Cincinnati/Northern Kentucky International Airport

Basic Financial Statements and Other Required Information issued under the provisions of the Office of Management and Budget Uniform Guidance

December 31, 2019 and 2018

Cincinnati/Northern Kentucky International Airport
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Years Ended December 31, 2019 and 2018

CPAs / ADVISORS

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Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

To the members of the Kenton
County Airport Board
Hebron, Kentucky

We have audited the accompanying financial statements (hereby referred to as the financial statements) of the business-type activities of the Cincinnati/Northern Kentucky International Airport (hereby referred to as the Airport), which is controlled and operated by the Kenton County Airport Board, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Airport's 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.

Auditor's Responsibility

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

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Airport as of December 31, 2019 and 2018, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that management's discussion and analysis, the required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming opinion on the financial statements that collectively comprise the Airport's financial statements. As listed in the table of contents, the combining schedules, the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of passenger facility charges collected and expended (the Supplementary Information) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole in accordance with accounting principles generally accepted in the United States of America.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020 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.

Blue & Co., LLC

Lexington, Kentucky
July 20, 2020

Introduction

The following management discussion and analysis of the financial performance and activity of the Cincinnati/Northern Kentucky International Airport ("Airport") provides an introduction and understanding of the Airport's basic financial statements ("Statements") for the calendar year ended December 31, 2019 with selected comparative information for the years ended December 31, 2018 and December 31, 2017. The Statements are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto.

The operations of the Airport are self-supporting and generate revenues from Airport users to fund all operating expenses and debt service requirements. Capital projects are funded through the issuance of revenue bonds, the collection of Passenger Facility Charges ("PFCs"), the collection of Customer Facility Charges ("CFCs"), the receipt of federal and state grants, the use of certain funds generated by the operations of the Airport and other third party funding received from tenants of the Airport for use on specified projects.

Airport Governance

The Kenton County Airport Board ("Board") was created pursuant to a resolution of the Fiscal Court of Kenton County, Kentucky adopted on June 3, 1943. Under the provisions of Chapter 183 of the Kentucky Revised Statutes and by the terms of such resolution, the Board has been created and organized as a public body politic and corporate. The Board has complete jurisdiction, control, possession and supervision of the Airport. This includes the power and authority to establish reasonable rates, charges, and fees for the use of its landing areas, ramps and other common aviation facilities. Through contracts or other permissible means, the Board also negotiates general rates, charges, and fees for commercial vendors, concessionaires or other organizations for the use and occupancy of its terminals and other facilities.

Airport Activity Highlights

The Airport serves as the primary airport for scheduled passenger service for the fifteen county Cincinnati Consolidated Metropolitan Statistical Area. The Airport also serves as DHL Worldwide Express, Inc.'s ("DHL") main international cargo hub for North America and Latin America and is one of DHL's three global super hubs.

In 2017, it was announced that the Airport had been selected to serve as the future home of the primary Amazon Air ("Amazon") cargo hub. Amazon began operating aircraft from the Airport in May 2017 utilizing daytime capacity at DHL's hub facility. Upon the announcement, work began related to planning the Amazon cargo hub development and completing the necessary regulatory and permitting review processes. In March 2019, the Airport entered into a ground lease with Amazon.com Services, Inc. for an approximate 650-acre site on the south side of the Airport and an option agreement for approximately 479 acres on the north side of the Airport. With the signing of these agreements, work began on the first phase of the south side development which is planned to open in 2021. Future phases of the south side development are currently planned to open in 2026 and beyond, with the actual timing being dependent on economic conditions and operational requirements. The total estimated cost of the south side development is approximately $1.5 billion.

As of December 31, 2019, scheduled passenger service at the Airport was provided by eight airline groups through a total of twenty-two mainline and regional carriers. Scheduled cargo service was provided by three cargo operators.

Selected activity statistics for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Enplaned passengers	4,553,790	4,440,014	3,926,158
Origin passengers(1)	4,340,699	4,161,092	3,652,270
Landed Weights(lbs. 000s)			
Passenger airlines	5,142,911	5,134,540	4,606,347
Cargo airlines(2)	7,268,858	7,060,621	5,734,983
Total landed weight	12,411,769	12,195,161	10,341,330
Aircraft operations(3)	76,735	76,141	70,491

(1) as reported to the Airport by the airlines

(2) includes maintenance flights

(3) includes domestic air carriers, international air carriers and air taxi/commuter flights

The Airport's enplaned passenger activity grew by 113,776, or 2.6%, in 2019 and 513,856, or 13.1%, in 2018. Growth in enplaned passengers was the result of an increase in passengers originating travel from the Airport ("origin passengers") of 179,607, or 4.3%, in 2019 and 508,822, or 13.9%, in 2018, with the increase in 2019 offset by a 65,831, or 23.6%, decrease in passengers connecting through the Airport. In 2019, the increase in origin passengers was primarily the result of an increase in the percentage of seats filled on aircraft as local passenger demand continued to grow due to pricing and schedule benefits of the competitive airline environment at the Airport. In 2018, the increase in origin passengers was the result of expanded service by both legacy carriers (American Airlines Inc. ("American"), Delta Air Lines Inc. ("Delta") and United Airlines Inc. ("United")) and low-cost carriers (Southwest Airlines Co. ("Southwest") and Allegiant Air LLC ("Allegiant")), which resulted in further enhancing competition at the Airport and continued reduction in air fares and the stimulation of local passenger traffic. In 2019, 2018 and 2017, origin passengers represented 95.3%, 93.7% and 93.0%, respectively, of the Airport's enplaned passengers.

In thousand-pound units (lbs. 000s), total aircraft landed weights at the Airport increased 216,608, or 1.8%, in 2019 and 1,853,831, or 17.9%, in 2018. Growth in landed weights reflects increases in cargo landed weights of 208,237, or 2.9%, in 2019 and 1,325,638, or 23.1%, in 2018, and increases in passenger airline landed weights of 8,371, or 0.2%, in 2019 and 528,193, or 11.5%, in 2018. The increases in cargo airline landed weights in 2019 and 2018 were attributable to the continued growth in the operations of Amazon and DHL. While passenger airline landed weights were stable in 2019, they grew in 2018 due to the commencement of service by Southwest in June 2017, an increase in the average size of aircraft utilized by legacy carriers American, Delta and United and growth in service from low cost carriers Southwest and Allegiant.

The number of aircraft operations at the Airport grew by 594, or 0.8%, in 2019 and 5,650, or 8.0%, in 2018, consisting of cargo operations increasing by 358, or 1.6% in 2019 and 3,123, or 16.4% in 2018 and passenger carrier operations increasing by 236, or 0.4%, in 2019 and 2,527, or 4.9%, in 2018. In 2019, the percentage increase in the number of operations was consistent with the increases in landed weights. In 2018, the percentage increase in the number of operations at the Airport was lower than the increases in landed weights due to an increase in the average size of cargo and passenger aircraft operating from the Airport.

Airline Rates and Charges

Two of the primary revenue sources for the Airport are the landing fees received from the airlines for the use of the airfield and the rentals received for their use of the terminal facilities. Effective January 1, 2016, the Airport entered into a new Airport Use Agreement ("Use Agreement") with certain passenger and cargo air carriers operating at the Airport ("Signatory Carriers") that expires on December 31, 2020. As of December 31, 2019 and December 31, 2018, the Airport had eight Signatory Carriers, of which six were passenger airlines (Allegiant, American, Delta, Frontier Airlines, Inc., Southwest, and United) and two were cargo operators (DHL and Federal Express Corporation).

The Use Agreement provides for the use of the airfield and establishes the methodology for calculating the landing fee rate charged to the air carriers. Each passenger carrier that is a Signatory Carrier leases airport facilities under separate terminal leases which also expire on December 31, 2020. The Use Agreement establishes the methodology for calculating the various terminal related rates and charges to be paid under these terminal leases.

The airline rates and charges methodology under the Use Agreement provides that operating expenses, debt service, other capital costs and funding of certain reserve accounts are allocated to airline and Board cost centers. The landing fee and terminal rates and charges are calculated based on the costs allocated to the applicable airline cost centers less certain revenue offsets. The calculation of the landing fee rate is residual in nature with the landing fee rate prior to any revenue offsets established to recover the cost of providing the airfield. A commercial compensatory rate setting methodology is used to establish terminal related rates and charges with any unrecovered costs related to unleased space being borne by the Airport. Under the Use Agreement, a portion of Net Remaining Revenues ("NRR") as defined in the agreement is credited to reduce the landing fee rate and Signatory Carrier terminal related rentals. Landing fees and airline terminal rentals are reflected in the Statements of Revenues, Expenses and Changes in Net Position net of the related NRR credits.

The landing fee rate, terminal related rates and charges and the related NRR credits are established annually during the budget process based on projected revenues, costs and airline activity. After the close of each fiscal year, the landing fee rate, terminal related rates and charges and related NRR credits are recalculated using audited financial data. Any overpayments of such rentals, fees and charges are reflected as payable by the Board and returned to the Signatory Carriers; and any underpayments are invoiced to the Signatory Carriers. Amounts owed to the carriers as the result of this settlement process for 2019 and 2018 were $8.6 million and $8.8 million, respectively. As $16.2 million of the amounts payable at December 31, 2018 had not been paid by December 31, 2019, the total amount reflected on the Balance Sheet as payable at December 31, 2019 is $24.8 million.

The Airport's bond resolutions pertaining to bonds funded by operating revenues require that rates and fees charged to the air carriers be determined and fixed at amounts which, together with all other revenues from the operation, use and services of the Airport, will be sufficient to 1) pay the costs of operating and maintaining the Airport, 2) fund the principal, interest and coverage requirements of the outstanding bonds, and 3) make all other transfers as required under the Airport's general bond resolution.

In addition to the landing fees and terminal rentals and any other fees and charges allowable under the Use Agreement, each Signatory Carrier is required to make extraordinary coverage protection payments to the Airport in any fiscal year in which the amount of operating revenues less operating expenses as defined in the general bond resolution is or is forecasted to be less than 125% of the aggregate annual debt service requirements as calculated under the Airport's general bond resolution. No such payments were necessary for 2019 or 2018.

Effective January 1, 2021, with the expiration of the current Use Agreement and terminal leases, airline rates and charges will be determined based on the provisions of new agreements or extensions to the current agreements with certain modifications in terms or by such other rate making methodology which is permitted under applicable law and which is in compliance with the rate setting requirements set forth in the Airport's bond resolutions.

Overview of the Financial Statements

The Airport's Statements include three separate financial statements: the Balance Sheet; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The Statements are prepared in accordance with GAAP as promulgated by the Governmental Accounting Standards Board ("GASB"). The Airport is a business-type activity and, as such, is accounted for as an Enterprise Fund. For administrative purposes and to ensure adherence to applicable parameters and restrictions on the allowable use of funds and their associated net positions, the Airport has established various self-balancing account groups (more fully described in Note 1 to the Statements).

The Balance Sheet presents the Airport's financial position at December 31, the end of the Airport's fiscal year, and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Net position is classified into three components: unrestricted, net investment in capital assets, and restricted. Restricted net position is further classified between major categories of restrictions.

The Statement of Revenues, Expenses and Changes in Net Position reports total operating revenues, operating expenses, nonoperating changes in net position, and capital contributions for the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The Statement of Cash Flows presents information showing how the Airport's cash balances changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments by operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

The notes to the Statements provide additional information that is essential to a full understanding of the data provided in the Statements.

Summary of Financial Position

A summarized comparison of the Airport's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at December 31, 2019, 2018 and 2017 is set forth below (in thousands of dollars):

	2019	2018	2017
Assets			
Current assets	$ 182,570	$ 131,973	$ 91,985
Non-current assets			
Capital assets	741,634	696,708	707,410
Other non-current assets	276,688	180,347	184,833
Total assets	1,200,892	1,009,028	984,228
Deferred Outflows of Resources	29,386	30,912	33,812
Total assets and deferred outflows of resources	$ 1,230,278	$ 1,039,940	$ 1,018,040
Liabilities			
Current liabilities	$ 66,323	$ 31,314	$ 27,116
Non-current liabilities	306,965	172,860	162,279
Total liabilities	373,288	204,174	189,395
Deferred Inflows of Resources	11,354	10,061	7,350
Net Position			
Unrestricted	18,578	20,173	19,616
Net investment in capital assets	634,105	645,200	653,494
Restricted	192,953	160,332	148,185
Total net position	845,636	825,705	821,295
Total liabilities, deferred inflows of resources and net position	$ 1,230,278	$ 1,039,940	$ 1,018,040

Net Position

Net position is the difference between total assets, total deferrals and total liabilities, and is an indicator of the current fiscal health of the Airport. The majority of the Airport's net position at December 31, 2019, 2018 and 2017 represents its investment in capital assets less the related outstanding indebtedness used to acquire those capital assets. The Airport uses these capital assets to provide services to the airlines, passengers, service providers and other users of the Airport. While the Airport's net position related to capital assets is reported net of related debt, the associated debt service is paid annually from operating revenues or other nonoperating revenues generated through the use of these capital assets.

In 2019, the Airport's net position increased by $19.9 million. This change is the result of a $1.6 million reduction of unrestricted net position, an $11.1 million reduction in net investment in capital assets, and an increase of $32.6 million in restricted net position.

The 2019 decrease in unrestricted net position was primarily the result of utilization of $18.0 million of the cash and investments in the unrestricted Designated for Capital Projects account group to fund capital additions, the transfer of $13.3 million of cash and investments from the unrestricted Designated for Capital Projects account group to the restricted for the Customer Facility Charge account group ("CFC account group") to provide a portion of the funding for a Consolidated Ground Transportation Facility ("GTF") and the bond resolution required transfer of $2.0 million of unrestricted amounts to fund restricted operating reserves. This decrease in unrestricted net position was substantially offset by the $17.9 million reimbursement from the restricted Passenger Facility Charge account group ("PFC account group") of PFC eligible capital expenditures originally funded from the unrestricted account group, $8.3 million of grant revenue received to fund capital expenditures, $3.4 million of income generated from investments, a $1.0 million increase resulting from income generated from Airport operations, a $0.6 million transfer of unrestricted investment earnings from the restricted Other Third Party Funding account group to the General Purposes account group and $0.4 million of grant revenue received to fund operating expenses.

