

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

**FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITOR
Years Ended June 30, 2025 and 2024**

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

FINANCIAL STATEMENTS
Years Ended June 30, 2025 and 2024

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Report of Independent Auditor

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

Opinion

We have audited the accompanying financial statements of the Lexington-Fayette Urban County Airport Board (the "Airport"), a component unit of Lexington-Fayette Urban County Government, as of and for the years ended June 30, 2025 and 2024, and the related notes to financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Airport as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2025 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Lexington, Kentucky
September 24, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024

The Lexington-Fayette Urban County Airport Board owns and operates Blue Grass Airport (Airport). The following Management's Discussion and Analysis (MD&A) of the Airport's activities and financial performance provides an introduction and overview to the financial statements of the Airport for the fiscal years ended June 30, 2025 (FY 2025) and June 30, 2024 (FY 2024). 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

Fiscal year 2025 was a significant year for Blue Grass Airport that included expanded air service options, facility enhancements and continued improvements to the customer experience. Celebrating 78 years of commercial air service, the Airport continued to focus daily on fulfilling its vision of providing a welcoming approach connecting Kentucky and the world.

Served by four airline brands offering flights to 18 non-stop destinations during FY 2025, the Airport welcomed 805,503 enplanements and 795,169 deplanements, for a total of 1,600,672 passengers—marking the busiest year in the Airport's history. This milestone represents a 9.4 percent increase in enplanements over the previous fiscal year. Allegiant, American, Delta Air Lines and United Airlines were key contributors to this record-breaking growth.

Blue Grass Airport continued to grow its air service offerings by providing travelers with more convenience and connectivity. Allegiant began non-stop, year-round service in April 2025 between Blue Grass Airport and Florida's Sarasota-Bradenton International Airport (SRQ). This new Allegiant flight operates twice weekly. In May 2025, the Airport celebrated the return of non-stop daily flights between Lexington and New York LaGuardia Airport (LGA) via Delta Air Lines. This flight was offered prior to the COVID-19 pandemic and has now resumed due to popular demand, operating six days per week, Sunday through Friday. With the addition of these routes, the Airport continues to enhance travel options for central Kentucky residents and visitors coming to our region.

In FY 2024, the Airport concluded a Master Plan study that forecasted future aviation activity for the next five, 10 and 20 years to create a facility plan to accommodate growth. Planning initiatives continued into FY 25 with the beginning of a Terminal Area Plan, which focuses on optimizing and modernizing the terminal and its immediate areas, including the roadways and parking lots, rental car facility, and terminal curbside. This planning effort began in October 2024 and is expected to conclude in fall 2025.

To accommodate the Airport's growing traveler base, the Airport is undergoing multiple projects for the many passengers using the Airport's commercial services. In May 2025, Blue Grass Airport broke ground on a new parking enhancement project that includes the reconfiguration of a portion of the Airport's main entrance and exit roadway, the addition of 815 long-term parking spaces, construction of a second covered walkway and other parking-related amenities. This \$17.8 million project is anticipated to be completed by spring 2026 and is made possible through a collaboration of funds from Blue Grass Airport, the Federal Aviation Administration, and a \$5 million state grant. New technology was also recently installed in the parking lots, allowing license plate recognition and providing passengers a "ticketless" parking experience as well as several convenient new payment options.

This construction momentum continues for Blue Grass Airport's general aviation users as well. In FY 2025, construction concluded on a westside hangar for multiple tenants offering general aviation services such as flight instruction and maintenance services. In addition, the Airport constructed a 55,044-square-foot executive hangar that provides exceptional facilities catering to the unique needs of large corporate aircraft requiring 30-foot-high doors. These new hangars reflect the Airport's commitment to advancing its private aviation facilities in response to the region's ongoing development and demand.

Blue Grass Airport's Regional Aircraft Rescue and Firefighting (ARFF) Training Center, a Federal Aviation Administration-designated training facility, was renovated to include a new state-of-the-art aircraft simulator and building expansion. This training center provides top-tier education for ARFF professionals at Blue Grass Airport and Airports of all sizes across the country. Offering both basic and advanced courses, the training center's new simulator significantly enhances the realism and depth of the training experience.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Airport activities and highlights (continued)

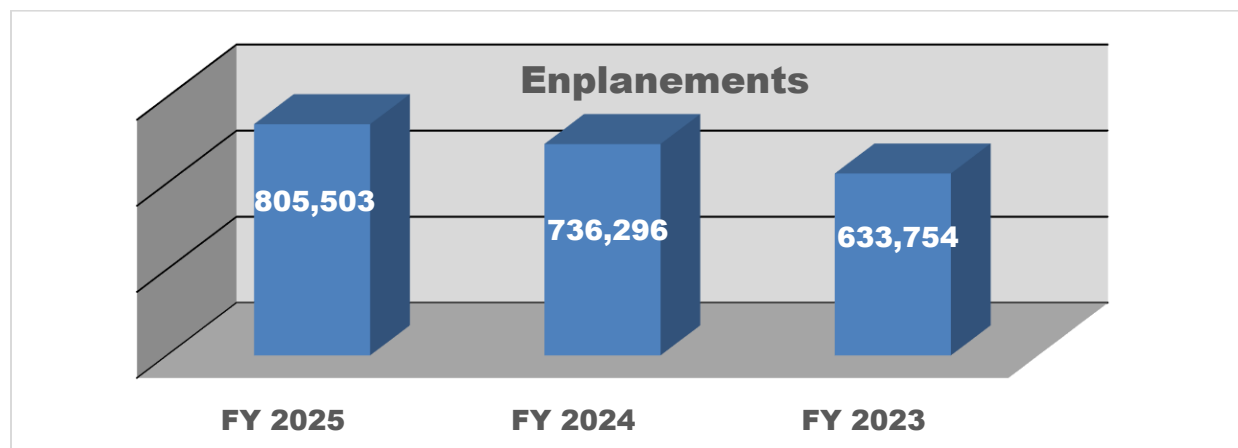
The Airport remains committed to progress, leveraging new commercial air service and expanded general aviation services as a foundation for the future. By continually evaluating how to better meet the needs of both the region and the traveling public, the Airport continues to position itself for the years ahead.

Operations Statistical Data

	2025	2024	2023
Enplanements	805,503	736,296	633,754
Increase	69,207	102,542	58,206
% Increase	9.40%	16.18%	10.11%
Landed weight (1,000 pounds)	936,956	851,836	727,902
Increase	85,120	123,934	78,350
% Increase	9.99%	17.03%	12.06%
Aircraft operations - commercial	21,018	18,759	17,620
Increase (decrease)	2,259	1,139	(601)
% Increase (decrease)	12.04%	6.46%	(3.3%)
Aircraft operations - general aviation	59,959	61,206	61,690
Increase (decrease)	(1,247)	(484)	6,258
% Increase (decrease)	(2.04%)	(0.78%)	11.29%
Aircraft operations - military	2,221	2,070	2,177
Increase (decrease)	151	(107)	393
% Increase (decrease)	7.29%	(4.92%)	22.03%

