,394,719	63,890,717	64,451,293
Public Facilities	6,841,271	6,405,531	7,157,088	7,156,666	5,830,285	6,375,794	6,405,783	6,987,558	7,303,362	6,145,356
Public Parking	1,373,037	1,203,102	859,874	977,414	4,560			705		
Landfill	8,499,137	8,240,762	7,203,610	7,183,611	6,845,329	7,064,989	7,211,864	7,050,937	7,060,342	7,028,050
Right of Way	403,771	479,012	483,196	419,676	392,466	520,812	475,126	495,490	703,959	656,344
Extended School Program	1,808,121	2,097,145	2,038,391	2,338,243	2,379,751	2,202,171	2,229,896	2,289,089	1,904,620	2,060,463
Prisoners' Account System	2,026,429	1,915,910	1,121,799	1,524,127	1,619,626	2,372,285	1,227,415	1,621,110	3,146,187	3,165,206
Enhanced 911	3,453,310	4,069,027	3,749,409	3,999,658	3,517,634	4,273,106	3,810,087	4,126,861	4,429,699	4,542,449
CKY Network	84,045	91,090	140,699	51,798	25,738	111,576	1,269,890	815,110	400,735	319,414
Small Business Development										
Water Quality	68,268	5,581,104	11,604,569	12,095,514	12,296,476	13,119,524	13,341,859	13,661,911	13,565,209	14,082,286
Total Business-Type Activities	61,162,736	77,552,988	83,162,228	83,034,498	85,839,645	86,520,306	87,979,682	95,443,490	102,404,830	102,450,861
Total Primary Government	159,183,265	182,527,776	188,709,412	179,113,162	184,413,111	185,361,301	188,409,464	191,636,879	197,836,055	199,193,948
Net (Expense)/Revenue										
Governmental Activities	(314,543,638)	(303,073,085)	(328,619,060)	(309,096,816)	(302,792,130)	(314,832,198)	(291,122,037)	(364,462,049)	(442,216,615)	(438,123,935)
Business-Type Activities	(1,949,148)	5,311,801	9,204,524	10,260,764	18,094,991	11,529,502	17,398,836	15,540,247	15,566,610	12,791,312
Total Primary Government	(316,492,786)	(297,761,284)	(319,414,536)	(298,836,052)	(284,697,139)	(303,302,696)	(273,723,201)	(348,921,802)	(426,650,005)	(425,332,623)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090	58,636,843	62,072,333
Licenses and Permits	218,194,593	215,196,838	224,399,866	230,580,201	238,924,158	248,271,270	265,596,253	275,539,490	288,771,661	304,625,553
Grants & Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	2,577,631	2,250,779	2,175,565	2,171,901	2,176,035	2,009,120	1,719,372	8,018,438	1,154,744	1,951,474
Income on Investments	804,510	300,149	129,839	589,967	(509,890)	263,242	1,941,282	1,341,333	602,208	1,029,385
Sale of Assets	641,460	(45,882)	2,300,242	311,259	283,406			413,379	1,144,379	149,226
Bond Refunding										
Miscellaneous										
Conveyance of Asset										
Transfers	617,876	1,737,854	1,249,888	(346,507)	(1,106,585)	(871,447)	(2,546)	(313,102)	1,210,302	(800,072)
Total Governmental Activities	277,137,819	270,582,937	282,803,509	286,167,661	293,364,435	304,431,384	324,496,198	341,750,628	351,520,137	369,027,899
Business-Type Activities:										
Income on Investments	669,955	96,285	540,692	1,029,866	(215,314)	1,021,558	(604,800)	547,366	159,737	962,755
Sale of Assets	93,891	(401,697)	39,149	7,824			10,168		536,905	28,641
Bond Refunding										
Transfers	(617,876)	(1,737,854)	(1,249,888)	346,507	(11,902,981)	871,447	2,546	313,102	(1,210,302)	800,072
Total Business-Type activities	145,970	(2,043,266)	(670,047)	1,384,197	(12,118,295)	1,893,005	(592,086)	860,468	(513,660)	1,791,468
Total Primary Government	277,283,789	268,539,671	282,133,462	287,551,858	281,246,140	306,324,389	323,904,112	342,611,096	351,006,477	370,819,367
Change in Net Position										
Governmental activities	(37,405,819)	(32,490,148)	(45,815,551)	(22,929,155)	(9,427,695)	(10,400,814)	33,374,161	(22,711,421)	(90,696,478)	(69,096,036)
Business-type activities	(1,803,178)	3,268,535	8,534,477	11,644,961	5,976,696	13,422,507	16,806,750	16,400,715	15,052,950	14,582,780
Prior Period Adjustment - Government Activities		(12,655,128)	225,143		(1,548,751)	(541,157)	(309,138,212)	1,743,623	(166,283)	(296,037,183)
Prior Period Adjustment-Business-Type Activities			(5,214,453)		378,175		(17,074,699)	(690,596)		(8,215,642)
Total Primary Government	($39,208,997)	($41,876,741)	($42,270,384)	($11,284,194)	($4,621,575)	$2,480,536	($276,032,000)	($5,257,679)	($75,809,811)	($358,766,081)

*Planning, Preservation, & Development was added in FY13 and was previously included with Administration.
**In FY16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.
Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 3

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund											
Reserved	$5,254,246	$12,177,430	$12,019,893	$0	$0	$0	$0	$0	$0	$0	$0
Unreserved											
Designated for Economic Contingency	13,219,620	14,470,569	14,470,569								
Designated for Payroll	1,293,279	2,116,169	2,923,169								
Designated for Working Capital											
Designated for Pay Adjustments											
Undesignated	4,620,501	4,365,746	2,106,483								
Nonspendable				1,493,737	1,461,447	1,405,198	1,627,367	2,064,127	2,102,194	2,343,585	2,480,783
Restricted for:											
Public Safety								198,175	397,688	602,807	812,350
Energy Improvement Projects						408,227	636,874	552,989	552,011	676,218	595,075
Committed for:											
General Government				3,931,000		6,612,684	11,249,146	11,606,932	13,353,512	5,941,545	3,640,127
Economic Stabilization				18,200,738	18,482,971	23,290,466	25,224,221	29,685,851	30,687,844	31,408,506	34,015,454
Assigned to:											
Capital Projects					6,972,224	8,060,560	8,137,251	20,449,635	13,924,969	4,913,896	1,660,938
General Government					11,583,075	10,325,000	12,700,000	14,500,000	21,200,000	14,000,000	15,400,000
Urban Services					2,500,000						
Unassigned				562,360	3,265,872	4,309,677	4,176,646	4,273,341	4,789,658	5,419,629	5,757,987
Total	24,387,646	33,129,914	31,520,114	24,187,835	44,265,589	54,411,812	63,751,505	83,331,050	87,007,876	65,306,186	64,362,714
Urban Services											
Reserved	1,064,326	5,612,288	8,842,245								
Designated for Payroll	99,401	127,622	154,622								
Undesignated	31,935,168	28,237,751	16,986,960								
Nonspendable				4,031	604	175	11,112	2,735	2,603	22,900	62,543
Restricted for:											
Urban Service Projects				20,420,741	22,767,570	28,631,854	29,855,868	31,391,398	30,368,714	23,836,031	28,107,799
Energy Improvement Projects						10,383	13,314	2,930	2,930	5,860	11,720
Unassigned											
Total	33,098,895	33,977,661	25,983,827	20,424,772	22,768,174	28,642,412	29,880,294	31,397,063	30,374,247	23,864,791	28,182,062
All Other Governmental Funds											
Reserved	18,430,040	7,944,462	12,702,665								
Undesignated, reported in:											
Nonspendable				369	6,604	22,376	77,859	106,066	2,680		
Restricted for:											
Public Works				10,357,176	8,238,721	9,032,953	11,534,007	8,202,688	6,271,461	5,618,682	7,765,585
Public Safety				3,117,402	2,812,852	1,659,378	1,569,569	1,529,730	1,460,930	1,418,500	1,253,572
Special Revenue Funds	9,269,371	12,137,914	13,742,070								
Capital Projects	(13,728,932)	6,138,952	36,272,857	32,094,257	19,027,031	25,214,697	20,133,026	33,754,253	57,700,163	41,101,200	47,044,427
Grants Projects	119,184	100,842	116,485	546,461	1,262,100	1,262,100	1,262,100	210,880	232,138	241,043	250,200
Committed for:											
General Government				410,544	447,605						
Assigned to:											
General Government						445,690	1,721,084	1,327,774	720,741	457,767	390,941
Unassigned				(974,484)	(370,103)				(82,433)		(36,392)
Total	$14,089,663	$26,322,170	$62,834,077	$45,551,725	$31,424,810	$37,637,194	$36,297,645	$45,131,391	$66,305,680	$48,837,192	$56,668,333

LFUCG elected to implement GASB Statement No. 54, Fund Balance Reporting and the Governmental Fund Type Definitions, in fiscal year 2011.
This statement allows the entity to apply prospectively in the statistical section. Therefore, LFUCG has not reclassified prior information.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 4

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Licenses and Permits	$222,841,928	$219,586,264	$228,816,452	$235,226,117	$243,655,298	$253,581,959	$271,354,443	$281,240,662	$294,952,524	$310,378,790
Taxes	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090	58,636,843	62,072,333
Charges for Services	22,073,405	21,182,005	24,158,224	26,262,822	26,365,849	26,797,087	28,036,635	29,175,200	27,222,202	27,327,074
Fines and Forfeitures	303,205	268,459	220,449	176,319	311,930	258,112	235,626	222,201	234,820	185,061
Local Contributions										
Intergovernmental	36,462,389	41,088,818	33,622,666	35,125,072	32,365,491	38,199,741	35,010,716	38,232,668	28,719,916	27,179,190
Exactions	379,575	601,993	96,613	129,603	532,410	486,643	2,074,477	317,370	514,337	148,447
Grant Match	2,734,433	2,619,353								
Property Sales	803,382	499,119	2,681,463	453,540	462,570	181,052	529,770	585,626	1,766,593	332,635
Income on Investments	804,510	300,149	129,839	589,902	(509,785)	263,298	1,941,301	1,341,478	602,208	1,029,385
Other	7,928,848	9,988,984	8,998,513	4,002,075	3,436,946	4,067,219	5,244,909	4,536,586	5,011,982	6,771,390
Total Revenues	348,633,424	347,278,343	351,272,328	354,826,290	360,218,020	378,594,310	399,669,714	412,402,881	417,661,425	435,424,305
Expenditures										
Administrative Services	3,213,262	1,098,505	1,209,504	19,612,467	10,370,972	5,014,372	7,431,873	8,060,766	9,259,948	9,397,369
Chief Development Officer				458,932	613,743	190,339	537,986	1,107,841	963,105	1,322,146
Environmental Quality	21,076,668	20,398,457	22,544,214							
Environmental Quality & Public Works				36,315,403	37,037,311	36,407,046	40,387,589	42,819,684	43,305,223	46,744,561
Finance	11,488,448	11,979,265	9,271,854	5,405,089	5,115,502	5,020,225	5,225,806	5,536,971	5,977,862	6,004,097
General Government	6,761,982	6,962,873	7,382,550	5,059,177	5,647,407	5,678,539	6,306,980	6,542,424	6,556,907	6,354,511
General Services**	29,246,730	26,370,443	25,763,110	24,095,490	26,517,790	24,348,481	26,139,238	29,278,819	30,038,997	30,457,511
Information Technology**	13,566,187	10,287,205	8,450,628			6,018,607	7,513,809	9,187,214	9,964,616	13,127,259
Law	10,851,780	9,327,861	10,237,207	3,571,448	3,994,327	4,035,393	2,844,757	2,275,312	10,462,417	2,590,350
Outside Agencies	19,236,209	18,123,297	19,244,315	20,571,727	20,260,096	24,739,506	23,623,807	28,736,538	22,958,277	23,470,932
Planning, Preservation, & Development*					3,659,901	8,670,017	10,436,351	12,486,736	14,614,512	14,506,605
Public Safety**	227,892,046	191,233,566	160,552,216	193,328,465	172,413,558	173,507,393	177,216,505	186,290,364	209,591,012	211,574,153
Public Works	24,708,831	22,514,826	21,858,996							
Social Services	11,623,944	9,615,423	8,402,054	7,804,749	8,222,664	8,196,041	8,422,005	9,190,567	10,296,721	10,852,548
Special Projects										
Debt Service:										
Principal	13,760,000	26,230,000	20,035,000	18,465,000	17,855,000	21,925,000	20,850,000	22,010,000	21,470,000	26,855,000
Interest and Other	5,495,982	9,409,512	13,703,243	12,927,929	13,108,740	13,667,645	12,558,133	13,938,702	15,073,088	15,356,878
Capital	45,435,689	70,941,523	49,010,038	29,785,796	28,336,917	48,815,941	51,092,128	70,848,354	95,073,861	43,876,088
Total Expenditures	444,357,758	434,492,756	377,664,929	377,401,672	353,153,928	386,234,545	400,586,967	448,310,292	505,606,546	462,490,008
Excess (Deficiency) of Revenues over (under) Expenditures	(95,724,334)	(87,214,413)	(26,392,601)	(22,575,382)	7,064,092	(7,640,235)	(917,253)	(35,907,411)	(87,945,121)	(27,065,703)
Other Financing Sources (Uses)										
Transfers In	4,238,345	6,723,504	3,843,657	18,102,675	7,226,272	28,308,895	21,319,957	24,833,948	11,581,277	12,385,610
Transfers Out	(3,620,469)	(4,985,650)	(3,773,123)	(18,493,131)	(7,822,695)	(29,163,490)	(21,316,119)	(25,134,821)	(11,801,402)	(12,710,446)
Property Sales										
Debt Proceeds (net of bond refunding)	116,960,000	119,515,000	19,720,000	37,275,000	21,177,299	78,350,131	49,993,988	56,180,000	70,278,668	54,808,279
Bond Anticipation Note										
Premium (Discount) on Bonds Issued		(7,130,168)	(4,580,255)	(6,014,921)	(4,549,025)	(60,617,275)	(19,150,513)	3,362,960	(27,626,773)	(15,467,353)
Total Other Financing Sources (Uses)	117,577,876	114,122,686	15,210,279	30,869,623	16,031,851	16,878,261	30,847,313	59,242,087	42,431,770	39,016,090
Net Change in Fund Balances	$21,853,542	$26,908,273	($11,182,322)	$8,294,241	$23,095,943	$9,238,026	$29,930,060	$23,334,676	($45,513,351)	$11,950,387
Debt Service as a Percentage of Noncapital Expenditures*	4.5%	9.5%	10.2%	8.7%	9.1%	10.1%	9.1%	9.0%	7.8%	9.9%

*Planning, Preservation, & Development was added in FY13 and was previously included with Administration.
**In FY16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 5

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CHANGES IN FUND BALANCE, GENERAL FUND
LAST TEN FISCAL YEARS
(Budgetary Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Licenses and Permits	$221,612,009	$218,333,096	$227,486,734	$233,898,045	$242,304,633	$252,196,981	$269,928,753	$279,796,674	$293,445,670	$308,811,807
Taxes	20,737,242	20,222,945	20,992,845	20,880,351	21,368,326	21,899,738	21,826,464	22,599,975	23,068,237	24,528,574
Charges for Services	21,965,618	21,002,080	24,084,059	23,879,484	24,202,174	24,643,221	25,633,499	27,409,249	24,604,479	24,865,154
Fines and Forfeitures	270,598	262,040	215,493	170,001	309,442	257,039	234,615	220,612	234,363	184,729
Intergovernmental	2,405,778	1,156,085	2,441,417	1,942,553	1,978,891	1,720,761	797,537	858,600	546,939	775,621
Property Sales	646,007	473,784	1,985,318	152,194	137,719	56,688	318,536	205,560	1,265,147	248,629
Income on Investments	288,720	62,901	(2,381)	390,823	(556,777)	432,454	1,564,895	775,012	339,889	556,641
Other	3,559,545	5,640,858	4,159,715	2,213,409	2,388,300	2,509,949	4,198,344	3,669,875	3,502,017	4,131,498
Total Revenues	271,485,517	267,153,789	281,363,200	283,526,860	292,132,708	303,716,831	324,502,643	335,535,557	347,006,741	364,102,653
Expenditures and Other Financing Sources (Uses)										
Administrative Services	1,052,574	1,098,505	1,209,504	15,973,425	8,112,087	2,656,141	5,617,560	6,177,391	7,524,232	7,751,744
Chief Development Officer				158,932	163,743	182,074	267,683	1,001,763	845,523	1,288,532
Environmental Quality	53,206	3,217	6,407							
Environmental Quality & Public Works				8,380,410	8,103,750	7,366,215	9,814,924	11,746,025	11,730,796	12,369,277
Finance	9,057,361	8,297,391	7,936,589	5,387,968	5,101,158	5,022,088	5,350,469	5,494,593	5,909,131	5,938,150
General Government	3,337,821	3,206,859	3,872,271	1,700,098	3,476,730	3,664,554	4,109,338	4,265,335	4,333,737	3,444,293
General Services**	28,401,996	26,464,121	25,414,155	24,165,031	26,774,613	29,847,860	27,906,695	31,355,145	31,546,178	30,722,576
Information Technology**	7,610,707	7,366,977	7,820,811			6,018,605	8,213,083	8,887,236	10,471,207	10,804,309
Law	9,602,925	8,601,967	9,607,308	3,494,863	3,926,008	3,974,171	2,315,205	2,182,164	10,186,108	2,454,494
Outside Agencies	16,913,570	16,786,200	16,935,373	17,206,291	17,121,904	18,935,337	19,540,759	20,264,359	20,528,503	20,987,191
Planning, Preservation, & Development*					2,738,011	7,742,329	9,540,472	11,872,258	13,588,891	13,399,720
Public Safety**	219,175,755	183,918,587	154,017,726	187,071,884	167,821,104	165,631,441	172,810,800	186,461,715	206,803,147	203,622,135
Public Works	17,198,118	18,296,963	16,628,445							
Social Services	9,604,663	7,439,405	6,801,050	6,003,513	6,566,634	6,633,883	6,821,502	7,870,878	9,209,025	9,262,532
Debt Service	19,386,936	27,749,206	33,701,269	30,937,819	29,748,196	34,160,768	31,970,746	34,481,109	35,216,103	41,330,879
Other Financing (Sources) Uses	(78,652,384)	(40,465,809)	(3,207,654)	(37,031,128)	2,332,547	2,541,672	643,862	1,181,014	694,993	366,171
Residual Equity Transfers										
Total Expenditures and Other Financing Sources (Uses)	262,743,248	268,763,589	280,743,254	263,449,106	281,986,485	294,377,138	304,923,098	333,240,985	368,587,574	363,742,003
Net Change in Fund Balance	$8,742,269	($1,609,800)	$619,946	$20,077,754	$10,146,223	$9,339,693	$19,579,545	$2,294,572	($21,580,833)	$360,650

*Planning, Preservation, & Development was added in FY13 and was previously included with Administration.
**In FY16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.
Source: Department of Finance, Lexington-Fayette Urban County Governmen

TABLE 6

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SANITARY SEWER SYSTEM
SUMMARY OF REVENUES AND EXPENSES

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Sewer Service Charges	$35,213,276	$45,578,971	$45,663,797	$44,334,743	$45,990,027	$46,577,092	$46,845,571	$53,005,210	$60,085,888	$60,398,087
Sewer Tap on Fees	1,048,864	1,072,452	1,523,169	1,944,010	2,325,787	2,013,656	2,482,245	3,249,636	2,154,652	2,923,533
Exactions	198,914	287,677	885,730	150,120	4,002,945	801,569	426,085	411,513	294,332	329,120
Other Income	93,293	448,880	776,339	615,624	609,021	1,155,128	2,297,116	1,127,145	912,835	82,988
Total Revenues	36,554,347	47,387,980	48,849,035	47,044,497	52,927,780	50,547,445	52,051,017	57,793,504	63,447,707	63,733,728
Operating Expenses										
Treatment Plant	8,447,048	8,502,531	8,411,093	7,933,477	8,217,471	7,935,854	7,318,958	6,713,706	7,116,239	8,157,629
Collection System	4,427,863	4,297,166	5,544,184	5,064,273	4,405,020	4,461,052	4,187,968	4,413,641	4,536,910	1,832,856
Administration	14,325,685	18,974,390	18,243,183	17,142,578	16,216,619	20,773,379	20,119,458	21,566,883	24,011,158	28,262,383
Depreciation	6,393,816	7,113,944	7,214,960	7,299,442	7,683,896	8,047,827	8,471,363	9,130,305	10,568,196	12,137,121
Total Operating Expenses	33,594,412	38,888,031	39,413,420	37,439,770	36,523,006	41,218,112	40,097,747	41,824,535	46,232,503	50,389,989
Operating Income	2,959,935	8,499,949	9,435,615	9,604,727	16,404,774	9,329,333	11,953,270	15,968,969	17,215,204	13,343,739
Net Nonoperating Revenues/(Expenses)	(1,255,146)	(2,909,369)	(2,486,197)	(1,697,841)	(2,649,715)	(1,451,967)	(1,710,547)	(2,005,954)	(4,005,015)	(2,289,314)
Capital Contributions										
Transfers In	453,974		3,010,299	422,187	1,208,935	88,369,088	6,230			150,000
Transfers Out	(888,779)	(394,869)	(4,283,344)	(466,138)	(1,039,194)	(88,351,969)	354	(4,236)	(185,026)	56,435
Net Income/Change in Net Position	$1,269,984	$5,195,711	$5,676,373	$7,862,935	$13,924,800	$7,894,485	$10,249,307	$13,958,779	$13,025,163	$11,260,860

Source: Department of Finance, Lexington-Fayette Urban County Governmen

TABLE 7

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NET ASSESSED VALUE
REAL, TANGIBLE, & INTANGIBLE PROPERTY
(In Thousands)

Fiscal Year	Residential	Farms	Commercial	Oil, Mineral & Timber Rights	Tangible	Intangible	Total	Less Intangible	Total Taxable Assessed Value	Total Direct Tax Rate (Per $100 of Assessed value)
2009	$14,681,278	$836,738	$6,219,162	$1,516	$5,723,817		$27,462,511		$27,462,511	0.2535
2010	14,887,510	866,958	6,310,733	1,530	5,076,606		27,143,337		27,143,337	0.2535
2011	15,043,326	880,219	6,377,418	2,241	4,975,027		27,278,231		27,278,231	0.2535
2012	15,164,243	898,982	6,421,877	1,880	5,014,698		27,501,680		27,501,680	0.2535
2013	15,235,648	897,667	6,523,119	1,499	5,333,542		27,991,475		27,991,475	0.2535
2014	15,299,695	899,945	6,757,308	1,127	5,395,493		28,353,568		28,353,568	0.2535
2015	15,741,024	919,466	7,162,151	1,080	5,793,103		29,616,824 *		29,616,824	0.2535
2016	15,497,091	911,673	6,935,829	995	5,527,611		28,873,199 *		28,873,199	0.2538
2017	16,346,959	948,410	7,509,402	1,345	5,801,304		30,607,420		30,607,420	0.2538
2018	17,358,420	746,352	8,117,423	1,740	5,953,135		32,177,070		32,177,070	0.2533

Note: Property is assessed at 100% fair market value. The intangible property tax rate was repealed as of January 1, 2006 per Kentucky Revised Statute 132.208.
* Year 2015 & 2016 data was flipped: Corrected Error
Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 8

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2009	$53,823,142	$53,779,117	99.9%	$44,025 *	$53,823,142	100.0%
2010	51,262,112	50,085,884	97.7%	1,176,228 *	51,262,112	100.0%
2011	52,264,220	51,732,977	99.0%	531,243 *	52,264,220	100.0%
2012	52,631,283	52,011,046	98.8%	620,237 *	52,631,283	100.0%
2013	53,136,159	52,567,908	98.9%	568,251 *	53,136,159	100.0%
2014	53,598,026	53,147,356	99.2%	450,670 *	53,598,026	100.0%
2015	54,798,187	53,072,141	96.9%	1,314,601	54,386,742	99.2%
2016	55,935,427	54,402,567	97.3%		54,402,567	97.3%
2017	58,046,716	56,107,829	96.7%		56,107,829	96.7%
2018	61,778,968	59,899,917	97.0%		59,899,917	97.0%

Note: Data provided by the Sheriff's Tax Settlement Report
*Corrected to reflect collections to date by fiscal year of levies

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 9

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(RATE PER $100)

	LFUCG Direct Rates					Overlapping Rates						
		Urban Services										
Fiscal Year	General	Refuse	Street Lights	Street Cleaning	Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation	Health Department	Lextran	Total
2009	0.0800	0.1590	0.0210	0.0094	0.2694	0.6050	0.1220	0.0032	0.0004	0.0280	0.0600	1.0880
2010	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2011	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2012	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2013	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2014	0.0800	0.1431	0.0210	0.0094	0.2535	0.6740	0.1220	0.0033	0.0004	0.0280	0.0600	1.1412
2015	0.0800	0.1431	0.0210	0.0094	0.2535	0.6960	0.1220	0.0034	0.0005	0.0280	0.0600	1.1634
2016	0.0800	0.1431	0.0210	0.0097	0.2538	0.7400	0.1220	0.0035	0.0005	0.0280	0.0600	1.2078
2017	0.0800	0.1431	0.0210	0.0097	0.2538	0.7500	0.1220	0.0035	0.0006	0.0280	0.0600	1.2179
2018	0.0800	0.1426	0.0210	0.0097	0.2533	0.7500	0.1220	0.0035	0.0006	0.0280	0.0600	1.2174

Note: All taxpayers in Fayette County are subject to the General Service rate. Total Direct rate is for taxpayers receiving complete urban services. Rates would be reduced for those taxpayers receiving less than full urban services.