The 2019 reduction in net position related to the net investment in capital assets was due to a $60.8 million increase in the revenue bonds payable resulting from the issuance of revenue bonds in 2019 to fund the construction of the GTF and improvements to the main terminal roadway. Other components of the reduction in net investment in capital assets included $42.9 million of depreciation of the Airport's capital assets and $0.8 million of project expenditures which were not capitalized. This decrease was offset in part by the addition of $70.0 million in capital assets paid from funds available in the restricted and unrestricted account groups, the recording of a $19.9 million asset related to Amazon's transfer of ownership of land to the Airport and a $3.5 million decrease in revenue bonds payable and subordinate debt due to scheduled principal payments and premium amortization.

The 2019 increase in restricted net position was due to the receipt of $131.9 million of bond proceeds to fund the capital expenditures as discussed above, and bond issuance costs, receipt of $18.3 million in PFC revenues, transfer of $13.3 million in cash and investments from the unrestricted Designated for Capital Projects account group to provide a portion of the funding for the GTF being funded from the restricted CFC account group, receipt of $12.1 million of CFC revenues, funding of $9.1 million in bond related reserves from bond proceeds, $6.2 million of income generated by investments, transfer of $2.0 million from the unrestricted account groups for the funding of operating reserve requirements and receipt of $1.1 million in Police Forfeiture program revenues. These increases were partially offset by the recording of $80.2 million in bonds payable related to the amount of bond proceeds remaining unspent at year-end, utilization of $52.0 million of funds available in the restricted account groups for the acquisition and construction of capital assets, a $17.9 million reimbursement from the restricted PFC account group to unrestricted accounts to reimburse PFC eligible expenditures, a $4.2 million transfer from the restricted PFC account group for funding of revenue bond debt service requirements, the transfer of $4.8 million for the funding of debt service interest on outstanding bonds, the expenditure of $1.1 million for bond issuance costs and the $0.6 million transfer of investment earnings from the Other Third Party Funding account group to the General Purposes account group.

In 2018, the Airport's net position increased by $4.4 million. This change is the result of a $0.6 million increase of unrestricted net position, an $8.3 million reduction in net investment in capital assets, and an increase of $12.1 million in restricted net position.

The 2018 increase of unrestricted net position was primarily the result of $8.0 million of grant revenue received to fund capital expenditures, a $4.5 million increase resulting from income generated from Airport operations, $2.3 million of income generated from investments and $0.4 million of grant revenue received to fund operating expenses. This increase in unrestricted net position was substantially offset by the utilization of $12.5 million of the cash and investments in the unrestricted Designated for Capital Projects account group to fund capital additions and by the transfer of $2.4 million of unrestricted amounts for the funding of restricted operating reserves.

The 2018 reduction in net position related to the net investment in capital assets was due to $41.9 million of depreciation of the Airport's capital assets, which was offset in part by $30.8 million in capital asset additions paid for from funds available in the restricted and unrestricted account groups and a $3.1 million reduction in revenue bonds payable.

The 2018 increase in restricted net position was due to the receipt of $18.1 million of PFC revenues, $11.9 million of CFC revenues, $2.5 million of income generated by investments and $2.4 million transferred from unrestricted account groups for the funding of operating reserve requirements. These increases were partially offset by the utilization of $18.3 million of funds available in the restricted account groups for the acquisition and construction of capital assets and a $4.3 million transfer from the restricted PFC account group for funding of the revenue bond debt service requirements.

<u>Assets, Liabilities, and Deferrals</u>
In 2019, total assets increased $191.9 million, composed of a $50.6 million increase in current assets, a $44.9 million increase in capital assets, and a $96.3 million increase in other non-current assets. The increase in current assets was due to an overall increase in cash and investments. The increase in capital assets was due to 2019 capital additions being greater than the depreciation of the Airport's capital assets placed in service in prior years. The increase in other non-current assets was also due to the overall increase in investable balances related to the issuance of bonds in 2019.

In 2018, total assets increased $24.8 million, composed of a $40.0 million increase in current assets, a $10.7 million decrease in capital assets, and a $4.5 million decrease in other non-current assets. The increase in current assets was primarily due to an increase in investable balances and, to take advantage of the rising interest rate environment, a reallocation of investments by the Airport from a long-term horizon to a shorter-term horizon. The decrease in capital assets was due to the depreciation of the Airport's assets and to the demolition and write-off of a passenger terminal concourse previously used for regional jet service. The decrease in other non-current assets was related to the above discussed reallocation of investments to a shorter-term horizon, with this decrease being offset in part by an increase in investments held in trust from air carrier rates and charges settlements and an increase in invested balances as the result of 2018 PFC receipts.

In 2019, total liabilities increased $169.1 million. This change includes a $35.0 million increase in current liabilities and a $134.1 million increase in non-current liabilities. The increase in current liabilities was primarily due to a $22.6 million increase in the rates and charges settlement due to the air carriers related to the reclassification to current payables of $16.2 million in settlement amounts payable to Delta from years prior to 2019, the addition of the $7.0 million in 2019 rates and charges settlement amounts payable to Delta and the $0.6 million reduction in 2019 settlement amounts owed to other airlines as compared to 2018. Other components of the increase in current liabilities include a $9.7 million increase in accounts payable and contract retainage related to both capital and operational expenditures and a $2.2 million increase in revenue bond interest payable. The increase in non-current liabilities was due to a $137.5 million increase in bonds payable, inclusive of unamortized premiums, related to the issuance of bonds in 2019 and a $13.2 million increase in the Airport's assigned proportionate share of the net pension liability of the Kentucky Retirements Systems' County Employees Retirement System, the pension plan in which the Board's employees participate. These increases are offset by the $16.2 million reclassification to current payables of prior years' rates and charges settlements due to Delta.

In 2018, total liabilities increased $14.8 million. This change includes a $4.2 million increase in current liabilities and a $10.6 million increase in non-current liabilities. The increase in current liabilities was primarily due to a $6.8 million increase in accounts payable related to both capital and operational expenditures, offset by a $2.8 million decrease in the rates and charges settlement payables to air carriers other than Delta. The increase in non-current liabilities was primarily due to an $8.4 million increase in the

Airport's assigned proportionate share of its pension plan's net pension liability and a $6.6 million increase in the rates and charges settlement payable to Delta. These increases were partially offset by a $3.1 million reduction in revenue bonds payable including unamortized premium due to principal payments on the outstanding debt and a $2.2 million decrease in the Airport's assigned proportionate share of the net other postemployment benefits ("OPEB") liability of the Kentucky Retirement Systems' Insurance Fund, a fund which provides insurance benefits to retired members of the Kentucky Retirement System.

In 2019, deferred outflows of resources decreased $1.5 million and deferred inflows of resources increased $1.3 million. The decrease in deferred outflows of resources was primarily due to the amortization of the deferred outflow recorded as the result of prior year changes in the Kentucky Retirements Systems' economic assumptions offset in part by the deferred outflow recorded as the result of current year changes in assumptions. The increase in deferred inflows of resources was primarily due to deferred outflows recorded due to current year actuarial adjustments. This increase is partially offset by amortization of prior year actuarial adjustments.

In 2018, deferred outflows of resources decreased $2.9 million and deferred inflows of resources increased $2.7 million. The decrease in deferred outflows of resources was primarily due to the amortization of the deferred outflow recorded as the result of a 2017 change in economic assumptions made by the Kentucky Retirement Systems Board. The increase in deferred inflows of resources was primarily due to Kentucky Retirement Systems changes in the amortization of OPEB related actuarial adjustments for the difference between expected and actual plan experience.

Summary of Financial Operations

A summary comparison of the Airport's Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2019, 2018 and 2017 is set forth below (in thousands of dollars):

	2019	2018	2017
Operating Revenues			
Landing fees, net	$ 22,430	$ 21,132	$ 18,032
Rentals, net	19,639	18,726	21,395
Parking	48,310	45,383	37,044
Concessions	15,485	14,715	12,878
Other	4,818	4,327	3,588
Total operating revenues	110,682	104,283	92,937
Operating Expenses			
Salaries, wages and benefits	61,681	54,941	48,547
Contracted services	29,084	25,458	22,531
Supplies and capital items expensed	7,777	8,050	5,239
Utilities	8,138	7,820	6,844
General administration	2,379	2,585	2,006
Insurance	1,206	1,561	1,293
Total operating expenses	110,265	100,415	86,460
Operating income, before depreciation and amortization	417	3,868	6,477
Depreciation and amortization	(42,885)	(41,877)	(42,730)
Operating loss, after depreciation and amortization	(42,468)	(38,009)	(36,253)
Nonoperating Changes in Net Position: (decrease) increase			
Revenue bond interest, net of premium amortization	(5,788)	(1,218)	(1,255)
Bond issuance costs	(1,116)	(311)	-
Subordinate debt interest	(16)	(12)	-
Passenger facility charge revenues	18,364	18,143	16,032
Customer facility charge revenues	12,130	11,930	8,778
Police forfeiture program revenues	1,136	492	336
Police forfeiture program revenues passed through to other local government	(38)	(3)	(2)
Grants and federal awards for operating expenses	400	352	510
Investment income	9,674	4,840	1,970
Net gain on disposal of capital assets	43	189	33
Non-capitalized project costs	(812)	(274)	(24)
Other	-	-	58
Total nonoperating changes in net position, before capital contributions	33,977	34,128	26,436
Capital Contributions			
Donated capital	19,933	-	-
Grants and federal awards for capital expenditures	8,331	8,056	1,088
Third party funding of project costs	158	235	13
Total capital contributions	28,422	8,291	1,101
Total changes in net position	19,931	4,410	(8,716)
Net position at the beginning of the year, previously stated	825,705	821,295	847,624
Deferred outflows of resources	-	-	1,050
Net other postemployment benefits liability	-	-	(18,663)
Restatement due to adoption of GASB 75			(17,613)
Net position at the beginning of the year, restated	825,705	821,295	830,011
Net Position at the End of the Year	$ 845,636	$ 825,705	$ 821,295

Operating Revenues and Expenses

Operating revenues increased $6.4 million in 2019 and $11.3 million in 2018, as detailed below:

Landing fee revenue increased by $1.3 million in 2019 and $3.1 million in 2018. Due to the residual nature of the calculation of the landing fee rate, these increases are reflective of increases in the airfield cost center requirements in each of these years net of the portions of the NRR allocated to reduce the landing fee rate.

Rental revenues increased $0.9 million in 2019 and decreased $2.7 million in 2018. The primary component of the 2019 increase was a $0.7 million increase in other rentals related to the lease of office space in a multi-tenant office building owned by the Board. The primary component of the decrease in 2018 was a $3.2 million net decrease in terminal and ramp related rentals due to the increase in the NRR available to reduce the Signatory Carrier terminal rentals being more than the increase in the terminal related airline cost center requirements. This overall decrease was partially offset by a $0.5 million increase in ground rentals resulting from additional commercial development leasing activity.

Parking revenues increased $2.9 million in 2019 and $8.3 million in 2018 related to the continued growth in origin passengers. Also contributing to the 2018 increase was an increase in the rates charged for use of the parking facilities.

Concession revenues increased $0.8 million in 2019 and $1.8 million in 2018 related to the additional passengers utilizing the Airport, with the primary components of the increase being revenues from car rentals, retail and food and beverage sales in 2019 and car rentals and food and beverage sales in 2018.

Operating expenses increased $9.8 million in 2019 and $13.9 million in 2018. Contributing to these increases were the following:

Salaries, wages and benefits expenses increased $6.7 million in 2019 and $6.4 million in 2018. In 2019, salaries and wages increased $1.4 million and benefits expense increased $5.3 million, with the benefits expense increase being the result of an increases in pension and OPEB expenses based on amounts assigned to the Airport by the Kentucky Retirement Systems and calculated in accordance with the provisions of GASB Statements 68 (pension) and 75 (OPEB). In 2018, salaries and wages increased $1.4 million and benefits expense increased $5.0 million, with the benefits expense increase being the result of an increases in pension and OPEB expenses, partially offset by a decrease in the cost of employee group health coverage.

Contracted services expenses increased $3.6 million in 2019 and $2.9 million in 2018. The increase in 2019 was the result of increased contracted parking operations and maintenance costs, pavement repairs, repairs to airfield related facilities, outsourcing of non-airfield snow removal functions and planning and engineering support services. These increases were partially offset by a decrease in Master Plan consulting costs incurred during 2019 (more fully discussed in the Capital Assets section of this Management's Discussion and Analysis). The increase in 2018 was the result of Master Plan consulting costs incurred during 2018 and increased administrative and safety related projects, offset by a decrease in costs of airfield and terminal repair and maintenance projects.

The expense for supplies and capital items expensed in 2019 was comparable to that of 2018, which increased $2.8 million from 2017. The increase in 2018 was due to increased purchases of supplies and small, expensed equipment to be used in various Airport maintenance activities and to increased utilization of snow supplies during the 2018 winter season.

General administration expenses in 2019 were comparable to those of 2018, which increased $0.6 from 2017. The 2018 increase was due to increased travel and training related expenses and increased marketing expenses due to increased utilization of the Airport's air service incentive program.

Depreciation and amortization increased $1.0 million in 2019 and decreased $0.9 million in 2018. The increase in 2019 was related to increased capital asset balances, while the decrease in 2018 was due to certain airfield assets becoming fully depreciated.

Nonoperating Changes in Net Position

The nonoperating changes in net position decreased $0.2 million in 2019 and increased $7.7 million in 2018. The primary components were as follows:

Revenue bond interest expense, net of premium amortization, increased $4.6 million in 2019 due to the 2019 issuance of bonds.

Bond issuances costs increased $0.8 million in 2019 and $0.3 million in 2018 due to issuance costs incurred related to bonds issued in March 2019.

PFC revenues increased $0.2 million in 2019 and $2.1 million in 2018 as the result of increased enplanements. PFCs are collected at a Federal Aviation Administration ("FAA") approved rate per qualifying enplaned passenger and are restricted for use on FAA approved projects.