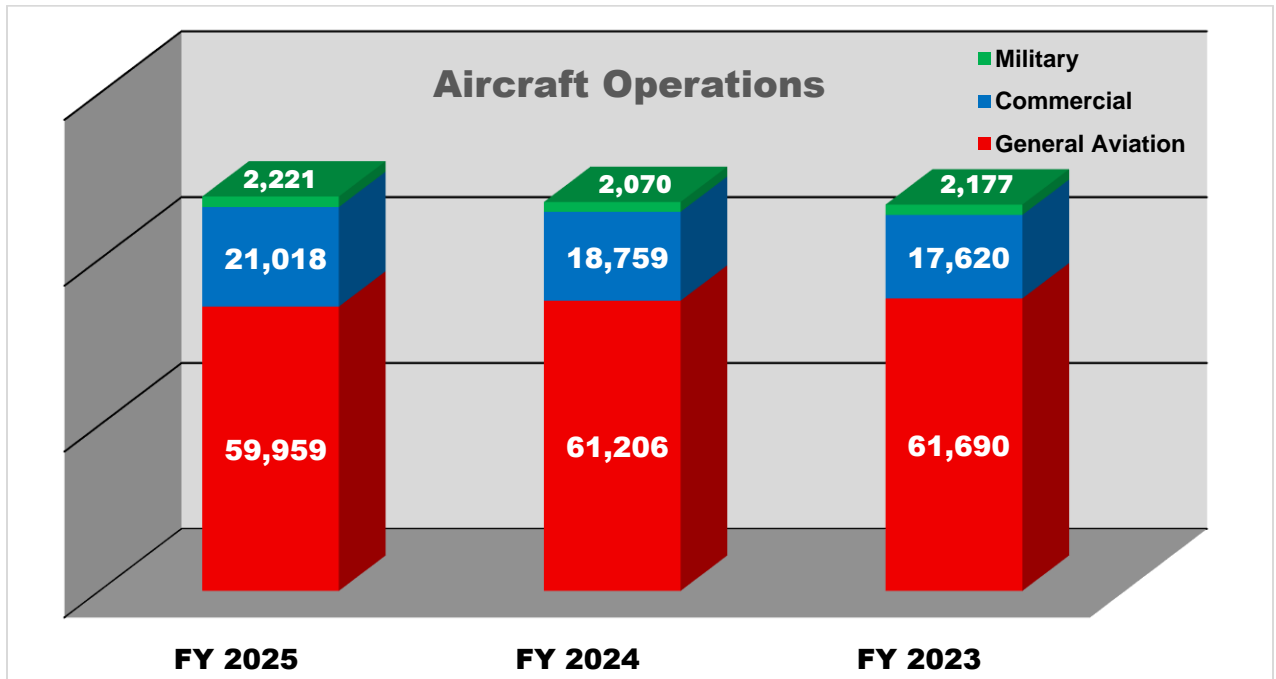
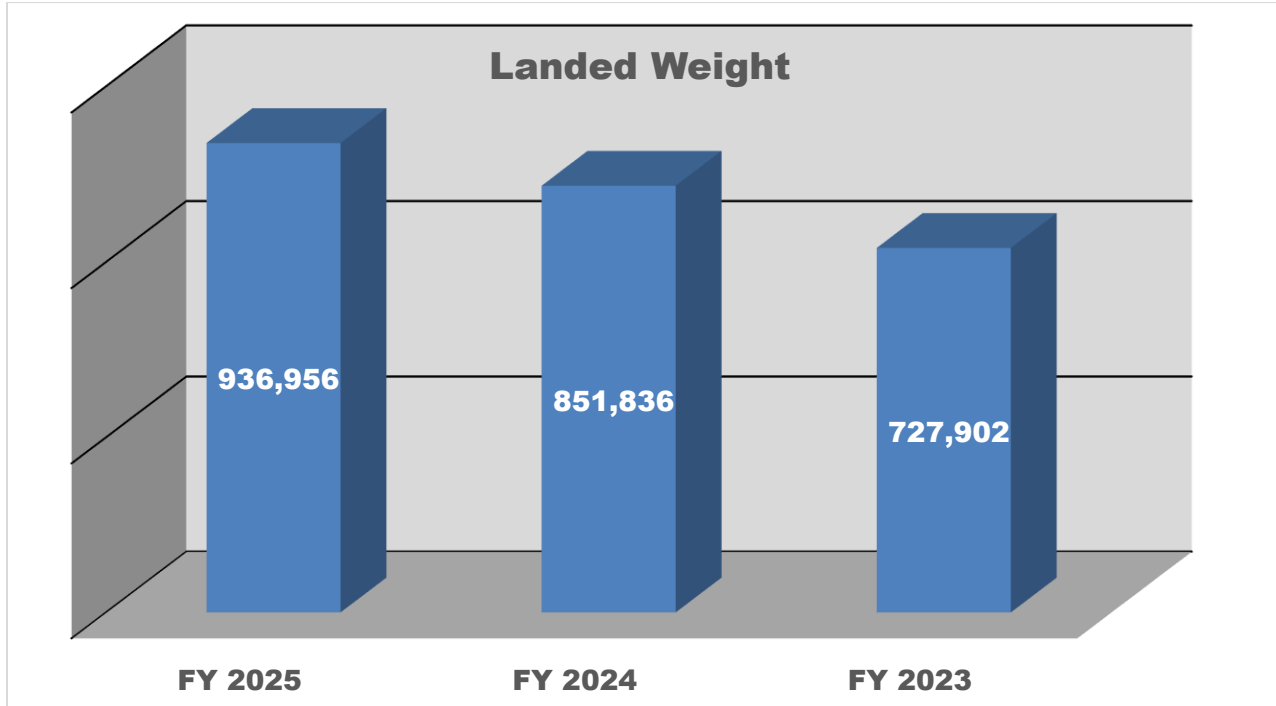
Enplanements represent the total number of passengers that boarded aircraft. Landed weight is the cumulative maximum certificated landing weight per aircraft, as defined by the aircraft manufacturer, of aircraft that have landed at the Airport. Aircraft operations are the cumulative number of takeoffs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

Statistical graphs



LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Statistical graphs (continued)



LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (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 Financial Statements for the Airport's significant accounting policies.

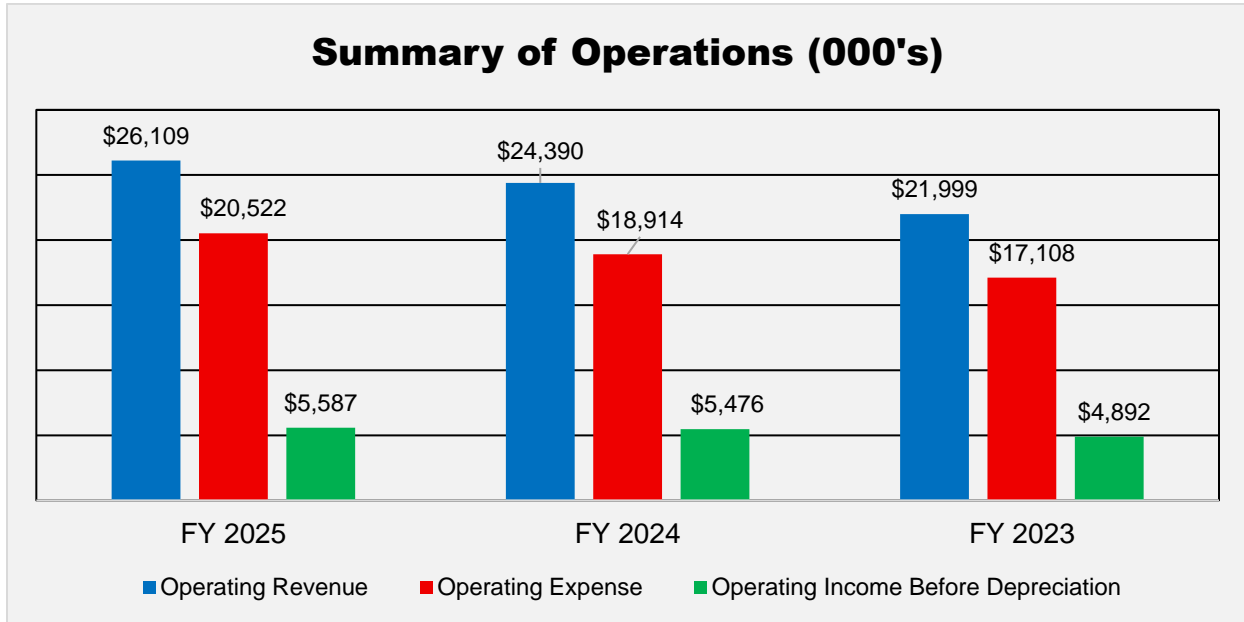
Financial operations and highlights

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenue	\$ 26,109,048	\$ 24,389,693	\$ 21,999,484
Operating expenses	<u>(20,522,168)</u>	<u>(18,914,095)</u>	<u>(17,107,821)</u>
Operating income before depreciation expense	5,586,880	5,475,598	4,891,663
Depreciation expense	<u>(14,023,074)</u>	<u>(13,128,676)</u>	<u>(12,880,053)</u>
Loss from operations	(8,436,194)	(7,653,078)	(7,988,390)
Net non-operating revenue	<u>6,055,281</u>	<u>4,873,954</u>	<u>3,856,540</u>
Loss before capital grants	(2,380,913)	(2,779,124)	(4,131,850)
Capital grants	<u>11,039,167</u>	<u>24,677,358</u>	<u>6,289,820</u>
Increase in net position	<u>\$ 8,658,254</u>	<u>\$ 21,898,234</u>	<u>\$ 2,157,970</u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Financial operations and highlights (Continued)



LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Financial operations and highlights (Continued)

Revenue

Revenues for FY 2025, FY 2024, and FY 2023 are as follows:

	2025 Amount	2024 Amount	2023 Amount	% Change 2025/2024
Operating:				
Airline operations	\$ 8,890,455	\$ 8,583,141	\$ 7,335,332	3.58%
Parking	8,780,556	8,095,786	7,096,753	8.46%
Ground transportation	3,996,524	3,663,163	3,795,345	9.10%
Concessions	1,164,126	998,081	867,940	16.64%
General aviation	2,236,134	2,024,757	1,975,351	10.44%
Advertising	556,162	547,638	507,726	1.56%
Other	485,091	477,127	421,037	1.67%
Total operating revenue	<u>26,109,048</u>	<u>24,389,693</u>	<u>21,999,484</u>	<u>7.05%</u>
Non-operating:				
Passenger facility charges	3,226,354	2,973,151	2,496,522	8.52%
Contract facility charges	1,991,850	1,722,594	1,373,048	15.63%
Interest from leases	1,106,531	634,012	799,386	74.53%
Investment income, net of fees	2,200,518	2,167,000	979,608	1.55%
Net increase (decrease) in fair value of investments	1,310,276	1,247,918	(131,311)	5.00%
Gain (loss) on disposal of capital assets	31,447	(154,991)	-	NA
Insurance net of proceeds	-	-	650,429	NA
Total non-operating revenue	<u>9,866,976</u>	<u>8,589,684</u>	<u>6,167,682</u>	<u>14.87%</u>
Capital grants	<u>11,039,167</u>	<u>24,677,358</u>	<u>6,289,820</u>	<u>(55.2%)</u>
Total revenue	<u><u>\$ 47,015,191</u></u>	<u><u>\$ 57,656,735</u></u>	<u><u>\$ 34,456,986</u></u>	<u><u>(18.46%)</u></u>

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Financial operations and highlights (Continued)

Expense

Expenses for FY 2025, FY 2024, and FY 2023 are as follows:

	2025 Amount	2024 Amount	2023 Amount	% Change 2025/2024
Operating:				
Administration	\$ 8,768,909	\$ 7,974,087	\$ 7,165,900	9.97%
General maintenance	4,590,624	4,459,132	4,265,641	2.95%
Safety, rescue and security	3,111,919	2,837,152	2,621,132	9.68%
General aviation	600,998	412,072	336,845	45.85%
Planning and construction	1,038,890	965,932	824,379	7.55%
Building maintenance	1,148,800	1,263,083	970,011	(9.05%)
Airport operations	1,262,028	1,002,637	923,913	25.87%
Total operating expense	<u>20,522,168</u>	<u>18,914,095</u>	<u>17,107,821</u>	<u>8.50%</u>
Non-operating:				
Interest expense and fees	3,811,695	3,321,057	2,311,142	14.77%
Debt issuance costs	-	394,673	-	NA
Total non-operating	3,811,695	3,715,730	2,311,142	2.58%
Depreciation expense	14,023,074	13,128,676	12,880,053	6.81%
Total expense	<u>\$ 38,356,937</u>	<u>\$ 35,758,501</u>	<u>\$ 32,299,016</u>	<u>7.27%</u>

FY 2025 REVENUE AND EXPENSE ANALYSIS

Operating revenue increased from \$24.4 million in FY 2024 to \$26.1 million in FY 2025, an increase of 7%. The increase in revenue is primarily due to the increase in passenger enplanements, which drives most of the operations revenue. Compared to the previous year, enplanements increased by 9% and landed weight increased by 10%. The following describes the fluctuations of certain types of operating revenue:

- Airline operations revenue increased by \$307,000 or 4%. This increase was driven by a 69,207 or 9% increase in passenger enplanements and a 85,120 or 10% increase in landed weight. New flight destinations and the airline's usage of larger aircraft contributed to this increase.
- General aviation revenue increased by \$211,000 or 10%. This growth was primarily driven by the addition of two newly constructed hangars, a general aviation hangar and a corporate hangar, which together generated approximately \$124,000 in new rental income. The remaining increase was attributable to higher avgas fuel sales, resulting from the Airport assuming responsibility for all avgas fuel sales on Airport property.
- The 9% increase in enplanements resulted in an increase in revenue in the following:
 - Concessions revenue increased by \$166,000 or 17%.
 - Parking revenue increased by \$685,000 or 8%.
 - Ground transportation increased by \$333,000 or 9%. This growth was driven not only by higher passenger volumes but also by additional rental activity associated with FEMA operations supporting disaster response efforts in Kentucky.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Financial operations and highlights (Continued)

Operating expense increased from \$18.9 million in FY 2024 to \$20.5 million in FY 2025, an increase of 9%. The primary driver of this increase was increased salary costs, reflecting additional staffing to support increased coverage airport operations department, expanded coverage for landside operations, and year-end paid time off accrual for unused time. The Airport also incurred greater expenses for equipment, supplies, and contracted services to meet operational demands. The following describes the fluctuations of certain types of operating expense:

- Administration increased by \$795,000 or 10%. The increase was primarily driven by a year-end adjustment for unused paid time off. Also contributing to the variance: additional staffing requirements, implementation of year-round shuttle bus operations, casualty insurance premiums, and higher utility rates.
- General maintenance expenses increased by \$131,000 or 3%. This was due to new preventative maintenance agreements for passenger boarding bridges and baggage belt conveyors.
- Safety, rescue, and security increased by \$275,000 or 10%. This increase was primarily driven by higher costs for supplies, equipment, and staffing necessary to meet new employee screening requirements mandated by the Transportation Security Administration (TSA).
- General aviation expenses increased by \$189,000 or 46%. This increase was driven by higher costs for equipment, supplies, and salaries and benefits, primarily resulting from the addition of two new hangars and the expansion of avgas fuel sales operations.
- Planning and construction expenses increased by \$73,000 or 8%. This was the result of increase costs for professional services related to project design and other construction activities.
- Airport operations expenses increased by \$259,000 or 26%. This increase was driven by higher expenses related to equipment maintenance, supplies, and employee salaries and benefits.

Net non-operating revenue increased from \$4.9 million in FY 2024 to \$6.1 million in FY 2025, an increase of 24%. The following describes the fluctuations of certain types of non-operating revenue:

- Passenger facility charges increased by \$253,000 or 9%, due to higher airline passenger enplanements.
- Contract facility charges provided by car rentals increased \$269,000 or 16%, due to the increase in airline passenger deplanements.
- Operating lease interest increased \$473,000 or 75%, primarily due to the renewal of rental car contracts executed prior to FY 2025. For additional details regarding lease arrangements, please refer to Note 3 of the financial statements.
- Interest expense increased by \$491,000 or 15%, as a result of the FY 2024 debt issuance, which incurred a full year of interest in FY 2025. No additional debt issuance costs were incurred during FY 2025.

Capital grants decreased from \$24.7 million in FY 2024 to \$11.0 million in FY 2025. This was due to several major FAA-funded projects being completed in FY 2024.

FY 2024 REVENUE AND EXPENSE ANALYSIS

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

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Financial operations and highlights (Continued)

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

- Administration expenses increased by \$808,000 or 11%. The Airport experienced higher costs for cyber security and property and casualty insurance and incurred legal and consulting fees for the issuance of the line of credit and the redevelopment of airline agreements. Also, general inflation led to higher costs to operate across the board for expenses and salaries and benefits.
- General maintenance expenses increased by \$193,000 or 5%. The higher volume of passengers and inflation led to higher salary and benefit costs.
- Safety, rescue, and security expenses increased by \$216,000 or 8%. The public safety department saw an increase in the cost of training, supplies and salaries and benefits.
- General aviation expenses increased by \$75,000, or 22%. This was due to increased expenses for maintenance of equipment, supplies and salaries and benefits.
- Planning and construction expenses increased by \$142,000 or 17%. This was due to professional services for project design and other construction.
- Building maintenance expenses increased by \$293,000 or 30%. This was due to increased expenses for supplies, contracted cleaning services, and salaries and benefits.
- Airport operations expenses increased by \$79,000 or 9%. This was due to increased expenses for supplies and salaries and benefits.

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

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Financial operations and highlights (Continued)

FINANCIAL POSITION

The following represents the Airport's financial position at June 30, 2025, 2024, and 2023. The Airport's assets exceeded liabilities by \$206.0 million on June 30, 2025, a \$8.7 million increase from June 30, 2024. The Airport's assets exceeded liabilities by \$197.3 million on June 30, 2024, a \$21.9 million increase from June 30, 2023.