The annual increase in real property tax revenue, excluding new assessments, must be 4% or less. Any amount over 4% is subject to a recall vote.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 10

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

	2018			2010		
Name	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Hap Property Owner, LP	$184,865,800	1	0.60%			
Fayette Mall SPE LLC	117,000,000	2	0.38%	$64,943,600	2	0.24%
Fritz Farm Retail Company LLC	80,567,400	3	0.26%			
Fayette Middle Anchor LLC	63,000,000	4	0.21%			
Inland American Lodging Lex	53,501,500	5	0.17%			
Newtown Crossing II LLC	53,000,000	6	0.17%	31,500,000	10	0.12%
Strata Racquet LLC	51,500,000	7	0.17%			
Healthsouth Kentucky Real Estate	50,678,300	8	0.17%			
Sir Forty 57 LLC	50,000,000	9	0.16%			
Mid America Apts	48,177,600	10	0.16%	32,700,000	8	0.12%
Fourth Quarter Properties*				101,405,300	1	0.37%
Lexmark International Inc.				56,497,100	3	0.21%
Weingarten Realty Inc.				47,774,200	4	0.18%
War Admiral Place				44,321,300	5	0.16%
Ball Realty, Inc.				38,248,700	6	0.14%
Meijer Stores, Ltd				33,573,600	7	0.12%
Diamondrock Griffin				32,700,000	8	0.12%
Fayette Plaza CMBS LLC				32,566,000	9	0.12%
Total	$752,290,600		2.45%	$516,229,800		1.90%

*Hap Properties purchased Hamburg Pavillion from Fourth Quarter Properties in July 2014.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 11

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
DIRECT AND OVERLAPPING
LICENSE FEE RATES
LAST TEN FISCAL YEARS

Fiscal Year	LFUCG Direct Rate	Fayette County School	Total
2009	2.25%	0.50%	2.75%
2010	2.25%	0.50%	2.75%
2011	2.25%	0.50%	2.75%
2012	2.25%	0.50%	2.75%
2013	2.25%	0.50%	2.75%
2014	2.25%	0.50%	2.75%
2015	2.25%	0.50%	2.75%
2016	2.25%	0.50%	2.75%
2017	2.25%	0.50%	2.75%
2018	2.25%	0.50%	2.75%

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 12

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
TEN MAJOR OCCUPATIONAL TAX WITHHOLDERS
CURRENT YEAR AND NINE YEARS AGO

Name	2018 Rank	2010 Rank
University of Kentucky	1	1
Fayette County Board of Education	2	3
Lexmark International	3	2
Lexington-Fayette Urban County Government	4	4
Baptist Healthcare	5	5
Defense Finance & Acctg System (formerly Dept of Veterans Affairs)	6	9
St. Joseph Hospital	7	6
Amazon.com	8	
Valvoline International, Inc.	9	
Lexington Clinic	10	8
L3 Communications		7
Commonwealth of Kentucky		10

Source: Department of Finance, Lexington-Fayette Urban County Government

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities				Business-type Activities					
Fiscal Year	General Obligation Bonds	QECB Bond	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable	Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
2009	$229,265,000	$0	$0	$0	$31,860,000	$66,470,000	$0	$327,595,000	2.9%	$1,120
2010	308,355,000			8,000,000	64,565,000	63,890,000		444,810,000	3.8%	1,499
2011	303,865,000				60,055,000	61,990,000	15,105,027	441,015,027	3.6%	1,464 *
2012	315,714,650				48,121,327	56,708,664	14,766,530	435,311,171	3.4%	1,425
2013	314,541,343				45,400,398	54,830,752	14,403,727	429,176,220	3.3%	1,390 *
2014	310,040,731				42,590,809	52,872,841	27,785,157	433,289,538	3.2% *	1,391 *
2015	319,736,652	2,900,000 **			38,561,469	53,625,000	36,968,889	451,792,010	3.2% *	1435 *
2016	356,149,549	2,900,000 **			35,850,000	51,315,000	64,267,000	510,481,549	3.6%	1603
2017	375,507,126	2,900,000 **			33,017,706	49,080,404	86,872,538	547,377,774	na	na
2018	386,251,016	2,795,000 **			30,129,000	46,578,000	120,023,000	585,776,016	na	na

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.
See table 18 for population data.
Personal income data for 2017 and 2018 not available at time of publication.
Population data for 2017 and 2018 not available at time of publication.

* Updated in 2017
** Moved the Qualified Energy Conservation Bond (QECB) from the General Obligation Bonds total.
Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 14

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	% of Assessed Value of Property	Per Capita	
2009	$229,265,000	0.83%	$784	
2010	308,355,000	1.14%	1,054	*
2011	303,865,000	1.11%	1,009	*
2012	315,714,650	1.15%	1,033	*
2013	314,541,343	1.12%	1,018	*
2014	310,040,731	1.09%	996	*
2015	319,736,652	1.08%	1,025	*
2016	356,149,549	1.23%	1,127	
2017	378,407,126	1.24%	na	**
2018	386,251,016	1.20%	na	**

Notes: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.
See Table 7 for property value date and Table 18 for population data.

* Updated in 2017
** Population data for 2017 & 2018 not available at time of publication.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 15

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF DIRECT AND OVERLAPPING INDEBTEDNESS
AS OF JUNE 30, 2018

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Refunding and Improvement Mortgage Revenue Bonds, Series 1993	$0	0.00%	$0
Mortgage Revenue Bonds, Series 2008A	7,310,000	3.69%	269,537
Mortgage Revenue Bonds, Series 2015	9,000,000	3.69%	331,852
Mortgage Revenue Bonds, Series 2016	4,357,344	3.69%	160,666
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue, and Refunding Bond 2009A (non-AMT)	4,500,000	4.78%	215,109
Variable Rate General Airport, Revenue, and Refunding Bond 2009B (AMT)	5,400,000	4.78%	258,131
Fixed Rate General Airport, Revenue and Refunding Bond 2012A (AMT)	6,770,000	4.78%	323,619
Fixed Rate General Airport, Revenue, and Refunding Bond 2012B (non-AMT)	11,230,000	4.78%	536,816
Fixed Rate General Airport, RevenueBonds Bond 2016A (non-AMT)	4,615,000	4.78%	220,606
Fixed Rate General Airport, Revenue Bonds Bond 2016B (AMT)	4,660,000	4.78%	222,757
Fixed Rate General Airport, Revenue & Refunding Bond Bond 2016C (Fed Taxable)	37,660,000	4.78%	1,800,223
Fixed Rate General Airport, Revenue Bonds Bond 2016D (non-AMT)	5,345,000	4.78%	255,502
Fixed Rate General Airport, Revenue and Refunding Bond 2016E (AMT)	4,250,000	4.78%	203,158
Fayette County School & Kentucky School Commission Bonds	427,787,701	100.00%	427,787,701
Subtotal, Overlapping Debt			432,585,677
LFUCG, Direct Debt			389,046,016
Total Direct and Overlapping Indebtedness			$821,631,693

Notes

(1) Industrial Revenue Bonds, Industrial Development Bonds, and Multi-Family and Single Family Housing Bonds are not included in this schedule of overlapping debt as they are not secured by the full faith and credit of Lexington-Fayette Urban County Government.

(2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in LFUCG or by ratio of total revenue of overlapping unit to total revenue of LFUCG.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 16

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed Value	$27,462,511	$27,143,337	$27,278,231	$27,501,680	$27,991,475	$28,353,568	$29,616,824	$28,873,199	$30,607,420	$32,177,070
Debt limit (10% of Assessed Value)	2,746,251	2,714,334	2,727,823	2,750,168	2,799,148	2,835,357	2,961,682	2,887,320	3,060,742	3,217,707
Total net debt applicable to limit	195,775	171,510	108,710	203,817	194,414	200,820	171,917	162,861	184,801	183,990
Legal debt margin	$2,550,476	$2,542,824	$2,619,113	$2,546,351	$2,604,734	$2,634,537	$2,789,765	$2,724,459	$2,875,941	$3,033,717
Total net debt applicable to the limit as a percentage of debt limit	7.13%	6.32%	3.99%	7.41%	6.95%	7.08%	5.80%	5.64%	6.04%	5.72%

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 17

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(In Thousands)

	Sanitary Sewer System						Public Facilities Corporation					
Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	$37,049	$27,201	$9,848	$3,855	$1,706	1.77	$6,841	$2,681	$4,160	$1,005	$2,716	1.12
2010	47,446	31,774	15,672	4,040	1,849	2.66	6,431	2,670	3,761	2,643	2,661	0.71
2011	49,383	32,198	17,185	4,510	2,608	2.41	7,159	2,789	4,370	1,900	2,570	0.98
2012	48,023	30,140	17,883	11,117	3,181	1.25	7,157	2,697	4,460	1,970	2,495	1.00
2013	52,769	28,839	23,930	3,413	2,400	4.12	5,830	2,305	3,525	2,050	2,416	0.79
2014	51,542	33,170	18,372	3,505	2,348	3.14	6,376	2,111	4,265	2,130	2,334	0.96
2015	51,440	31,626	19,814	2,067	1,917	4.97	6,406	2,436	3,970	2,215	2,247	0.89
2016	58,234	32,694	25,540	3,094	2,536	4.54	6,988	2,708	4,280	2,310	2,646	0.86
2017	63,289	35,664	27,625	3,688	2,644	4.36	7,305	2,625	4,680	2,405	2,274	1.00
2018	64,355	38,253	26,102	5,220	3,039	3.16	6,149	2,960	3,189	2,055	1,875	0.81

	Public Parking Corporation						Special Assessment Bonds			
Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2009	$1,383	$580	$803	$720	$70	1.02	$0	$50	$1	$0
2010	1,203	539	664	750	36	0.84	0	0	0	0
2011	861	600	261	0	0	0	0	0	0	0
2012	978	540	438	0	0	0	0	0	0	0
2013	5	4	1	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	1	0	1	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 18

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population		Personal Income (Thousands)		Per Capita Personal Income		Civilian Labor Force: Employed	Civilian Labor Force: Unemployed	Civilian Labor Force: Unemployment Rate	
2009	292,514		$11,220,857		$38,360		140,328	11,852	7.8%	*
2010	296,717		11,568,412		38,988		151,190	12,096	7.4%	*
2011	301,272	*	12,147,960		40,322	*	153,602	11,324	6.9%	*
2012	305,201	*	12,701,835		41,618	*	156,579	9,688	5.8%	*
2013	308,501	*	12,826,933		41,578	*	158,648	9,769	5.8%	*
2014	310,725	*	13,472,243	*	43,357	*	158,848	7,983	4.8%	*
2015	314,767	*	14,224,629	*	45,191	*	160,099	6,423	3.9%	*
2016	318,449	*	14,338,062	*	45,025	*	163,637	6,153	3.6%	*
2017	na		na		na		167,944	6,360	3.6%	*
2018	na		na		na		na	na	na	

* Updated in 2018

Note:
Population, Personal Income and Per Capita Personal Income data for 2017 & 2018 not available at time of publication.
Employed, Unemployed and Unemployment Rate date for 2018 not available at time of publication.

Source: The Bureau of Economic Analysis
Source: U.S. Census Bureau
Source: The Bureau of Labor Statistics

TABLE 19

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PRINCIPAL EMPLOYERS, FAYETTE COUNTY
CURRENT YEAR AND NINE YEARS AGO

	2018			2010		
Name	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	12,800	1	7.62%	12,096	1	8.00%
Fayette County Public Schools	5,900	2	3.51%	5,300	2	3.51%
Lexington-Fayette Urban County Government	2,945	3	1.75%	2,973	4	1.97%
Amazon.com	2,500	4/5	1.49%	n/a	n/a	n/a
Conduent	2,500	4/5	1.49%	n/a	n/a	n/a
Veterans Medical Center	2,086	6	1.24%	n/a	n/a	n/a
Baptist Healthcare	1,852	7	1.10%	2,006	7	1.33%
KentuckyOne Health	1,847	8	1.10%	n/a	n/a	n/a
Lemark International	1,500	9	0.89%	3,130	3	2.07%
Lockheed Martin	1,100	10	0.65%	n/a	n/a	n/a
St.Joseph Hospital				2,300	5	1.52%
ACS a Zerox Company				2,050	6	1.36%
Defense Finance & Acctg System (formerly Dept of Veterans Affairs				1,565	8	1.04%
L3 Communications				1,412	9	0.93%
Trane Co.				1,300	10	0.86%
	35,030		20.84%	34,132		22.59%

Note:
First year of presentation for Employees and Percentage of Total City Employment was FY2010. This data is not available for FY2008.

Source: Lexington Chamber of Commerce

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
EMPLOYMENT BY INDUSTRY, FAYETTE COUNTY
Reflects Current Industry Standards

Year	Construction	Education and Health Services	Financial Activities	Information	Leisure and Hospitality	Manufacturing	Natural Resources and Mining	Other Services	Professional and Business Services	Trade, Transportation, and Utilities	Others	Total Employment by Place of Work
2001	9,331	20,008	8,367	4,593	18,194	15,185	2,028	4,819	19,241	33,600	77	135,443
2002	8,249	20,919	8,330	4,670	17,756	14,703	1,959	4,786	20,866	33,424	71	135,733
2003	8,727	21,100	8,359	4,365	18,199	13,874	1,890	4,746	21,765	34,276	135	137,436
2004	8,451	21,377	8,822	3,833	18,109	14,133	1,959	4,848	22,944	34,208	200	138,884
2005	8,568	21,728	8,901	3,803	18,360	14,703	2,056	4,727	23,644	34,567	274	141,331
2006	8,291	21,980	9,222	3,743	19,572	14,878	2,552	4,718	25,608	34,416	228	145,208
2007	8,628	20,919	8,811	3,600	19,626	15,299	2,473	4,696	25,352	34,347	304	144,055
2008	7,723	21,035	8,583	5,086	19,427	14,929	2,260	4,941	23,700	34,320	0	142,004
2009	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697	0	137,308
2010	6,937	21,477	8,046	4,628	20,176	12,882	2,170	5,383	22,186	30,782	36	134,703
2011	7,078	23,186	8,167	5,144	20,123	12,241	2,245	5,514	22,646	31,404	36	137,784
2012	6,733	24,230	7,994	5,393	20,313	12,325	2,059	5,348	27,491	35,039	53	146,978
2013	7,097	23,796	7,851	5,030	21,128	12,210	1,919	5,317	32,405	35,614	116	152,483
2014	7,541	23,518	7,662	5,316	22,282	12,230	2,000	4,923	30,587	37,211	40	153,310
2015	8,594	24,377	7,740	4,837	22,981	12,283	2,095	5,066	28,359	35,114	41	151,487
2016	9,270	24,820	7,773	2,405	23,839	12,079	1,838	5,413	28,649	36,625	47	152,758
2017	8,958	26,346	7,913	2,184	23,823	11,312	2,056	5,308	28,137	36,096	47	152,180

*The Government has corrected years 2001-2015 to reflect the correct employment numbers per category. In addition, fiscal years 2001-2007 have been updated to reflect categories using current industry standards.

Source: Bureau of Labor Statistics

TABLE 21

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
U.S. CENSUS BUREAU STATISTICS

	1990 Census		2000 Census		2010 Census	
	Value	%	Value	%	Value	%
Population and Number of Households						
Population						
Under 18 years	50,416	22.4%	55,533	21.3%	62,633	21.2%
18 - 64 years	152,638	67.7%	178,805	68.7%	202,032	68.3%
65 years and over	22,312	9.9%	26,174	10.0%	31,138	10.5%
Total	225,366	100.0%	260,512	100.0%	295,803	100.0%
Number of Households	89,529		108,288		123,043	
Economic and Education						
Family Income						
Less than $10,000	5,979	10.5%	3,587	5.6%	4,407	6.3%
$10,000 - $24,999	12,365	21.7%	8,947	14.1%	8,791	12.7%
$25,000 - $49,999	20,889	36.8%	17,124	26.9%	15,164	21.9%
$50,000 - $74,999	10,790	19.0%	14,759	23.2%	12,913	18.6%
$75,000 or more	6,850	12.0%	19,231	30.2%	28,149	40.5%
Total Families	56,873	100.0%	63,648	100.0%	69,424	100.0%
Median Family Income	$35,936		$53,264		$63,086	
Mean Family Income	$44,467		$52,261		$76,373	
Per Capita Income	$20,355		$23,109		$25,561	
School Enrollment						
Elementary/Secondary	32,858		36,938		43,918	
College	28,339		31,508		41,238	
Education for Individuals 25+ years of age						
Less than 9th grade	11,760	8.3%	8,539	5.1%	8,813	4.6%
High School, No Diploma	16,365	11.5%	15,213	9.1%	13,986	7.3%
High School Graduate	33,238	23.4%	37,448	22.4%	43,875	22.9%
College 1 - 3 years	37,299	26.2%	46,420	27.8%	54,796	28.6%
College 4 or more years	43,454	30.6%	59,615	35.6%	70,123	36.6%
Total	142,116	100.0%	167,235	100.0%	191,593	100.0%
Unemployment Rate	3.7%		1.8%		7.0%	

Source: U.S. Census Bureau

TABLE 22

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LFUCG EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Excluding Temporary, Seasonal, and Part-Time Employees)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administrative Services	89	91	86	129	94	47	49	76	78	79
Chief Development Officer										
General Government	48	73	70	66	66	67	69	65	67	67
Finance & Administration	108	103	94	68	65	69	70	73	74	73
Information Technology						44	52	52	51	49
General Services										
Parks & Recreation	145	138	132	140	139	138	144	146	144	139
Other	132	134	130	97	93	98	102	102	97	92
Law	31	26	26	37	40	39	42	23	23	23
Planning, Preservation, & Development					39	128	137	143	146	147
Public Safety										
Fire & Emergency Services										
Firefighters & Officers	504	522	520	500	520	566	560	565	558	568
Civilians	18	15	18	17	16	16	18	18	26	25
Police										
Officers	557	542	511	504	524	542	518	554	572	604
Civilians	77	102	93	127	126	122	112	87	104	112
Community Corrections	341	294	284	321	312	330	298	293	340	320
Other	101	75	79	81	80	68	74	73	92	91
Public Works & Development	218	244								
Solid Waste										
Sanitary Sewers										
Other			240							
Environmental Quality & Public Works				508	484	451	453	468	475	488
Waste Management	199	206	196							
Water & Air Quality	145	149	151							
Other	10	15	16							
Social Services	128	113	99	94	96	96	98	108	109	114
	2,851	2,842	2,745	2,689	2,694	2,821	2,796	2,846	2,956	2,991

The following Departmental reorganization took place in FY2008:
Human Resources and Community Development moved from Administrative Services to Finance & Administration; Risk Management moved from Administrative Services to Law; Historic Preservation, Planning and Purchase of Development Rights moved from Administrative Services to Public Works & Development; Computer Services moved from Finance & Administration to Admininstrative Services; Building Inspection moved from Public Safety to Public Works & Development; Solid Waste (Waste Management) and Sanitary Sewers (Water & Air Quality) moved from Public Works and Developmen to Environmental Quality.

The following Departmental reorganization took place in FY2012:
Communications, Enterprise Solutions, Information Technology and PeopleSoft moved from Chief Information Officer to Administrative Services; Historic Preservation, Planning and Purchase of Development Rights moved from Public Works to Administrative Services; Risk Management moved from Law to Administrative Services; Budgeting moved from Administrative Services to Finance; Chief Development Administration was created under Chief Development Officer; Office of Economic Development moved from General Government to Chief Development Officer; Community Development changed to Grants and Special Projects and moved from Finance to Administrative Services; Human Resources moved from Finance to Law; Environmental Quality and Public Works were merged to form Environmental Quality & Public Works; Police and Fire Pension moved from Public Safety to Finance; Building Inspection moved from Public Works to Public Safety; Community Corrections, Police and Fire and Emergency Services moved to Public Safety.

Planning, Preservation, & Development was added in FY2013 and was previously included with Administrative Services.