CFC revenues increased $0.2 million in 2019 and $3.2 million in 2018. CFCs are funds collected at a rate charged per rental car transaction day and are currently restricted for project costs related to the construction of the GTF, as well as the debt service on the Series 2019 CFC Revenue Bonds issued to fund the construction of the GTF. The increase in 2019 was primarily due to an increase in the number of rental car transactions related to the increase in passengers utilizing the Airport. The increase in 2018 was principally due to a January 2018 increase in the rate charged per rental car transaction day and to the number of rental car transactions resulting from the increase in passengers utilizing the Airport.

Investment income increased $4.8 million in 2019 due to increased investable balances and $2.9 million in 2018 due to an increasing interest rate environment.

Capital Contributions

Capital contributions reflected by the Airport normally include the appraised value of facilities constructed by tenants and recorded by the Airport at such time as, in accordance with the provisions of associated ground leases, the ownership of the facilities reverts to the Airport. Capital contributions also normally include grants, federal awards and contributions received from other outside parties to fund capital project costs.

In 2019, capital contributions increased by $20.1 million due primarily to the recording of a $19.9 million land asset resulting from Amazon's transfer of ownership of the land to the Airport. The transferred land, which is contiguous to previously existing Airport property and is being utilized as part of Amazon's development and operations on the south side of the Airport, was purchased by Amazon from third parties and was recorded at Amazon's acquisition cost.

In 2018, capital contributions increased by $7.2 million. This was due primarily to an increase in grants and federal awards for capital expenditures as the result of increases in the amount of federal grant funds available and the eligible project costs incurred.

Summary of Cash Flows

A comparative summary of the Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017 is as follows (in thousands of dollars):

	2019	2018	2017
Net cash provided by operating activities	$ 12,175	$ 22,522	$ 22,508
Net cash provided by non-capital financing activities	1,498	848	676
Net cash provided by (used in) capital and related financing activities	110,434	2,369	(6,814)
Net cash used in investing activities	(124,274)	(35,738)	(11,747)
Net (decrease) increase in cash	(167)	(9,999)	4,623
Cash at the beginning of the year	1,346	11,345	6,722
Cash at the end of the year	$ 1,179	$ 1,346	$ 11,345

The Airport's overall cash position decreased $0.2 million in 2019 and $10.0 million in 2018.

Net cash provided by operating activities decreased $10.3 million in 2019 as compared to 2018. The 2019 decrease is related to a decrease of $8.4 million in operating cash provided by the differences in the timing of operating cash receipts and payments in 2019, a $5.8 million decrease in payables due to non-operating account groups, and a $3.5 million decrease in income generated by operating activities, before depreciation and amortization. These decreases are partially offset by a $4.1 million increase in non-cash operating expenses recorded as the result of the changes in pension and OPEB related liabilities and deferred inflows and outflows and a $2.6 million increase in the amount of rates and charges collected during 2019 as compared to 2018 which, based on the year-end settlement process, were determined to be overpayments and, therefore, were owed back to the air carriers.

Net cash provided by operating activities remained stable in 2018 as compared to the amount provided in 2017.

Net cash provided by non-capital financing activities increased $0.7 million in 2019, which was primarily due to fluctuations in the amount of cash received under law enforcement federal asset forfeiture programs. The amount provided in 2018 was comparable to that of 2017.

Net cash provided by capital and related financing activities increased by $108.1 million in 2019. This was primarily due to $141.0 million of proceeds received from the issuance of bonds and a $4.8 million increase in cash provided by grants. These sources of cash were partially offset by a $33.3 million increase in cash used for acquisition of capital assets, a $2.4 million increase in cash used for debt service requirements, the use of $1.3 million of the 2019 bond proceeds to pay bond issuance costs and a $1.0 million decrease in cash provided by PFCs.

Net cash provided by capital and related financing activities increased by $9.2 million in 2018. This was primarily due to a $5.6 million increase in cash provided by PFCs and CFCs and a $4.1 million decrease in cash used for acquisition and construction of capital assets. These sources of cash were partially offset by a $1.0 million decrease in cash provided by grants.

Net cash used in investing activities increased by $88.5 million in 2019. This was primarily due to a $90.2 million increase in net investment purchases (investment purchases less investment maturities), offset by a $1.7 million increase in investment income received. The increase in net cash used in investing activities was due to higher year-end investable balances primarily related to the unexpended 2019 bond proceeds.

Net cash used in investing activities increased by $24.0 million in 2018. This was due to a $26.4 million increase in net investment purchases (investment purchases less investment maturities), offset by a $2.4 million increase in investment income received. During 2018, the Airport initiated the use of overnight sweep vehicles to facilitate movement of cash balances into money market funds, allowing the Airport to generate additional investment earnings on these amounts. This change resulted in a significant increase in investment balances and a corresponding decrease in cash balances in both 2018 and 2019.

Capital Assets

As of December 31, 2019, the Airport's capital assets balance, net of accumulated depreciation, was $741.6 million. As detailed in Note 4 to the Statements, during 2019 the amount of capital assets gross of depreciation increased $84.5 million and accumulated depreciation increased $39.6 million. In 2019, additions to gross capital assets were principally related to the ongoing construction of the GTF and terminal roadway improvements as well as the rehabilitation of aircraft parking ramp and various projects related to the improvement and modernization of terminal facilities. Also contributing was the recording of the $19.9 million land asset transferred from Amazon to the Airport.

The Airport's Master Plan provides both near-term and long-term road maps for the Airport's facilities to be developed to efficiently serve future aviation needs. Under FAA guidelines, the Master Plan must periodically be updated to reflect operational changes at the Airport and changes in the industry. The Airport is finalizing an update to its Master Plan that reflects the changes in the nature of operations which have occurred at the Airport since the last Master Plan update, including the diversification of air carrier operations at the Airport, the growth in origin passengers, the anticipated growth in both DHL and Amazon air cargo operations and increased demand for aeronautical and non-aeronautical land development. The Master Plan update has resulted in the selection of a preferred future terminal passenger facility plan that will help to guide future terminal investment decisions. The selection criteria for determining the preferred terminal passenger facility included providing a high level of customer service, maximizing the re-use of existing facilities and allowing for flexible incremental expansion based on demand. The Master Plan update includes forecasts of aviation activity and facility needs at the airport through the year 2050 with timing of recommended improvements based on demand. The Master Plan update is anticipated to be approved by the FAA before the end of 2020.

Upon finalization of the Master Plan update, based upon anticipated future demand levels, the Airport will evaluate timing for the more detailed planning efforts related to the Master Plan recommended preferred future terminal passenger facility plan. It is anticipated that the cost of any capital assets and improvements recommended as part of the Master Plan update will be funded with some combination of short-term financing, long-term financing, PFCs, CFCs, federal and state grants, internally generated funds and third party funds.

Debt Administration

As of December 31, 2019, the Airport's outstanding bonds were the Series 2016 Refunding Revenue Bonds with a principal balance of $40.3 million, the Series 2019 Revenue Bonds with a principal balance of $32.9 million, and the Series 2019 CFC fixed rate revenue bonds with a principal balance of $103.1 million. The Series 2019 Revenue Bonds and the Series 2019 CFC Revenue Bonds were issued in March 2019 to fund the reconfiguration of the main terminal roadways system and the construction of the GTF, respectively. All of the Airport's outstanding bonds bear fixed rates of interest.

The Series 2016 and Series 2019 Revenue Bonds are secured by a pledge of the Airport's net operating revenues as defined in the related bond resolutions. Pursuant to approvals previously received from the FAA, while secured by net operating revenues, the full amount of the debt service on the Series 2016 Revenue Bonds and the majority of the debt service on the Series 2019 Revenue Bonds are payable from PFCs on-hand and currently approved future PFC collections. At December 31, 2019, the Airport's underlying long-term ratings for bonds issued under the Airport's general bond resolution were "A1" from Moody's Investor Services with a "stable" outlook and "A+" from Fitch Ratings with a "stable" outlook.

The Series 2019 CFC Revenue Bonds are special limited obligations of the Board. These bonds are secured by a pledge of CFCs collected by the rental car companies and are subject to the requirements of the trust indenture entered into between the Airport and the trustee for the bonds. In the event that the CFC collections are insufficient or are estimated to be insufficient to pay debt service and funding of reserves as required by the rate covenant set forth in the trust indenture, the Airport has secured the right to charge the rental car companies operating under rental car agreements for any such deficiency. Any deficiency payments collected are also pledged to the payment of the Series 2019 CFC Revenue Bonds. For the Series 2019 CFC Revenue Bonds, Fitch Ratings assigned a long-term bond rating of "A-" with a "stable" outlook and Moody's Investors Service assigned a long-term bond rating of "A3" with a "stable" outlook.

Due to the impact of the COVID-19 global pandemic on the aviation industry (more fully discussed below), Fitch Ratings revised the ratings it had assigned to the outstanding bonds of many airports. This included revising the rating on the Airport's Series 2016 and 2019 Revenue Bonds from "A+" with a "stable" outlook to "A+ with a "negative" outlook in April 2020 and revising the rating on the Airport's Series 2019 CFC Revenue Bonds from "A-" with a "stable" outlook to "A-" with a "negative" outlook in May 2020.

Subsequent Events

COVID-19 Impacts
First identified in late 2019, in early March 2020 the World Health Organization declared the coronavirus respiratory disease COVID-19 a global pandemic. In response to widespread effects and risks of the pandemic, the United States and many other countries have implemented measures to combat the outbreak which have impacted global business operations. These measures, among others, include international travel restrictions and, in some states, requirements to stay home. As a result of these measures and the public's concern regarding being in contact with others during the pandemic, COVID-19 has had drastic and acute impacts on the national and world economies, the aviation industry, and, therefore, the operations and finances of the Airport. These impacts include, beginning in March 2020, a significant downturn in passenger traffic and reductions in passenger flights, with these reductions impacting the Airport's revenues dependent upon this activity.

To help mitigate the financial impacts of the decrease in operations resulting from the pandemic, the Airport implemented the following measures: 1) hiring freeze on all Airport positions determined to not be currently critical, 2) elimination of all overtime work determined to be currently non-critical 3) review of the Airport's capital program and postponement of all non-mission critical project spending, 4) review of all budgeted operational expenses and delay or elimination of all those considered to be currently non-essential 5) review and pursuit of all potential sources of funding, 6) enhancement of procedures used to monitor accounts receivable and 7) increase in amount and monitoring of funds held liquid. As of the date of issuance of these financial statements, these measures have begun and are expected to continue to produce significant mitigating effects on the financial impacts of the pandemic.

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act includes $10.0 billion in funds that can be used for any lawful airport purpose to be awarded as economic relief to eligible U.S. airports affected by the pandemic. Through this program the Airport has been awarded $42.9 million to reimburse operating and debt service expenditures of the Airport. The CARES Act also provides additional funds through increasing from 75% to 100% the federal share of Airport Improvement Program grants awarded in federal fiscal year 2020. The increase in the federal share of grants is expected to provide approximately $5.0 million of additional capital funding to the Airport.

In addition to providing assistance to airports, those provisions of the CARES Act which were designed to provide financial assistance to the aviation industry also include $58.0 billion of financial assistance to passenger and cargo airlines.

To potentially provide some measure of financial relief to its airline tenants, the Airport is continuing to evaluate how best to apply the amount awarded through the CARES Act, with a primary consideration being application which helps assure both the financial sustainability of the Airport and maintaining reasonable rates and charges for the airlines serving the Airport.

Additionally, at the date of the issuance of these financial statements, the Airport is considering certain relief measures for its concession tenants. If enacted, the relief measures being considered would have an approximate $1.5 million to $2.5 million impact on 2020 operating revenues through the reduction in the minimum rentals to be received under noncancelable leases.

As discussed in Note 1 to the financial statements, the Airport has on-hand significant sources of reserves available to fund operating expenses and debt service. Due to the mitigation measures and funding discussed above, at the date of the issuance of these financial statements, it is not expected that significant amounts of reserves will be needed to fund the operations or debt service of the Airport. However, should the need arise, reserves would be used to ensure satisfaction of the Airport's obligations.

Due to the severity of the impacts of the COVID-19 pandemic on worldwide economies and the aviation industry, it is expected that the operations and finances of the aviation industry and the Airport will continue to be impacted, although decreasingly so, for the foreseeable future. However, due to mitigating factors which include, but are not limited to, the 1) measures enacted by the Airport, 2) sources of funding being made available through the CARES Act, 3) availability of significant sources of Airport reserves, 4) diversification of the Airport's revenues due to cargo operations, which have not experienced reductions during the pandemic, 5) criticality of the aviation system to worldwide economies and 6) importance of the Airport to the aviation system, management and the Board fully expect the Airport to successfully emerge from the economic downturn caused by the pandemic and remain a financially and operationally viable going concern.

Management believes that financial impacts of the global pandemic have no significant effects on the balances presented at December 31, 2019. Accordingly, the attached financial statements have not been modified in any way related to this matter.

Debt Administration- Revolving Line of Credit
In March 2020, the Airport adopted a Subordinate General Bond Resolution which stipulates that any bonds issued under this resolution are to be secured by a pledge of net operating revenues subordinate to the rights of the Series 2016 and Series 2019 Revenue Bonds. Pursuant to the subordinate bond resolution, in March 2020 the Airport also approved a resolution authorizing an agreement with PNC Bank National Association for a revolving line of credit that expires on March 1, 2024 and has a maximum commitment amount of $75,000,000. The Airport is permitted to draw on the line of credit for the purpose of financing capital improvement projects. The line of credit bears interest at the London Interbank Offered Rate (LIBOR) plus 62.5 or 56 basis points dependent upon whether the notes issued under the line of credit are taxable or tax-exempt, respectively. Due to the postponement of capital projects as discussed above, as of the date of the issuance of these financial statements, the Airport has not drawn any amounts on this revolving line of credit.

Requests 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 Chief Financial Officer, P.O. Box 752000, Cincinnati, OH 45275-2000 or emailed to info@cvgairport.com.