	2025	2024	2023
Assets:			
Current assets-unrestricted	\$ 35,042,545	\$ 33,246,613	\$ 32,536,701
Restricted assets	43,538,211	54,410,316	26,297,672
Long term assets – unrestricted	16,957,638	23,585,314	16,703,769
Capital assets	234,894,977	224,565,617	198,095,745
Deferred outflows of resources	338,050	507,075	676,101
Total assets	<u>\$ 330,771,421</u>	<u>\$ 336,314,935</u>	<u>\$ 274,309,988</u>
Liabilities:			
Current liabilities-payable from unrestricted assets	\$ 3,046,338	\$ 3,135,536	\$ 1,838,577
Current liabilities-payable from restricted assets	13,326,488	15,307,572	8,867,213
Noncurrent liabilities	84,813,652	90,207,334	65,519,213
Deferred inflow of resources	23,577,102	30,314,906	22,633,632
Total liabilities	<u>\$ 124,763,580</u>	<u>\$ 138,965,348</u>	<u>\$ 98,858,635</u>
Net Position:			
Net investment in capital assets	154,583,469	145,410,859	126,059,009
Restricted	22,940,035	25,794,302	24,799,809
Unrestricted	28,484,337	26,144,426	24,592,535
Total net position	<u>\$ 206,007,841</u>	<u>\$ 197,349,587</u>	<u>\$ 175,451,353</u>

CAPITAL ASSETS

Major capital projects in progress and expenditures incurred during FY 2025 included the following:

	2025	Cumulative
Airport Rescue Firefighting Training Center Modernization	\$ 516,000	\$ 9,737,000
Airport Rescue Firefighting Training Center Building	4,012,000	4,460,000
Corporate Hangar Construction	8,062,000	16,204,000
Hangar 110 Construction	2,275,000	5,608,000
Aircraft Fuel Facility	658,000	993,000
West Airfield Lighting Replacement	1,133,000	1,244,000
Terminal Road Relocation and Parking	1,997,000	1,998,000
Terminal Area Plan	1,286,000	1,289,000

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Financial operations and highlights (Continued)

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

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

The Airport Rescue and Firefighting Training Center (ARFFTC) Modernization, completed in FY 2025, was a \$9.7 million project designed to upgrade the existing facility, which provides specialized training for airport firefighters. The modernization replaced systems and equipment more than 25 years old and was funded approximately 90% through Federal Aviation Administration (FAA) grants, with the remaining 10% provided through Airport matching funds.

The ARFFTC Building, expected to be completed in FY 2026, includes the expansion and reconfiguration of the existing structure to support larger class sizes, vehicle storage, and gear accommodation. The estimated cost is \$4.8 million, funded approximately 90% by FAA grants and 10% by a local match from the Airport.

The Corporate Hangar Construction Project, completed in FY 2025, involved the construction of a new facility designed to accommodate three large corporate aircraft. The hangar measures approximately 320 feet in length and 150 feet in depth and is located on the east side of the airfield. The total project cost was \$16 million and was funded through a bond issuance in November 2023.

Hangar 110, completed in FY 2025, was constructed to meet the growing demand for general aviation hangar space. This three-unit facility, located on the west side of the airfield, was a \$5.6 million project funded by approximately \$3.8 million from the Bipartisan Infrastructure Law (BIL), with the remaining \$1.8 million provided through Airport funds.

The Aircraft Fuel Facility Replacement Project is currently in the design phase, with construction expected to begin in FY 2026. The project will replace the existing fueling infrastructure with a higher-capacity facility to accommodate projected growth and serve all Airport users. The estimated cost is approximately \$20 million, funded through a combination of \$10 million in bond proceeds (from the November 2023 issuance), \$6 million in FAA grant funds, and the remaining balance from Airport funds.

The West Airfield Lighting Replacement Project, completed in FY 2025 at a cost of \$1.3 million, involved the installation of new lighting systems on Runway 9-27 and adjacent taxiways B, D, and G. The project was funded approximately 90% through FAA grants, with a 10% local contribution from the Airport.

The Terminal Road and Parking Expansion Project includes the realignment of a portion of Terminal Drive, expansion of surface parking, and relocation of the parking exit plaza. Designed to address current and anticipated traffic capacity constraints and to support the expansion of paid parking operations, the project is expected to be completed in FY 2026. The redesigned roadway will also accommodate potential future terminal expansion. Estimated at \$19 million, the project will be funded through a combination of a \$5 million state grant, \$7 million in anticipated FAA grants, and \$7 million from Airport funds. The state grant has been fully approved and awarded by the Commonwealth of Kentucky.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Financial operations and highlights (Continued)

The Terminal Area Plan is a strategic planning initiative focused on the terminal and surrounding areas. It will result in a phased, comprehensive plan to guide future development, identify necessary improvements, estimate costs, and assess financial feasibility. The study is expected to be completed in early FY 2026 at an estimated cost of \$1.8 million, with 90% to be funded through FAA grants and 10% provided by the Airport.

The Airport has outstanding construction contract commitments totaling \$25,800,000. Funding for these projects is expected to include approximately \$11,400,000 from FAA grants, \$3,800,000 from a state grant, with the remaining balance to be provided from Airport funds.

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

Additional information on the Airport's capital assets can be found in Note 5 to the financial statements.

BONDS PAYABLE

In November 2023, in addition to the General Airport Revenue Bonds discussed in the Capital Assets section, the Airport issued \$16.8 million in General Airport Revenue Refunding Bonds to convert variable rate debt to fixed rate debt and take advantage of lower interest rates. Proceeds from this issuance were used to refund portions of the 2009 Series B and 2019 Series A Bonds, reducing total debt service by \$2.1 million over fifteen years and generating an economic gain of \$760,000. The issuance also included \$3.4 million to cover interest on new capital projects, including the fuel storage facility (through September 2026) and corporate hangar and terminal improvements (through May 2025).

Total bonds payable at June 30, 2025 and June 30, 2024 were \$87,240,000 and \$92,120,000, respectively. As of June 30, 2025, the Airport's debt structure consisted entirely of fixed rate bonds.

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

NET POSITION

The largest portion of the Airport's net position each year (75.1% at June 30, 2025, 73.7% at June 30, 2024, and 71.9% at June 30, 2023) represents its investment in capital assets, net of accumulated depreciation (e.g., land, buildings, improvements, and equipment). The investment in capital assets is offset by the related debt used to acquire those assets, net of any unspent bond proceeds. The Airport uses these capital assets to provide services to its passengers and visitors; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, the resources required to repay this debt must be provided annually from operating, Contract Facility Charge revenues and Passenger Facility Charge revenues, since it is unlikely the capital assets themselves will be sold to pay liabilities.

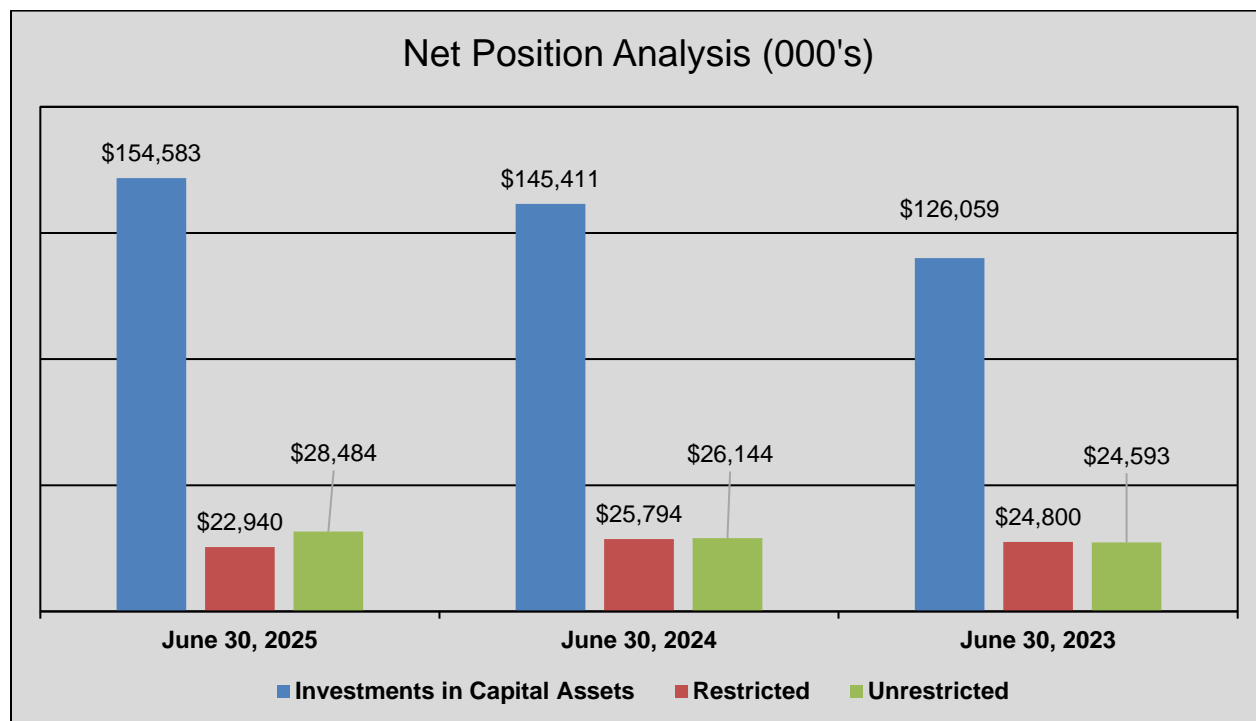
An additional portion of the Airport's net position (11.1% on June 30, 2025, 13.1% on June 30, 2024, and 14.1% on June 30, 2023) are restricted. These restricted net assets include:

- Bond reserve and project funds that are subject to external restrictions under bond resolutions.
- PFCs received from airlines and CFCs received from rental car companies, which are restricted for eligible capital projects and related debt service.
- Accounts receivable for federal grants that are restricted for specific capital project use.
- State grant funds that are restricted for specific capital project use.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

Financial operations and highlights (Continued)

Unrestricted net assets (13.8% of the Airport's net position on June 30, 2025, 13.2% on June 30, 2024, and 14.0% on June 30, 2023) 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.

	2025	2024	2023
Net cash flows provided by operating activities	\$ 5,700,223	\$ 5,563,223	\$ 4,406,835
Net cash flows provided (used) by capital and related financing activities	(17,122,503)	16,306,150	(4,231,861)
Net cash provided (used) by investing activities	4,990,470	(9,798,684)	(4,739,210)
Net increase (decrease) in cash and cash equivalents	(6,431,810)	12,070,689	(4,564,236)
Cash and cash equivalents, beginning of year	21,909,492	9,838,803	14,403,039
Cash and cash equivalents, end of year	\$ 15,477,682	\$ 21,909,492	\$ 9,838,803

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024 (Continued)

REQUEST FOR INFORMATION

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

FINANCIAL STATEMENTS

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
STATEMENTS OF NET POSITION
June 30, 2025 and 2024

	2025	2024
ASSETS		
Current Assets - Unrestricted:		
Cash and cash equivalents	\$ 2,182,186	\$ 2,042,083
Investments	21,926,254	20,653,051
Accounts receivable	3,066,948	3,190,395
Leases receivable	6,627,685	6,327,294
Accrued interest receivable	153,262	139,028
Other assets	1,086,210	894,762
Total Current Assets	<u>35,042,545</u>	<u>33,246,613</u>
Restricted Assets:		
Cash and cash equivalents	13,295,496	19,867,409
Investments	24,884,715	26,745,564
Accounts receivable	521,057	748,207
Accrued interest receivable	115,243	234,534
Grants receivable	4,721,700	6,814,602
Total Restricted Assets	<u>43,538,211</u>	<u>54,410,316</u>
Noncurrent Assets - Unrestricted:		
Leases receivable	<u>16,957,638</u>	<u>23,585,314</u>
Capital Assets:		
Capital assets not being depreciated	31,452,107	43,835,455
Capital assets being depreciated	409,388,786	384,259,131
Accumulated depreciation	<u>(205,945,916)</u>	<u>(203,528,969)</u>
Total Net Capital Assets	<u>234,894,977</u>	<u>224,565,617</u>
Deferred Outflows of Resources:		
Deferred amount on refunding	<u>338,050</u>	<u>507,075</u>
Total Assets and Deferred Outflows	<u><u>\$ 330,771,421</u></u>	<u><u>\$ 336,314,935</u></u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
STATEMENTS OF NET POSITION (Continued)
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets):		
Accounts payable	\$ 1,389,072	\$ 1,610,307
Accounts payable - construction	529,592	807,833
Accrued payroll and benefits	891,255	504,002
Unearned revenue	236,419	213,394
Total Current Liabilities (Payable from Unrestricted Assets)	<u>3,046,338</u>	<u>3,135,536</u>
Current Liabilities (Payable from Restricted Assets):		
Current portion of bonds payable	5,105,000	4,880,000
Accounts payable - construction	2,481,812	8,443,893
Accrued interest payable	1,916,721	1,983,679
Unearned revenue	3,822,955	-
Total Current Liabilities (Payable from Restricted Assets)	<u>13,326,488</u>	<u>15,307,572</u>
Total Current Liabilities	<u>16,372,826</u>	<u>18,443,108</u>
Noncurrent Liabilities:		
Accrued post-employment benefits	278,473	286,172
Equipment financing agreements	250,761	392,127
Bonds payable	84,284,418	89,529,035
Total Noncurrent Liabilities	<u>84,813,652</u>	<u>90,207,334</u>
Deferred Inflows of Resources:		
Deferred amount on refunding	1,064,220	1,155,182
Deferred inflow on leases	22,512,882	29,159,724
Total Deferred Inflows of Resources	<u>23,577,102</u>	<u>30,314,906</u>
Total Liabilities and Deferred Inflows	<u>124,763,580</u>	<u>138,965,348</u>
Net Position:		
Net investment in capital assets	154,583,469	145,410,859
Restricted for debt service	20,790,884	20,471,701
Restricted for capital projects	2,149,151	5,322,601
Unrestricted	28,484,337	26,144,426
Total Net Position	<u>206,007,841</u>	<u>197,349,587</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 330,771,421</u>	<u>\$ 336,314,935</u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenue:		
Airline operations	\$ 8,890,455	\$ 8,583,141
Parking	8,780,556	8,095,786
Ground transportation	3,996,524	3,663,163
Concessions	1,164,126	998,081
General aviation	2,236,134	2,024,757
Advertising	556,162	547,638
Other	485,091	477,127
Total Operating Revenue	<u>26,109,048</u>	<u>24,389,693</u>
Operating Expense:		
Administration	8,768,909	7,974,087
General maintenance	4,590,624	4,459,132
Safety, rescue, and security	3,111,919	2,837,152
General aviation	600,998	412,072
Planning and construction	1,038,890	965,932
Building maintenance	1,148,800	1,263,083
Airport operations	1,262,028	1,002,637
Total Operating Expense	<u>20,522,168</u>	<u>18,914,095</u>
Operating income before depreciation expense	5,586,880	5,475,598
Depreciation expense	<u>14,023,074</u>	<u>13,128,676</u>
Loss from Operations	<u>(8,436,194)</u>	<u>(7,653,078)</u>
Non-Operating Revenue (Expense):		
Passenger facility charges	3,226,354	2,973,151
Contract facility charges	1,991,850	1,722,594
Interest on leases	1,106,531	634,012
Investment income, net of fees	2,200,518	2,167,000
Net increase in fair value of investments	1,310,276	1,247,918
Gain (loss) on disposal of capital assets	31,447	(154,991)
Debt issuance costs	-	(394,673)
Interest expense and fees	<u>(3,811,695)</u>	<u>(3,321,057)</u>
Net Non-Operating Revenue	<u>6,055,281</u>	<u>4,873,954</u>
Capital Grants	<u>11,039,167</u>	<u>24,677,358</u>
Change in net position	8,658,254	21,898,234
Net position, beginning of year	<u>197,349,587</u>	<u>175,451,353</u>
Net position, end of year	<u><u>\$ 206,007,841</u></u>	<u><u>\$ 197,349,587</u></u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Receipts from customers	\$ 25,762,109	\$ 23,201,066
Payments to suppliers	(10,083,184)	(8,171,659)
Payments to employees	(10,472,113)	(9,976,837)
Other receipts	493,411	510,653
Net cash flows from operating activities	<u>5,700,223</u>	<u>5,563,223</u>
Cash flows from capital and related financing activities:		
Proceeds from capital grants	16,955,024	22,000,898
Passenger facility charges	3,494,834	2,885,344
Contract facility charges	1,950,520	1,667,713
Principal paid on bonds	(4,880,000)	(4,740,000)
Interest and fees paid on bonds	(3,940,207)	(2,450,850)
Proceeds from bonds sales/refund	-	30,427,387
Proceeds from sale of equipment	32,148	-
Acquisition and construction of capital assets	(30,734,822)	(33,484,342)
Net cash flows from capital and related financing activities	<u>(17,122,503)</u>	<u>16,306,150</u>
Cash flows from investing activities:		
Interest received on investments and leases	3,018,504	2,369,129
Purchase of investments	(77,240,423)	(47,523,617)
Proceeds from sales and maturities of investments	79,212,389	35,355,804
Net cash flows from investing activities	<u>4,990,470</u>	<u>(9,798,684)</u>
Net change in cash and cash equivalents	(6,431,810)	12,070,689
Cash and cash equivalents, beginning of year	<u>21,909,492</u>	<u>9,838,803</u>
Cash and cash equivalents, end of year	<u>\$ 15,477,682</u>	<u>\$ 21,909,492</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (8,436,194)	\$ (7,653,078)
Adjustments to reconcile loss from operations to net cash from operating activities:		
Depreciation	14,023,074	13,128,676
Increase (decrease) due to changes in:		
Accounts receivable	123,447	(668,760)
Other assets	(191,448)	(66,544)
Accounts payable	(221,235)	796,523
Unearned revenue	23,025	(9,214)
Accrued payroll and benefits	379,554	35,620
Net cash flows from operating activities	<u>\$ 5,700,223</u>	<u>\$ 5,563,223</u>
Supporting schedule of noncash transactions:		
Change in construction in progress included in accounts payable	<u>\$ 6,381,688</u>	<u>\$ 5,875,550</u>