The following Departmental reorganization took place in FY2014:
Division of Engineering moved from Environmental Quality & Public Works to Planning, Preservation & Development; Division of Code Enforcement and Division of Building Inspection moved from Public Safety to Planning, Preservation & Development; Computer Services & Division of Enterprise Solutions moved from Administrative Services to Chief Information Officer

The following Departmental reorganization took place in FY2015:
The Division of Human Resources moved from Law and Risk Management to Administrative Services

In FY2016 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 23

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire and Emergency Services										
Emergency Medical Calls	31,490	32,199	34,197	37,000	36,619	37,971	42,151	43,076	46,476	47,930
False Calls	2,715	2,653	2,870	2,673	2,585	2,983	3,077	2,898	2,915	3,108
Fire Incidents	1,301	1,129	1,337	1,564	1,293	1,226	1,249	1,248	1,364	1,125
Good Intent Calls	1,245	1,265	1,271	1,153	1,107	1,108	1,180	1,180	1,128	169
Hazardous Materials Calls	1,295	1,192	1,118	1,248	1,451	1,686	1,766	2,021	1,976	1,827
Other	134	62	79	60	44	54	40	34	46	32
Rescues	366	451	460	421	449	443	462	501	545	570
Rupture - Gas, Water, etc.	51	45	47	36	34	31	35	41	44	45
Service Calls	1,330	1,227	1,529	1,707	1,598	2,209	1,968	2,099	2,336	2,838
Police										
Physical Arrests	18,155	17,126	15,248	20,214	14,592	13,773	17,442	16,356 *	10,990 **	12,481 **
Parking Violations	49,471	46,949	42,675	41,849	47,201	46,709	43,055	45,360	48,776	43,305
Traffic Violations	73,945	64,954	63,546	52,086	40,478	48,193	44,795	36,561	37,635	37,173
Parks and Recreation										
Rounds of Golf	122,153	107,565	89,291	95,382	96,607	90,410	91,407	101,535	102,082	90,915
Pool Visits	217,917	188,389	185,421	205,353	169,820	142,062	145,911	167,351	152,466	137,855
Building Inspection										
Permits Issued	13,660	13,646	13,090	13,623	13,860	16,141	15,363	16,653 ***	13,343 ***	9,752 ***
Inspections	29,404	28,915	24,563	23,957	24,518	23,262	21,909	27,406 ***	13,517 ***	15,850 ***
Sanitary Sewers										
Tap-on Inspections	879	946	625	644	861	897	930	786	811	573
Average daily sewage treatment (mgd)	40	36	41	39	39	42	41	41	33	35
Solid Waste										
Annual Tons of Refuse Collected	155,645	141,831	138,331	134,788	135,595	137,728	138,714	149,226	155,493	159,320
Annual Tons of Recyclables Collected	20,190	18,831	20,402	21,834	22,446	22,583	22,509	21,436	21,041	19,502
Annual Tons of Yard Waste Collected		18,199	18,049	21,801	20,492	19,984	21,609	21,933	24,053	21,425
Other Public Works										
Street Resurfacing (miles)	35	30	15	28	22	27	27	51	61	41

* The physical arrest data was based on the jail import data.

** The physical arrest data is based on ticket data.

*** In the prior fiscal years permits were counted as issued, in the new system permits are counted by address. In prior fiscal years inspections were counted, including drive-by inspections. The current system limits the number of inspections per day, eliminating drive-by inspections.

Source: Department of Finance, Lexington-Fayette Urban County Government

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire and Emergency Services										
Number of Fire Stations	23	23	23	23	23	23	23	23	23	23
Number of Engines	24	23	23	22	22	22	22	22	22	22
Number of Aerials	8	7	7	7	7	7	7	7	7	7
Number of EC Units	10	10	10	10	10	10	11	11	11	12
Number of Haz-Mat Units	3	2	2	2	2	2	2	2	2	2
Number of Special Operations*	0	0	0	0	0	0	0	1	1	1
Police										
Stations	3	3	3	3	3	3	3	3	2	2
Patrol Units	438	444	440	429	424	424	430	457	480	517
Parks and Recreation										
Acres of Parks	4,565	4,917	4,917	4,282	4,282	4,282	4,282	4,282	4,282	4,273
Number of Golf Courses	6	6	6	5	5	5	5	5	5	5
Number of Swimming Pools	9	9	9	7	7	7	7	7	7	7
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	115	119	113	119	119	116	118	123	135	127
Other Public Works										
Streets (miles)	1,599	1,628	1,634	1,636	1,638	1,641	1,652	1,663	1,667	1,673
Acres in County	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762
Acres in Urban Services Area	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618
Traffic Signals	367	376	380	382	376	378	365	374	377	379

Source: Department of Finance, Lexington-Fayette Urban County Government

APPENDIX B
FINANCIAL INFORMATION WITH RESPECT TO THE LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD

[SEE ATTACHED]

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

FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

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

FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

CONTENTS

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 year ended June 30, 2019, 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 audit. We conducted our audit 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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Kentucky
Indiana
Ohio

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, 2019, and the change in its financial position and its cash flows for the year 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 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 Information

The financial statements of the Lexington-Fayette Urban County Airport Board for the year ended June 30, 2018, were audited by other auditors whose report dated September 21, 2018, expressed an unmodified opinion on those statements. Additionally, those auditors also opined that the schedule of operating expenses for the year ended June 30, 2018 was fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 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 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 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lexington-Fayette Urban County Airport (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, 2019 (FY 2019) and June 30, 2018 (FY 2018). 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 2019, the Airport continued to be served by four airline brands offering non-stop flights to 17 destinations and experienced a total of 710,931 enplaned passengers. While United Airlines no longer offers non-stop service to Newark, New Jersey, the airline did add new non-stop service to Washington Dulles International Airport. This new daily flight now provides customers with another gateway to the nation's capital, as well as a great connection to the Northeast and international destinations. The Airport also continued to see the airline carriers transitioning away from the 50-seat jet and transitioning to aircraft such as the CRJ-700 and CRJ-900 that have 69 and 76 seats, including a first-class cabin.

As a growing airport, our momentum is focused on building new facilities that support operations that serve the traveling public. Work continues on the Airport's multi-year Taxiway Safety Enhancement Program to enhance operational safety on the airfield and improve the efficiency of aircraft movement. While the primary emphasis of this program focuses on the realignment of the Airport's main taxiway and additional connectivity for general aviation aircraft, the project also incorporates the relocation of the Airport's aircraft rescue and firefighting facility to make the necessary taxiway improvements possible. In August 2018, the Airport broke ground on this new 23,196 square-foot-facility that will accommodate 18 full-time officers and four bays for aircraft rescue and firefighting vehicles.

In addition to the Taxiway Safety Enhancement Program, the Airport completed construction of new general aviation hangars and opened WestLEX General Aviation Services. Conveniently located near the Airport's general aviation runway, WestLEX provides hangar tenants with aircraft fueling services and towing assistance to/from individual hangars. This space is also occupied by multiple aviation businesses including NexGen Aviation (flight training) and Thoroughbred Aviation (aircraft maintenance). In April 2019, this facility and its neighboring hangars were recognized by the Southeast Chapter of the American Association of Airport Executives (AAAE) as the General Aviation Architectural Project of the Year.

Additional construction projects were underway during this time including the completion of four rental car service centers and a new baggage belt system that operates behind-the-scenes at the Airport. Also, construction began on a $5.8 million parking expansion that includes more than 300 long-term parking spaces, a covered walkway for long-term parking customers, an expanded employee parking area and a 40-space cell phone waiting area. Construction on the parking and baggage belt projects are expected to be completed in FY 2020.

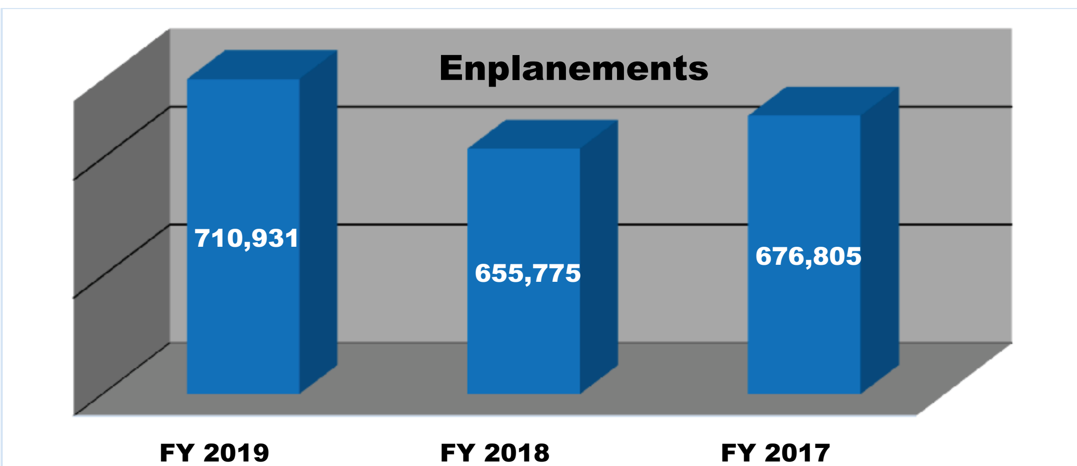
These projects support the Airport's growing passenger counts. In the last five years, the Airport has experienced over 20 percent passenger growth and these facilities will help support that growth and lead the Airport into the future.

Operations Statistical Data

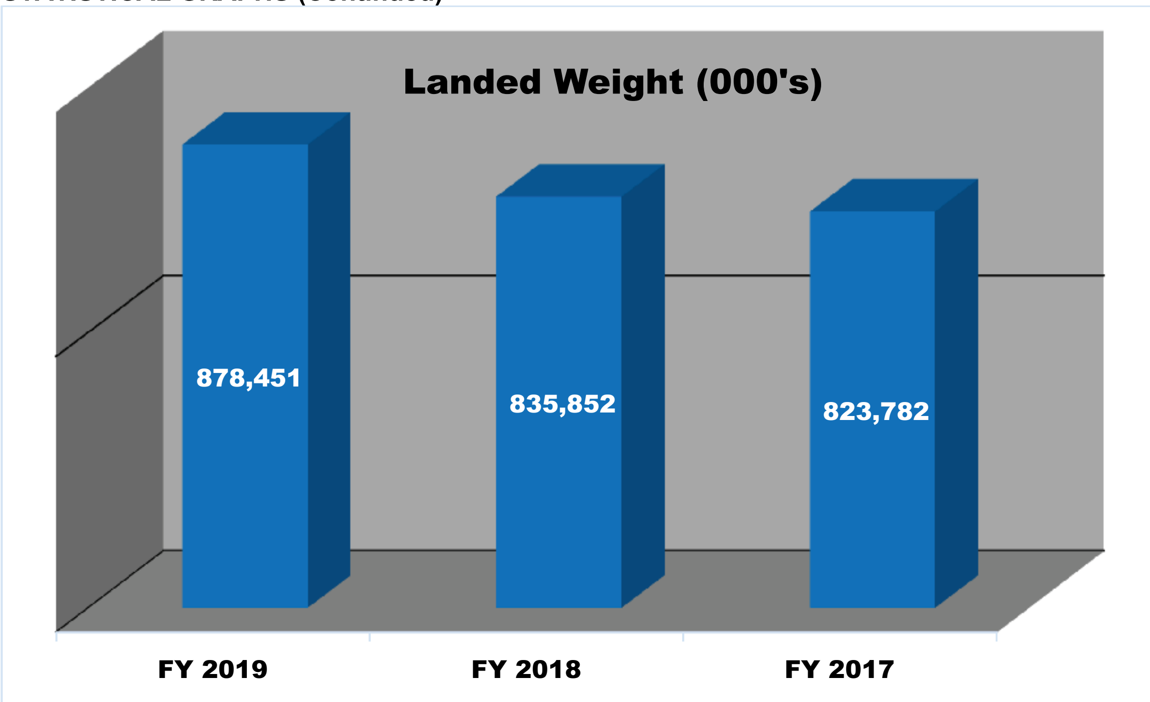
	FY 2019	FY 2018	FY 2017
Enplanements	710,931	655,775	676,805
Increase (decrease)	55,156	(21,030)	39,263
% Increase (decrease)	8.41%	(3.11%)	6.16%
Landed weight (1,000 pounds)	878,451	835,852	823,782
Increase	42,599	12,070	70,733
% Increase	5.10%	1.47%	9.39%
Aircraft operations - commercial	32,109	30,534	31,614
Increase (decrease)	1,575	(1,080)	1,025
% Increase (decrease)	5.16%	(3.42%)	3.35%
Aircraft operations - general aviation	39,141	38,260	37,045
Increase (decrease)	881	1,215	(1,128)
% Increase (decrease)	2.30%	3.28%	(2.95%)
Aircraft operations - military	1,820	2,195	1,712
Increase (decrease)	(375)	483	(239)
% Increase (decrease)	(17.08%)	28.21%	(12.25%)

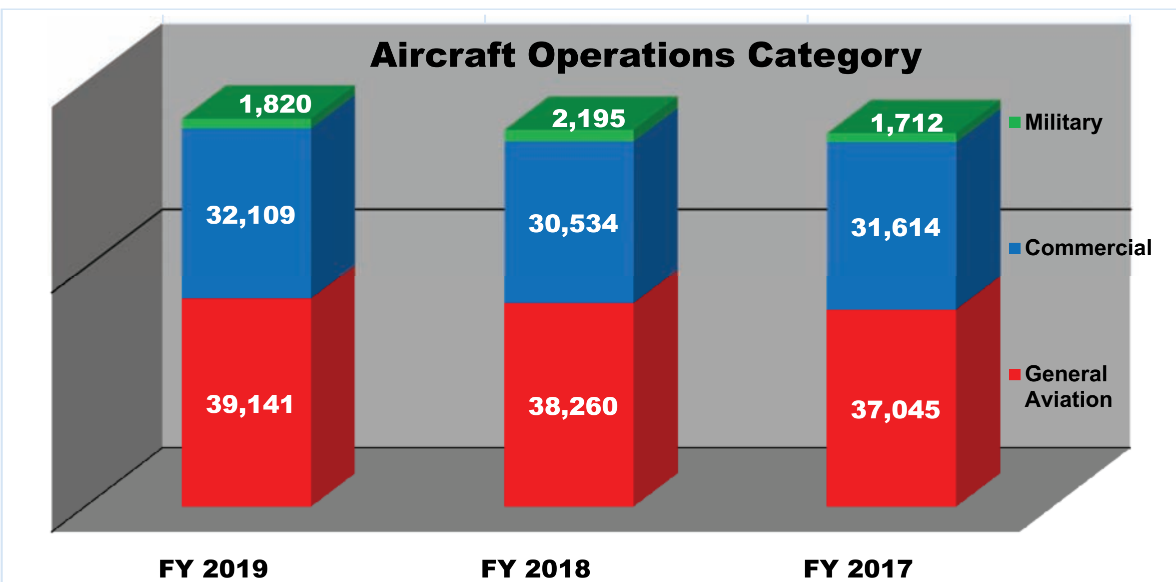
Enplanements represent the total number of passengers that boarded aircraft. Aircraft operations are the cumulative number of takeoffs and landings. Landed weight is the cumulative maximum gross weight, as defined by the aircraft manufacturer, of aircraft that have landed at the Airport.

STATISTICAL GRAPHS



STATISTICAL GRAPHS (Continued)





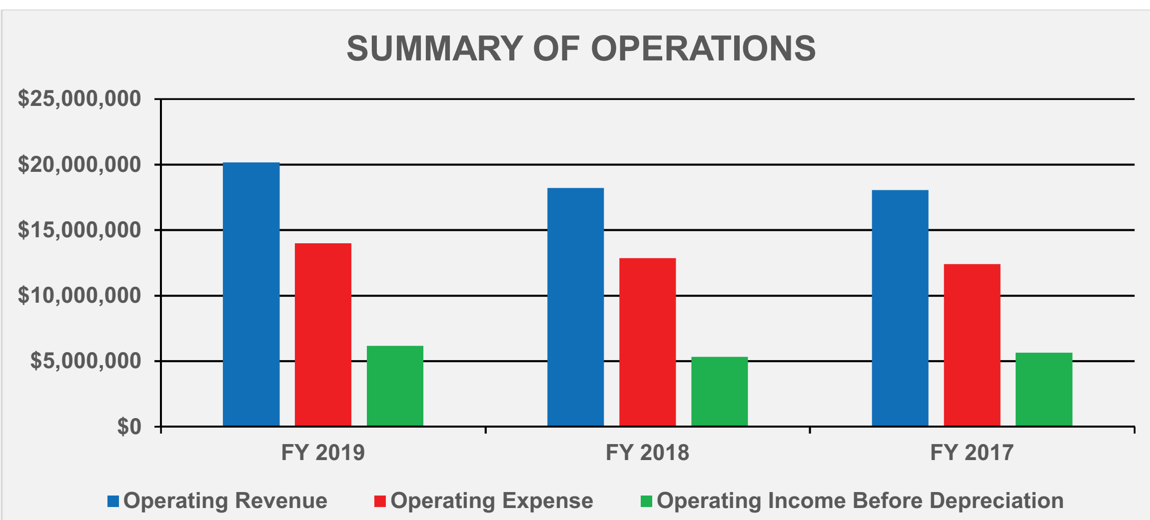
FINANCIAL STATEMENTS

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

	FY 2019	FY 2018	FY 2017
Operating revenue	$ 20,142,048	$ 18,196,511	$ 18,044,607
Operating expense	(13,995,981)	(12,863,833)	(12,404,297)
Operating income before depreciation expense	6,146,067	5,332,678	5,640,310
Depreciation expense	(10,785,675)	(10,311,573)	(9,894,394)
Loss from operations	(4,639,608)	(4,978,895)	(4,254,084)
Net non-operating revenue	3,304,196	1,301,781	987,255
Loss before capital grants	(1,335,412)	(3,677,114)	(3,266,829)
Capital grants	7,618,089	6,608,874	8,437,797
Increase in net position	$ 6,282,677	$ 2,931,760	$ 5,170,968



FINANCIAL OPERATIONS AND HIGHLIGHTS (Continued)

REVENUE

A summary of the revenue for FY 2019, FY 2018, and FY 2017 is as follows:

	2019 Amount	2018 Amount	2017 Amount	% Change 2019/2018
Operating:				
Airline operations	$ 7,241,024	$ 6,956,081	$ 6,643,516	4.10%
Parking	7,056,255	5,881,620	6,195,064	19.97%
Ground transportation	2,826,456	2,526,243	2,579,618	11.88%
Concessions and rentals	690,791	613,279	592,008	12.64%
General aviation	1,568,088	1,420,191	1,353,774	10.41%
Advertising	459,514	476,497	415,608	(3.56%)
Other	299,920	322,600	265,019	(7.03%)
Total operating	20,142,048	18,196,511	18,044,607	10.69%
Non-operating:				
Passenger facility charges	2,789,405	2,694,643	2,641,342	3.52%
Contract facility charges	1,757,144	1,418,699	1,260,832	23.86%
Investment income, net of fees	1,022,937	842,004	321,515	21.49%
Net increase (decrease) in fair value of investments	646,174	(529,954)	(326,219)	221.93%
Gain on disposal of capital assets	16,704	-	-	NA
Total non-operating	6,232,364	4,425,392	3,897,470	40.83%
Capital grants	7,618,089	6,608,874	8,437,797	15.27%
Total revenue	$ 33,992,501	$ 29,230,777	$ 30,379,874	16.30%

EXPENSE

A summary of the expense for FY 2019, FY 2018, and FY 2017 is as follows:

	2019 Amount	2018 Amount	2017 Amount	% Change 2019/2018
Operating:				
Administration	$ 5,617,827	$ 5,147,159	$ 4,925,973	9.14%
General maintenance	3,461,731	3,160,465	3,210,369	9.53%
Safety, rescue and security	2,283,784	2,178,907	2,142,290	4.81%
Engineering	757,528	805,543	649,795	(5.96%)
Building maintenance	859,209	758,766	736,871	13.24%
Airport operations	1,015,902	812,993	737,461	24.96%
Drug task force	-	-	1,538	-
Total operating	13,995,981	12,863,833	12,404,297	8.80%

FINANCIAL OPERATIONS AND HIGHLIGHTS (Continued)

	2019 Amount	2018 Amount	2017 Amount	% Change 2019/2018
Non-operating:				
Interest expense and fees	$ 2,928,168	$ 3,001,047	$ 2,502,988	(2.43%)
Debt issuance/financing costs	-	-	404,432	NA
Loss on disposal of capital assets	-	122,564	2,795	NA
Total non-operating	2,928,168	3,123,611	2,910,215	(6.26%)
Depreciation	10,785,675	10,311,573	9,894,394	4.60%
Total expense	$ 27,709,824	$ 26,299,017	$ 25,208,906	5.38%

FY 2019 REVENUE AND EXPENSE ANALYSIS

Operating revenue increased from $18.2 million in FY 2018 to $20.1 million in FY 2019, an increase of 11%. The following describes the fluctuations of certain types of operating revenue:

- Airline operations revenue increased by $285,000 or 4%. The majority of this revenue growth can be attributed to the 8% increase in enplanements and the 9% increase in landed weight.
- Parking revenue increased by $1,175,000, or 20%. This increase was driven by the 8% increase in enplanements as well as a $1.00 parking rate increase that went into effect on July 1, 2018.
- Ground transportation revenue increased by $300,000, or 12%. $220,000 of the increase was from higher rental car commissions due to the increase in enplanements. The remaining $80,000 can be attributed to additional revenue from ride sharing companies.
- General aviation revenue increased by $148,000, or 10%. The Airport developed and opened a general aviation complex (WestLEX) located on the westside of the Airport. The majority of this revenue growth can be attributed to additional hangar rental income from the WestLEX General Aviation Services.

Operating expense increased from $12.9 million in FY 2018 to $14.0 million in FY 2019, an increase of 9%. The following describes the fluctuations of certain types of operating expense:

- Administration expenses increased by $471,000, or 9%. The majority of this was due to an increase in salaries and benefits, marketing, advertising and utilities.
- General maintenance expenses increased by $301,000, or 9%. This was due to general repairs including work performed on HVAC, car rental return rooftop, and parking garage elevators. Salaries and benefits also contributed to the increase.
- Safety, rescue and security increased by $105,000, or 5%. An increase in salaries and benefits was the primary reason for the increase.
- Building maintenance expenses increased by $100,000, or 13%. Salary and benefits and HVAC maintenance expenses were the primary cause of this increase.
- Airport operations expenses increased by $203,000, or 25%. This was due to an increase in salaries and benefits and a full year of expenses for the new general aviation complex located on the westside of the Airport.

FINANCIAL OPERATIONS AND HIGHLIGHTS (Continued)

Net non-operating revenue increased from $1.3 million in FY 2018 to $3.3 million in FY 2019, an increase of 152%. The following describes the fluctuations of certain types of non-operating revenue:

- Customer facility charges increased by $338,000, or 24% in FY 2019. An increase in enplanements and the recognition of certain deferred revenue at June 30, 2018 created this increase in revenue.
- Investment income increased by $180,000 over prior year. This increase was primarily due to the investment of unspent bond project funds.
- In FY 2019, the Airport experienced a $646,000 increase in the fair value of its investments, compared to a $530,000 decrease in FY 2018. This was due to interest rate fluctuations.