Cincinnati/Northern Kentucky International Airport
Balance Sheets
December 31, 2019 and 2018

(in thousands of dollars)

		2019		2018
Assets				
Current assets				
Unrestricted				
Cash	$	850	$	975
Investments (at fair value)		127,590		104,592
Investment income receivable		248		289
Accounts receivable		4,678		3,968
Grants and federal awards receivable		6,723		5,753
Prepaid expenses		2,148		1,763
Supplies inventory		4,399		4,849
Total unrestricted current assets		146,636		122,189
Restricted				
Cash		329		370
Investments (at fair value)		35,528		9,412
Investment income receivable		77		2
Total restricted current assets		35,934		9,784
Total current assets		182,570		131,973
Non-current assets				
Unrestricted				
Investments (at fair value)		5,002		12,611
Prepaid expenses		246		147
Capital assets, non-depreciable		231,245		210,904
Capital assets, net of accumulated depreciation		510,389		485,804
Total unrestricted non-current assets		746,882		709,466
Restricted				
Cash		-		1
Investments (at fair value)		266,837		164,431
Investment income receivable		833		411
Accounts receivable		-		323
Passenger facility charges receivable		2,400		1,571
Customer facility charges receivable		1,370		852
Total restricted non-current assets		271,440		167,589
Total non-current assets		1,018,322		877,055
Total assets		1,200,892		1,009,028
Deferred Outflows of Resources				
Pension		20,145		22,227
Other postemployment benefits		9,241		8,685
Total deferred outflows of resources		29,386		30,912
Total assets and deferred outflows of resources	$	1,230,278	$	1,039,940
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$	32,427	$	24,495
Rates and charges settlement payable to airlines		24,820		2,182
Contract retainage payable		3,200		1,348
Bond interest payable		2,242		-
Revenue bonds payable, inclusive of unamortized premium		3,451		3,112
Subordinate debt - equipment lease		183		177
Total current liabilities		66,323		31,314
Non-current liabilities				
Accounts payable and accrued expenses		1,908		1,972
Rates and charges settlement payable to airlines		-		16,200
Revenue bonds payable, inclusive of unamortized premium		183,865		46,351
Subordinate debt - equipment lease		253		435
Net pension liability		96,658		83,454
Net other postemployment benefits liability		24,281		24,448
Total non-current liabilities		306,965		172,860
Total liabilities		373,288		204,174
Deferred Inflows of Resources				
Pension		3,694		5,206
Other postemployment benefits		7,660		4,855
Total deferred inflows of resources		11,354		10,061
Net Position				
Unrestricted		18,578		20,173
Net investment in capital assets		634,105		645,200
Restricted:				
For federally approved projects		88,872		89,634
For ground transportation expenditures		66,577		44,121
For operational cash flow shortages (by bond resolutions)		24,042		21,930
For debt service		13,462		4,306
For uses legally required by contributing parties		-		341
Total net position		845,636		825,705
Total liabilities, deferred inflows of resources and net position	$	1,230,278	$	1,039,940

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

(in thousands of dollars)

	2019	2018
Operating Revenues		
Landing fees, net	$ 22,430	$ 21,132
Rentals:		
Terminal, net	8,453	8,724
Ground	4,660	4,433
Ramp	4,670	4,403
Other	1,856	1,166
Parking	48,310	45,383
Concessions	15,485	14,715
Rebilled services	2,467	2,341
Ground transportation	1,502	1,294
Other	849	692
Total operating revenues	110,682	104,283
Operating Expenses		
Salaries, wages and benefits	61,681	54,941
Contracted services	29,084	25,458
Supplies and capital items expensed	7,777	8,050
Utilities	8,138	7,820
General administration	2,379	2,585
Insurance	1,206	1,561
Total operating expenses	110,265	100,415
Operating income, before depreciation and amortization	417	3,868
Depreciation and amortization	(42,885)	(41,877)
Operating loss, after depreciation and amortization	(42,468)	(38,009)
Nonoperating Changes in Net Position: (decrease) increase		
Revenue bond interest, net of premium amortization	(5,788)	(1,218)
Bond issuance costs	(1,116)	(311)
Subordinate debt interest	(16)	(12)
Passenger facility charge revenues	18,364	18,143
Customer facility charge revenues	12,130	11,930
Police forfeiture program revenues	1,136	492
Police forfeiture program revenues passed through to other local government	(38)	(3)
Grants and federal awards for operating expenses	400	352
Investment income	9,674	4,840
Net gain on disposal of capital assets	43	189
Non-capitalized project costs	(812)	(274)
Total nonoperating changes in net position, before capital contributions	33,977	34,128
Capital Contributions		
Donated capital	19,933	-
Grants and federal awards for capital expenditures	8,331	8,056
Third party funding of project costs	158	235
Total capital contributions	28,422	8,291
Total changes in net position	19,931	4,410
Net position at the beginning of the year	825,705	821,295
Net Position at the End of the Year	$ 845,636	$ 825,705

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

(in thousands of dollars)

	2019	2018
Cash Flows from Operating Activities		
Cash received from customers	$ 116,317	$ 109,038
Cash paid to suppliers	(54,517)	(40,254)
Cash paid for the direct benefit of employees	(49,625)	(46,262)
Net cash provided by operating activities	12,175	22,522
Cash Flows from Non-Capital Financing Activities		
Police forfeiture program receipts	1,136	499
Police forfeiture program receipts passed through to other local government	(38)	(3)
Grants and federal awards receipts for operating expenses	400	352
Net cash provided by non-capital financing activities	1,498	848
Cash Flows from Capital and Related Financing Activities		
Revenue bond debt service - principal	(2,165)	(2,065)
Revenue bond debt service - interest	(4,668)	(2,228)
Proceeds from issuance of bonds	141,140	-
Bond issuance costs	(1,314)	(17)
Subordinate debt service - principal	(177)	(117)
Subordinate debt service - interest	(16)	(12)
Passenger facility charges received	17,534	18,554
Customer facility charges received	12,134	11,471
Grants and federal awards receipts for capital expenditures	7,929	3,095
Third party funding of project costs	482	472
Proceeds from sale of assets	-	315
Acquisition and construction of airport facilities	(60,445)	(27,099)
Net cash provided by capital and related financing activities	110,434	2,369
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	1,438,059	588,007
Purchase of investments	(1,569,335)	(629,081)
Investment income received	7,002	5,336
Net cash used in investing activities	(124,274)	(35,738)
Net decrease in cash	(167)	(9,999)
Cash at the beginning of the year	1,346	11,345
Cash at the End of the Year	$ 1,179	$ 1,346

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statements of Cash Flows, continued
Years Ended December 31, 2019 and 2018

(in thousands of dollars)

	2019	2018
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss, after depreciation and amortization	$ (42,468)	$ (38,009)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	42,885	41,877
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(707)	902
Decrease (increase) in supplies inventory	449	(683)
Increase in portion of interfund receivables related to operating activities	(1,078)	(170)
Increase in prepaid expenses	(27)	(440)
(Decrease) increase in accounts payable and accrued expenses	(3,460)	3,308
Increase in rates and charges settlement payable to airlines	6,438	3,850
Increase in contract retainage payable	-	28
(Decrease) increase in portion of interfund payables related to operating activities	(5,713)	82
Decrease in deferred outflow of resources	1,526	2,902
Increase in deferred inflow of resources	1,293	2,711
Increase in net pension liability	13,204	8,351
Decrease in net postemployment benefits liability	(167)	(2,187)
Total adjustments	54,643	60,531
Net cash provided by operating activities	$ 12,175	$ 22,522

Noncash Capital and Related Financing Activities:

	2019	2018
Amortization of revenue bond premium, payment of revenue bond debt service interest	$ 1,122	$ 1,010
Donated capital	$ 19,933	$ -

See report of independent auditors and accompanying notes to financial statements.

(in thousands of dollars)

1. Summary of Significant Accounting Policies and Practices

Reporting Entity

The Kenton County Airport Board ("Board") was created by the Fiscal Court of Kenton County, Kentucky on June 3, 1943. The Board is a public body politic and corporate, and has jurisdiction, control, possession and supervision of the Cincinnati/Northern Kentucky International Airport ("Airport").

Basis of Accounting

The Airport is a business-type activity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services and are accounted for in Enterprise Funds, which utilize the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned, and expenses are recognized when incurred.

The principal operating revenues of the Airport are from sources such as the Airport's tenant airlines, concessions, customer parking, rental cars, and other third party facility and ground leases. Investment income, Passenger Facility Charges, Customer Facility Charges, federal and state operating grants and other revenues not related to the operations of the airport are considered nonoperating revenues. Operating expenses include the cost of airport and related facilities maintenance, administrative expenses, and depreciation on capital assets. Interest expense, bond issuance costs and non-capitalized project costs are considered nonoperating expenses.

As required of an Enterprise Fund, the Balance Sheets are presented with assets and liabilities classified as current and non-current. Assets are classified as current if they will be converted to cash within one year of the Balance Sheets dates and are not subject to restrictions which prohibit them from being used in the current operations of the Airport. Restricted assets are also classified as current if they will be converted to cash within one year of the Balance Sheets dates and are needed to cover current liabilities which exist at the Balance Sheets dates. Liabilities are classified as current if they are likely to be paid within one year of the Balance Sheets dates.

Pronouncements Adopted in the 2018 Financial Statements

All full-time employees of the Airport are members of the Kentucky Retirement Systems' County Employees Retirement System ("CERS"), a cost-sharing multiple-employer defined benefit pension system (see Note 9). Under the provisions of Section 61.701 of the Kentucky Revised Statutes ("KRS"), the Kentucky Retirement Systems Board also administers the Kentucky Retirement Systems' Insurance Fund ("Insurance Fund"). The Insurance Fund provides access to group health insurance coverage for retirees of the various retirement systems managed by the Kentucky Retirements Systems Board, including all nonhazardous and hazardous members of the CERS. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45 and requires governments to report a liability on their financial statements for the other postemployment benefits ("OPEB") that they provide. This statement requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities, including a description of the effect on the reported OPEB liability of using a discount rate

(in thousands of dollars)

and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government, new RSI including a schedule showing the causes of increases and decreases in the OPEB liability, and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This statement was effective for the Airport's fiscal year ended December 31, 2018 (see Note 10).

During 2018, the Airport implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of 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 – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement did not have an effect on the Airport's 2018 or 2019 basic financial statements.

During 2018, the Airport early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period.* The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify 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. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of capital assets reported in an Enterprise Fund. This statement requires prospective application, and thus no restatement of previously reported historical costs of capital assets is required. The implementation of GASB Statement No. 89 had no effect on the 2018 or 2019 basic financial statements.

Significant Upcoming Implementations

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain Asset Retirement Obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes the criteria for determining if the Airport would be required to recognize a liability associated with legal obligations to perform future asset retirement activities related to its tangible capital assets and disclosure of information about the nature of the Airport's AROs, the methods and assumptions used for estimates of liabilities, and the estimated remaining useful life of the associate tangible capital assets. This statement is effective for the Airport's fiscal year ending December 31, 2020.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a

(in thousands of dollars)

deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for the Airport's fiscal year ending December 31, 2022.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is effective for the Airport's fiscal year ending December 31, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This statement also addresses arrangements often characterized as leases that are associated with conduit debt obligations. This statement is effective for the Airport's fiscal year ending December 31, 2022.

The Airport has not yet determined what impact, if any, the above listed items will have on its financial statements.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides relief to governments and other stakeholders in light of the COVID-19 pandemic (more fully discussed in Note 14) by postponing the effective dates of certain Statements and Implementations Guides. The effective dates listed above reflect the dates as revised by GASB Statement No. 95.

Air Carrier Rates and Charges

Effective January 1, 2016, the Airport entered into a new Airport Use Agreement (”Use Agreement”) with certain passenger and cargo air carriers operating at the Airport (“Signatory Carriers”). The Use Agreement, which expires on December 31, 2020, provides for the use of the Airport and establishes the landing fees to be paid for use of the airfield. Each passenger carrier that is a Signatory Carrier leases airport facilities under separate terminal lease agreements, with these lease agreements also expiring as of December 31, 2020. The Use Agreement establishes the methodology for calculating the various terminal related rates and charges to be paid under these terminal lease agreements. Air carriers which are not Signatory Carriers utilize the terminal facilities under an operating permit and pay per use of the facilities.

The Use Agreement employs a hybrid structure for establishing airline rates and charges. Rates charged for the use of the airfield are residual in nature in that the landing fee rates prior to any revenue offsets are established to recover the costs of providing the airfield. A commercial compensatory rate setting methodology is used to establish terminal related rates and charges wherein any unrecovered terminal costs are borne by the Airport. Under the Use Agreement, a portion of Net Remaining Revenues (“NRR”) as defined in the agreement are credited to reduce the landing fee rate and Signatory Carrier terminal related rentals. Landing fees and airline terminal rentals are reflected net of the related NRR credits in the Statement of Revenues, Expenses and Changes in Net Position.

(in thousands of dollars)

The landing fee rate, terminal related rates and charges and the related NRR credits are established annually during the budget process and are based on projected revenues, costs and airline activity. After the close of each fiscal year, the landing fee rate, terminal related rates and charges and related NRR credits are recalculated using audited financial data. Any overpayments of such rentals, fees and charges are recorded as a payable and returned by the Board to the Signatory Carriers. Any underpayments are invoiced to the Signatory Carriers and recorded as revenues in the year to which they pertain. For the years ended December 31, 2019 and 2018, $8,620 and $8,806, respectively, were payable to the carriers as the result of this settlement process. As $16,200 of the amount payable at December 31, 2018 had not been paid by December 31, 2019, the total amount reflected on the Balance Sheet as payable at December 31, 2019 is $24,820.

The bond resolutions associated with the bonds payable from operating revenues of the Airport and outstanding at December 31, 2019 and 2018 require that rates and fees be determined and fixed to ensure that revenues from the operation, use and services of the Airport will be sufficient to 1) pay the costs of operating and maintaining the Airport, 2) fund the principal, interest and coverage requirements of the outstanding bonds, and 3) make all other transfers as required under the bond resolutions.

In addition to the landing fees and terminal rentals and any other fees and charges allowable under the Use Agreement, each Signatory Carrier is required to make extraordinary coverage protection payments to the Airport in any fiscal year in which the amount of operating revenues less operating expenses is or is forecasted to be less than 125% of the aggregate annual debt service requirements as calculated under the Airport's bond resolutions. No such payments were necessary for 2019 and 2018.