See accompanying notes to financial statements.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2025 and 2024

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Lexington-Fayette Urban County Airport Board operates under, and in accordance with, Chapter 183 of the Kentucky Revised Statutes. It owns and operates the Blue Grass Airport (Airport). The Airport is a component unit of the Lexington-Fayette Urban County Government (LFUCG) and its financial statements are included in LFUCG's Annual Comprehensive Financial Report as a 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 Airport is a political subdivision of the Commonwealth of Kentucky, created in 1946, and has been established in order to ensure observance of limitations and restrictions placed on the uses of the Airport. The Board of Directors provides for the management and operation of the Airport by employing a President and CEO and such staff as is deemed necessary to properly operate, develop, and maintain the Airport.

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

Basis of Accounting and Accounting Presentation: 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.

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 recognized when earned and expenses recognized when liabilities are incurred.

Reclassification of Expenses: Certain amounts in the accompanying financial statements for the year ended June 30, 2024, have been reclassified to conform to the current year's presentation. Specifically, \$407,572 previously reported as airport operations and \$4,500 previously reported as administrative expenses have been reclassified to general aviation expenses. These reclassifications had no effect on total expenses, change in net position, or net assets as previously reported.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Investments: Investments are recorded at fair value. The unrealized gain on investments totaled \$270,963 at June 30, 2025, while an unrealized loss of \$1,039,314 was reported as of June 30, 2024.

Lease Receivable and Deferred Inflow of Leases: The Airport, as a lessor, recognizes a lease receivable and a deferred inflow on leases at commencement of the lease term. Certain exceptions are made for regulated leases, leases with no minimum annual guarantee and short-term leases. The lease receivable is measured at the present value of the lease payments expected to be received during the lease period. The deferred inflow on leases is measured as the value of the lease receivable plus any payments received at or before the commencement of the lease term. Revenue is recognized by amortizing the deferred inflow on a straight-line basis. For regulated leases, leases with no minimum annual guarantee and short-term leases, the Airport recognizes rental income based on the provisions of the lease agreement. See Note 3 to the financial statements for additional information.

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

Depreciation of capital assets is provided on all depreciable assets, including those acquired with construction and equipment grants, over the estimated useful lives of the respective assets using the straight-line method. No depreciation is provided on construction in progress until construction is complete and the asset is placed in service. The capitalization threshold for expenditures is \$30,000. Estimated useful lives are as follows:

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposit and Investment Policy

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

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

Cash

The following is a summary of the Airport's cash balances as of June 30:

	<u>2025</u>	<u>2024</u>
Unrestricted	\$ 1,170,725	\$ 1,463,190
Restricted	442,104	1,034,745
Total cash	<u>\$ 1,612,829</u>	<u>\$ 2,497,935</u>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Airport will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. As of June 30, 2025 and 2024, none of the Airport's cash balances were exposed to custodial credit risk.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

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

Cash Equivalents and Investments

Unrestricted and restricted cash equivalents and investments of the Airport as of June 30, 2025 were as follows:

		Percentage of Total	Duration	Standard & Poors Rating	Moody's
Unrestricted cash equivalents:					
Government Cash Reserves	\$ 391,700	0.7%	N/A	N/A	N/A
Insured Cash Sweep	619,761	1.0%	N/A	N/A	N/A
Total unrestricted cash equivalents	1,011,461	1.7%			
Unrestricted investments:					
Mortgage-Backed Securities	10,677,048	17.6%	8/25/25-9/16/63	NR/AA+/AAA A/A-/A+/AA/AA-/BB+/	NR/Aaa/Aa1 A1/A2/A3/Aa2/Aa3/ Ba1/Baa1/Baa2/Baa
Corporate Bonds	5,123,587	8.4%	7/7/25-10/31/82	BBB/BBB- /BBB+/NR	3/NR/WR
Collateralized Loan Obligations	511,341	0.8%	7/15/31-4/18/33	AAA/NR	Aaa/NR
US Treasury Notes	1,608,098	2.7%	4/30/26-5/15/28	AA+/NR	Aa1/NR
US Agency Bonds	1,033,311	1.7%	12/16/26-1/23/45	AA+	Aa1
Exchange Traded Funds	2,972,869	4.9%	NA	NR	NR
Total unrestricted investments	21,926,254	36.1%			
Restricted cash equivalents:					
Government Cash Reserves	9,386,993	15.5%	N/A	N/A	N/A
Insured Cash Sweep	3,466,399	5.7%	N/A	N/A	N/A
Total restricted cash equivalents	12,853,392	21.2%			
Restricted investments:					
Mortgage-Backed Securities	7,598,713	12.5%	7/25/24-12/16/63	AA+/AAA/NR	Aaa/Aa1/NR A1/A2/A3/Aa2/ Aa3/Ba1/Baa1/Baa2/ Baa3/NR/WR
Corporate Bonds	1,211,795	2.0%	7/7/25-10/31/82	A/A-/A+/AA- /AA/BB+/BBB+/BBB-/BBB	Aaa/NR
Collateralized Loan Obligations	185,414	0.3%	7/18/31-1/15/32	AAA	Aa1/NR
US Treasury Notes	14,968,237	24.7%	7/1/25-12/31/30	AA+/NR	Aa1/NR
US Agency Bonds	309,590	0.5%	12/16/26-1/23/45	AA+	Aa1
Exchange Traded Funds	610,966	1.0%	NA	NR	NR
Total restricted investments	24,884,715	41.0%			
Total cash equivalents and investments	\$ 60,675,822	100.0%			

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

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

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

		Percentage of Total	Duration	Standard & Poors Rating	Moody's
Unrestricted cash equivalents:					
Government Cash Reserves	\$ 578,893	0.9%	N/A	N/A	N/A
Unrestricted investments:					
Mortgage-Backed Securities	8,944,449	13.4%	7/25/23-12/16/63	NR/AA+	NR/Aaa
Corporate Bonds	4,806,622	7.2%	11/15/23-10/31/82	A/A-/A+/AA/AABB+/BBB/BBB-BBB+	A1/A2/A3Aa2/Aa3Ba1/Baa2/Baa2u/NR
Collateralized Loan Obligations	663,205	1.0%	7/18/31-7/20/31	NR	Aaa
US Treasury Notes	2,484,340	3.7%	8/17/23-5/15/28	AA+	Aaa
US Agency Bonds	1,414,480	2.1%	9/23/24-1/25/36	AA+	Aaa
Exchange Traded Funds	2,339,955	3.5%	NA	NR	NR
Total unrestricted investments	20,653,051	30.9%			
Restricted cash equivalents:					
Government Cash Reserves	18,832,664	28.2%	N/A	N/A	N/A
Restricted investments:					
Mortgage-Backed Securities	6,351,082	9.5%	7/25/23-12/16/63	AA+/AAA/NR	Aaa/NR
Corporate Bonds	809,495	1.2%	1/15/24-10/31/82	A/A-/A+/AA-/AA/BB+BBB+/BBB-/BBB	A1/A2/A3/Aa2/Aa3/Baa1/Baa1Baa2/NR?WR
Collateralized Loan Obligations	276,061	0.4%	7/18/31-7/20/31	Aaa	NR
US Treasury Notes	18,025,351	27.0%	7/13/23-5/15/28	AA+	Aaa
US Agency Bonds	721,570	1.1%	2/8/24-2/17/32	AA+	Aaa
Exchange Traded Funds	562,005	0.8%	NA	NR	NR
Total restricted investments	26,745,564	40.0%			
Total cash equivalents and investments	\$ 66,810,172	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 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, 2025 and 2024, had an average duration of 1.88 and 1.68 years, respectively.