Capital grant revenue increased from $6.6 million in FY 2018 to $7.6 million in FY 2019, a increase of 15%. This increase was primarily due to the timing of the grants awarded from the Federal Aviation Administration (FAA) and additional discretionary grants obtained in FY 2019.

FY 2018 REVENUE AND EXPENSE ANALYSIS

Operating revenue increased from $18.0 million in FY 2017 to $18.2 million in FY 2018, an increase of 1%. The following describes the fluctuations of certain types of operating revenue:

- Airline operations revenue increased by $313,000 or 5%. Despite a 3% drop in enplanements, the Airport realized $190,000 in savings in airlines incentives. With the decrease in enplanements, certain airline incentives incurred and paid in the prior year were not required in FY 2018. Also contributing to the increase in revenue was a 3% increase in the common space fee (per passenger) as well as a 1.5% increase in landed weight.
- Parking revenue decreased by $313,000, or 5%. This decrease was primarily driven by higher usage of the new park and shuttle lot. Utilization of the short and long-term lots decreased as customers opted for the cheaper rates being offered in the park and shuttle lot.
- Advertising revenue increased by $61,000, or 15%, due primarily to an increased focus on advertising sales in the terminal.
- Other revenue increased by $58,000, or 22%. The majority of this was due to an increase in registrations for firefighting training at the Airport Rescue and Firefighting Training Center.

Operating expense increased from $12.4 million in FY 2017 to $12.9 million in FY 2018, an increase of 4%. The following describes the fluctuations of certain types of operating expense:

- Administration expenses increased by $221,000, or 4%. This was primarily due to increases in salaries & benefits. Included in this increase was the addition of two new full-time employees for human resources and marketing and advertising.
- Engineering expenses increased by $156,000, or 24%. This was due to an increase in salaries & benefits and increased expenses for environmental services.
- Airport operations expenses increased by $76,000, or 10%. This was due to an increase in salaries and benefits and start-up expenses for the new westside area of the Airport which will serve general aviation tenants beginning in FY 2019.

FINANCIAL OPERATIONS AND HIGHLIGHTS (Continued)

Net non-operating revenue increased from $1.0 million in FY 2017 to $1.3 million in FY 2018, an increase of 30%. The following describes the fluctuations of certain types of non-operating revenue:

- Investment income increased by $520,000 over prior year. This was due to several factors including higher interest rates and short-term investments of available bond project funds.
- In FY 2018, the Airport experienced a $530,000 decrease in the fair value of its investments, compared to a $326,000 decrease in FY 2017. Due to the inverse relationship between interest rates and market value, the Airport's fixed income investments saw a decrease in their market value due to the rising interest rate environment.
- In FY 2018, the Taxiway Rehab work that was being depreciated from a previous year was demolished in the Taxiway Safety Enhancement Program Phase III. The net book value of the related asset was written off in FY 2018. The majority of the FY 2018 loss on disposal of capital assets of $123,000 was due to this write off.

Capital grant revenue decreased from $8.4 million in FY 2017 to $6.6 million in FY 2018, a decrease of 22%. This decrease was primarily due to the timing of the grants awarded from the Federal Aviation Administration (FAA) and less discretionary grants required in FY 2018.

FINANCIAL POSITION SUMMARY

The following represents the Airport's financial position at June 30, 2019, 2018, and 2017. The Airport's assets exceeded liabilities by $135.0 million at June 30, 2019, a $6.3 million increase from June 30, 2018. The Airport's assets exceeded liabilities by $128.7 million at June 30, 2018, a $2.9 million increase from June 30, 2017.

	FY 2019	FY 2018	FY 2017
Assets			
Current assets-unrestricted	$ 17,698,519	$ 16,756,149	$ 14,877,368
Restricted assets	37,617,633	46,057,099	59,255,997
Capital assets	170,793,111	160,897,837	148,058,098
Deferred outflows of resources	1,352,203	1,521,226	1,744,243
Total assets	$ 227,461,466	$ 225,232,311	$ 223,935,706
Liabilities			
Current liabilities-payable from unrestricted assets	$ 1,913,009	$ 1,711,469	$ 1,743,719
Current liabilities-payable from restricted assets	9,812,098	9,681,357	7,229,019
Noncurrent liabilities	80,758,830	85,144,633	89,199,876
Total liabilities	$ 92,483,937	$ 96,537,459	$ 98,172,614
Net Position			
Net investment in capital assets	$ 92,860,379	$ 89,796,131	$ 88,170,786
Restricted	26,675,967	24,201,668	24,809,023
Unrestricted	15,441,183	14,697,053	12,783,283
Total net position	$ 134,977,529	$ 128,694,852	$ 125,763,092

CAPITAL ASSETS

Major capital projects in progress and expenditures incurred during FY 2019 included the following:

	FY 2019	Cumulative
Rental Car Maintenance Facility	$ 2,765,000	$ 14,602,000
Snow Removal Equipment	1,330,000	1,330,000
Taxiway Safety Enhancement Program - Phase IV	7,275,000	7,278,000
Baggage Belt System Replacement	4,995,000	5,496,000
Parking Expansion	1,316,000	1,648,000

Major capital projects in progress and expenditures incurred during FY 2018 included the following:

	FY 2018	Cumulative
Rental Car Maintenance Facility	$ 11,032,000	$ 11,837,000
General Aviation Improvements for Westside	3,663,000	4,465,000
Taxiway Safety Enhancement Program - Phase III	5,497,000	10,718,000
Baggage Belt System Replacement	501,000	501,000

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, consisting of demolition of the previous maintenance complex and embankment construction was completed in FY 2017. Phase III was completed in June 2018 and consisted of removal of existing Taxiways A6 and C, construction of relocated Taxiway A and A6 and installation of FAA fiber optic communication cables. In FY 2019 the Airport began Phase IV, which is the construction of a new Public Safety building and the accompanying site work is expected to be completed in FY 2020. Phase V, which consists of the demolition of the Public Safety building and Taxiway Rehabilitation, is expected to begin in FY 2020.

In order to finance other capital projects including: rental car maintenance facility; terminal improvements including the replacement of the baggage belt system; parking improvements; and general aviation improvements including hangar development, the Airport issued $35,710,000 of General Airport Revenue Bonds in FY 2017.

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, 2019 and 2018 were $80,770,000 and $84,430,000, respectively. Fixed rate bonds make up approximately 93% of the Airport's debt structure with $75,370,000 in fixed rate bonds at June 30, 2019 and $79,030,000 in fixed rate bonds at June 30, 2018. 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, 2019 and June 30, 2018 was 2.539% and 2.221%, respectively.

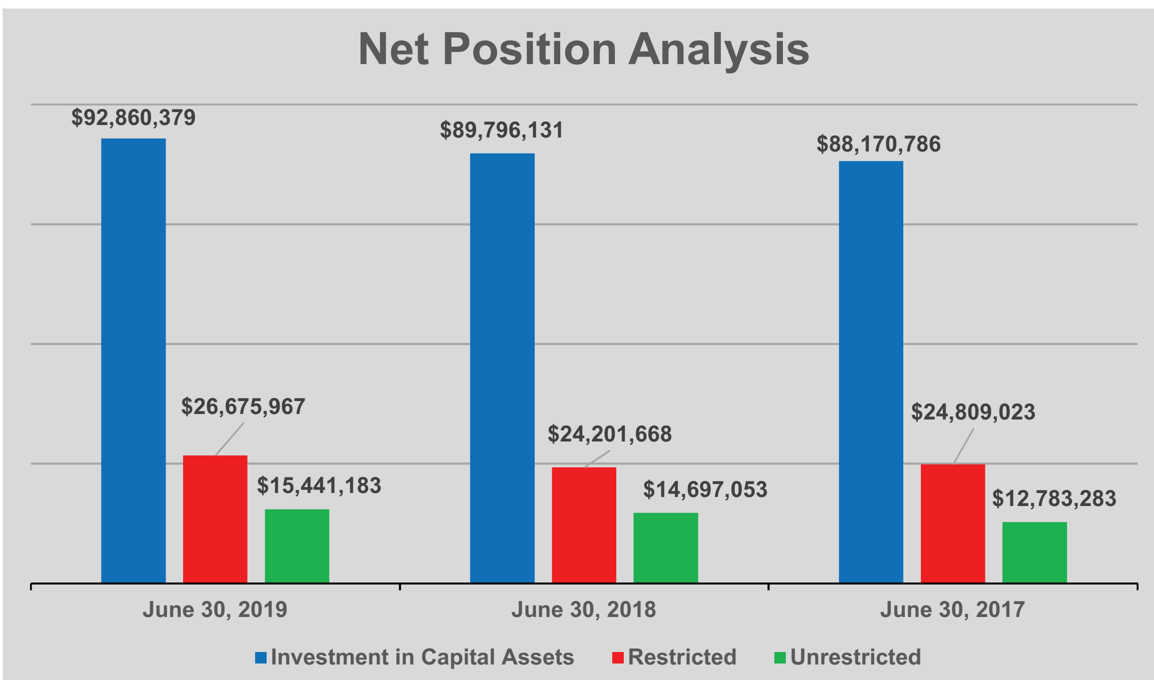
Additional information regarding bonds payable is provided in Note 5 to the financial statements.

NET POSITION

The largest portion of the Airport's net position each year (68.8% at June 30, 2019, and 69.8% at June 30, 2018) 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 Charges revenues, since it is unlikely the capital assets themselves will be sold to pay liabilities.

An additional portion of the Airport's net position (19.8% at June 30, 2019, and 18.8% at June 30, 2018) 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 (11.4% of the Airport's net position at June 30, 2019, and 11.4% at June 30, 2018) consist of resources that do not meet the definition of "restricted" or "net investment in capital assets".



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.

	FY 2019	FY 2018
Net cash provided by operating activities	$ 6,171,598	$ 5,305,563
Net cash used by capital and related financing activities	(16,464,652)	(16,720,387)
Net cash provided by investing activities	13,003,018	1,884,883
Net increase (decrease) in cash and cash equivalents	2,709,964	(9,529,941)
Cash and cash equivalents, beginning of year	19,335,769	28,865,710
Cash and cash equivalents, end of year	$ 22,045,733	$ 19,335,769

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, 2019 and 2018

	FY 2019	FY 2018
Assets		
Current assets - unrestricted		
Cash and cash equivalents	$ 5,912,121	$ 5,761,679
Investments	9,285,762	8,744,546
Accounts receivable	2,017,612	1,670,203
Accrued interest receivable	26,744	20,254
Other assets	456,280	559,467
Total current assets	17,698,519	16,756,149
Restricted assets		
Cash and cash equivalents	16,133,612	13,574,090
Investments	18,973,220	30,873,861
Accounts receivable	647,141	678,592
Accrued interest receivable	75,678	116,190
Grants receivable	1,787,982	814,366
Total restricted assets	37,617,633	46,057,099
Capital assets		
Capital assets not being depreciated	35,152,234	31,650,430
Capital assets being depreciated	289,185,973	272,330,694
Accumulated depreciation	(153,545,096)	(143,083,287)
Total net capital assets	170,793,111	160,897,837
Deferred outflows of resources		
Deferred amount on refunding	1,352,203	1,521,226
Total assets and deferred outflows	$ 227,461,466	$ 225,232,311

See accompanying notes to financial statements.

	FY 2019	FY 2018
Liabilities		
Current liabilities (payable from unrestricted assets)		
Accounts payable	$ 966,951	$ 753,607
Accounts payable-construction	300,911	372,424
Accrued payroll and benefits	409,235	357,485
Unearned revenue	235,912	227,953
Total current liabilities (payable from unrestricted assets)	1,913,009	1,711,469
Current liabilities (payable from restricted assets)		
Current portion of bonds payable	3,990,000	3,660,000
Accounts payable	9,721	-
Accounts payable-construction	4,314,196	4,357,498
Accrued interest payable	1,498,181	1,438,756
Unearned revenue	-	225,103
Total current liabilities (payable from restricted assets)	9,812,098	9,681,357
Total current liabilities	11,725,107	11,392,826
Noncurrent liabilities		
Accrued post-employment benefits	344,327	347,627
Bonds payable	80,414,503	84,797,006
Total noncurrent liabilities	80,758,830	85,144,633
Total liabilities	92,483,937	96,537,459
Net position		
Net investment in capital assets	92,860,379	89,796,131
Restricted for debt service	24,887,985	23,387,302
Restricted for capital projects	1,787,982	814,366
Unrestricted	15,441,183	14,697,053
Total net position	134,977,529	128,694,852
Total liabilities and net position	$ 227,461,466	$ 225,232,311

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, 2019 and 2018

	FY 2019	FY 2018
Operating revenue:		
Airline operations	$ 7,241,024	$ 6,956,081
Parking	7,056,255	5,881,620
Ground transportation	2,826,456	2,526,243
Concessions and rentals	690,791	613,279
General aviation	1,568,088	1,420,191
Advertising	459,514	476,497
Other	299,920	322,600
Total operating revenue	20,142,048	18,196,511
Operating expense:		
Administration	5,617,827	5,147,159
General maintenance	3,461,731	3,160,465
Safety, rescue and security	2,283,784	2,178,907
Engineering	757,528	805,543
Building maintenance	859,209	758,766
Airport operations	1,015,902	812,993
Total operating expense	13,995,981	12,863,833
Operating income before depreciation expense	6,146,067	5,332,678
Depreciation expense	10,785,675	10,311,573
Loss from operations	(4,639,608)	(4,978,895)
Non-operating revenue (expense):		
Passenger facility charges	2,789,405	2,694,643
Contract facility charges	1,757,144	1,418,699
Investment income, net of fees	1,022,937	842,004
Net increase (decrease) in fair value of investments	646,174	(529,954)
Interest expense and fees	(2,928,168)	(3,001,047)
Gain (Loss) on disposal of capital assets	16,704	(122,564)
Net non-operating revenue	3,304,196	1,301,781
Capital grants	7,618,089	6,608,874
Increase in net position	6,282,677	2,931,760
Net position, beginning of year	128,694,852	125,763,092
Net position, end of year	$ 134,977,529	$ 128,694,852

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	FY 2019	FY 2018
Cash flows from operating activities		
Receipts from customers	$ 19,500,619	$ 18,086,876
Payments to suppliers	(5,762,602)	(5,730,391)
Payments to employees	(7,868,398)	(7,368,950)
Other receipts	301,979	318,028
Net cash provided by operating activities	6,171,598	5,305,563
Cash flows from capital and related financing activities		
Proceeds from capital grants	6,644,473	6,721,309
Passenger facility charges	2,829,571	2,532,060
Contract facility charges	1,523,327	1,492,103
Principal paid on bonds	(3,660,000)	(3,980,000)
Interest and fees paid on bonds	(3,022,964)	(3,369,717)
Proceeds from sale of equipment	20,922	11,324
Acquisition and construction of capital assets	(20,799,981)	(20,127,466)
Net cash used by capital and related financing activities	(16,464,652)	(16,720,387)
Cash flows from investing activities		
Interest received on investments	997,420	640,408
Purchase of investments	(33,684,106)	(60,946,772)
Proceeds from sales and maturities of investments	45,689,704	62,191,247
Net cash provided by investing activities	13,003,018	1,884,883
Net increase (decrease) in cash and cash equivalents	2,709,964	(9,529,941)
Cash and cash equivalents, beginning of year	19,335,769	28,865,710
Cash and cash equivalents, end of year	$ 22,045,733	$ 19,335,769
Reconciliation of loss from operations to net cash provided by operating activities		
Loss from operations	$ (4,639,608)	$ (4,978,895)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	10,785,675	10,311,573
Bad debt expense (recovery)	255	(1,580)
Increase (decrease) due to changes in:		
Accounts receivable	(347,664)	155,725
Other assets	103,187	(20,960)
Accounts payable	213,344	(102,075)
Unearned revenue	7,959	54,248
Accrued payroll and benefits	48,450	(112,473)
Net cash provided by operating activities	$ 6,171,598	$ 5,305,563
Supplemental schedule of noncash transactions		
Construction in progress included in accounts payable	$ 4,615,107	$ 4,729,922

See accompanying notes to financial statements.

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.

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 loss on investments was $5,594 at June 30, 2019 and the unrealized loss at June 30, 2018 was $638,195.

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.

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.

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

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 200 to 453 paid time off hours annually, depending on their length of employment and classification. Employees can carry forward up to a maximum of 810 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.

New Financial Reporting Standards: GASB Statement No. 87, *Leases,* effective for years beginning after July 1, 2020, 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.

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:

	FY 2019	FY 2018
Unrestricted	$ 5,823,378	$ 5,585,703
Restricted	1,036,310	602,463
Total cash	$ 6,859,688	$ 6,188,166

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, 2019 and 2018, respectively, $259,698 and $578,427 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, 2019 and 2018, respectively, bank balances of $1,395,589 and $2,651,164 that were insured by the FDIC and bank balances of $5,040,187 and $3,193,827 that were collateralized by securities held in the Airport's name, were not exposed to custodial credit risk.

Cash Equivalents and Investments

Unrestricted and restricted cash equivalents and investments of the Airport as of June 30, 2019 were as follows:

		Percentage of Total	Duration	Standard & Poors Rating	Moody's
Unrestricted cash equivalents					
Fidelity Government Cash Reserves	$ 88,743	0.2%	N/A	N/A	N/A
Unrestricted investments					
Mortgage Backed Securities	6,759,666	15.6%	2/25/20-12/15/41	AAA/NR	Aaa/NR
Municipal Bonds	24,997	0.1%	12/1/20	AA	NR
Certificate of Deposit	606,550	1.4%	7/30/19-4/4/22	NR	NR
US Treasury Notes	1,333,370	3.1%	8/15/19-4/30/24	AA+	AAA/Aaa
US Agency Bonds	561,179	1.3%	6/4/20-3/7/23	AA+	AAA/Aaa
Total unrestricted investments	9,285,762	21.5%			
Restricted cash equivalents					
First American Government Obligations	15,097,302	34.8%	N/A	N/A	N/A
Restricted investments					
Mortgage Backed Securities	10,482,276	24.1%	3/25/20-10/15/41	AAA/AA+/NR	Aaa/NR
Corporate Bonds	310,947	0.7%	8/21/21	NR	NR
Municipal Bonds	150,434	0.3%	12/1/20-4/1/24	AA	NR
Certificate of Deposit	629,013	1.4%	9/27/19-4/4/22	NR	NR
US Treasury Notes	4,728,614	10.8%	7/15/19-9/30/23	Aaa/AA+	Aaa/AA+
US Agency Bonds	2,671,936	6.2%	7/30/19-10/7/21	AA+	AAA/Aaa
Total restricted investments	18,973,220	43.5%			
Total cash equivalents and investments	$ 43,445,027	100.0%			

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, 2018 were as follows:

		Percentage of Total	Duration	Standard & Poors Rating	Moody's
Unrestricted cash equivalents					
Fidelity Government Cash Reserves	$ 175,976	0.3%	N/A	N/A	N/A
Unrestricted investments					
Mortgage Backed Securities	5,870,464	11.1%	2/25/20-12/15/41	AAA/NA	Aaa/NA
Corporate Bonds	864,471	1.6%	7/5/18-2/8/19	BBB+/A/NA	A1/A2/Aa3/NR
Municipal Bonds	24,546	0.1%	12/1/20	AA	NR
Certificate of Deposit	565,229	1.1%	11/29/18-7/30/19	NR	NR
US Treasury Notes	935,861	1.8%	9/30/18-9/29/21	AA+	Aaa
US Agency Bonds	483,975	0.9%	06/24/20-10/07/21	AA+	Aaa
Total unrestricted investments	8,744,546	16.6%			
Restricted cash equivalents					
First American Government Obligations	12,971,627	24.6%	N/A	N/A	N/A
Restricted investments					
Mortgage Backed Securities	6,695,174	11.1%	3/25/20-10/15/41	AAA/AA+/NR	Aaa/NR
Corporate Bonds	1,661,720	1.6%	7/5/18-8/21/21	A/AA+/BBB+/NR	A1/A2/Aa3/A/AA+N
Municipal Bonds	493,180	0.1%	4/1/19-4/1/24	AA	Aa2/NR
Certificate of Deposit	1,546,098	1.1%	7/27/18-1/29/20	NR	NR
US Treasury Notes	16,285,363	0.9%	7/31/18-9/29/21	AA+	Aaa
US Agency Bonds	4,192,326	1.8%	3/8/19-10/7/21	AA+	Aaa
Total restricted investments	30,873,861	58.5%			
Total cash equivalents and investments	$ 52,766,010	100.0%			

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, 2019 and 2018, had an average duration of 1.8 and 2.3 years, respectively.

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

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.

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, 2019 and 2018:

	Fair Value Measurements as of June 30, 2019			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities				
US Treasury Notes	$ 6,061,984	$ 6,061,984	$ -	$ -
US Agency Bonds	3,233,115	-	3,233,115	-
Corporate Bonds	310,947	-	310,947	-
Municipal Bonds	175,431	-	175,431	-
Certificate of Deposit	1,235,563	-	1,235,563	-
Mortgage Backed Securities	17,241,942	-	17,241,942	-
Total investments by fair value level	$ 28,258,982	$ 6,061,984	$ 22,196,998	$ -

	Fair Value Measurements as of June 30, 2018			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities				
US Treasury Notes	$ 17,221,224	$ 17,221,224	$ -	$ -
US Agency Bonds	4,676,301	-	4,676,301	-
Corporate Bonds	2,526,191	-	2,526,191	-
Municipal Bonds	517,726	-	517,726	-
Certificate of Deposit	2,111,327	-	2,111,327	-
Mortgage Backed Securities	12,565,638	-	12,565,638	-
Total investments by fair value level	$ 39,618,407	$ 17,221,224	$ 22,397,183	$ -

NOTE 3 - CAPITAL ASSETS

Capital asset activity for FY 2019 and FY 2018 is as follows:

	FY 2019				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Land improvements	$ 68,897,519	$ -	$ 14,641	$ 3,553,334	$ 72,436,212
Structures and other improvements	188,640,341	31,138	77,006	10,441,554	199,036,027
Equipment	14,792,834	432,497	236,436	2,724,839	17,713,734
Total capital assets being depreciated	272,330,694	463,635	328,083	16,719,727	289,185,973
Capital assets not being depreciated:					
Land	12,177,911	-	-	3,825,895	16,003,806
Construction in progress	19,472,519	20,221,531	-	(20,545,622)	19,148,428
Total capital assets not being depreciated	31,650,430	20,221,531	-	(16,719,727)	35,152,234
Less accumulated depreciation:					
Land improvements	29,744,404	2,836,842	14,040	-	32,567,206
Structures and other improvements	108,261,295	6,657,576	77,006	-	114,841,865
Equipment	5,077,588	1,291,257	232,820	-	6,136,025
Total accumulated depreciation	143,083,287	10,785,675	323,866	-	153,545,096
Net capital assets	$ 160,897,837	$ 9,899,491	$ 4,217	$ -	$ 170,793,111

	FY 2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Land improvements	$ 61,904,715	$ 9,648	$ 1,455,136	$ 8,438,292	$ 68,897,519
Structures and other improvements	187,177,690	-	181,017	1,643,668	188,640,341
Equipment	10,941,557	329,733	402,427	3,923,971	14,792,834
Total capital assets being depreciated:	260,023,962	339,381	2,038,580	14,005,931	272,330,694
Capital assets not being depreciated:					
Land	12,177,911	-	-	-	12,177,911
Construction in progress	10,532,632	22,945,818	-	(14,005,931)	19,472,519
Total capital assets not being depreciated	22,710,543	22,945,818	-	(14,005,931)	31,650,430
Less accumulated depreciation:					
Land improvements	28,426,401	2,676,273	1,358,270	-	29,744,404
Structures and other improvements	101,822,353	6,584,731	145,789	-	108,261,295
Equipment	4,427,653	1,050,569	400,634	-	5,077,588
Total accumulated depreciation	134,676,407	10,311,573	1,904,693	-	143,083,287
Net capital assets	$ 148,058,098	$ 12,973,626	$ 133,887	$ -	$ 160,897,837

NOTE 3 - CAPITAL ASSETS (Continued)

As of June 30, 2019, 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 $25,186,497 at June 30, 2019 and $10,549,421 at June 30, 2018.