Account Groups and Restrictions on Net Position

For administrative purposes and to ensure adherence to applicable parameters and restrictions on the allowable use of funds, the Airport has established various self-balancing account groups.

The account groups and the nature of restrictions on the components of the Airport's net position are as follows:

Account Group:	Restrictions on Net Position:
Operations and Maintenance	Unrestricted
Designated for Capital Projects	Unrestricted
Designated for Group Health Coverage	Unrestricted
Repair and Replacement Reserve	Unrestricted
General Purposes	Unrestricted
Net Investment in Capital Assets	Net Investment in Capital Assets
Passenger Facility Charge	Restricted for federally approved projects
Police Forfeiture	Restricted for federally approved projects

(in thousands of dollars)

Account Group:	Restrictions on Net Position:
Customer Facility Charge	Restricted for ground transportation expenditures (beginning in March 2019, limited to the construction of the Consolidated Ground Transportation Facility and related debt service)
Operations & Maintenance Reserve	Restricted for operational cash flow needs (by bond resolutions)
2019 Terminal Roadway Reconfiguration	Restricted for costs of the 2019 terminal roadway reconfiguration project
Bond Interest and Redemption	Restricted for debt service
Bond Reserve	Restricted for debt service
Other Third Party Funding	Restricted for uses legally required by contributing parties

Unrestricted Account Groups
The unrestricted account groups listed in the table above are resources available for any Airport use.

Operations and Maintenance account group- unrestricted: The Operations and Maintenance account group is maintained to account for operating revenues and expenses and provide for the funding of debt service.

Designated for Capital Projects account group- unrestricted: The Airport has funds on hand which were previously received through reimbursements from federal and state grants and other third parties for eligible capital expenditures. Additionally, amounts as determined by management are periodically set aside to be used for capital projects and, as a result, are transferred from the General Purposes account group. As the Airport intends to use these funds for capital projects, they are recorded as Designated for Capital Projects and reflected as a component of unrestricted net position.

Designated for Group Health Coverage account group- unrestricted: Effective January 1, 2009, the Airport, by resolution of the Board, established an account group for all activities of the self-funded health coverages maintained for employees. By this resolution, the Airport assumed the risk financing of the health and dental coverages through self-funding of claims, subject to certain individual stop loss and group aggregate limits. Activities include contributions to the account, the payment of claims, the payment of fees and expenses, and the establishment and maintenance of reserves. Contributions to the account for the payment of claims, fees and expenses are made from the Operations and Maintenance account group and are recorded as transfers of net position. Contributions to the account for the purposes of building reserves are recorded as transfers of net position from the General Purposes account group (see Note 11).

Repair and Replacement Reserve account group- unrestricted: Pursuant to the requirements of the Airport's bond resolutions, the Board is required to maintain an asset balance of $10,000 in the Repair and Replacement Reserve account group, which is available for any Airport use. In the event that amounts from this reserve are used, the Airport is required, commencing from the date the deficit occurred, to replenish the balance in twenty-four equal monthly installments from the Operations and Maintenance account group, provided the funds are not needed for other purposes. Due to temporary market value fluctuations related to investments, at December 31, 2019 and 2018 the

(in thousands of dollars)

balances in the Repair and Replacement Reserve were $10,080 and $10,033, respectively. The bond resolutions do not require the Airport to adjust the amount held in the Repair and Replacement Reserve when the balance differs from the required $10,000 solely due to temporary market value fluctuations. Actual losses due to market value fluctuations are not expected to occur due to the fixed rate nature of the investments and the Airport's practice of holding its investments to maturity. No funds from the Repair and Replacement Reserve account group were used during 2019 and 2018.

General Purposes account group- unrestricted: Pursuant to the requirements of the Airport's bond resolutions, the Board maintains a General Purposes account group, the balance of which is available for any Airport use. Amounts of revenues remaining in the Operations and Maintenance account group after satisfaction of operating expenses and other transfers required by the bond resolutions are transferred to the General Purposes account group. In 2019 and 2018, the amounts transferred to the General Purposes account group were $19,051 and $17,878, respectively.

Net Investment in Capital Assets

The Net Investment in Capital Assets account group is maintained for the recording of the balances and depreciation of capital assets, as well as any associated balances of outstanding debt in excess of the amount of debt proceeds which remain unspent at the Balance Sheet date. To correctly reflect the net positions of the individual account groups, liabilities for outstanding debt equal to the unspent proceeds at the Balance Sheet date are reflected in the account groups in which the proceeds are held.

Restricted Account Groups

The resources of the restricted account groups listed in the table above are restricted by outside parties. Accordingly, approval of these parties, as applicable, is required in order for the restricted resources to be available for use. It is the Airport's policy to first apply restricted resources when an obligation is incurred for which both restricted and unrestricted net position are available for use.

Passenger Facility Charge account group- restricted: In 1994, the Federal Aviation Administration ("FAA") first granted approval to the Airport to impose a Passenger Facility Charge ("PFC") and to use the PFCs to fund specific approved projects. PFCs, which are charged at rates per qualifying enplaned passenger, are considered earned upon collection by the airline and are credited to the restricted net position of the Passenger Facility Charge account group ("PFC account group"). Amounts collected by the airlines but not yet remitted to the Airport are classified as Passenger Facility Charges receivable. As of December 31, 2019, the Airport has received approval on a total of fifteen PFC applications. The approvals authorize the Airport to collect PFCs and associated investment income for approved projects up to the amount of allowable project costs, but not to exceed $650,580. Through December 31, 2019, PFCs and associated investment income in the amount of $587,378 had been collected.

Police Forfeiture account group- restricted: The Police Forfeiture account group is maintained to account for all activity of funds received by the Airport's police department through the Equitable Sharing Programs of the U.S. Department of Justice, the U.S. Department of Treasury, and the Commonwealth of Kentucky. The use of these funds is restricted to law enforcement expenditures considered allowable under the various sharing agreements.

Customer Facility Charge account group- restricted: Pursuant to an ordinance of the Board, the collection of Customer Facility Charges ("CFCs") began on April 1, 2006. The CFCs, which are

(in thousands of dollars)

charged at a rate per rental car transaction day, are being collected to provide for the planning, construction, operation, and maintenance of facilities to accommodate the ground transportation needs at the Airport. The CFCs are considered earned upon collection by the rental car companies and are recognized as nonoperating revenues in the Customer Facility Charge account group ("CFC account group"). The total amount of CFCs collected in 2019 and 2018 was $12,130 and $11,930, respectively.

In March 2019, the Board issued Series 2019 Customer Facility Charge Revenue Bonds ("Series 2019 CFC Bonds") to fund the construction of a Consolidated Ground Transportation Facility ("GTF") and the associated improvements necessitated by the GTF (see Note 6). The 2019 Series CFC Bonds are special limited obligations of the Board. The Series 2019 CFC Bonds are secured by a pledge of CFCs collected by the rental car companies and are subject to the requirements of the 2019 Master Trust Indenture ("CFC Trust Indenture") entered into between the Airport and the Trustee, US Bank National Association ("Trustee"). Commencing in March 2019, all CFCs collected are transferred to the custody of the Trustee to be held for debt service and to fund project expenditures incurred for construction of the GTF. All unexpended CFCs and proceeds of the issuance of the Series 2019 CFC Bonds are recorded as assets of the CFC account group. The portion of the outstanding bonds attributable to unspent proceeds are reported as an offset to those proceeds, as reported in this account group, and deducted from the outstanding bonds payable balance in Net Investment in Capital Assets.

Operations & Maintenance Reserve account group- restricted: Pursuant to the requirements of the Airport's bond resolutions, the Board is required to maintain in the Operations and Maintenance Reserve an asset balance equal to twenty-five percent of the then current year budgeted operating expenses. Assets in the Operations and Maintenance Reserve account group may only be used to finance operating expenditures, when sufficient funds are not otherwise available in the Operations and Maintenance account group or from other available funding sources. Upon use of funds from this reserve, the Airport is required, commencing in the ensuing calendar year, to replenish the asset balance in twelve equal monthly installments from the Operations and Maintenance account group, provided the funds are not needed for other purposes. At December 31, 2019 and 2018, the asset balances to be carried in the Operations and Maintenance Reserve were $24,030 and $22,009, respectively. Due to temporary fluctuations in the market value of the fixed rate investments, at December 31, 2019 and 2018 the asset balances in the Operations and Maintenance Reserve were $24,163 and $22,088, respectively. The bond resolutions do not require the Airport to adjust the amount held in the Operations and Maintenance Reserve as a result of temporary market value fluctuations. Actual losses due to market value fluctuations are not expected to occur due to the fixed rate nature of the investments and the Airport's practice of holding its investments to maturity. No funds from the Operations and Maintenance Reserve account group were used during 2019 and 2018.

2019 Terminal Roadway Reconfiguration account group- restricted: In 2019, the Board issued Series 2019 Revenue Bonds to fund the work required to reconfigure the main terminal roadway for the purposes of accommodating the construction of the GTF and to provide more efficient access to the main terminal at the Airport (see Note 6). Unspent proceeds from this bond issue, other than those deposited to the Bond Reserve account group, are recorded as assets in this account group. The portion of the outstanding bonds attributable to unspent proceeds are reported as an offset to those proceeds, as reported in this account group, and deducted from the outstanding bonds payable balance in Net Investment in Capital Assets.

(in thousands of dollars)

Bond Interest & Redemption account group- restricted: Pursuant to the requirements of the Airport's bond resolutions and CFC Trust Indenture, the Bond Interest & Redemption account group is maintained to hold and account for contributions from the Operations and Maintenance account group for the debt service requirements of any outstanding bonds which are payable from the Airport's operating revenues and contributions from collected CFCs for the debt service requirements of the Series 2019 CFC Bonds. From the Operations & Maintenance account group and the CFC account group, debt service contributions in the amount of 1/6th of the next required interest payment and 1/12th of the next maturing principal are made to the Bond Interest and Redemption account group on a monthly basis. During 2019 and 2018, all required debt service contributions to the Bond Interest and Redemption Account were made in full. Assets included in the Bond Interest and Redemption account group are restricted for the payment of bond principal and interest.

The FAA's approvals of four of the Airport's PFC applications authorized the use of PFCs for the debt service requirements and related costs of revenue bonds issued to finance the projects included in those applications ("PFC Bonds"). The currently outstanding PFC Bonds consist of the Series 2016 Refunding Revenue Bonds and the Series 2019 Revenue Bonds (see Note 6). The revenue bond resolutions which authorized the issuance of the PFC Bonds created the PFC Revenue Account (within the Operations and Maintenance account group), the PFC Interest and Redemption Account (within the Bond Interest and Redemption account group) and the Bond Reserve Account. The bond resolution under which the Series 2016 Refunding Revenue Bonds were issued provides that through December 31, 2020 the Board must, from the PFC account group, transfer to the PFC Revenue Account PFCs equal to 125% of the principal and interest requirements on the PFC Bonds. The bond resolution under which the Series 2019 Revenue Bonds were issued provides that the Board may, but is not required to, transfer PFCs to the PFC Revenue Account for debt service. Upon transfer to the PFC Revenue Account within the Operations and Maintenance account group, these amounts are restricted for the payment of the principal and interest requirements of the PFC Bonds and any required transfers to the Bond Reserve account group. Any debt service requirements of the PFC Bonds for which the Board elects to not use PFCs, including the debt service requirements of the Series 2016 Refunding Revenue Bonds subsequent to 2020, will be paid from operating revenues of the Airport, which are pledged as security for the PFC Bonds. During 2019, the amounts of $2,165, $2,124 and $1,072 were transferred from the PFC account group for the principal, interest and debt service coverage requirements, respectively. During 2018, the amounts of $2,065, $2,228 and $1,073 were transferred from the PFC account group for the principal, interest and debt service coverage requirements, respectively. Pursuant to the bond resolutions, at December 31, 2019 and 2018, the amounts of $1,072 and $1,073 of debt service coverage were returned to the PFC account group, respectively.

The CFC Trust Indenture which authorized the issuance of the Series 2019 CFC Bonds created the CFC Revenue Fund (within the Customer Facility Charge account group), the Senior CFC Debt Service Fund (within the Bond Interest and Redemption account group) the CFC Senior Debt Service Reserve Fund (within the Bond Reserve account group), and the CFC Coverage Fund (within the Bond Reserve account group). All CFCs collected are deposited in the CFC Revenue Fund. The Trust Indenture provides that the Board's Trustee must, from the Customer Facility Charge Revenue Fund, transfer to the Senior CFC Debt Service Fund CFCs equal to 100% of the principal and interest requirements of the Series 2019 CFC Bonds. Upon transfer, these amounts are restricted for the payment of the principal and interest requirements of the Series 2019 CFC Bonds. During 2019, the

(in thousands of dollars)

amount of $3,500 was transferred from the CFC Revenue Fund for the debt service requirements of the Series 2019 CFC Bonds.

Bond Reserve account group- restricted: For bonds paid from the operating revenues of the Airport, the bond resolutions require the Airport to hold in the Bond Reserve account group cash, investments and accrued interest on investments, the combination of which is equal to the least of 1) 10% of the original par amounts of any bond issues where bonds are still outstanding, 2) an amount at least equal to the maximum principal and interest due on outstanding revenue bonds in any succeeding year or 3) 125% of the average annual principal and interest requirements on the outstanding bonds. The CFC Trust Indenture requires that the Airport hold in the CFC Senior Debt Service Reserve and the CFC Coverage Fund (both within the Bond Reserve account group) cash and investments, the combination of which is equal to 100% and 25%, respectively, of the maximum principal and interest due on outstanding Series 2019 CFC bonds in any succeeding year. Upon use of funds that results in a deficiency in the bond reserve balances on hand, the Airport is required to replenish the applicable asset balance in twelve equal monthly installments from the Operations and Maintenance account group for outstanding bonds payable from the Airport's operating revenues or from the CFC Revenue Fund for the Series 2019 CFC bonds, provided the funds are not needed to fund operations and maintenance expenses or debt service. However, if the series of bonds for which the associated reserve is deficient is payable from PFCs, the deficiency may also be cured using funds from the PFC account group.