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

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

Fair Value Measurement

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

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

The Airport has the following fair value measurements as of June 30, 2025 and 2024:

Fair Value Measurements as of June 30, 2025				
	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
US Treasury Notes	\$ 16,576,335	\$ 16,576,335	\$ -	\$ -
Corporate Bonds	6,335,382	-	6,335,382	-
Collateralized Loan Obligations	696,755	-	696,755	-
US Agency Bonds	1,342,901	-	1,342,901	-
Exchange Traded Funds	3,583,835	-	3,583,835	-
Mortgage-Backed Securities	18,275,761	-	18,275,761	-
Total investments by fair value level	<u>\$ 46,810,969</u>	<u>\$ 16,576,335</u>	<u>\$ 30,234,634</u>	<u>\$ -</u>

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 3 - LESSOR AIRPORT TENANT AGREEMENTS

The Airport leases terminal space, hangars, and land to airlines, concessionaires, and other tenants under various operating lease agreements. Except for regulated leases and leases with no minimum annual guarantee, the Airport records a lease receivable and a corresponding deferred inflow of resources. The lease receivable activity for FY 2025 and FY 2024 is as follows:

*Annual Lease Payment = Receivable Reduction + Implied Interest

Lease receivables were discounted to present value by using implied interest rates ranging from 3% - 5%.

	<u>Beginning Balance</u>	<u>New Lease Additions</u>	<u>Receivable Reduction</u>	<u>Ending Balance</u>	<u>Implied Interest</u>	<u>Annual Lease Payments*</u>
FY 2025	\$ 29,912,608	\$ -	\$ 6,327,285	\$ 23,585,323	\$ 1,106,531	\$ 7,433,816
FY 2024	\$ 23,191,691	\$ 13,245,884	\$ 6,524,967	\$ 29,912,608	\$ 634,012	\$ 7,158,979

The deferred inflows on lease activity for FY 2025 and FY 2024 are as follows:

	<u>Beginning Balance</u>	<u>New Lease Additions</u>	<u>Deferred Revenue Recognized</u>	<u>Ending Balance</u>
FY 2025	\$ 29,159,724	\$ -	\$ 6,646,842	\$ 22,512,882
FY 2024	\$ 22,498,440	\$ 13,245,881	\$ 6,584,597	\$ 29,159,724

The lease agreements are as follows:

Automobile Rental Business: Five-year (5) concession, lease, and operating agreement with three different rental car companies, originally effective from July 1, 2020 to June 30, 2025. In FY 2024, the rental car companies and the Airport mutually agreed to exercise the five-year extension option, thereby extending the leases through June 30, 2030. This extension increased the lease receivable and deferred inflow of resources by approximately \$11.5 million.

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

Terminal Space: Property lease agreement for the use of 3,478 square feet located in the Airport's terminal that ends on January 15, 2034.

Food and Beverage Concessionaire: Food and beverage concessionaire agreement that commenced on July 1, 2020 and ends on June 30, 2032 and there are no options for future years.

Parking Concessionaire: Concessionaire agreement for concessions of public parking and luggage cart rental. The agreement commenced on February 1, 2016 and ends on June 30, 2027 with an option for a five (5) year extension upon mutual agreement by both parties. The five-year (5) option is not included in the lease receivable calculation.

Retail/Gift Shop – Terminal Space (New Agreement): Retail space for a term of two years and five months. The new lease commenced on July 1, 2024, and is scheduled to end on November 30, 2026.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 3 - LESSOR AIRPORT TENANT AGREEMENTS (Continued)

Future minimum lease payments of leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2026	\$ 6,627,685	\$ 863,766	\$ 7,491,451
FY 2027	6,719,514	611,520	7,331,034
FY 2028	2,801,482	414,969	3,216,451
FY 2029	2,945,744	277,490	3,223,234
FY 2030	3,095,966	132,738	3,228,704
FY 2031 - FY 2035	1,231,179	101,276	1,332,455
FY 2036 - FY 2040	163,753	10,377	174,130
Total	<u>\$ 23,585,323</u>	<u>\$ 2,412,136</u>	<u>\$ 25,997,459</u>

Regulated Leases

The Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to the laws, regulations, or legal rulings. Regulated aviation leases between Airports and aeronautical users are regulated by the U.S. Department of Transportation and the Federal Aviation Administration. Regulated leases include the following:

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

General Aviation and Property Agreements: Hangars, ground rentals, and building rentals on Airport property, with varying terms. Most of the hangar agreements with tenants are on a month-to-month basis. The other leasing agreements are multi-year agreements with scheduled rent increases included.

Fixed-Base Operator: Fixed Base Operator (FBO) Lease and Development Agreement that commenced on July 1, 2009 and ends on July 1, 2029 for ground rent and hangars. The rent is adjusted by Consumer Price Index (CPI) every three (3) years.

Future minimum lease payments for regulated leases are as follows:

FY 2026	\$ 1,830,164
FY 2027	1,578,701
FY 2028	1,573,876
FY 2029	1,444,620
FY 2030	707,773
FY 2031 - FY 2035	1,032,409
FY 2036 - FY 2040	97,500
FY 2041 - FY2045	67,500
FY 2046 - FY 2050	67,500
FY 2051 - FY2055	<u>52,185</u>
Total future minimum rental revenue	<u>\$ 8,452,228</u>

Leases – No Minimum Annual Guarantee

The Airport does not recognize a lease receivable and a deferred inflow of resources for leases that do not have minimum annual guarantee payments but collect variable payments based on current year activities.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 4 - LINE OF CREDIT

On December 20, 2023, the Airport entered into a \$16,000,000 non-revolving line of credit (LOC) set to expire on December 18, 2026. As of June 30, 2025, there have been no borrowings against the LOC. Borrowings under the LOC bear interest at a variable rate, with interest paid semi-annually. The tax-exempt variable rate is calculated as follows: (1-month SOFR + 132 basis points) * 79%, resulting in a tax-exempt interest rate of 4.455% as of June 30, 2025. The taxable variable interest rate is calculated as (1-month SOFR + 132 basis points), with a rate of 5.770% as of June 30, 2025. The LOC is secured by the general revenues of the Airport and further backed by a lease agreement between the Airport, as lessor, and the Lexington-Fayette Urban County Government, as lessee. The Airport is in compliance with the financial covenants required by the LOC agreement.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 5 - CAPITAL ASSETS

Capital asset activity for FY 2025 and FY 2024 is as follows:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Land improvements	\$ 127,364,664	\$ 52,414	\$ 6,342,286	\$ 8,653,101	\$ 129,727,893
Structures and other improvements	219,338,663	160,200	4,532,306	9,794,635	224,761,192
Equipment	37,555,804	1,170,132	732,236	16,906,000	54,899,700
Total capital assets being depreciated	384,259,131	1,382,746	11,606,828	35,353,736	409,388,785
Capital assets not being depreciated:					
Land	20,213,806	-	-	-	20,213,806
Construction in progress	23,621,649	22,970,388	-	(35,353,736)	11,238,301
Total capital assets not being depreciated	43,835,455	22,970,388	-	(35,353,736)	31,452,107
Less accumulated depreciation:					
Land improvements	52,676,767	5,528,011	6,342,287	-	51,862,491
Structures and other improvements	136,495,730	6,164,616	4,532,306	-	138,128,040
Equipment	14,356,472	2,330,447	731,535	-	15,955,384
Total accumulated depreciation	203,528,969	14,023,074	11,606,128	-	205,945,915
Net capital assets	\$ 224,565,617	\$ 10,330,060	\$ 700	\$ -	\$ 234,894,977

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

As of June 30, 2025, several uncompleted construction projects were funded in-part by Federal grants and Airport funds. Upon completion and final approval by the Inspector General, these projects will be closed out and a final account will be rendered. Outstanding construction contract commitments are \$25,834,497 on June 30, 2025.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 6 - EQUIPMENT FINANCING AGREEMENTS

As of June 30, 2025, the outstanding balance of the equipment financing agreements is \$392,127. Payments are scheduled as follows:

FY 2026	\$ 141,366
FY 2027	142,526
FY 2028	<u>108,235</u>
Total	392,127
Less current payable	<u>(141,366)</u>
Total noncurrent	<u>\$ 250,761</u>

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

The following is a summary of the changes in the principal amount of equipment financing agreements during FY 2025 and FY 2024:

		2025			
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Equipment financing agreements	\$ 533,493	\$ -	\$ 141,366	\$ 392,127	\$ 141,366

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 7 - BONDS PAYABLE

The following is a summary of the changes in the principal amount of bonds payable during FY 2025 and FY 2024:

2025					
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Bonds	\$ 92,120,000	\$ -	\$ 4,880,000	\$ 87,240,000	\$ 5,105,000
Total borrowings	<u>\$ 92,120,000</u>	<u>\$ -</u>	<u>\$ 4,880,000</u>	<u>\$ 87,240,000</u>	<u>\$ 5,105,000</u>

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 7 - BONDS PAYABLE (continued)

Bonds payable on June 30, 2025 and June 30, 2024 are as follows:

	<u>2025</u>	<u>2024</u>
2016 Series C, Fixed Rate General Airport, Revenue & Revenue Refunding Bonds (Federally Taxable) due through July 2036 with coupon rates ranging from 1.05%-3.85%.	\$ 19,945,000	\$ 23,135,000
2016 Series D, Fixed Rate General Airport, Revenue Bonds (non-AMT) due through July 2036 with coupon rates ranging from 3%-5%.	3,965,000	4,215,000
2016 Series E, Fixed Rate General Airport, Revenue Refunding Bonds (non-AMT) due through July 2027 with coupon rates ranging from ranging from 3%-4%.	1,605,000	2,165,000
2019 Series A, Fixed Rate General Airport, Revenue & Revenue Refunding Bonds (Federally Taxable) due through July 2038 with coupon rates ranging from 1.97%-3.25%.	14,475,000	15,355,000
2023 Series A, Fixed Rate General Airport, Revenue & Revenue Refunding Bonds (non-AMT) due through July 2054 with coupon rates ranging from 5%-5.25%.	29,160,000	29,160,000
2023 Series B, Fixed Rate General Airport Revenue Bonds (AMT) due through July 2049 with coupon rates ranging from 4%-5%.	1,170,000	1,170,000
2023 Series C, Fixed Rate General Airport Revenue Bonds (Federally Taxable) due through July 2049 with coupon rates ranging from 5.962%-6.124%.	<u>16,920,000</u>	<u>16,920,000</u>
Total principal payable	87,240,000	92,120,000
Unamortized bond premiums	<u>2,149,418</u>	<u>2,289,035</u>
Total bonds payable	89,389,418	94,409,035
Less current portion	<u>5,105,000</u>	<u>4,880,000</u>
Noncurrent portion of bonds payable	<u>\$ 84,284,418</u>	<u>\$ 89,529,035</u>

2023 General Airport Revenue & Revenue Refunding Bonds

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 7 - BONDS PAYABLE (continued)

The net proceeds of \$30,780,000 (par amount of \$30,450,000, premium of \$795,000, less discount and issuance costs) were allocated to the capital projects listed above. Additionally, \$3,427,387 was included in the 2023 Bonds to cover interest expenses for the new projects. The funding provided for each series was \$1,796,789 (Series A), \$83,780 (Series B), and \$1,546,818 (Series C). During FY 2025 and FY 2024, a total of \$1,632,696 and \$1,009,490, respectively, in interest was paid using proceeds from the 2023 Bonds. The interest expense was reported in the statement of activities. Bond proceeds will continue to cover interest costs associated with the 2023 Series A Bonds through September 2026.

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

The refunding and defeasance resulted in a difference of \$1,080,095 between the reacquisition price of the 2023 Bonds and the net carrying amount of the refunded portions of the 2009 Series B and 2019 Series A Bonds. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense through June 30, 2038, the final maturity of the 2019 Bonds, using the straight-line method. The Airport completed the refunding and defeasance to reduce its total debt service payments over the next twenty years by \$2,063,879 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$759,902. At June 30, 2025 and 2024, the outstanding principal balance of the refunded bonds to be paid from escrow was \$14,445,000.

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

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

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 7 - BONDS PAYABLE (continued)

Debt service requirements on June 30, 2025 for all bonds outstanding are outlined below.

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,105,000	\$ 3,758,378	\$ 8,863,378
2026	5,020,000	3,607,360	8,627,360
2027	4,050,000	3,465,777	7,515,777
2028	4,685,000	3,316,909	8,001,909
2029	4,815,000	3,148,463	7,963,463
2030-2034	25,265,000	12,764,861	38,029,861
2035-2039	13,155,000	8,360,508	21,515,508
2040-2044	7,005,000	6,238,947	13,243,947
2045-2049	9,045,000	3,971,587	13,016,587
2050-2054	9,095,000	1,008,125	10,103,125
Total	<u>\$ 87,240,000</u>	<u>\$ 49,640,915</u>	<u>\$ 136,880,915</u>

NOTE 8 - PASSENGER FACILITY CHARGES

The Aviation Safety and Capacity Expansion Act of 1990 authorized domestic airports to impose a Passenger Facility Charge (PFC) of \$4.50 per enplaned passenger to fund FAA-approved capital projects and associated debt service attributable to those projects. During FY 2025 and FY 2024 the Airport received PFCs totaling \$3,494,834 and \$2,885,343. As of June 30, 2025, the Airport is authorized to collect and use PFCs for approved costs of \$56 million under the authority granted by the FAA.

NOTE 9 - RETIREMENT PLANS

The Airport maintains a defined contribution retirement plan (the "Plan"), known as the Blue Grass Airport Employees Retirement Plan, which covers all full-time employees. The Plan is administered by Voya Financial. It was established by the Airport Board and may be amended at the Board's discretion.

Under the Plan, each employee is required to contribute 5% of gross earnings to participate. For public safety employees, the required contribution is 7%. The Airport contributes 9% of total participant compensation, reduced by forfeitures from non-vested accounts of terminated employees, on a bi-weekly basis. For public safety employees, the Airport's contribution rate is 12.15%.

Vesting occurs over a five-year graded schedule as follows:

- 1 year – 0%
- 2 years – 25%
- 3 years – 50%
- 4 years – 75%
- 5 years – 100%

A year of service is defined as the completion of at least 1,000 hours during the applicable computation period.

LEXINGTON-FAYETTE URBAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended June 30, 2025 and 2024

NOTE 10 - RETIREMENT PLANS (continued)

Upon termination of service, participants may elect to receive their benefits as either a single lump-sum payment or a lifetime annuity, provided their account balance is \$5,000 or greater. If the annuity option is selected, it is anticipated that the participant's account balance will be used to purchase an annuity contract. Participants with balances of \$5,000 or less are required to take a lump-sum distribution.

Employer contributions to the Plan made by the Airport totaled \$706,000 for FY 2025 and \$700,000 for FY 2024. Required employer contributions were reduced by forfeitures of \$28,000 and \$10,000 in FY 2025 and FY 2024, respectively. Employee contributions totaled \$401,000 in FY 2025 and \$391,000 in FY 2024.

Because Plan assets are held in trust for the exclusive benefit of Plan participants, they are not included in the accompanying statement of net position.

In addition, the Airport offers a deferred compensation plan under Internal Revenue Code Section 457(b), which allows employees to defer up to \$23,000 annually in pre-tax contributions. The Airport does not contribute to this Plan.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Airport has a plan that provides medical insurance post-employment benefits to qualifying employees. The plan is currently unfunded, and no assets have been set aside in a trust to finance future obligations. Employees who retire after completing 27 years of service, or 20 years of service for public safety officers, are eligible to receive a fixed monthly subsidy of up to \$275 towards medical insurance premiums. This subsidy remains in effect until the retiree becomes eligible for other health insurance coverage, including Medicare or Medicaid. The benefit amount is fixed unless changed at the discretion of the Airport.

There is no required employee contribution related to this benefit. Management estimates the post-employment benefits liability based on the number of eligible retirees and the expected duration of future payments.

The following table presents the change in the post-employment benefits liability for FY 2025 and FY 2024:

	<u>BOY Liability</u>	<u>Adjustment</u>	<u>(Payments)</u>	<u>EOY Liability</u>
FY 2025	\$ 286,172	\$ -	\$ (7,699)	\$ 278,473
FY 2024	\$ 310,918	\$ (22,821)	\$ (1,935)	\$ 286,172

NOTE 12 - CONTINGENCIES

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport has purchased commercial insurance to cover these risks.