NOTE 4 - LINE OF CREDIT

The Airport has a $15,000,000 revolving line of credit (LOC) that expires on September 26, 2023. There have been no borrowings against the line through June 30, 2019. Borrowings under the LOC bear interest at a variable rate and the rate is adjusted monthly on the first day of each month. The tax-exempt variable rate is calculated as follows: (30-Day LIBOR x 79%) + (115 basis points x 79%) + 35 basis points. The interest rate for the tax-exempt portion is 3.179% at June 30, 2019. The taxable variable interest rate is calculated as follows: 30-Day LIBOR + 115 basis points. The interest rate for the taxable portion is 3.581% at June 30,2019. 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 2019 and FY 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
FY 2019	$ 84,430,000	$ -	$ 3,660,000	$ 80,770,000	$ 3,990,000
FY 2018	$ 88,410,000	$ -	$ 3,980,000	$ 84,430,000	$ 3,660,000

NOTE 5 - BONDS PAYABLE (Continued)

Bonds payable at June 30, 2019 and June 30, 2018 are as follows:

	FY 2019	FY 2018
2009 Series A, Fixed Rate General Airport, Revenue Refunding Bonds (non-AMT) due through July 2019 with coupon rates ranging from 3%-5%.	$ 2,300,000	$ 4,500,000
2009 Reissued Series B, Variable Rate General Airport, Revenue Refunding Bonds (AMT)	5,400,000	5,400,000
2012A Series A, Fixed Rate General Airport, Revenue Refunding Bonds (AMT) due through July 2031 with a coupon rate of 5%	6,770,000	6,770,000
2012B Series B, Fixed Rate General Airport, Revenue Refunding Bonds (non - AMT) due through July 2038 with a coupon rate of 5%	11,230,000	11,230,000
2016A Series A, Fixed Rate General Airport, Revenue Bonds (non-AMT) due through July 2036 with coupon rates ranging from 2%-5%	4,450,000	4,615,000
2016B Series B, Fixed Rate General Airport, Revenue Bonds (AMT) due through July 2036 with coupon rates ranging from 3%-5%	4,500,000	4,660,000
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%	36,525,000	37,660,000
2016D Series D, Fixed Rate General Airport, Revenue Bonds (non - AMT) due through July 2036 with coupon rates ranging from 3%-5%	5,345,000	5,345,000
2016E Series E, Fixed Rate General Airport, Revenue Refunding Bonds (non-AMT) due through July 2027 with coupon rates ranging from 3%-4%	4,250,000	4,250,000
Total principal payable	80,770,000	84,430,000
Unamortized bond premiums	3,634,503	4,027,006
Total bonds payable	84,404,503	88,457,006
Less current portion	3,990,000	3,660,000
Noncurrent portion of bonds payable	$ 80,414,503	$ 84,797,006

NOTE 5 - BONDS PAYABLE (Continued)

Reissued Series 2009 B Bonds

The Reissued Series 2009B Bonds are multi-modal 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, 2019 and 2018, the variable interest rates are 2.539% and 2.221% 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.

Prior Years' Debt Defeasance

In prior years, the Airport has defeased various bond issues by creating irrevocable trust funds. New debt had been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements. At June 30, 2019, the amount of the defeased debt outstanding was $20,480,000.

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.

NOTE 5 - BONDS PAYABLE (Continued)

Debt service requirements for principal and estimated interest using the interest rate in effect at June 30, 2019 for all bonds outstanding are outlined below.

	Principal	Interest*	Total
Year ending June 30:			
2020	$ 3,990,000	$ 2,919,652	$ 6,909,652
2021	4,100,000	2,798,157	6,898,157
2022	4,130,000	2,703,097	6,833,097
2023	4,210,000	2,592,141	6,802,141
2024	4,260,000	2,469,560	6,729,560
2025-2029	22,000,000	10,215,678	32,215,678
2030-2034	26,285,000	5,340,431	31,625,431
2035-2039	11,795,000	909,345	12,704,345
Total	$ 80,770,000	$ 29,948,061	$ 110,718,061

* 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 2019 and FY 2018 was $10,961,985 and $9,453,423, 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 2019 and FY 2018 were $4,024,818 and $2,587,181, respectively.

Future minimum rental revenues to be received under these operating leases as of June 30, 2019 are as follows:

Year ending June 30:	
2020	$ 7,456,720
2021	5,356,968
2022	5,219,007
2023	5,147,692
2024	5,011,793
Thereafter through 2030	16,975,553
Total future minimum rental revenue	$ 45,167,733

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 2019 and FY 2018, the Airport received PFCs totaling $2,789,405 and $2,694,643, respectively. In future years, the Airport is authorized to collect and use PFCs for approved costs of $71 million under the authority granted by the FAA.

NOTE 8 - CONCENTRATIONS OF CUSTOMER REVENUE

During FY 2019 and FY 2018, the Airport earned approximately 45% 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 $544,000 and $520,000 for FY 2019 and FY 2018, respectively. For FY 2019 and FY 2018, the required employer contributions were reduced by forfeitures of $20,586 and $48,839, respectively. Required contributions made by Plan participants for FY 2019 and FY 2018 were $306,000 and $292,000, 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 $19,000. 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.

	BOY Liability	***Adjustment***	***(Payments)***	***EOY Liability***
FY 2019	$ 347,627	$ -	$ (3,300)	$ 344,327
FY 2018	$ 350,366	$ 561	$ (3,300)	$ 347,627

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

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:

	1% Decrease (2.75%)	*Current Discount Rate (3.75%)*	*1% Increase (4.75%)*
Post-Employment Benefits Liability	$ 370,756	$ 344,327	$ 320,863

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 year

APPENDIX C
SUMMARIES OF THE TRUST INDENTURE AND THE LEASE

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APPENDIX C

SUMMARIES OF THE TRUST INDENTURE AND THE LEASE

The following is a summary of certain defined terms as provided in the Trust Indenture, including specifically the Ninth Supplemental Trust Indenture, and the Lease, including specifically the Seventh Supplemental Lease. This summary is not to be regarded as a complete statement of the defined terms provided in the Trust Indenture and the Lease, to which reference is made for a complete statement of the actual terms thereof. Copies of the Trust Indenture and the Lease are on file with the Trustee.

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SUMMARY OF DEFINED TERMS

"Act" means Chapter 183 of the Kentucky Revised Statutes, as the same may be amended, modified, revised, supplemented, or superseded from time to time.

"Additional Obligation Instruments" means agreements providing for the repayment of money that the Board may, from time to time, be authorized to enter into under the laws of the Commonwealth. The definition of Additional Obligation Instruments does not include "Bond" or "Bonds," "Note" or "Notes."

"Aggregate Annual Debt Service" means, as of any particular date of computation and with respect to a Fiscal Year or other specified 12-month period, the aggregate Debt Service Charges for all Outstanding Obligations coming due in such period.

"Airport" means Blue Grass Airport, together with any additions thereto, or improvements or enlargements thereof, hereafter made.

"Airport Facilities" means land, buildings, equipment, runways, and other improvements and appurtenances necessary for the operation and maintenance of the Airport, and further includes site improvements, utilities, machinery, furnishings and any separate or connected buildings, structures, improvements, sites, open space and green space areas, utilities or equipment to be used in, or in connection with the operation or maintenance of, or supplementing or otherwise related to the services or facilities to be provided by such facilities.

"Airport Project" means any capital improvement at or related to the Airport that would constitute Airport Facilities, or any cost or expense paid or incurred in connection with or related to the Airport whether or not of a capital nature and whether or not related to Airport Facilities, including but not limited to, amounts needed to satisfy any judgment and the cost of any noise mitigation programs.

"Authenticating Agent" means the Trustee and the Registrar for the series of Obligations and any bank, trust company or other Person designated as an Authenticating Agent for such series of Obligations by or in accordance with Section 6.16 of the Trust Indenture.

"Board" means the Lexington-Fayette Urban County Airport Board of Lexington, Fayette County, Kentucky, an agency of the Urban County Government, created pursuant to the Act.

"Bond" or "Bonds" means any bond, or all of the bonds, or an issue or series of bonds, as the case may be, as so identified in the certificate of the Fiscal Officer, of the Board issued pursuant to the 2008 General Bond Resolution, a Series Resolution and the Trust Indenture. The definition of Bond and Bonds does not include "Note" or "Notes" or Additional Obligation Instruments.

"Bond Counsel" means an attorney or firm of attorneys of nationally recognized standing on the subject of municipal bonds selected by the Board or its counsel and acceptable to the Trustee.

“Business Day” means a day of the year, other than a Saturday or Sunday, on which banks located in the city in which the designated corporate trust office of the Trustee is located are not required or authorized to remain closed or a day on which The New York Stock Exchange is not closed.

“Commonwealth” means the Commonwealth of Kentucky.

“Contract Facility Charge” or “CFC” means the “contract facility charge” authorized by resolution of the Governing Body, relating to improvements for rental car facilities.

“Costs of Airport Facilities” means the costs of or related to Airport Facilities, and the financing thereof, for the payment of which Obligations may be issued under the Act.

“Credit Support Account” means any of the subaccounts within the Debt Service Payment Account and the Redemption and Purchase Account related to a series of Obligations secured by a Credit Support Instrument.

"Credit Support Instrument" means an irrevocable letter of credit, line of credit, standby bond purchase agreement, insurance policy, guaranty or surety bond or similar instrument (including any related agreement of the Board to reimburse a Credit Support Provider for draws made on such Credit Support Instrument) providing for the payment of or guaranteeing the payment of principal or purchase price of and interest on Obligations when due, either to which the Board is a party or which is provided at the request of the Board.

"Credit Support Provider" means the provider of a Credit Support Instrument.

“Debt Service Charges” means, generally, for any applicable time period, (a) the principal (including any Mandatory Sinking Fund Requirements), interest and redemption premium, if any, required to be paid by the Board on Obligations pursuant to any Series Resolution, less any capitalized interest for such time period and accrued interest on deposit in the Debt Service Payment Account; (b) any amounts due to a Credit Support Provider, to the extent as set forth in a Credit Support Instrument, that do not exceed the corresponding Lease Rental Payments then due with respect to the Obligations related to such Credit Support Instrument; and (c) any Hedge Payments.

“Debt Service Fund” means the Debt Service Fund authorized and created in Section 4.03 of the Trust Indenture.

“Debt Service Payment Account” means the Debt Service Payment Account within the Debt Service Fund authorized and created pursuant to Section 4.03 of the Trust Indenture.

“Debt Service Reserve Fund” means the Debt Service Reserve Fund authorized and created pursuant to Section 4.03 of the Trust Indenture.

“Debt Service Reserve Fund Credit Instrument” means a letter of credit, surety bond or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated “Aa” or better by Moody's, or “AA” or better by S&P or “AA” or better by Fitch as of the date of issuance thereof. Any such letter of credit, surety bond or insurance policy shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments thereunder other than a certification of the Trustee that the funds drawn thereunder are to be used for purposes for which moneys in the Debt Service Reserve Fund may be used.

"Debt Service Reserve Requirement" means the least of (a) the maximum Aggregate Annual Debt Service in any succeeding Bond Year; (b) 125% of the average Aggregate Annual Debt Service on all Outstanding Bonds; or (c) an amount equal to 10% of the proceeds of any series of Obligations; provided that not more than 10% of the proceeds of any series of Obligations shall be required to be deposited in the Debt Service Reserve Fund and, if such amount is so deposited, the amount of such deposit plus the amount of all prior deposits required upon the issuance of Obligations shall constitute the Debt Service Reserve Requirement until the earlier of (i) the date the next series of Obligations is issued or (ii) the date such amount equals the requirement set forth in clause (a) above.

"Eligible Investments" means any investment authorized by Section 66.480 of the Kentucky Revised Statutes, as the same may be amended, modified, revised, supplemented, or superseded from time to time.

"Escrow Trustee" means U.S. Bank National Association, Louisville, Kentucky in its capacity as the escrow trustee under the Taxable Escrow Agreement, entered into in connection with the refunding of the Refunded 2012 Series A Bonds, the Refunded 2012 Series B Bonds, the Refunded 2016 Series A Bonds and the Refunded 2016 Series B Bonds.

"Event of Default" means an Event of Default as defined in the Trust Indenture and/or the Lease.

"FAA" means the Federal Aviation Administration or any successor agency thereof.

"Fiscal Officer" means the Director of Administration and Finance or such other person designated by the Governing Body to act as Fiscal Officer for purposes of the Trust Indenture.

"Fiscal Year" means a period of twelve consecutive months constituting the fiscal year of the Board commencing on the first day of July of any year and ending on the last day of June of the next succeeding calendar year, both inclusive, or such other consecutive twelve month period as hereafter may be established from time to time for budgeting and accounting purposes of the Board by the Governing Body to be evidenced, for purposes hereof, by a certificate of a Fiscal Officer filed with the Trustee.

"Fitch" means Fitch Ratings, Inc.

"General Operating Fund" means the General Operating Fund authorized and created in Section 4.01 of the Trust Indenture, which General Operating Fund shall also serve as the Operation and Maintenance Fund, to be used to pay Operation and Maintenance Expenses, pursuant to the provisions of the Act.

"Governing Body" means the Governing Body of the Board, or if there shall be no such Governing Body, such Person or body which, pursuant to law or the organizational documents of the Board, is vested with the power to direct the management and policies of the Board, and shall include any committee empowered to act on behalf of such Governing Body or body.

"Government Auditing Standards" means those principles of accounting applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, as such principles are from time to time supplemented or amended.

"Government Bonds" means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged; (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of Treasury of the United States of America or Federal Reserve Bank); (c) securities which represent an interest in the securities described in (a) and (b) above; (d) repurchase agreements with respect to securities described in (a) or (b) above that mature in 30 days or less, with a provider rated at least "Baa3" by Moody's; and (e) money market mutual funds rated "Aaa" by Moody's that invest only in securities described in (a) or (b) above.

"Hedge Payment" means a payment due to a Hedge Provider under an Interest Rate Hedge Agreement that corresponds to interest due on Obligations, specifically excluding, unless otherwise provided in a Supplemental Trust Indenture with respect to a particular series of Obligations, any termination payment under an Interest Rate Hedge Agreement.

"Hedge Provider" means the provider of an Interest Rate Hedge Agreement.

"Holder" means any Person in whose name a registered Obligation is registered.

"Independent Airport Consultant" means a consultant selected by the Board with expertise in the administration, financing, planning, maintenance and operations of airports and facilities thereof, and who, in the case of an individual, shall not be an officer or employee of the Board.

"Interest Payment Dates" means (a) the dates specified in the applicable Supplemental Trust Indenture on which interest on the Obligations or any series of Obligations is to be paid and (b) with respect to the 2019 Series A Bonds means January 1 and July 1 of each year, commencing on July 1, 2020.

"Interest Rate Hedge Agreement" means an interest rate swap, an interest rate cap or other such arrangement obtained by the Board (or the Trustee on behalf of the Board) with the goal of lowering the effective interest rate to the Board on Obligations or hedging the exposure of the Board with respect to its obligations on the Obligations against fluctuations in prevailing interest rates.

"Lease" means the Lease Agreement, dated as of November 1, 2008, by and between the Board, as lessor, and the Urban County Government, as lessee, as previously supplemented and amended, and as supplemented and amended by the Seventh Supplemental Lease, and as the same may from time to time be amended or supplemented by one or more additional Supplemental Leases.

"Lease Rental Payments" means the rental payments made by the Urban County Government, as lessee, under the Lease.

"Mandatory Sinking Fund Requirements" means amounts required by any Series Resolution or the Supplemental Trust Indenture to be deposited to the Debt Service Payment Account in any fiscal year for the purpose of retiring principal maturities of Obligations which by the terms of such Obligations are due and payable, if not called for prior redemption, in any subsequent fiscal year.

"Maturity Date" means the maturity dates for the 2019 Series A Bonds, as set forth in the Ninth Supplemental Trust Indenture.

"Maximum Rate" shall have the meaning set forth in any Supplemental Lease, and with respect to the Seventh Supplemental Lease related to the 2019 Series A Bonds, shall mean ten percent (10%) per annum.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns.

"Ninth Supplemental Trust Indenture" means the Ninth Supplemental Trust Indenture, dated as of November 1, 2019, by and between the Board and the Trustee. Such Ninth Supplemental Trust Indenture is a Supplemental Trust Indenture under the Trust Indenture.

"Notes" or "Note" means any note or all of the notes, or an issue of notes, as the case may be, as so identified in the certificate of the Fiscal Officer issued by the Board in anticipation of the issuance of Obligations or receipt of grants or appropriations to pay Costs of Airport Facilities, or to pay costs of refunding or retirement of Notes previously issued pursuant to the Act, the 2008 General Bond Resolution, a Series Resolution and the Trust Indenture. The definition of Note and Notes does not include "Bond" or "Bonds," Special Facility Revenue Obligations or Additional Obligation Instruments.

"Obligations" means Bonds, Notes and Additional Obligation Instruments and do not include Special Facility Revenue Obligations.

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“Operation and Maintenance Expenses” means, for any Fiscal Year, the costs incurred by the Board in operating and maintaining the Airport during such Fiscal Year, either directly or indirectly, including, without limitation (but exclusive of such expenses as may be capitalized in connection with an Airport Project):

(a) the following costs and expenses incurred by the Board for employees employed at the Airport, or doing work involving the Airport: direct salaries and wages (including overtime pay), together with payments or costs incurred for associated payroll expense, such as union contributions, cash payments to pension funds, retirement funds or unemployment compensation funds, life, health, accident and unemployment insurance premiums, deposits for self-insurance, vacations and holiday pay, and other fringe benefits;

(b) costs of materials, supplies, machinery and equipment and other similar expenses which, under Government Auditing Standards, are not capitalized;

(c) costs of maintenance, landscaping, decorating, repairs, renewals and alternations not reimbursed by insurance, and which, under Government Auditing Standards, are not capitalized;

(d) costs of water, energy, telecommunications service and all other utilities and services whether furnished by the Board or purchased by the Board and furnished by independent contractors at or for the Airport;

(e) costs of rentals of real property and costs of rental equipment or other personal property;

(f) costs of premiums for insurance, including property damage, public liability, burglary, bonds of employees, workers' compensation, disability, automobile, and all other insurance covering the Airport or its operations;

(g) the amount of any judgment or settlement arising as a result of the Board's ownership, operation and maintenance of the Airport payable by the Board during said Fiscal Year, including, without limitation, the amount of any judgment or settlement arising as a result of claims, actions, proceedings or suits alleging a taking of property or interests in property without just compensation, trespass, nuisance, property damage, personal injury or similar claims, actions, proceedings or suits based upon the environmental impacts, including, without limitation, those resulting from the use of the Airport for the landing and taking off of aircraft;

(h) costs incurred in collecting and attempting to collect any sums due the Board in connection with the operation of the Airport;

(i) costs of advertising at or for the Airport;

(j) compensation paid or credited to persons or firms appointed or engaged, from time to time, to render advice and perform architectural, engineering, construction management, financial, legal, accounting, testing, consulting or other professional services in connection with the management, operation, expansion, alteration, reconstruction, betterment or other improvement of the Airport or any of its structures or facilities, and which, under Government Auditing Standards, are not capitalized;

(k) any other cost incurred or allocated to the Airport necessary to comply with any valid rule, regulation, policy or order of any federal, state or local government, agency or court, and which, under Government Auditing Standards, are not capitalized; and

(l) all other direct and indirect expenses, whether similar or dissimilar, which arise out of the Board's ownership, operation or maintenance of the Airport, including any taxes payable by the Board which may be lawfully imposed upon the Airport by entities other than the Board.

"Ordinance" means, collectively, the following ordinances adopted by the Urban County Council: (i) Ordinance No. 241-2008 adopted on October 23, 2008, (ii) Ordinance No. 235-2009 adopted on November 5, 2009, (iii) Ordinance No. 126-2012 adopted on October 11, 2012, (iv) Ordinance No. 142-2012 adopted on November 15, 2012, (v) Ordinance No. 71-2014 adopted on June 19, 2014, (vi) Ordinance No. 157-2016 adopted on September 15, 2016, (vii) Ordinance No. O-65-2018 adopted on September 20, 2018, and (viii) Ordinance No. O-82-2019 adopted on October 10, 2019.

"Original Purchaser" means, as to any Obligations, the Person or Persons expressly named in the applicable Series Resolution or Purchase Agreement as the original purchaser of those Obligations from the Board.

"Outstanding" means, as of any date, Notes and Bonds which have been authenticated, and with respect to all Obligations, have been delivered, or are then being delivered, by the Trustee or the Board under the Trust Indenture except:

(a) Obligations surrendered for exchange or transfer or canceled because of payment or redemption at or prior to such date;

(b) Obligations for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited prior to such date with the Trustee or Paying Agents (whether upon or prior to the maturity or redemption date of any such Obligations), or which are deemed to have been paid and discharged pursuant to the provisions of the Trust Indenture; provided that if such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided, further, that if such Obligations are to be purchased for cancellation, a firm offer for sale stating the price has been received and accepted; and

(c) Lost, stolen, mutilated or destroyed Obligations in lieu of which others have been authenticated, if applicable, (or payment, when due, of which is made without replacement) under the Trust Indenture.

"Passenger Facility Charge" or "PFC" means the passenger facility charge as authorized under Section 1113(e) of the Federal Aviation Act of 1958, as amended by Section 9110 of the Omnibus Budget Reconciliation Act of 1990, and as approved by the FAA from time to time with respect to the Airport.