At December 31, 2019 and 2018, the required and actual balances in the Bond Reserve account group were as follows:

	2019		2018	
	Required	**Actual**	**Required**	**Actual**
General Airport Revenue Bond Reserve Account	$ 5,144	$ 5,268	$ 4,239	$ 4,331
2019 CFC Senior Debt Service Reserve Fund	6,567	6,540	-	-
CFC Coverage Fund	1,642	1,646	-	-
Total	$ 13,353	$ 13,454	$ 4,239	$ 4,331

The bond resolutions and the CFC Trust Indenture require that the investments in the Bond Reserve account group be market valued on January 15th of each year. At that time, any deficiencies in the reserve balances due to market value fluctuations must be cured by the transfer of appropriate funds. Accordingly, the deficiency in the 2019 CFC Senior Debt Service Reserve Fund as shown above was cured with a transfer of CFCs from the CFC Revenue fund in the CFC account group in January 2020. Actual losses due to market value fluctuations are not expected to occur due to the fixed rate nature of the investments and the Airport's practice of holding its investments to maturity.

Other Third Party Funding account group- restricted: Assets held in the Other Third Party Funding account group are restricted for use on expenditures as contractually obligated by the outside parties from which the funding is obtained. To the extent not legally restricted by the contributing parties, interest earnings on Other Third Party Funding are transferred to the General Purposes account group.

(in thousands of dollars)

Cash and Investments
As more fully discussed in Note 2, the Board's cash and investments are governed by KRS 66.480 and the Board's Investment Policy, which was adopted on January 17, 2005 and last amended on November 18, 2019. Investments are stated at their fair values based on market values quoted at December 31, 2019 and 2018.

The following items, to the extent that they are experienced during the reporting period, are included as components of investment income: 1) interest earnings, 2) amortization of premiums and accretion of discounts, 3) unrealized gains and losses due to recording investments at fair value and 4) realized gains and losses due to sale or impairment of investments.

Accounts Receivable
The Board's receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts is based on an analysis of past due amounts that are not covered by security deposits or letters of credit. When continued collection activity results in receipts of amounts previously reserved, revenue is recognized in the period collected.

Prepaid Expenses and Supplies Inventory
Prepaid expenses consist primarily of insurance, maintenance and service warranties, and memberships which are expected to benefit future periods. Supplies inventory, which is reported at average cost, primarily consists of bulk materials used for snow removal, fuel, and materials or parts to be used for maintenance and repair or otherwise in support of airport operations.

Airport Facilities
Additions and replacements to Airport facilities with costs greater than $50 are carried as assets in the Net Investment in Capital Assets account group. Those with costs less than $50 are typically replaced every three to five years and are recorded as operating expenses. For assets with costs in excess of $50, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, generally ranging from three to fifty years, and is recognized as a component of operating expenses and a direct reduction of the Net Investment in Capital Assets net position. The cost of assets retired, as well as any related accumulated depreciation, is removed from the related accounts. The net of these amounts, less any proceeds received from disposition, is transferred to the Designated for Capital Projects unrestricted net position.

Avigation easements, when the fully executed documentation has been obtained, are recorded at the amount incurred by the Airport to obtain such easements. The Avigation easements were obtained by the Board through land and sound insulation transactions incurred during past noise mitigation programs and through sales of Airport land determined to no longer be needed for aviation purposes. As the easements do not expire, they are accounted for as non-depreciable assets.

Pursuant to certain agreements between the Board and tenants of the Airport, facilities constructed by or on behalf of a tenant on property leased from the Airport are not reflected as assets of the Airport until such time as the Board assumes the risks and rights of ownership. Upon transfer of the risks and rights of ownership to the Board, the appraised fair market value of such reverted property is recorded as a capital asset and credited to the Net Investment in Capital Assets net position.

(in thousands of dollars)

Repairs and maintenance which do not substantially increase the capacity, improve the operational efficiency, increase the value or extend the useful lives of Airport assets are expensed.

Capital Contributions

Capital contributions consist primarily of grants from federal and state governmental agencies, contributions to capital project costs from airlines and other tenants, and the appraised value of leased facilities where the ownership has reverted to the Airport. The Airport recognizes contributions as earned as related project costs are incurred. As discussed above, facilities that have reverted to the Board are recorded at fair value upon reversion of ownership.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent the consumption of net position that will be recognized in a future reporting period. As such, they have a current positive effect on net position, similar to assets. Deferred inflows of resources represent an acquisition of net position that will be recognized in a future reporting period. As such, they have a current negative effect on net position, similar to liabilities.

Compensated Absences

Employees accrue vacation leave based on amounts of regularly scheduled work hours and length of service. Employees can accumulate up to 30 days of vacation time and are paid for all accumulated vacation time upon separation of employment for any reason. All accumulated vacation time is accrued and included in the current and noncurrent portions of the liabilities as accrued expenses (see Note 6).

Sick leave is earned by employees at the rate of one day per month of service, with the maximum accumulation for each employee being 60 days of sick leave. Employees are paid for all accumulated sick time upon retirement from the Airport or, if eligible for retirement from the Airport, upon death or other employment separation. Accumulated sick leave is accrued when an employee's age and/or years of service are within five years of the minimum age or years of service required for retirement under the provisions of the pension plans in which the Airport's employees participate (see Note 9). Accumulated sick leave is accrued and included in the current and noncurrent portion of the liabilities as accrued expenses (see Note 6).

Bond Issuance Costs and Bond Discounts and Premiums

Bond issuance costs (excluding prepaid bond insurance, if any) are expensed at the time of bond issuance. Bond discounts and premiums are deferred in the year of issuance and amortized using the effective interest method over the life of the issuance. Gains and losses on bond refundings are deferred and amortized over the shorter of the remaining life of the original issue or the life of the new issue.

Grants and Federal Awards

Grant and federal award revenues include amounts received from governmental agencies through various types of agreements. Certain amounts included from federal agencies are subject to the reporting requirements of the U.S. Office of Management and Budget Uniform Guidance.

Grant and federal award reimbursements are earned and recorded when approved grants and agreements are available, the amounts are known and the related eligible expenditures are incurred.

(in thousands of dollars)

Grant and award amounts earned relating to capital expenditures are recorded as capital contributions and are credited to the Net Investment in Capital Assets net position. Amounts earned relating to operating expenses are recorded as nonoperating grant and federal award revenues in the Operations & Maintenance account group.

Net Pension and Net Other Postemployment Benefits Liabilities

As previously discussed, all full-time employees of the Airport as of December 31, 2019 and 2018 are members of the CERS, a cost-sharing multiple-employer defined benefit pension system (more fully described in Note 9). For purposes of measuring the net pension liabilities, the deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the CERS and additions to/deductions from the CERS' fiduciary net position have all been determined on the same basis as they are reported by the CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the CERS when due and payable in accordance with the benefit terms and investments are reported at fair value.

For purposes of measuring the net OPEB liability (more fully described in Note 10), the deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the Insurance Fund and additions to/deductions from the Insurance Fund fiduciary net position have all been determined on the same basis as they are reported by the Kentucky Retirement System. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described in these notes requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain balances in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

2. Cash and Investments

The investing of Airport funds is done in compliance with the Airport's Investment Policy ("Policy"), such Policy being in accordance with the KRS and the applicable provisions of the bond resolutions in effect. The Policy expressly establishes the preservation of capital through the minimization of credit risk and the maintaining of sufficient liquidity to be the primary and secondary objectives, respectively, of the Airport's investment program. The Policy was designed specifically to address those risks inherent in an investment program. Those risks, as outlined in GASB Statement No. 40, consist of: 1) credit risk including custodial credit risk and concentration of credit risk and 2) interest rate risk.

(in thousands of dollars)

GASB Statement No. 40
GASB Statement No. 40 defines the following types of risk which apply to the Airport's investment portfolio:

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

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Provisions of the Policy
To substantially reduce the likelihood of significant loss related to these items of risk, the Policy sets forth parameters related to the types of investments which may be purchased, the credit quality of issuers, portfolio diversification as it relates to both type of investment and issuer, the maximum investment term/maturity, proper safekeeping and custody procedures, and the amounts and types of required collateralization.

Types of investments and credit quality of issuers: In addition to collateralized/insured deposits in interest-bearing accounts and certificates of deposit, the Policy permits investment in U.S. Treasury obligations and other obligations backed by the full faith and credit of the United States (collectively, "U.S. Treasury securities"). Investments in securities issued by certain associations and corporations established by the government of the United States ("U.S. government sponsored enterprises") are also allowed. Such investments are permitted provided that at the time of purchase, the corporation is rated by at least one certified rating agency at the greater of "AA" (or its equivalent) or the highest current rating on U.S. Treasury obligations. Subject to restrictions on maturities and requirements for minimum ratings by the rating agency in the range of "A-" to "AAA" (or their equivalents) on long-term instruments and "A-1" on short-term instruments, the Policy also permits investment in certain repurchase agreements, uncollateralized certificates of deposit, banker acceptances, commercial paper, state and municipal obligations, corporate bonds, money market mutual funds and supranational bonds.

Portfolio diversification: To eliminate the risk of a significant loss from an over concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer, the Policy establishes maximum percentages of the Airport's portfolio which may be invested in each type of permitted investment and in securities by any individual issuer, counterparty or depository.

(in thousands of dollars)

The limits related to portfolio diversification are as follows:

	Maximum Allowable % of Portfolio	
	Investment Type	Individual issuer, counterparty or depository
Investment Types		
U.S. Treasury obligations	100%	100%
Federal agency obligations	100%	35%
Repurchase agreements	50%	25%
Supranational bonds	10%	5%
Collateralized/insured certificates of deposit	25%	40%
Collateralized/insured deposit accounts	100%	40%
Commercial paper	20%	5%
Bankers' acceptances	20%	5%
Uncollateralized certificates of deposit	20%	5%
State and municipal obligations	20%	5%
Corporate bonds	20%	5%
Mutual funds and exchange traded funds	40%	40%

In addition to the limits listed above, the Policy requires that the combined amount of mutual funds, exchange traded funds and individual high-quality corporate bonds shall not exceed forty percent (40%) of the total amount of funds invested on behalf of the Board based on book value at date of acquisition.

Maximum investment term/maturity: The Policy provides that, unless matched to a specific cash flow need, the Airport's funds should not, in general, be invested in securities maturing more than three years from the date of purchase. However, in accordance with the Airport's bond resolutions and CFC Trust Indenture, provided that the average aggregate weighted term to maturity for the investments within the Bond Reserve account group does not exceed five years, funds in the Bond Reserve account group may be invested in securities that mature or are redeemable within five years from the date of purchase.

Safekeeping and custody procedures: To ensure proper safekeeping and control over investment assets, investment securities are required to be secured through third-party custody and safekeeping procedures. To ensure that securities are deposited in an eligible financial institution prior to the release of funds, all security transactions are required to be conducted on a delivery-versus-payment basis.

Collateralization: For the purpose of protecting balances deposited in financial institutions, as outlined in the table above, the Policy establishes a limit for the amount which may be deposited in any single institution. In addition, the Policy requires all cash and other deposits maintained in any financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to be collateralized. The instruments permitted to be used as collateral for deposits consist of U.S. Treasury securities, securities issued by U.S. government sponsored enterprises and direct obligations of the Commonwealth of Kentucky, as well as those of certain of its agencies and instrumentalities. Except for deposits collateralized with a Federal Home Loan Bank Letter of Credit,

(in thousands of dollars)

deposits must be collateralized at a minimum of 102% of the market value of principal plus accrued interest. As provided by KRS Section 41.240(4), amounts collateralized with a Federal Home Loan Bank Letter of Credit may be collateralized at 100%. All securities pledged as collateral are required to be held by an independent third-party custodian.

The Policy also requires that the Airport's portfolio remain sufficiently liquid to enable the Airport to meet all cash flow requirements. As set forth in the Policy, this is accomplished by the proper structuring of investment maturities and by investing in securities permitted by the Policy, such securities having active secondary or resale markets.

Cash and Investments Held
At December 31, 2019 and 2018, the Airport's cash and investments were comprised of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash	$ 1,179	$ 1,179	$ 1,346	$ 1,346
Investments				
Investment in money market mutual funds				
First American Government Obligation Fund	$ 79,263	$ 79,263	$ 31,360	$ 31,360
Securities				
U.S Treasury	202,897	202,989	117,380	117,555
U.S. government sponsored enterprises	26,188	26,275	84,733	84,241
Commercial paper	86,879	87,786	57,513	57,890
Corporate bonds	38,643	38,644	-	-
Total investments	$ 433,870	$ 434,957	$ 290,986	$ 291,046

In the above table, the cost of securities includes the face value of the investments combined with any premiums and discounts at purchase.

Cash deposits are maintained by the Treasury Department of the Airport's depository bank in Demand Deposit Accounts ("DDA"). In November 2018, for the majority of its DDAs, the Airport initiated the use of overnight sweep vehicles to facilitate investment of the cash balances in money market funds, allowing the Airport to generate investment earnings on these amounts. The cash balances of the Airport's DDAs, whether held in cash or in transit between the DDAs and the money market fund, are insured by the FDIC up to the applicable FDIC limit. For all accounts other than the Bond Reserve and Bond Interest and Redemption Accounts, any balances greater than the amount insured by the FDIC are collateralized by a letter of credit which is issued and held in the Airport's name by the Federal Home Loan Bank of Cincinnati. For the Bond Reserve and Bond Interest and Redemption Accounts, any balances greater than the amount insured by the FDIC are collateralized by U.S. Treasury securities and securities issued by certain U.S. government sponsored enterprises, with these securities being pledged by the Airport's depository bank and held in safe-keeping by the

(in thousands of dollars)

Federal Reserve Bank in the Airport's name. At December 31, 2019 and 2018, the combined values of the letter of credit and collateral securities were $2,925 and $6,248, respectively.

The First American Government Obligation Fund is a money market fund which invests primarily in direct obligations of the U.S. Treasury and U.S. government sponsored enterprises and in other securities collateralized by such obligations. The Airport's investments in this fund which originated from the cash balance sweeps are maintained by the Treasury Department of the Airport's custodial bank in the name of the Airport. Except for securities in the Customer Facility Charge account group, all other investments in this fund are maintained in the Airport's name by the custodial bank's Trust department. Investments in the CFC account group were held in the Airport's name by the Trustee.

The U.S. Treasury securities in which the Airport invests are direct obligations of the U.S. Treasury and are unconditionally backed by the full faith and credit of the United States government. The Airport's investment in U.S. government sponsored enterprise securities at December 31, 2019 and 2018, as permitted by the Policy, consisted of instruments issued by the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. Except for securities in the CFC account group, all securities in which the Airport was invested were held in the Airport's name by the Trust Department of the Airport's custodial bank. Investments in the CFC account group were held in the Airport's name by the Trustee.

The commercial paper instruments in which the Airport was invested at December 31, 2019 and 2018 were unsecured short-term financing obligations issued by corporations or banks. In accordance with the requirements of the Policy, these instruments had maturities of no greater than 270 days, the amount invested in any single issuing corporation did not exceed five percent (5%) of the total amount of funds invested by the Board (based on book value on the date of acquisition), and the instruments were issued by corporations with individual net worth's of at least $50,000 and short-term debt ratings of no less than "A-1" (or its equivalent) by at least two certified rating agencies. The commercial paper held at December 31, 2019 and/or December 31, 2018 consisted of instruments issued by BNP Paribas Financial Inc., Credit Agricole Corporate and Investment Bank, JP Morgan Securities, Mitsubishi UFJ Financial Group, Natixis NY, and Toyota Motor Credit Co. Except for securities in the CFC account group, all obligations in which the Airport was invested were held in the Airport's name by the Trust Department of the Airport's custodial bank. Investments in the CFC account group were held in the Airport's name by the Trustee.

In June 2019, KRS 66.480 was amended to allow state and local governments to invest money subject to its control and jurisdiction in corporate bonds. The corporate bonds held at December 31, 2019 consisted of instruments issued by American Express Credit Corporation, American Honda Finance Corporation, Apple Inc., Bank of NY Mellon Corporation, Caterpillar Financial Services Corporation, Citigroup Inc., HSBC USA Inc., IBM Credit LLC, John Deere Capital Corporation, JP Morgan Chase Company, United Health Group Inc., and Wells Fargo Company. Except for securities in the CFC account group, all obligations in which the Airport was invested were held in the Airport's name by the Trust Department of the Airport's custodial bank. Investments in the CFC account group were held in the Airport's name by the Trustee.

(in thousands of dollars)

The maturities of investments held at December 31, 2019 and 2018 were as follows:

	2019 Investment Maturities (at fair value)					
Investment Type	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**13 -36 months**	**Total**
Investment in money market mutual funds						
First American Government Obligation Fund	$ 79,263	$ -	$ -	$ -	$ -	$ 79,263
Securities						
U.S. Treasury	60,521	55,926	13,983	48,791	23,768	202,989
U.S. government sponsored enterprises	9,989	13,289	2,997	-	-	26,275
Commercial paper	39,607	34,231	13,948	-	-	87,786
Corporate bonds	2,736	2,003	2,008	8,921	22,976	38,644
Total investments	$ 192,116	$105,449	$ 32,936	$ 57,712	$ 46,744	$ 434,957

	2018 Investment Maturities (at fair value)					
Investment Type	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**13 -36 months**	**Total**
Investment in money market mutual funds						
First American Government Obligation Fund	$ 31,360	$ -	$ -	$ -	$ -	$ 31,360
Securities						
U.S. Treasury	54,681	36,786	18,358	6,255	1,475	117,555
U.S. government sponsored enterprises	18,949	11,519	24,566	3,281	25,926	84,241
Commercial paper	14,268	19,671	23,951	-	-	57,890
Total investments	$ 119,258	$ 67,976	$ 66,875	$ 9,536	$ 27,401	$ 291,046

All securities held by the Airport at December 31, 2019 and 2018 carried ratings in the range of AAA to A- or their equivalents.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same, which is to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

(in thousands of dollars)

The fair value hierarchy provided by GASB Statement No. 72 categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The following tables show the fair value and the fair value measurements for the Airport's investments, subject to the provisions of GASB No. 72, at December 31, 2019 and 2018:

	2019 Investments Measured at Fair Value			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Investment in money market mutual funds				
First American Government				
Obligation Fund	$ 79,263	$ -	$ 79,263	$ -
Securities				
U.S Treasury	202,989	202,989	-	-
U.S. government sponsored				
enterprises	26,275	-	26,275	-
Commercial paper	87,786	-	87,786	-
Corporate bonds	38,644		38,644	
Total investments	$ 434,957	$ 202,989	$ 231,968	$ -

	2018 Investments Measured at Fair Value			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Investment in money market mutual funds				
First American Government				
Obligation Fund	$ 31,360	$ -	$ 31,360	$ -
Securities				
U.S Treasury	117,555	117,555	-	-
U.S. government sponsored				
enterprises	84,241	-	84,241	-
Commercial paper	57,890	-	57,890	-
Total investments	$ 291,046	$ 117,555	$ 173,491	$ -

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, are as follows:

First American Government Obligations Funds: Invests exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities. The fund is not publicly traded. Fair value is based on published fair value per share (or unit).

(in thousands of dollars)

U.S. Treasuries: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. government sponsored enterprises: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Commercial paper and corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

3. Restricted Assets

The assets of the following account groups at December 31, 2019 and 2018 are subject to restrictions which limit the purposes for which they may be used:

	2019	2018
Operations & Maintenance	$ 1,073	$ 1,075
Passenger Facility Charge	85,723	87,480
Police Forfeiture	3,313	2,330
Customer Facility Charge	159,197	52,095
Operations & Maintenance Reserve	24,163	22,088
2019 Terminal Roadway Reconfiguration	3,047	-
Bond Interest & Redemption	2,251	5
Bond Reserve	13,494	4,331
Other Third Party Funding	16,849	16,911
Less: interfund receivable balances	(1,736)	(8,942)
	$ 307,374	$ 177,373

The restricted amounts in the Operations and Maintenance account group represent amounts which, as discussed in Note 1, have been transferred from the PFC account group to satisfy the debt service requirements of the PFC Bonds. As also discussed in Note 1, assets included in the PFC account group are federally restricted for use on specific FAA approved projects. As applicable, assets in the Police Forfeiture account group are restricted by the federal government or the Commonwealth of Kentucky for expenditures allowable under the Equitable Sharing Programs of the U.S. Department of Justice, the U.S. Department of Treasury, and the Commonwealth of Kentucky. CFC assets are restricted for expenditures related to ground transportation needs at the airport. With the issuance of the Series 2019 CFC Revenue Bonds and CFC Trust Indenture, beginning in March 2019, their use was further restricted to project expenditures for the GTF and debt service on the Series 2019 CFC Revenue Bonds. In accordance with the Airport's bond resolutions, assets in the Operations and Maintenance Reserve may only be used to finance operating expenditures, when sufficient funds are not otherwise available in the Operations and Maintenance account group or from other available funding sources. In accordance with the bond resolutions, the assets in the 2019 Terminal Roadway Reconfiguration account group are restricted to pay costs of the terminal roadway reconfiguration project and associated debt service. Also pursuant to the requirements of the Airport's bond resolutions and Trust Indenture, assets included in the Bond Reserve and the Bond Interest and Redemption account groups are restricted for the payment of bond principal and interest. Assets held

(in thousands of dollars)

in the Other Third Party Funding account group are restricted for use on expenditures as contractually obligated by the outside parties from which the funding was received.

4. Capital Assets

Capital assets are comprised of the following:

	Balance 12/31/2017	Additions/ transfers	Retirements/ transfers	Balance 12/31/2018	Additions/ transfers	Retirements/ transfers	Balance 12/31/2019
Land (non-depreciable)	$ 168,835	$ 2,228	$ (1,371)	$ 169,692	$ 20,344	$ (145)	$ 189,891
Runways, taxiways and other land improvements	678,706	7,123	(1,675)	684,154	35,583	(3,312)	716,425
Buildings and building renovations	367,736	7,541	(26,175)	349,102	752	(608)	349,246
Utility systems	90,470	362	-	90,832	-	-	90,832
Equipment	140,121	2,808	(2,574)	140,355	1,410	(190)	141,575
Easements (non-depreciable)	40,748	464	-	41,212	142	-	41,354
Construction-in-progress	11,109	29,596	(17,576)	23,129	67,990	(37,391)	53,728
Total capital assets	1,497,725	50,122	(49,371)	1,498,476	126,222	(41,646)	1,583,052
Less accumulated depreciation							
Runways, taxiways and other land improvements	489,365	22,757	(1,675)	510,447	22,972	(2,898)	530,521
Buildings and building renovations	147,127	11,197	(26,175)	132,149	11,549	(201)	143,497
Utility systems	68,020	2,941	-	70,961	2,978	-	73,939
Equipment	85,803	4,982	(2,574)	88,211	5,386	(137)	93,460
Total accumulated depreciation	790,315	41,877	(30,424)	801,768	42,885	(3,236)	841,417
Total capital assets, net of accumulated depreciation	$ 707,410	$ 8,245	$ (18,947)	$ 696,708	$ 83,336	$ (38,410)	$ 741,634
Total non-depreciable capital assets	$ 209,583	$ 2,692	$ (1,371)	$ 210,904	$ 20,486	$ (145)	$ 231,245
Total depreciable capital assets, net of accumulated depreciation	497,827	5,553	(17,576)	485,804	62,850	(38,265)	510,389
Total capital assets, net of accumulated depreciation	$ 707,410	$ 8,245	$ (18,947)	$ 696,708	$ 83,336	$ (38,410)	$ 741,634

Capital assets purchased are reported at cost. Easements are acquired and attached in perpetuity to the deeds of certain parcels purchased and/or sound insulated in the Airport's land and noise mitigation programs. Accordingly, the costs of obtaining these easements are recorded as land until such time as the easement documents are executed. Thereafter, the costs are transferred and recorded as easements. Those assets acquired through donation or contractual reversion of ownership are reported at the fair value determined at the time of ownership transfer. The costs of construction projects are recorded as construction-in-process until such time as the projects are substantially complete. Upon substantial completion, the costs are transferred to the appropriate fixed asset classification as shown in the above table. Related to construction-in-process and capital assets, the Airport had contract retainage and accounts payable of $18,073 and $11,153 at December 31, 2019 and 2018, respectively.

In 2019, Amazon.com Services, Inc. ("Amazon") transferred ownership of approximately 208 acres of land to the Airport which Amazon purchased from third parties. The land is contiguous to existing Airport properties and is to be used for Amazon's development and operations on the south side of

(in thousands of dollars)

the airport. This land is reflected on the Balance Sheet at $19,933, its fair value at the time of acquisition, and on the Statement of Revenues, Expenses, and Changes in Net Position as a donated capital increase in the net position of the Net Investments in Capital Assets account group.

Useful Lives
The Airport's capital assets are depreciated over useful lives as follows:

	Years
Runways, taxiways and other land improvements	15 - 50
Buildings	25 - 40
Building improvements and renovations	10 - 20
Utility systems	20 - 40
Equipment	3 - 30

Substantially all capital assets of the Airport are held for direct or indirect utilization in the Airport's principal activities of leasing land, buildings and airfield facilities to third party lessees.

5. Lease of Airport Facilities

Airport facilities are leased to third parties to serve the public through the operation of airline terminal and airfield facilities, as well as through concession and warehousing operations.

The concession agreements generally provide for the Airport's receipt of fixed rentals plus certain contingent rentals which are based on the tenants' gross revenues. Contingent rentals amounted to $13,782 and $13,060 for the years ended December 31, 2019 and 2018, respectively.

For the years 2020, 2021, 2022, 2023 and 2024, minimum future rentals for noncancelable leases (other than noncancelable rentals charged to the Signatory Carriers under the Use Agreement and other long-term terminal facility leases) are $9,213, $7,301, $6,047, $5,803 and $5,531, respectively.

For the year 2020, prior to adjustment in the Signatory Carrier rates and charges through the calculation method outlined in Note 1, noncancelable rentals under the Use Agreement (exclusive of landing fees) and other long-term terminal facility leases pertaining to the Signatory Carriers are projected to be $35,097. As outlined in Note 1, this amount will likely be reduced based on projected, and then actual, air carrier activity, Airport cost of operation, and applicable revenues during the period. For the years 2019 and 2018, the gross amounts of revenues related to Signatory Carrier noncancelable leases were $31,976 and $30,620, respectively. The net amounts for 2019 and 2018 were $12,492 and $11,137, respectively. As the Use Agreement and other long-term terminal facility leases expire on December 31, 2020, no amount of Signatory Carrier noncancelable rentals exists for 2021, 2022, 2023 or 2024. Effective January 1, 2021, with the expiration of the current Use Agreement and terminal leases, airline rates and charges will be determined based on the provisions of new agreements, extensions to the current agreements with certain modifications in terms, or by such other rate making methodology which is permitted under applicable law and which is in compliance with the rate setting methodology set forth in the Airport's bond resolutions.

(in thousands of dollars)

6. Long-Term Liabilities

During 2019 and 2018, the Airport's long-term liabilities and related activity consisted of the following:

Revenue Bonds

The following revenue bonds were outstanding at December 31, 2019 and 2018. The maturities occur on January 1 of each year.

	2019	2018
Series 2016 Refunding Revenue Bonds, 5.000%, due 2020-2033	$ 40,320	$ 42,486
Series 2019 Revenue Bonds, 5.000%, due 2022-2049	32,935	-
Series 2019 CFC Revenue Bonds, 3.080% to 4.689%, due 2022-2049	103,130	-
	$ 176,385	$ 42,486

The Series 2016 Refunding Revenue Bonds, which bear fixed interest rates, are General Airport Revenue Bonds which were issued under the terms of both a general bond resolution and a resolution specific to the refunding bonds. In accordance with the applicable bond resolutions, the bonds are secured by the operating revenues of the Airport and by amounts on deposit in the PFC Revenue Account. As the Series 2016 Refunding Bonds were issued for the defeasance of the Series 2003B Bonds, which were issued to fund the cost of specific PFC eligible, FAA approved projects, the debt service requirements of the Series 2016 Refunding Bonds, including any debt service coverage or required deposits to the Bond Reserve account group, are authorized by the FAA to be paid with PFCs (see Note 1).