"Paying Agents" means any banks or trust companies designated as the paying agencies or places of payment for Obligations by or pursuant to the applicable Series Resolution, and their successors designated pursuant to the Trust Indenture, and shall also mean the Trustee when so designated for such purpose.

"Payment Date" means any date on which principal of or interest on any Obligations is payable in accordance with its terms and the terms of this Indenture and the related Supplemental Trust Indenture or, in the case of Credit Support Instruments or Hedge Payments payable under Interest Rate Hedge Agreements, in accordance with the terms of the instrument creating such Credit Support Instrument and Interest Rate Hedge Agreement.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, a limited liability company, an unincorporated organization, or a government or any agency or political subdivision thereof.

"Pledged Funds" means the Debt Service Fund, the Debt Service Reserve Fund and accounts therein and any other funds or accounts permitted by, established under, or identified in the Trust Indenture or a Series Resolution and designated as Pledged Funds; provided that, any separate subaccount within the Redemption and Purchase Account created for a series of Obligations, as provided in Sections 4.01 and 4.04, shall be a Pledged Fund only with respect to the particular series of Obligations for which it was created. Unless otherwise provided in a Supplemental Trust Indenture pledging the General Operating Fund as security for all Outstanding Obligations, the General Operating Fund shall not be a Pledged Fund.

"Predecessor Obligation" of any particular Obligation means every previous Obligation evidencing all or a portion of the same debt as that evidenced by the particular Obligation. For the purposes of this definition, any Bond or Note authenticated and delivered under Section 2.07 of the Trust Indenture in lieu of a lost, stolen or destroyed Bond or Note shall, except as otherwise provided in Section 2.07, be deemed to evidence the same debt as the lost, stolen or destroyed Bond or Note.

"Project" means collectively, the 1994 Project, the 1998 Project, the 2003 Project, the revised 2008 Project, the 2014 Project, the 2016 Project, the 2018 Project and the 2019 Project all as described in Exhibit A to the Seventh Supplemental Lease.

"Project Fund" means the Project Fund created in Section 4.05 of the Trust Indenture.

"Purchase Agreement" means, as to any series of Obligations, the agreement between the Board and the Original Purchaser of such Obligations.

"Purchase Price" means, as to any series of Obligations, the amount provided for in the Series Resolution or the Purchase Agreement authorized thereby, plus accrued interest, if any, on the aggregate principal amount of those Obligations from their date to the date of their delivery to the Original Purchaser and payment therefor.

"Rating Service" means Fitch, Moody's, S&P or any other nationally recognized rating service.

"Redemption and Purchase Account" means the Redemption and Purchase Account authorized and created pursuant to Section 4.04 of the Trust Indenture.

"Refunded Prior Bonds" means the collectively, the Refunded 2012 Series A Bonds, the Refunded 2012 Series B Bonds, the Refunded 2016 Series A Bonds and the Refunded 2016 Series B Bonds.

"Refunded 2012 Series A Bonds" means the entire remaining outstanding principal amount of the 2012 Series A Bonds in the principal amount of $6,770,000.

"Refunded 2012 Series B Bonds" means the entire remaining outstanding principal amount of the 2012 Series B Bonds in the principal amount of $11,230,000.

"Refunded 2016 Series A Bonds" means a portion in the principal amount of $3,935,000 of the remaining outstanding principal amount of the 2016 Series A Bonds

"Refunded 2016 Series B Bonds" means a portion in the principal amount of $3,985,000 of the remaining outstanding principal amount of the 2016 Series B Bonds.

"Refunding Obligations" means all or any portion of Obligations authenticated and delivered on original issuance for the purpose of the refunding of Outstanding Obligations.

"Register" means the books kept and maintained by the Registrar for the registration and transfer of Obligations pursuant to the Trust Indenture.

"Registrar" means, with respect to a series of Obligations, the keeper of the Register for those Obligations, which shall be the Trustee except as may be otherwise provided by or pursuant to the Series Resolution for those Obligations, each of which shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, and its successors and assigns.

"Series Resolution" means a Resolution of the Governing Body authorizing one or more series of Obligations and the execution and delivery of a Supplemental Trust Indenture, all in accordance with the 2008 General Bond Resolution and the Trust Indenture.

"Series 2019 Resolution" means the resolution of the Governing Body adopted on September 25, 2019 which authorized the issuance of the 2019 Series A Bonds.

"Seventh Supplemental Lease" means the Seventh Supplemental Lease Agreement, dated as of November 1, 2019, by and between the Board, as lessor, and the Urban County Government, as lessee, as the same may be amended or supplemented from time to time, which supplements the Lease.

"Sinking Fund" means the fund so designated and established by the Lessee, from which Lease Rental Payments shall be made.

"Special Facility Revenue Obligations" means bonds, notes or other evidences of indebtedness of the Board, which bonds, notes or other evidences of indebtedness are not payable from General Revenues or any other moneys or securities held under this Indenture.

"Supplemental Trust Indenture" means any one or more of Supplemental Trust Indentures entered into by the parties pursuant to the Trust Indenture and a Series Resolution.

"Supplemental Lease" means a lease supplemental to or amendatory of the Lease, executed and delivered by the Board and the Urban County Government in accordance with Section 2.02 of the Trust Indenture.

"2008 General Bond Resolution" means the resolution of the Governing Body adopted on October 15, 2008, authorizing the execution and delivery of the Trust Indenture.

"2019 Series A Bonds" means the Board's General Airport Revenue and Revenue Refunding Bonds, 2019 Series A (Lexington-Fayette Urban County Government General Obligation) (Federally Taxable), issued on November 6, 2019 in the original aggregate principal amount of $32,000,000*.

"2019 Project" means the acquisition of additions, extensions, and improvements to the present airport facilities at Blue Grass Airport, Lexington, Kentucky, consisting of airport improvements, including terminal improvements, general aviation development projects and land acquisition, to the existing airport facilities at the Blue Grass Airport.

"2012 Series A Bonds" means the Board's $6,770,000 General Airport Revenue Refunding Bonds, 2012 Series A (Lexington-Fayette Urban County Government General Obligation) (AMT).

"2012 Series B Bonds" means the Board's $11,230,000 General Airport Revenue Refunding Bonds, 2012 Series B (Lexington-Fayette Urban County Government General Obligation) (non-AMT).

"2016 Series A Bonds" means the Board's $4,840,000 General Airport Revenue Bonds, 2016 Series A (Lexington-Fayette Urban County Government General Obligation) (non-AMT).

"2016 Series B Bonds" means the Board's $4,880,000 General Airport Revenue Bonds, 2016 Series B (Lexington-Fayette Urban County Government General Obligation) (AMT).

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* Preliminary; subject to change.

"Taxable Escrow Agreement" means the Escrow Agreement, dated the date of issuance of the 2019 Series A Bonds, by and between the Board and the Escrow Trustee, related to the refunding of the Refunded Prior Bonds.

"Taxable Escrow Fund" means the escrow fund established pursuant to the Taxable Escrow Agreement.

"Trust Indenture" means the Trust Indenture, dated as of November 1, 2008, between the Board and the Trustee, as the same may be duly amended, modified or supplemented in accordance with its terms.

"Trustee" means the Trustee at the time serving under the Trust Indenture, and each Supplemental Trust Indenture, currently U.S. Bank National Association (as successor in trust to The Bank of New York Mellon Trust Company, N.A.).

"Urban County Council" means the Urban County Council of the Urban County Government, or any succeeding governing or legislative body of the Urban County Government.

"Urban County Government" means the Lexington-Fayette Urban County Government, an urban county local government organized and existing under the laws of the Commonwealth.

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SUMMARY OF THE TRUST INDENTURE

The following is a summary of certain provisions of the Trust Indenture, dated as of November 1, 2008, between the Board and The Bank of New York Mellon Trust Company, N.A., as Trustee. This summary is not to be regarded as a complete statement of the Trust Indenture to which reference is made for a complete statement of the actual terms thereof. A summary of the provisions regarding the security for the Obligations is provided in this Official Statement under "SECURITY FOR THE 2019 SERIES A BONDS." Copies of the Trust Indenture are on file with the Trustee.

General Operating Fund

The General Operating Fund shall be maintained by the Board. All General Revenues shall be deposited in the General Operating Fund.

All General Revenues collected by the Board shall be applied by the Board in the following order of priority:

(a) to the payment of Operation and Maintenance Expenses as incurred;

(b) at least three Business Days prior to the first day of each month, to make a transfer to the Debt Service Payment Account of the Debt Service Fund in an amount (i) equal to the interest on all Outstanding Obligations or corresponding amounts with respect to Credit Support Instruments and Hedge Payments then due and (ii) to the extent accrued but not yet payable, equal to the amount unpaid in respect of the next Interest Payment Date for such Outstanding Obligations or corresponding amounts with respect to Credit Support Instruments and Hedge Payments, divided by the number of months preceding such Interest Payment Date;

(c) at least three Business Days prior to the first day of each month, to make a transfer to the Debt Service Payment Account of the Debt Service Fund in an amount equal to the principal of all Outstanding Obligations or corresponding amounts with respect to Credit Support Instruments payable on the next Payment Date for principal of such Outstanding Obligations and Credit Support Instruments, divided by the number of months preceding such Payment Date;

(d) to transfer to the Debt Service Reserve Fund, as further provided in the Trust Indenture;

(e) to the payment of any amounts due to a Credit Support Provider that are not related to reimbursement of such Credit Support Provider for the payment of Debt Service Charges with draws under a Credit Support Instrument; and

(f) to the payment of any amounts due from the Board to the Urban County Government under the Lease.

The Board shall also establish and maintain such other funds and accounts as the Board is required to establish and maintain or deems necessary or advisable to establish and maintain with respect to the Airport. (Section 4.01)

Funds Held By the Trustee

The Trustee will hold and administer the Debt Service Fund, the Debt Service Reserve Fund and the Project Fund created under the Trust Indenture, together with the accounts contained therein, upon the terms and conditions, including, without limitation, the terms and conditions set forth in the Trust Indenture and the applicable Series Resolution and/or Supplemental Trust Indenture for the investment of moneys deposited in such Funds, set forth in the applicable Series Resolution and the Trust Indenture.

Debt Service Fund

There will be maintained in the Debt Service Fund the following Accounts: the Debt Service Payment Account and the Redemption and Purchase Account. The Trustee will maintain a separate subaccount within the Debt Service Payment Account for each series of Obligations and each separate subaccount will secure only the particular series of Obligations to which it is related. (Section 4.02)

Use of Debt Service Payment Account

The Debt Service Account is pledged to and will be used solely for the payment of Debt Service Charges in their order of maturity; provided that Lease Rental Payments may be transferred to the Debt Service Reserve Fund up to amounts transferred to the Debt Service Account from the Debt Service Reserve Fund.

Proceeds of Obligations designated by the Fiscal Officer and amounts required to be paid from the General Operating Fund and all Lease Rental Payments shall be deposited in the Debt Service Payment Account; provided that, if amounts are transferred from the Debt Service Reserve Fund and as a result thereof the amount remaining in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, the related Lease Rental Payment then due shall be deposited in the Debt Service Reserve Fund. If sufficient funds are not on deposit in the Debt Service Payment Account to enable the Trustee to pay Debt Service Charges when due, the amount of such deficiency shall be transferred by the Trustee from the Debt Service Reserve Fund to the Debt Service Payment Account. Amounts drawn on a Credit Support Instrument shall be deposited in the related Credit Support Account.

If a Credit Support Account has been established, the principal (including any Mandatory Sinking Fund Requirements), interest and redemption premium, if any, required to be paid by the Board on the related Obligations shall be paid first from amounts on deposit in such Credit Support Account and then from other amounts available in the Debt Service Payment Account for such purpose. Upon receiving funds for the payment of Debt Service Charges pursuant to a draw on a Credit Support Instrument, the Trustee shall apply related amounts deposited in the Debt Service Payment Account by the Board to the reimbursement of the Credit Support Provider for such draw in accordance with the terms of the related Credit Support Instrument.

If, three Business Days prior to any date that the payment of Debt Service Charges are due, sufficient funds are not on deposit in the Debt Service Payment Account to enable the Trustee to pay such Debt Service Charges, and if the Trustee shall have transferred funds from a Debt Service Reserve Fund to the Debt Service Payment Account to forestall a default in the payment of Debt Service Charges, then in each such instance the Trustee shall immediately notify the Fiscal Officer of the Board and the Urban County Government in writing of such event and request that the Urban County Government pay the Lease Rental Payment then due to cure such deficiency or to restore the amount transferred from the Debt Service Reserve Fund. (Section 4.02)

Debt Service Reserve Fund

The Trustee will hold and administer a Debt Service Reserve Fund to be used, solely for the payment of Debt Service Charges with respect to any series of Obligations for which a reserve fund has been mandated pursuant to the Series Resolution which authorized the issuance of such series of Obligations. A separate subaccount shall be created in the Debt Service Reserve Fund for each series of Obligations for which a reserve fund has been mandated by the Series Resolution which authorized such series of Obligations and each separate subaccount shall secure only the particular series of Obligations to which it is related.

If, on any date that Debt Service Charges are due, the amount on deposit in the Debt Service Payment Account is insufficient to pay such Debt Service Charges on such date, the Trustee, without necessity for any order by the Board, shall immediately transfer from the Debt Service Reserve Fund an amount sufficient to make up such deficiency in the Debt Service Payment Account.

Subject to the foregoing, any amount in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement (a) may be transferred to the General Operating Fund and (b) upon the refunding of any Obligations may be deposited in the Redemption Account established for the Obligations to be refunded, if and to the extent ordered by the Fiscal Officer.

Within one hundred eighty (180) days after the end of each Fiscal Year, the Board shall determine the value of amounts on deposit in the Debt Service Reserve Fund in accordance with Section 4.12, and from the General Operating Fund, transfer to the Debt Service Reserve Fund such amount as may be required so that the amount in the Debt Service Reserve Fund is at least equal to the Debt Service Reserve Requirement.

A Debt Service Reserve Fund Credit Instrument may be deposited with the Trustee by the Board to satisfy the Debt Service Reserve Requirement, but only if the Board receives confirmation from each rating agency then rating Outstanding Obligations that such substitution will not cause a reduction or withdrawal of the then existing ratings on the Obligations. (Section 4.03)

Redemption and Purchase Account

There will be deposited in the Redemption and Purchase Account that portion (if any) of the proceeds of Refunding Obligations, as provided in the Series Resolution authorizing their issuance, allocated to the payment of the principal, interest and redemption premium, if any, or purchase price of the Obligations to be refunded, funded or retired through the issuance of such Refunding Obligations; amounts to be transferred thereto from the Debt Service Reserve Fund by order of the Fiscal Officer pursuant to Section 4.03 of the Trust Indenture; and any other amounts made available by the Board for the purposes of the Redemption and Purchase Account. Amounts for the redemption of Obligations to be provided pursuant to the mandatory sinking fund requirements of the Series Resolution authorizing such Obligations will not be deposited to the credit of the Redemption and Purchase Account, but shall be deposited to the credit of the Debt Service Payment Account.

Any amounts in the Redemption and Purchase Account may be committed, by Series Resolution or other action by the Governing Body, for the retirement of and for Debt Service Charges on specified Obligations and, so long as so committed, will be used solely for such purposes whether directly or through transfer to the Debt Service Fund. Subject to the foregoing provisions of the Trust Indenture, the Fiscal Officer may cause moneys in the Redemption and Purchase Account to be used to purchase any Obligations for cancellation and to redeem any Obligations in accordance with the redemption provisions of the applicable Series Resolution. From moneys in the Redemption and Purchase Account, the Trustee will transmit or otherwise disburse such amounts at such times as required for the redemption or purchase for cancellation of Obligations, and Debt Service Charges, in accordance with the applicable Series Resolution, or other action by the Governing Body or order of the Fiscal Officer not inconsistent therewith. Any amounts in the Redemption and Purchase Account not required for the purposes thereof pursuant to a commitment theretofore made, may be transferred to the Debt Service Payment Account or the Debt Service Reserve Fund upon order of the Fiscal Officer. (Section 4.04)

Project Fund

Upon the issuance and delivery of Obligations, the proceeds of which will be used to pay Costs of Airport Facilities, there shall be created and ordered maintained with the Trustee, a fund designated the "Lexington-Fayette Urban County Airport Board Project Fund" with an additional series identification for each series of Obligations.

Amounts in a Project Fund will be disbursed therefrom by the Fiscal Officer or other authorized officer of the Board, according to such inspection, audit, and disbursement procedures as may from time to time be established by the Board, for the purpose of paying Costs of Airport Facilities as identified in the related Series Resolution or Supplemental Trust Indenture and to reimburse the Board for any payments which may have been made from other available resources in anticipation of the issuance of such Obligations.

Any balance remaining in a Project Fund after the final payment of all Costs of Airport Facilities for which such Project Fund was created, will be deposited in the Debt Service Fund and (i) credited to the Debt Service Reserve Fund if and to the extent that the Debt Service Reserve Fund contains less than the Debt Service Reserve Requirement, and/or (ii) either applied as a credit against the next deposit required to be made into the Debt Service Payment Account, or used to purchase Obligations in the open market at a purchase price not exceeding par plus accrued interest, as may be directed by the Fiscal Officer; provided that, if proceedings are then pending or imminently contemplated for incurring additional Costs of Airport Facilities which are or will be paid from the proceeds of Obligations, any such unexpended balance may be taken into account in determining the amount of Obligations to be authorized for such purpose, or may otherwise be applied to such Costs of Airport Facilities, in which event such unexpended balance may be transferred to a Project Fund created for such purpose. (Section 4.05)

Investment of Debt Service Fund, Debt Service Reserve Fund and Project Fund

Except as hereinafter provided, moneys in the Debt Service Fund shall be invested and reinvested by the Trustee in Government Bonds and moneys in the Debt Service Reserve Fund and the Project Fund shall be invested and reinvested by the Trustee in Eligible Investments, in each case at the written direction of the Fiscal Officer. Investment of moneys in the Debt Service Fund shall mature or be redeemable at the times and in the amounts necessary to provide moneys to pay Debt Service Charges and the purchase price of Obligations tendered for purchase (if no Credit Support Instrument is available for such purchases) as they become due at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements; provided that no such investment shall mature later than 30 days after its purchase date. Each investment of moneys in the Debt Service Reserve Fund shall mature or be redeemable without penalty within five years. Each investment of moneys in the Project Fund shall mature or be redeemable without penalty at such time as may be necessary to make payments from such fund. In the absence of any written direction from the Fiscal Officer, the Trustee shall invest all funds pursuant to standing written instructions delivered to the Trustee by the Board upon the original issuance of Obligations, as such instructions may be amended from time to time, provided that all such investments shall constitute Eligible Investments. The Trustee may trade with itself or its affiliates in the purchase and sale of securities for such investments.

Subject to any directions from the Fiscal Officer with respect thereto, the Trustee may sell at the best price reasonably obtainable, Debt Service Reserve Fund and Project Fund investments and reinvest the proceeds therefrom in Eligible Investments maturing or redeemable as aforesaid. Any of those investments may be purchased from or sold to the Trustee, the Registrar, an Authenticating Agent, a Paying Agent, or any bank, trust company or savings and loan association affiliated with any of the foregoing. The Trustee shall sell or redeem investments credited to the Debt Service Fund to produce sufficient moneys applicable hereunder to and at the times required for the purposes of paying Debt Service Charges and the purchase price of Obligations tendered for purchase when due as aforesaid, and shall do so without necessity for any order on behalf of the Board and without restriction by reason of any order. An investment made from moneys credited to the Debt Service Fund, the Debt Service Reserve Fund and the Project Fund shall constitute part of that respective fund, and each respective fund shall be credited with all proceeds of sale and income from investment of moneys credited thereto. The Board acknowledges that to the extent the regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Board the right to receive brokerage confirmations of security transactions, the Board waives receipt of such confirmations.

For purposes of qualifying any investment as an Eligible Investment, where such qualification is dependent upon the rating assigned to such investment by a Rating Service, such qualification will be determined as of the date of purchase of such investment or deposit thereof with the Trustee, whichever is later. (Section 4.13)

Power to Issue Obligations and Make Pledges

The Board is duly authorized pursuant to law to create and issue the Obligations and to pledge the General Revenues and the Pledged Funds in the manner and to the extent provided in the Trust Indenture. The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the General Revenues and the Pledged Funds under the Trust Indenture and all the rights of the Holders under the Trust Indenture against all claims and demands of all Persons whomsoever. (Section 5.01)

General Covenant

(a) The Board covenants that it will fix and establish, and revise from time to time whenever necessary, such rentals, rates and other charges for the use and operation of the Airport and for certain services rendered by the Board in the operation thereof in order that in each Fiscal Year, General Revenues, together with any cash balances as of the first day of such Fiscal Year that are available for the following, will be at least sufficient:

(i) to provide for (A) the payment of Operation and Maintenance Expenses, (B) any required deposit to any Pledged Fund, (C) the payment of any amounts due to a Credit Support Provider that are not related to reimbursement of such Credit Support Provider for the payment of Debt Service Charges with draws under a Credit Support Instrument, and (D) the payment of any amounts due from the Board to the Urban County Government under the Lease, exclusive of Aggregate Annual Debt Service for the Fiscal Year; and

(ii) to provide for the payment of not less than 100 percent of the Aggregate Annual Debt Service for the Fiscal Year, reduced by (A) amounts available in any capitalized interest account established pursuant to a Supplemental Trust Indenture for disbursement during such Fiscal Year to pay interest on Obligations and (B) anticipated receipts from Passenger Facility Charges and Contract Facility Charges that are available for the payment of Debt Service Charges;

provided that, failure to fix and establish rates, rentals and charges that are sufficient to pay the amount set forth in clause (i)(D) above shall not constitute an Event of Default.

(b) If during any Fiscal Year, General Revenues, such Passenger Facility Charges, such Contract Facility Charges and such cash balance are estimated to produce less than the amount required under paragraph (a) of this Section, the Board shall revise its rentals, fees and charges or alter its methods of operation or take other action in such manner as is necessary to produce the amount so required in such Fiscal Year.

(c) Within 60 days after the end of each Fiscal Year, the Board shall furnish to the Trustee a calculation of the coverage required under paragraph (a) of this Section certified by the Fiscal Officer.

(d) If the certificate specified in the preceding paragraph for any year indicates that the Board has not satisfied its obligations under paragraph (a) above, then as soon as practicable, but in any event no later than 60 days after the receipt by the Trustee of such certificate, the Board shall employ an Independent Airport Consultant to review and analyze the financial status and the administration and operation of the Airport and to submit to the Board, within 60 days after employment of the Independent Airport Consultant, a written report on the same, including the action which the Independent Airport Consultant recommends should be taken by the Board with respect to the revision of its Airport rentals, fees, and charges, alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the then-current Fiscal Year or, if less, the maximum amount deemed feasible by the Independent Airport Consultant. Promptly upon its receipt of the recommendations the Board shall, after giving due consideration to the recommendations, revise its Airport rentals, fees and charges or alter its methods of operation, which revisions or alterations need not comply with the Independent Airport Consultant's recommendations so long as any revisions or alterations are projected by the Board to result in compliance with paragraph (a) above. The Board shall transmit copies of the Independent Airport Consultant's recommendations to the Trustee and to each owner of Obligations who has requested the same.

(e) If at any time and as long as the Board is in full compliance with the provisions of this Section other than paragraph (a) above, there shall be no Event of Default under the Trust Indenture as a consequence of the Board's failure to satisfy the covenant contained in paragraph (a) during such period. (Section 5.02)

Management

The Board covenants that in order to assure the efficient management and operation of the Airport and to assure the Holders of the Obligations that the Airport will be economically and efficiently operated on the basis of sound business principles, it will operate and maintain the Airport. The Board will not take, or allow any other person to take, any action which would cause the Federal Aviation Administrator of the FAA, Department of Transportation, or any successor to the powers and authority of such Administrator, to suspend or revoke the Airport's airport operating certificate issued under the Federal Aviation Act of 1958, or any successor statute. (Section 5.06)

Operation and Maintenance of Airport

The Board shall operate and maintain the Airport in good repair and working order and shall make such repairs thereto as shall be necessary or appropriate in the prudent management thereof to insure its economic and efficient operation. The Board will operate the Airport in a manner that will entitle it to charge and collect rentals, fees and charges which the Board is entitled to receive or as otherwise permitted by law and shall take such reasonable measures permitted by law to enforce payment to it of such rentals, fees and charges. (Section 5.07)

Events of Default

Events of Default under the Trust Indenture include:

(a) Failure to pay any Debt Service Charges or the purchase price of Obligations tendered for purchase when and as the same shall have become due and payable;

(b) Failure by the Board to perform or observe any other covenant, agreement or condition on the part of the Board contained in the Trust Indenture or in the Obligations, which failure or Event of Default shall have continued for a period of 30 days after written notice, by registered or certified mail, given to the Board by the Trustee, specifying the failure or Event of Default and requiring the same to be remedied, which notice shall be given by the Trustee upon the written request of the Holders of not less than twenty-five percent in aggregate principal amount of the Obligations then Outstanding; provided that the Person or Persons requesting such notice may agree in writing to a 90-day extension of such period prior to the expiration of the initial 30-day period; provided further, however, that if the Board shall proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 90 days, then such period shall be increased without such written extension up to 180 days as shall be necessary to enable the Board to diligently complete such curative action;

(c) The Board shall (i) admit in writing its inability to pay its debts generally as they become due, (ii) have an order for relief entered in any case commenced by or against it under federal bankruptcy laws, as now or hereafter in effect, (iii) commence a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar laws, or have such a proceeding commenced against it and have either an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days, (iv) make an assignment for the benefit of creditors, or, (v) have a receiver or trustee appointed for it or for the whole or substantial part of its property.

(d) The failure of any Credit Support Provider to honor any drawing in accordance with the terms of a Credit Support Instrument.

(e) The Trustee's receipt of written notice from the Credit Support Provider stating that an event of default exists under the terms of a Credit Support Instrument and directing the Trustee to declare an Event of Default hereunder.

Additional “Events of Default” applicable to a particular series of Obligations may be set forth in a Supplemental Trust Indenture relating to those Obligations or in the form of that Obligation. (Section 7.01)

Acceleration

Upon the occurrence of any Event of Default as defined in the Trust Indenture, the Trustee may, and upon the written request of the Holders of not less than 25 percent in aggregate principal amount of the Obligations Outstanding or a Credit Support Provider shall, declare the principal of all Obligations, together with accrued interest thereon, to be immediately due and payable on the announced accelerated maturity date. Upon any such declaration, which shall be made by a notice in writing given to the Board, the principal of and accrued interest, if any, on the Obligations shall become and be immediately due and payable on the accelerated maturity date announced in such notice, which date shall be a Business Day not more than five days following the date of declaration of acceleration. Interest on the accelerated Obligations shall accrue to the announced accelerated maturity date; provided that interest shall continue to accrue on such Obligations after the announced accelerated maturity date (until funds are on deposit) to the extent that moneys are not on deposit on such date in the Debt Service Fund for the retirement of the principal of the Obligations. If Obligations are secured by a Credit Support Instrument, amounts payable under this Section shall be paid first from amounts drawn on such Credit Support Instrument and then from other amounts available for such purpose. Notwithstanding the foregoing, Lease Rental Payments shall be applied only to the payment of Debt Service Payments as they become due and payable, in the order of their respective payment dates, as if no acceleration of Debt Service Payments had been declared under the provisions of this paragraph.

The provisions of the above paragraph are subject, however, to the condition that if, at any time after such principal and interest on Obligations shall have been so declared due and payable, (a) all sums payable hereunder except the principal of, and interest accrued after the next preceding Payment Date on, the Obligations accelerated which have not reached their stated maturity dates and which are due and payable solely by reason of said declaration shall have been duly paid or provided for by deposit with the Trustee or Paying Agents hereunder from moneys supplied by the Board; (b) all existing Event of Defaults hereunder shall have been fully cured, to the extent then capable of being cured; and (iii) if such declaration was pursuant to Section 7.01(e) of the Trust Indenture, the Trustee has received written notice from the related Credit Support Provider to rescind the declaration of acceleration and the related Credit Support Instrument has been fully reinstated (and the Credit Support Provider is not in default of its obligations under the related Credit Support Instrument), then and in every such case such payment or provisions for payment shall ipso facto constitute a waiver of such Event of Default and its consequences and an automatic rescission and annulment of such declarations under the above paragraph, but no such waiver or rescission shall extend to or affect any subsequent Event of Default or impair any rights consequent thereon. (Section 7.02)

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Supplemental Trust Indentures Not Requiring Consent of Holders

The Board and the Trustee without the consent of, or notice to, any of the Holders, may enter into indentures supplemental to the Trust Indenture and other instruments evidencing the existence of a lien as shall not, in the opinion of the Trustee, be inconsistent with the terms and provisions of the Trust Indenture for any one or more of the following purposes:

(a) To cure any ambiguity, inconsistency or formal defect or omission in the Trust Indenture or in any Supplemental Trust Indenture;

(b) To grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;

(c) To subject additional revenues or property to the lien and pledge of the Trust Indenture;

(d) To add to the covenants and agreements of the Board contained in the Trust Indenture other covenants and agreements thereafter to be observed for the protection of the Holders, or, if in the judgment of the Trustee such is not to the prejudice of the Trustee or the Holders, to surrender or limit any right, power or authority reserved to or conferred upon the Board in the Trust Indenture, including the limitation of rights of redemption so that in certain instances Obligations of different series will be redeemed in some prescribed relationship to one another;

(e) To evidence any succession to the Board and the assumption by such successor of the covenants and agreements of the Board contained in the Trust Indenture or other instrument providing for the operation of the Board or Airport Facilities, and the Obligations;

(f) In connection with the issuance of Obligations in accordance with Sections 2.01 and 2.02 of the Trust Indenture;

(g) To permit the Trustee to comply with any obligations imposed upon it by law;

(h) To permit the exchange of Obligations, at the option of the Holder or Holders thereof, for coupon Obligations of the same series payable to bearer, in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the Predecessor Obligations, bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon if, in the opinion of nationally recognized Bond Counsel selected by the Board and acceptable to the Trustee, that exchange would not result in the interest on any of the Obligations Outstanding becoming subject to federal income taxation;

(i) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agents or Paying Agents;

(j) To achieve compliance of the Trust Indenture with any applicable federal or Kentucky laws, including tax laws;

(k) To modify any provisions of the Trust Indenture in order to obtain a Credit Support Instrument or Interest Rate Hedge Agreement, so long as such modifications affect only the Obligations to which such Credit Support Instrument or Interest Rate Hedge Agreement relate; and

(l) In connection with any other change to the Trust Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Holders of the Obligations.

The provisions of (g) and (j) above will not be deemed to constitute a waiver by the Trustee, the Registrar, the Board or any Holder of any right which it may have in the absence of those provisions to consent to the application of any change in law to the Trust Indenture or the Obligations. (Section 8.01)

Supplemental Trust Indentures Requiring Consent of Holders

Exclusive of Supplemental Trust Indentures referred to in Section 8.01 of the Trust Indenture and subject to the terms and provisions and limitations contained in this paragraph, and not otherwise, the Holders of a majority in aggregate principal amount of the Obligations then Outstanding shall have the right, from time to time, anything contained in the Trust Indenture to the contrary notwithstanding, to consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental to the Trust Indenture as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Indenture; provided that nothing in this paragraph or in the Trust Indenture will permit, or be construed as permitting, a Supplemental Trust Indenture providing for (a)(i) a reduction in the percentage of Obligations the consent of the Holders of which are required to consent to such Supplemental Trust Indenture or (ii) a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, without the consent of the Holders of all Obligations then Outstanding, (b) effect a change in the times, amount or currency of payment of the principal of, premium, if any, on or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of each such Obligation so affected or (c) modify the right of the Holders of not less than twenty-five percent in aggregate principal amount of the Obligations then Outstanding and in default as to payment of principal, premium or interest to compel the Trustee to declare the principal of all Obligations to be due and payable, without the consent of the Holders of a majority in aggregate principal amount of the Obligations then Outstanding.

If at any time the Board requests that the Trustee enter into any such Supplemental Trust Indenture for any of the purposes of Section 8.02 of the Trust Indenture, the Trustee, upon being satisfactorily indemnified with respect to expenses, shall cause notice of the proposed execution of such Supplemental Trust Indenture to be mailed by first class mail, postage prepaid, to all Holders of Obligations then Outstanding at their addresses as they appear on the Registrar at the close of business on the Business Day immediately preceding that mailing. The Trustee will not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by the Trust Indenture, and any such failure shall not affect the validity of such Supplemental Trust Indenture when consented to and approved as provided in Section 8.02 of the Trust Indenture. Such notice will briefly set forth the nature of the proposed Supplemental Trust Indenture and will state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Holders.

If within such period, not exceeding one year, as prescribed by the Board, following the mailing of such notice, the Trustee receives an instrument or instruments purporting to be executed by the Holders of a majority in aggregate principal amount of the Obligations then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Trust Indenture described in such notice and will specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee will execute such Supplemental Trust Indenture in substantially such form; without liability or responsibility to any Holder of any Obligation, whether or not such Holder will have consented thereto.

Any such consent is binding upon the Holder of the Obligation giving such consent, upon any subsequent Holder of such Obligation and upon the Holder of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the execution by the Trustee of such Supplemental Trust Indenture, such revocation and, if such Obligation or Obligations are transferable by delivery, proof that such Obligations are held by the signer of such revocation in the manner permitted by Section 10.01 of the Trust Indenture. At any time after the Holders of the required percentage of the Obligations shall have filed their consents to the Supplemental Trust Indenture, the Trustee shall make and file with the Board a written statement that the, Holders of such required percentage of the Obligations have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of the Obligations shall have consented to and approved the execution thereof as provided in the Trust Indenture, no Holder of any Obligation has any right to object to the execution of such Supplemental Trust Indenture, to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the Board from executing the same or from taking any action pursuant to the provisions thereof. (Section 8.02)

Authorization to the Trustee; Effect of Supplemental Trust Indentures

The Trustee is authorized to join with the Board in the execution of any such Supplemental Trust Indenture provided for in the Trust Indenture and to make the further agreements and stipulations which may be contained therein. Any Supplemental Trust Indenture executed in accordance with the provisions of the Trust Indenture will thereafter form a part of the Trust Indenture, all the terms and conditions contained in any such Supplemental Trust Indenture as to any provision authorized to be contained therein will be deemed to be part of the terms and conditions of the Trust Indenture for any and all purposes, the Trust Indenture will be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Indenture of the Board, the Trustee, the Registrar, the Authenticating Agents, the Paying Agents and all Holders of Obligations then Outstanding will thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments. Express reference to such executed Supplemental Trust Indenture may be made in the text of any Obligations issued thereafter, if deemed necessary or desirable by the Trustee or the Board. There will be no modification, change or amendment to the Trust Indenture or any other document related to the Obligations which affects the rights, duties or obligations of the Trustee thereunder, without the Trustee's prior written consent. (Section 8.03)

Opinion of Counsel

The Trustee is entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Board, as conclusive evidence that any such proposed Supplemental Trust Indenture complies with the provisions of the Trust Indenture and that it is proper for the Trustee, under the provisions of the Trust Indenture, to join in the execution of such Supplemental Trust Indenture. (Section 8.04)

Modification by Unanimous Consent

Notwithstanding anything contained elsewhere in the Trust Indenture, the rights and obligations of the Board and of the Holders of the Obligations, and the terms and provisions of the Obligations and the Trust Indenture or any Supplemental Trust Indenture, may be modified or altered in any respect with the consent of the Board and the consent of the Holders of all of the Obligations then Outstanding and the Trustee. (Section 8.05)

Release of Trust Indenture

If the Board pays or cause to be paid and discharged, or there shall otherwise by paid to the Holders of the Outstanding Obligations all Debt Service Charges due or to become due thereon and provision shall also be made for paying all other sums payable under the Trust Indenture, then and in that event the Trust Indenture (except for Sections 4.02, 4.04, 9.02 and 9.03 thereof) will cease, determine and become null and void, and the covenants, agreements, and other obligations of the Board under the Trust Indenture are discharged and satisfied, and thereupon the Trustee will release the Trust Indenture, including the cancellation and discharge of the lien thereof, and execute and deliver to the Board such instruments in writing as required to satisfy and terminate the lien thereof and to enter on the records such satisfaction and discharge and to re-convey to the Board the estate created by the Trust Indenture and such other instruments to evidence such release and discharge as may be reasonably required by the Board, and the Trustee and Paying Agents will assign and deliver to the Board any property at the time subject to the lien of the Trust Indenture which may then be in their possession, except amounts in the Debt Service Fund required to be held by the Trustee and Paying Agents under Section 4.08 of the Trust Indenture or otherwise for the payment of Debt Service Charges. (Section 9.01)

Payment and Discharge of Obligations

All the Outstanding Obligations of one or more series will be deemed to have been paid and discharged within the meaning of the Trust Indenture, including without limitation, Section 9.01 of the Trust Indenture if either (i) the Trustee as paying agent and any Paying Agents are required to hold, in the Debt Service Payment Account in trust for and irrevocably committed thereto, sufficient moneys or (ii) the Trustee is required to hold, in the Debt Service Fund in trust for and irrevocably committed thereto, investments described in clauses (a) or (b) of the definition of Government Bonds as of the date of the determination required in Section 9.02 of the Trust Indenture which are, in either case, certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest (at the maximum permitted interest rate for any period that the actual rate on any Obligations cannot be determined) as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as provided in the Trust Indenture), be sufficient together with moneys referred to in clause (i) above, for the payment, at their maturity, redemption or due date, as the case may be, of all Debt Service Charges on those Obligations to their maturity, redemption or due date, as the case may be, or if Event of Default in such payment will have occurred on such date then to the date of the tender of such payment; provided that if any of such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption will have been duly given or irrevocable provisions satisfactory to the Trustee have been duly made for the giving of such notice; provided that if the Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice. (Section 9.02)

Survival of Certain Provisions

Notwithstanding the foregoing, those provisions of a Series Resolution and the Trust Indenture relating to the maturity of Obligations, interest payments and dates thereof, optional and mandatory redemption provisions, credit against Mandatory Sinking Fund Requirements, exchange, transfer and registration of Obligations, replacement of mutilated, destroyed, lost or stolen Obligations, the safekeeping and cancellation of Obligations, non-presentment of Obligations, the holding of moneys in trust, repayments to the Board from the Pledged Funds and the rights, remedies and duties of the Trustee and the Registrar in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee, the Registrar, the Authenticating Agent, Paying Agents and the Holders notwithstanding the release and discharge of the lien of the Trust Indenture. The provisions of the Article IX of the Trust Indenture shall survive the release and discharge of the Trust Indenture. (Section 9.03)

Limitation of Rights

With the exception of rights expressly conferred in the Trust Indenture, nothing expressed or mentioned in or to be implied from the Trust Indenture or the Obligations is intended or shall be construed to give to any Person other than the parties to the Trust Indenture, the Board, any Credit Support Provider and the Holders of the Obligations any legal or equitable right, remedy or claim under or in respect to the Trust Indenture or any covenants, conditions and provisions in contained in the Trust Indenture; the Trust Indenture and all of the covenants, conditions and provisions of the Trust Indenture being intended to be and being for the sole and exclusive benefit of the parties hereto, the Board, any Credit Support Provider and the Holders of the Obligations as provided in the Trust Indenture. (Section 10.02)

SUMMARY OF THE NINTH SUPPLEMENTAL TRUST INDENTURE

The following is a summary of certain provisions of the Ninth Supplemental Trust Indenture, dated as of November 1, 2019, by and between the Board and the Trustee. This summary is not to be regarded as a complete statement of the Ninth Supplemental Trust Indenture to which reference is made for a complete statement of the actual terms thereof. Copies of the Ninth Supplemental Trust Indenture are on file with the Trustee.

The Ninth Supplemental Trust Indenture, dated as of November 1, 2019, by and between the Board and the Trustee, provides for the execution and delivery by the Board of its 2019 Series A Bonds, the terms of which are summarized in "DESCRIPTION OF THE 2019 SERIES A BONDS." The Ninth Supplemental Trust Indenture also provides for the deposit of a portion of the proceeds of the 2019 Series A Bonds into the Taxable Escrow Fund, to be applied to the refunding of the Refunded Prior Bonds (see "PLAN OF FINANCE AND REFUNDING – Refunding").

SUMMARY OF THE LEASE

The following is a summary of certain provisions of the Lease, dated as of November 1, 2008, as previously supplemented and amended, and as supplemented and amended by the Seventh Supplemental Lease, dated as of November 1, 2019 (collectively, the "Lease"), by and between the Board (the "Lessor") and the Urban County Government (the "Lessee"). This summary is not to be regarded as a complete statement of the Lease to which reference is made for a complete statement of the actual terms thereof. Copies of the Lease are on file with the Trustee.

Lease of Project

Lessor hereby demises, leases and lets to Lessee, and Lessee rents, leases and hires from Lessor, the Project in accordance with the provisions of this Lease, to have and to hold for the Lease Term; provided that the Lessor shall continue to maintain and operate the Airport as provided in Chapter 183 of the Kentucky Revised Statutes. Upon and during acquisition, construction, installation and equipping of the Project, all leasehold rights granted to Lessee by Lessor under this Lease shall vest in Lessee, without any further action on the part of Lessor. (Section 2)

Lease Rental Payments

(a) Lessee agrees to pay to Lessor during the Lease Term, the Lease Rental Payments specified in the Lease. The interest component of the Lease Rental Payments (as provided in the Lease) shall not exceed the applicable Maximum Rate. The Lease Rental Payments during the Lease Term will be absolute and unconditional in all events; provided that, no Lease Rental Payments will be due from the Lessee so long as, at least three Business Days prior to the applicable Payment Date, the amount required to pay Debt Service Charges on the Outstanding Obligations is on deposit in the Debt Service Payment Account of the Debt Service Fund, other than as a result of (i) the transfer of an amount from the Debt Service Reserve Fund that causes the amount in the Debt Service Reserve Fund to be less than the Debt Service Reserve Requirement or (ii) a draw on a Debt Service Reserve Fund Credit Instrument. If the Trustee has transferred amounts from the Debt Service Reserve Fund to the Debt Service Fund, the Lease Rental Payment then due shall be the amount (i) required to cause the amount on deposit in the Debt Service Reserve Fund to equal the Debt Service Reserve Requirement and/or (ii) the amount required to reimburse the draw made on the Debt Service Reserve Fund Credit Instrument. If a Lease Rental Payment has not been included in the budget of the Urban County Government for the fiscal year in which a payment is required, at the meeting of the Urban County Council immediately succeeding receipt of notice from the Trustee that such payment is required, such budget shall be amended to include all remaining Lease Rental Payments for that fiscal year.

(b) Lessee agrees to deposit the Lease Rental Payments in the Sinking Fund and to pay from the Sinking Fund directly to the Trustee, the Lease Rental Payments specified in the Lease, for deposit directly in the Debt Service Payment Account of the Debt Service Fund and such Lease Rental Payments shall not be deemed revenues or assets of the Lessor. Each payment shall be applied first to payment of the interest component of the Lease Rental Payment to which it relates; provided, however, Lessee may make advance payments of principal components of Lease Rental Payments. Such Lease Rental Payments shall correspond to the payments due with respect to the Debt Service Charges on the Outstanding Obligations.

(c) Lease Rental Payments made by the Lessee hereunder (the “Advances”) shall be repaid by the Lessor to the Lessee, on or about the first day of each month, from General Revenues or any other source, to the extent amounts are available after Lessor's (i) payment or the provision for payment of current and future Operation and Maintenance Expenses, (ii) payment of all amounts then due that are related to Debt Service Payments, (iii) deposit of any amounts required to be deposited in the Debt Service Reserve Fund, (iv) payment of any amounts due a Credit Support Provider. Advances shall accrue interest at a rate equal to the interest rate (or average of the interest rates) on the Obligations to which such Advances relate. Notwithstanding any other provision of the Lease, Lessor's failure to repay any Advances shall not relive the Lessee of its obligations to make any future Lease Rental Payments when due; provided, however, Lessee may exercise any right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of the Lease or to recover damages to the extent such right, remedy or privilege does not reduce or change the time for payment of the Lease Rental Payments. (Section 5)

General Obligation Pledge

The obligation of the Lessee created by the Lease shall be a full general obligation of the Lessee and, for the payment of the Lease Rental Payments, the full faith, credit and revenues of the Lessee are hereby pledged for the prompt payment thereof. During the period the Lease is outstanding, there shall be levied on all the taxable property in the Lessee, in addition to all other taxes, without limitation as to rate, a direct tax annually in an amount sufficient to pay the Lease Rental Payments when and as due; provided, however, that in each year to the extent that the other taxes of the Lessee are available for the payment of the Lease Rental Payments and are appropriated for such purpose, the amount of such direct tax upon all of the taxable property in the Lessee shall be reduced by the amount of such other taxes so available and appropriated. As provided in the Ordinance, the funds derived from said tax levy hereby required or other available taxes shall be placed in the Sinking Fund and, together with interest collected on the same, are irrevocably pledged for the payment of all bonds issued under KRS Chapter 66 and Tax Supported Leases, as defined in KRS Chapter 66, including the Lease Rental Payments, when and as the same fall due. (Section 7)

Title

(a) The Lessor shall continue to retain legal title to the Project and the Project Site during the Lease Term, subject to the Lessee's rights under the Lease. Lessor and Lessee agree that the Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Project and the Lease.

(b) Title to the Project shall, upon Lessee's request, be transferred to Lessee in fee simple absolute and Lessor's interest therein shall pass to Lessee upon demand, without cost, upon the complete payment and performance by Lessee of all of its obligations during the Lease Term.

(c) Lessee's leasehold interest shall, without any action by the Lessor or Lessee, immediately terminate upon (i) any termination of the Lease, or (ii) the occurrence of an Event of Default.

(d) The parties agree to execute such instruments and do such things as are reasonably requested by the other party and as may be required by law in order to effectuate transfer of any and all of one party's right, title and/or interest in the Project, as is, to the other party. (Section 8)

Use; Maintenance and Repair

(a) Lessor will (i) use the Project in a manner consistent with the use by similar governmental entities that own and operate airports and for the use contemplated by the Lease and the Kentucky Revised Statutes with respect to operating the Project for public airport purposes; (ii) comply in all material respects with all laws, insurance policies and regulations relating to the use and maintenance of the Project; and (iii) pay all costs, claims, damages, fees and charges arising out of its possession, use or maintenance of the Project.

(b) Lessor will (i) cause the Project to be kept in good condition and furnish all parts, mechanisms and devices required therefor under law, and (ii) obtain and maintain any governmental licenses and permits required for ownership and operation of the Project.

(c) Lessor will maintain, or by contract provide for the proper maintenance of, the Project in accordance with Section 9 of the Lease during the Lease Term.

(d) Lessee agrees that during the Lease Term it will not impair the Lessor's abilities to operate and maintain the Project.

(e) Lessor shall pay or cause to be paid, on or before the due date thereof, all charges for water, gas, sewers, electricity, light, heat, power, telephone and other services used, rendered or supplied to the Lessor in connection with the use and occupancy of the Project. (Section 9)

Events of Default

The occurrence of any one or more of the following events constitutes an "Event of Default" under the Lease:

(a) Lessee's failure to make any Lease Rental Payment (or any other payment) as it becomes due in accordance with the terms of the Lease;

(b) Lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under the Lease or any document delivered by Lessee pursuant to or in connection with this document, and the failure is not cured or steps satisfactory to Lessor taken to cure the failure, within 15 days after written notice of the failure to Lessee by Lessor; or

(c) The discovery by Lessor that any material statement, representation or warranty made by Lessee in the Lease or in any writing delivered by Lessee pursuant to or in connection with the Lease is false, misleading or erroneous in any material respect. (Section 16)

Remedies

Upon the occurrence of an Event of Default, and as long as the Event of Default is continuing, Lessor may, at its option, exercise any one or more of the following remedies as to the Project, to whichever the Event of Default pertains:

(a) By appropriate court action, enforce the general obligation pledge set forth in the Ordinance and Section 7 of the Lease so that during the remaining Lease Term there is levied on all the taxable property of the Lessee, in addition to all other taxes, without limitation as to rate, a direct tax annually in an amount sufficient to pay the Lease Rental Payments when and as due;

(b) By written notice to Lessee, enter and take immediate possession of the Project;

(c) Sell or lease the Project or sublease it for the account of Lessee, holding Lessee liable for all Lease Rental Payments and other payments due during the remaining Lease Term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining Lease Rental Payments when due, with any proceeds of the sale of the Project being applied first to all past due Lease Rental Payments and then to the principal component of Lease Rental Payments in inverse order of their due date; and

(d) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach of the Lease or to rescind the Lease as to any or all of the Project. (Section 17)

Reserved Right of Partial Release and Conveyance of Portions of Project, Rights-of-Way and/or Easements

The Lease is subject to the reserved right of the Lessor to withdraw any unimproved portion(s) of the Project Site described in such Lease from the Project, to release or convey, with or without consideration, such easements, rights-of-way, licenses, or other rights, over, upon or beneath the surface of the Project Site as may reasonably be required, and to cause the Trustee to join in the execution of any document necessary to accomplish the provisions of such conveyance or release. (Section 22)

[END OF APPENDIX C]

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APPENDIX D
FORM OF BOND COUNSEL OPINION

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the 2019 Series A Bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Official Statement shall create no implication that Bond Counsel has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

[Date of Delivery]

Lexington-Fayette Urban County Airport Board
Lexington, Kentucky

Re: $32,000,000 aggregate principal amount of General Airport Revenue and Revenue Refunding Bonds, 2019 Series A (Lexington-Fayette Urban County Government General Obligation) (Federally Taxable) (the "2019 Series A Bonds")

All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Trust Indenture and/or the Lease (each as defined herein).

Ladies and Gentlemen:

We are acting as Bond Counsel and have examined the Constitution and laws of the Commonwealth of Kentucky, together with a certified copy of proceedings adopted by the Lexington-Fayette Urban County Airport Board (the "Board"), an agency of the Lexington-Fayette Urban County Government, created pursuant to Chapter 183 of the Kentucky Revised Statutes, in connection with the authorization, sale and issuance by the Board of its above-referenced 2019 Series A Bonds, dated the date hereof.

The 2019 Series A Bonds have been authorized and issued pursuant to Chapter 183 of the Kentucky Revised Statutes (the "Act") and a 2019 Series Bond Resolution adopted by the Board on September 25, 2019 (the "Bond Legislation"). The Board has previously authorized a Trust Indenture, dated as of November 1, 2008, as amended and supplemented from time to time (collectively, the "Trust Indenture," as further described in ***Exhibit A*** hereto), by and between the Board and U.S. Bank National Association (as successor in trust to The Bank of New York Mellon Trust Company, N.A.), as trustee (the "Trustee"). Pursuant to the Bond Legislation, the Board has authorized the Ninth Supplemental Trust Indenture, dated as of November 1, 2019, by and between the Board and the Trustee.

In addition, the Airport Facilities (as defined in the Trust Indenture) are being leased by the Board to the Lexington-Fayette Urban County Government (the "Urban County Government") for a period coterminous with the final maturity of any Outstanding Bonds (as defined in the Trust Indenture), pursuant to a Lease Agreement, dated as of November 1, 2008, as supplemented from time to time (collectively, the "Lease," as further described in ***Exhibit A*** hereto) by and between the Board and the Urban County Government. Pursuant to the Bond Legislation, the Board has authorized the Seventh Supplemental Lease Agreement, dated as of November 1, 2019 (the

"Seventh Supplemental Lease"), by and between the Board and the Urban County Government. Lease rental payments (the "Lease Rental Payments") by the Urban County Government to the Board under the Lease are required to be sufficient to pay when due the principal of and the interest and the redemption premium, if any, on any Outstanding Bonds including the 2019 Series A Bonds.

The proceeds of the 2019 Series A Bonds are intended to be used to: (1) finance the costs of additions, extensions, and improvements to the present airport facilities at the Airport, consisting of terminal improvements, general aviation development projects, and land acquisition; (2) refund the entire remaining outstanding principal amount of its Series 2012 Bonds; (3) refund a portion of the remaining outstanding principal amount of its Series 2016AB Bonds; and (4) pay the costs of issuance of the 2019 Series A Bonds.

In our capacity as Bond Counsel, we have examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth herein. As to certain questions of fact, we have relied upon statements and certifications of certain of the officers, officials, directors and employees of the Board, consulting engineers and consulting financial experts and public officials. In rendering the opinions set forth herein, we have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have assumed that parties to contracts and documents other than the Board had the requisite power and authority to enter into and perform all obligations of all contracts and documents to which they are parties. We have assumed the due authorization by all requisite action, and the execution and delivery by such other parties of such contracts and documents, and the validity and binding effect thereof on such other parties. We have also relied, for purposes of the opinions set forth below, on the representations and warranties made in such documents by all parties thereto.

We have examined certified copies of the Trust Indenture, the Bond Legislation and the Lease and have relied on the representations made therein by the parties thereto, without undertaking to verify the same by independent investigation. We have relied on an opinion of even date herewith of Stites & Harbison, PLLC, counsel for the Board, as to the legal creation, existence and good standing of the Board, the legal authority of the Board to adopt the Bond Legislation and to issue the 2019 Series A Bonds and perform its duties and obligations thereunder, and with respect to other matters thereto. We have also examined a conformed copy of an executed and authenticated 2019 Series A Bond.

Based upon the foregoing, it is our opinion that, as of the date hereof:

1. The Board is a validly existing agency of the Urban County Government, created pursuant to Chapter 183 of the Kentucky Revised Statutes, and the Urban County Government is a political subdivision of the Commonwealth of Kentucky.

2. The Board has the valid right and lawful authority to adopt the Bond Legislation, enter into the Ninth Supplement, enter into the Seventh Supplemental Lease, issue the 2019 Series A Bonds and perform its duties, obligations and covenants pursuant to the terms and conditions of the Bond Legislation.

3. The Trust Indenture and the Lease have been duly authorized, executed and delivered by the Board and constitute valid and binding legal obligations of the Board, enforceable in accordance with their respective terms.

4. The Lease has been duly authorized, executed and delivered by the Urban County Government and constitutes a valid and binding legal obligation of the Urban County Government, enforceable in accordance with its terms.

5. The Lease Rental Payments, as defined in the Lease, unless paid from other sources, are payable from taxes to be levied by the Urban County Government without limitation as to rate.

6. The 2019 Series A Bonds have been duly authorized and issued by the Board in accordance with the Constitution and laws of the Commonwealth of Kentucky, including the Act and the Bond Legislation, and pursuant to the Act are issued by the Board for airport and air navigation facilities.

7. The 2019 Series A Bonds are valid and binding special obligations of the Board and are enforceable in accordance with their terms, payable from and secured by a pledge of the General Revenues and the Pledged Funds, as defined in the Trust Indenture, and the Lease Rental Payments.

8. Under existing law, including current statutes, regulations, rulings and judicial decisions, interest on the 2019 Series A Bonds is fully includible in gross income for federal income tax purposes.

9. Under the laws of the Commonwealth of Kentucky, as presently enacted and construed, interest on the 2019 Series A Bonds is exempt from income taxation by the Commonwealth of Kentucky, and the 2019 Series A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences arising from the receipt of interest on the 2019 Series A Bonds.

The scope of this opinion is strictly limited to matters addressed above and no opinion is expressed hereby regarding such other federal or Kentucky tax consequences that may arise due to ownership of the 2019 Series A Bonds.

Rights of the holders of the 2019 Series A Bonds and the enforceability thereof under the same may be subject to the exercise of judicial discretion, the sovereign police powers of the Commonwealth of Kentucky and the Constitutional powers of the United States of America, and to bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

Very truly yours,

EXHIBIT A TO APPENDIX D
DEFINITIONS

"Lease" means collectively, the Lease Agreement, dated as of November 1, 2008, as supplemented by:

1. the First Supplemental Lease Agreement dated as of November 1, 2009;
2. the Second Supplemental Lease Agreement dated as of November 1, 2012;
3. the Third Supplemental Lease Agreement, dated as of March 1, 2013;
4. the Fourth Supplemental Lease Agreement, dated as of June 1, 2014;
5. the Fifth Supplemental Lease Agreement, dated as of October 1, 2016;
6. the Sixth Supplemental Lease Agreement, dated as of November 1, 2018; and
7. the Seventh Supplement Lease Agreement, dated as of November 1, 2019 (the "Seventh Supplemental Lease").

each by and between the Board and the Urban County Government.

"Trust Indenture" means collectively, the Trust Indenture, dated as of November 1, 2008, as amended and supplemented by:

1. the First Supplemental Trust Indenture, dated as of November 1, 2008;
2. the Second Supplemental Trust Indenture, dated as of November 1, 2009;
3. the Third Supplemental Trust Indenture, dated as of November 1, 2009;
4. the Fourth Supplemental Trust Indenture, dated as of November 1, 2012;
5. the Fifth Supplemental Trust Indenture, dated as of March 1, 2013;
6. the Sixth Supplemental Trust Indenture, dated as of June 1, 2014;
7. the Seventh Supplemental Trust Indenture, dated as of October 1, 2016;
8. the Eighth Supplemental Trust Indenture, dated as of September 1, 2018; and
9. the Ninth Supplemental Trust Indenture, dated as of November 1, 2019 (the "Ninth Supplement"),

each by and between the Board and U.S. Bank National Association (as successor in trust to The Bank of New York Mellon Trust Company, N.A.), as trustee (the "Trustee").

APPENDIX E
FORM OF CONTINUING DISCLOSURE UNDERTAKING

[SEE ATTACHED]

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CONTINUING DISCLOSURE UNDERTAKING

This CONTINUING DISCLOSURE UNDERTAKING (the "Agreement") is executed and delivered by the LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD (the "Board") in connection with the issuance by the Board of its General Airport Revenue and Revenue Refunding Bonds, 2019 Series A (Lexington-Fayette Urban County Government General Obligation) (Federally Taxable), in the aggregate principal amount of $32,000,000 (the "Bonds"). The Bonds are being issued pursuant to the General Bond Resolution adopted by the Board on October 15, 2008 (the "General Bond Resolution"), the 2019 Series Bond Resolution adopted by the Board on September 25, 2019 (the "2019 Series Bond Resolution, and together with the General Bond Resolution, the "Bond Resolution") and the Trust Indenture, dated as of November 1, 2008, as supplemented and amended by the First Supplemental Trust Indenture, dated as of November 1, 2008, the Second Supplemental Trust Indenture, dated as of November 1, 2009, the Third Supplemental Trust Indenture, dated as of November 1, 2009, the Fourth Supplemental Trust Indenture, dated as of November 1, 2012, the Fifth Supplemental Trust Indenture, dated as of March 1, 2013, the Sixth Supplemental Trust Indenture, dated as of June 1, 2014, the Seventh Supplemental Trust Indenture, dated as of October 1, 2016, the Eighth Supplemental Trust Indenture, dated as of September 1, 2018, and the Ninth Supplemental Trust Indenture, dated as of November 1, 2019, each by and between the Board and U.S. Bank National Association (as successor in trust to The Bank of New York Mellon Trust Company, N.A.), as trustee (the "Trustee") (such Trust Indenture, as so supplemented and amended, the "Indenture").

In consideration of the issuance of the Bonds by the Board and the purchase of such Bonds by the Beneficial Owners (as defined below), the Board covenants and agrees as follows:

Section 1. Purpose of this Agreement. This Agreement is executed and delivered by the Board, as of the date set forth below, for the benefit of the Beneficial Owners. The Board represents that the Lexington-Fayette Urban County Government (the "Urban County Government") is the only Obligated Person (as defined below) other than the Board, with respect to the Bonds at the time the Bonds are delivered to the Underwriter (as defined below).

Section 2. Definitions. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

"Annual Financial Information" means the financial information and operating data described in Exhibit A attached hereto.

"Annual Financial Information Disclosure" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4 hereof.

"Audited Financial Statements" means the audited financial statements of the Board prepared pursuant to the standards and as described in Exhibit A attached hereto.

“Beneficial Owner” means, under this caption only, any person which has or shares power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

“Event” means the occurrence of any of the events set forth in Exhibit B attached hereto.

“Events Disclosure” means dissemination of a notice of an Event as set forth in Section 5 hereof.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“MSRB” means the Municipal Securities Rulemaking Board.

“Obligated Person“ means (a) the Board, (b) the Urban County Government, (c) each airline or other entity at any time using the Airport (i) that is obligated under an airport use agreement, lease or other agreement to pay a portion of the debt service on the Bonds and (ii) has paid amounts equal to at least 20 percent of the General Revenues of the Airport for each of the prior two Fiscal Years and (d) any person who is either generally or through an enterprise, a fund or an account of such person committed by contract or other arrangement to support payment of not less than 20% of debt service coming due on the Bonds in the succeeding Fiscal Year. Capitalized terms used in this definition, which are not defined herein, shall have the meaning assigned to them in Section 1.01 of the Indenture.

“Rule” means Rule 15c2-12 adopted by the SEC under the Exchange Act, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

“SEC Reports” means reports and other information required to be filed pursuant to Sections 13(a), 14 or 15(d) of the Exchange Act.

“State” means the Commonwealth of Kentucky.

“Undertaking” means the obligations of the Board pursuant to Sections 4 and 5 hereof.

“Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Section 3. CUSIP Number; Final Official Statement. The CUSIP numbers of the Bonds are as set forth in Exhibit C attached hereto. The final Official Statement relating to the Bonds is dated October 22, 2019 (the “Final Official Statement”).

Section 4. Annual Financial Information Disclosure.

(a) Subject to Section 9 hereof, the Board hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements of the Board (in the form and by the dates set forth in Exhibit A attached hereto) to the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB.

(b) (i) The Urban County Government is at present the only Obligated Person, other than the Board. If an airline becomes an Obligated Person and such airline is required to file SEC Reports with the SEC under the Exchange Act as more fully described under the caption "BONDHOLDER RISKS - Airline Information Reporting" in the Final Official Statement, the Board will have no responsibility for the accuracy or completeness of any SEC Report filed by any such future Obligated Person. The Urban County Government currently files its audited financial statements with the MSRB in connection with separate undertakings executed by the Urban County Government. Unless no longer required by the Rule, the Board will use reasonable efforts to cause the Urban County Government to file the information included in APPENDIX A to the Final Official Statement with the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB (if the Urban County Government is not otherwise required to file its audited financial statements under its separate undertakings). Unless no longer required by the Rule, the Board will use reasonable efforts to cause each Obligated Person, other than the Board and the Urban County Government (to the extent that such Obligated Person is not otherwise required to file SEC Reports under the Exchange Act), to file annual information substantially equivalent to that contained in the SEC Reports with the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB.

(ii) If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Board shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

(c) If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Events Notification; Events Disclosure. Subject to Section 9 hereof, the Board hereby covenants that it will disseminate in a timely manner not in excess of ten business days after the occurrence of the Event an Events Disclosure to the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the holders of the Bonds pursuant to the Indenture.

Section 6. Provision of Documents to the MSRB. All documents provided to the MSRB under this Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Consequences of Failure of the Board to Provide Information.

(a) The Board shall give notice in a timely manner to the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB, of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

(b) In the event of a failure of the Board to comply with any provision of this Agreement, any Beneficial Owner may seek mandamus or specific performance by court order to cause the Board to comply with its obligations under this Agreement. Any court action must be initiated in the Circuit Court of Fayette County, Kentucky. A default under this Agreement shall not be deemed a default under the Bonds, the Bond Resolution or the Indenture, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Board or type of business conducted;

(ii) this Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Beneficial Owners, as determined by a party unaffiliated with the Board (such as the Trustee or bond counsel), or by approving vote of the Beneficial Owners pursuant to the Indenture, at the time of the amendment; or

(b) the amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Undertaking. The Undertaking of the Board shall be terminated hereunder if the Board shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. If this Section is applicable, the Board shall give notice in a timely manner to the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB.

Section 10. Dissemination Agent. The Board may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Agreement and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 11. Additional Information. Nothing in this Agreement shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication or including any other information in any Annual Financial Information Disclosure or Event Disclosure, in addition to that which is required by this Agreement. If the Board chooses to include any other information in any Annual Financial Information Disclosure or Event Disclosure in addition to that which is specifically required by this Agreement, the Board shall have no obligation under this Agreement to update such other information or include it in any future Annual Financial Information Disclosure or Event Disclosure.

Section 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Board and the Beneficial Owners and shall create no rights in any other person or entity.

Section 13. Assignment. The Board shall not transfer its obligations under this Agreement, unless the transferee agrees to assume all obligations of the Board under this Agreement or to execute an Undertaking meeting the requirements of the Rule.

Section 14. Governing Law. This Agreement shall be governed by the laws of the State.

Date: November 6, 2019

LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT AIRPORT BOARD

By: ________________________________
Its: Chair

EXHIBIT A TO APPENDIX E

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means the financial information and operating data as set forth below. All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by specific reference to documents available to the public on the MSRB's Internet Web site or filed with the SEC. The Board shall clearly identify each such item of information included by reference.

Section 1. Annual Financial Information:

(a) Financial information and operating data (exclusive of Audited Financial Statements), which shall include information generally consistent with the following information:

(i) With respect to the Board: financial and statistical data generally consistent with that contained in the Final Official Statement in Table 1 (to the extent expected debt service changes materially as a result of the sale of the Bonds), the table under the caption "SECURITY FOR THE 2019 SERIES A BONDS – Historical Rate Covenant Compliance" and Tables 2 through 9. If any of the Annual Financial Information that is published by a third party is no longer publicly available, the Board shall include a statement to that effect as part of the Annual Financial Information for the year in which such lack of availability arises.

(ii) With respect to (A) the Urban County Government, the information contained in APPENDIX A to the Final Official Statement, and (B) each Obligated Person other than the Board and the Urban County Government, if such Obligated Person does not file SEC Reports, information substantially equivalent to that contained in the SEC Reports.

(b) The Board does not have any obligation to file or disseminate any SEC Reports relating to another Obligated Person. With respect to any Obligated Person, other than the Board, if such Obligated Person files SEC Reports, the Board will include in its Annual Financial Information a statement that such SEC Reports may be viewed on the SEC's website or replacement website.

(c) The Annual Financial Information (exclusive of Audited Financial Statements or information derived therefrom) will be provided to the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB, not more than 210 days after the last day of the Board's fiscal year, which is currently June 30. Annual Financial Information for each Obligated Person, if any, other than the Board, if not consisting of SEC Reports, will be provided to the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB, upon the earlier of (i) 210 days after the last day of the Obligated Person's fiscal year or (ii) 30 days after availability to the Board.

(d) Audited Financial Statements as described in Section 2 hereof are expected to be filed at the same time as the Annual Financial Information described in this Section. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be filed when available.

Section 2. Audited Financial Statements:

(a) Audited Financial Statements will be prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

(b) Audited Financial Statements will be provided to the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB, no later than (i) 210 days after the last day of the Board's preceding fiscal year or (ii) 30 days after availability to the Board.

EXHIBIT B TO APPENDIX E

EVENTS FOR WHICH EVENTS DISCLOSURE IS REQUIRED

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(7) Modifications to rights of security holders, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the securities, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For the purpose of the event set forth in clause (12) above, such event is considered to occur when any of the following occur:

(1) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or

(2) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

For the purpose of the events set forth in clauses (15) and (16) above, the term “financial obligation” means: (1) a debt obligation; (2) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) a guarantee of a debt obligation or a derivative instrument described in clause (2) above; provided, however, the term “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended), as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

EXHIBIT C TO APPENDIX E

CUSIP NUMBERS

2019 Series A Bonds

Maturity Date (July 1)	CUSIP Number
2021	52909MDL5
2022	52909MDM3
2023	52909MDN1
2024	52909MDP6
2025	52909MDQ4
2026	52909MDR2
2027	52909MDS0
2028	52909MDT8
2029	52909MDU5
2030	52909MDV3
2031	52909MDW1
2032	52909MDX9
2033	52909MDY7
2034	52909MDZ4
2038	52909MEA8

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD, KENTUCKY • GENERAL AIRPORT REVENUE AND REVENUE REFUNDING BONDS
2019 SERIES A (LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT GENERAL OBLIGATION) (FEDERALLY TAXABLE)

Mixed Sources
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