As previously discussed, in March 2019, the Board issued $32,935 principal amount of fixed rate Series 2019 Revenue Bonds, which are General Airport Revenue Bonds issued at a premium to fund the reconfiguration of the main terminal roadway. The Series 2019 Revenue Bonds were issued under the terms of the Airport's general bond resolution and a resolution specific to the Series 2019 Revenue Bonds that establish new funds and accounts to provide for the deposit and flow of net revenues (operating revenues less operating and maintenance expenses as defined in the resolution) which are pledged for payment of the Series 2019 Revenue Bonds. FAA approval of the Airport's fifteenth PFC application was received in May 2019. Among other projects, the approval included authorization to use PFC's to fund the majority of the debt service requirements of the Series 2019 Revenue Bonds, with the non-PFC eligible portion of debt service to be paid from general Airport revenues. Based on project design of the PFC eligible portions of the project, it is currently estimated that approximately 81% of the debt service will be funded with PFCs.

In March 2019, the Board issued $103,130 principal amount of fixed rate Series 2019 CFC Revenue Bonds to fund the construction of the GTF and the associated improvements necessitated by the GTF. The 2019 Series CFC Bonds are special limited obligations of the Board which are secured by a pledge of CFCs collected by the rental car companies and are subject to the requirements of the CFC Trust Indenture entered into between the Airport and the Trustee. In the event that the CFC collections are insufficient or are estimated to be insufficient to pay the debt service and fund the applicable reserves as required by the rate covenant set forth in the CFC Trust Indenture, the Board, through the agreements with the rental car companies, has secured the right to charge the rental car

(in thousands of dollars)

companies for such deficiencies. No other revenues of the Board are pledged to the payment of the Series 2019 CFC Bonds.

The Series 2016 Refunding Bonds and the Series 2019 Revenue Bonds were issued at premiums of $9,566 and $5,075, respectively. The premiums are being amortized over the lives of the bonds, based on the effective interest method, as a reduction of bond interest expense. The amortization of the bond premiums subsequent to December 31, 2019 is as follows:

	General Airport Revenue Bonds		
	Series 2016 Refunding Revenue Bonds	Series 2019 Revenue Bonds	Total
2020	$ 871	$ 300	$ 1,171
2021	806	309	1,115
2022	740	299	1,039
2023	673	288	961
2024	605	276	881
2025-2029	1,981	1,194	3,175
2030-2039	401	1,588	1,989
2040-2049	-	600	600
	$ 6,077	$ 4,854	$ 10,931

The required funding of bond principal and interest subsequent to December 31, 2019 is as follows:

	General Aiport Revenue Bonds			2019 CFC Bonds			Total		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2020	$ 2,280	$ 3,663	$ 5,943	$ -	$ 4,485	$ 4,485	$ 2,280	$ 8,148	$ 10,428
2021	2,955	3,549	6,504	2,080	4,485	6,565	5,035	8,034	13,069
2022	3,100	3,402	6,502	2,145	4,421	6,566	5,245	7,822	13,067
2023	3,255	3,264	6,519	2,210	4,353	6,563	5,465	7,617	13,082
2024	3,420	3,083	6,503	2,285	4,282	6,567	5,705	7,365	13,070
2025-2029	19,840	12,674	32,514	12,680	20,150	32,830	32,520	32,824	65,344
2030-2039	22,695	12,289	34,984	34,420	31,230	65,650	57,115	43,518	100,633
2040-2049	15,710	4,183	19,893	47,310	11,768	59,078	63,020	15,950	78,970
	$ 73,255	$ 46,105	$ 119,360	$ 103,130	$ 85,173	$ 188,303	$ 176,385	$ 131,278	$ 307,663

At December 31, 2019 and 2018, the current and non-current portions of revenue bonds payable as shown above have been combined with the current and non-current portions of the unamortized bond premiums for presentation on the Balance Sheets. The current amounts of revenue bonds payable, inclusive of unamortized bond premium, at December 31, 2019 and 2018 were $3,451 and $3,112, respectively. The non-current portions at December 31, 2019 and 2018 were $183,865 and $46,351, respectively.

For the years ended December 31, 2019 and 2018, interest expense on outstanding revenue bonds was $6,910 and $2,228, respectively, and the amortization of bond premium was $1,122 and $1,010, respectively. On the Statement of Revenues, Expenses and Changes in Net Position these amounts have been combined and presented as $5,788 and $1,218 of revenue bond interest expense, net of premium amortization, at December 31, 2019 and 2018, respectively.

(in thousands of dollars)

Other Long-Term Liabilities

At December 31, 2019, the Airport's other liabilities which have portions due after one year consisted of rental and other deposits, compensated absences, estimated amounts potentially due for incidents not covered by commercial insurance, estimated amounts due under a frequent parking rewards program, rates and charges settlement amounts payable to the airlines, subordinate debt obligations for equipment procured under capital leases and the Airport's assigned proportionate shares of net pension and OPEB liabilities from its participation in the pension and OPEB plans discussed in Notes 1, 9 and 10. Amounts related to these liabilities are shown below.

Long-Term Liability Activity

For the years ended December 31, 2019 and 2018, components of the Airport's liabilities which had non-current activity or balances were as follows:

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amounts Due within One Year	Amounts Due after One Year
Accounts payable and accrued expenses						
Deposits	$ 252	$ 93	$ (47)	$ 298	$ 86	$ 212
Compensated absences	3,920	1,340	(1,283)	3,977	2,777	1,200
Uninsured losses	320	38	(74)	284	136	148
Parking rewards	805	257	(9)	1,053	705	348
Rates and charges settlement payable to airlines	18,382	8,620	(2,182)	24,820	24,820	-
Revenue bonds payable	42,485	136,065	(2,165)	176,385	2,280	174,105
Revenue bond premium	6,978	5,075	(1,122)	10,931	1,171	9,760
Subordinate debt - equipment lease	612	-	(176)	436	183	253
Net pension liability	83,454	13,204	-	96,658	-	96,658
Net other postemployment benefits liability	24,448	-	(167)	24,281	-	24,281
	$ 181,656	$ 164,692	$ (7,225)	$ 339,123	$ 32,158	$ 306,965

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Amounts Due within One Year	Amounts Due after One Year
Accounts payable and accrued expenses						
Deposits	$ 256	$ 236	$ (240)	$ 252	$ 44	$ 208
Compensated absences	3,583	1,224	(887)	3,920	2,562	1,358
Uninsured losses	22	364	(66)	320	173	147
Parking rewards	696	123	(14)	805	546	259
Rates and charges settlement payable to airlines	14,532	8,806	(4,956)	18,382	2,182	16,200
Revenue bonds payable	44,550	-	(2,065)	42,485	2,165	40,320
Revenue bond premium	7,988	-	(1,010)	6,978	947	6,031
Subordinate debt - equipment lease	-	729	(117)	612	177	435
Net pension liability	75,103	8,351	-	83,454	-	83,454
Net other postemployment benefits liability	26,635	-	(2,187)	24,448	-	24,448
	$ 173,365	$ 19,833	$ (11,542)	$ 181,656	$ 8,796	$ 172,860

(in thousands of dollars)

7. Special Facility Revenue Bonds

Special Facility Revenue Bonds (“SFRBs”) Series 2001A totaling $22,500 were issued in July 2001 to finance the construction of a pilot training facility for FlightSafety International, Inc. ("FlightSafety"). Although taking the legal form of a financing lease between the Board and FlightSafety, the substance of the arrangement is that the SFRBs constitute special and limited obligations and do not constitute a debt, liability or general obligation of the Board or a pledge of Airport revenues. As such, no liability relating to the SFRBs is included in the accompanying financial statements. Information related to the amounts outstanding on the SFRBs is not readily available to management of the Airport. For additional information regarding the SRFBs, readers should contact FlightSafety.

8. Major Lessees

In 2019, the operating revenues received from Delta Airlines, Inc. (“Delta”) and DHL Worldwide Express, Inc. (“DHL”), represented approximately 14.72% and 9.31%, respectively, of total operating revenues. The comparable amounts for 2018 for Delta and DHL were 15.22% and 9.24%, respectively.

Landing fees received from Delta and DHL in 2019 represented 18.95% and 41.03%, respectively, of total billed landing fees. The comparable amounts for 2018 for Delta and DHL were 18.43% and 40.37%, respectively.

9. Retirement Plans

Defined Benefit Pension Plans

As previously discussed, all full-time employees of the Airport are members of the Kentucky Retirement Systems’ County Employees Retirement System (“CERS”), a cost-sharing multiple-employer defined benefit pension system consisting of two employee plans, nonhazardous and hazardous. The plan in which employees participate is determined by the type of position held by the employee.

General Information about the Pension Plan

Plan Description

Created by the Kentucky General Assembly pursuant to the provisions of KRS Section 78.520, the assets of CERS, in addition to the assets of the Kentucky Employees Retirement System (“KERS”) and the State Police Retirement System (“SPRS”), collectively referred to as the System (“System”), are administered by the Kentucky Retirement Systems Board of Trustees. In accordance with the provisions of KRS Sections 16.555, 61.570, and 78.630, the assets of the System are invested as a whole, while each system’s assets are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs.

(in thousands of dollars)

CERS benefits provided: Nonhazardous

	Tier 1 Nonhazardous Participation Beginning prior to 9/1/2008	Tier 2 Nonhazardous Participation Beginning 9/1/2008 through 12/31/2013	Tier 3 Nonhazardous Participation Beginning on or after 01/01/2014
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months and a minimum of 5 fiscal years)	5 complete fiscal years immediately preceding retirement; Each year must contain 12 months.	No final compensation factor
Benefit Factor:	2.00% - If member began participating after 8/1/2004 and before 9/1/2008. 2.20% - If member began participating prior to 8/1/2004	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the Kentucky Retirement Systems Board based on member's accumulated account balance.
Cost of Living Adjustment:	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 27 years of service; Age 65 with 1 month of service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision; Age 65 with 5 years of earned service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision; Age 65 with 5 years of earned service
Reduced Retirement Benefit:	Any age with 25 years of service; Age 55 with 5 years of service	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

(in thousands of dollars)

CERS benefits provided: Hazardous

	Tier 1 Hazardous Participation Beginning prior to 9/1/2008	Tier 2 Hazardous Participation Beginning 9/1/2008 through 12/31/2013	Tier 3 Hazardous Participation Beginning on or after 01/01/2014
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months and a minimum of 3 fiscal years)	Average of the highest 3 fiscal years; Each year must contain 12 months.	No final compensation factor
Benefit Factor:	2.50% if 60 months or greater, 2.00% if less than 60 months	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Additional years above 25 = 2.50% (2.50% benefit factor only applies to service earned in excess of 25 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the Kentucky Retirement Systems board based on member's accumulated account balance.
Cost of Living Adjustment:	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 20 years of service; Age 55 with 1 month of service	Any age with 25 years of service; Age 60 with 5 years of service	Any age with 25 years of service. Age 60 with 5 years of service
Reduced Retirement Benefit:	Age 50 with 15 years of service but less than 20 years of service	Age 50 with 15 years of service	No reduced retirement benefit

Contributions

Employer pension contribution rates are governed by KRS Section 61.565 and require the Airport to contribute at an actuarially determined rate. The Kentucky Retirement Systems Board sets the employer contribution rates on the basis of this annual actuarial valuation last preceding the July 1 of a new biennium. If it is determined on the new basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted, then the Kentucky Retirement Systems Board may amend contribution rates as of the first day of July of the second year of a biennium.

Employee pension contributions are governed by KRS Section 61.560, deducted from active employees' salaries, and remitted to the CERS by the Airport along with the employer's portion of the contribution.

(in thousands of dollars)

The Airport has met 100% of its contribution funding requirements for the plan fiscal years ended June 30, 2019 and June 30, 2018.

The contribution rates in effect and contributions remitted relating to the CERS for the fiscal year ended December 31, 2019 were as follows:

	Contributions to CERS	
	Non Hazardous	**Hazardous**
Employee contribution rates:		
Tier 1 : Participation prior to 9/1/2008	5.00%	8.00%
Tier 2 : Participation 9/1/2008 through 12/31/2013	5.00%	8.00%
Tier 3 : Participation after 1/1/2014	5.00%	8.00%
Airport contribution rates:		
July 1, 2019 - December 31, 2019	19.30%	30.06%
July 1, 2018 - June 30, 2019	16.22%	24.87%
July 1, 2017 - June 30, 2018	14.48%	22.20%
July 1, 2016 - June 30, 2017	13.95%	21.71%
Employee contributions:		
2019	$ 1,036	$ 675
2018	$ 973	$ 663
2017	$ 904	$ 639
Airport contributions:		
2019	$ 3,725	$ 2,408
2018	$ 3,019	$ 2,023
2017	$ 2,591	$ 1,770
Amount of payroll on which employee and employer contributions were based:		
2019	$ 20,990	$ 8,804
2018	$ 19,687	$ 8,609
2017	$ 18,215	$ 8,056
Contributions made by Airport and employees as a percentage of contributions required of of Airport and employees 2019, 2018 and 2017	100%	100%

(in thousands of dollars)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions
At December 31, 2019 and December 31, 2018, the Airport reported a liability of $96,658 and $83,454, respectively, for its assigned proportionate share of the CERS net pension liability. The net pension liability was measured as of June 30, 2019 and June 30, 2018; and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The Airport's proportion of the net pension liability was based on a projection of the Airport's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities. At June 30, 2019, and June 30, 2018, the Airport's proportionate shares of the CERS nonhazardous plan were 0.79394% and 0.77450%, respectively. At June 30, 2019 and June 30, 2018, the Airport's proportionate shares of the CERS hazardous plan were 1.47776% and 1.50030%, respectively.

Based on its proportionate shares of pension expense as assigned by the CERS, for the Airport's fiscal years ended December 31, 2019 and December 31, 2018, the Airport recognized pension expense of $19,916 and $15,908, respectively. The 2019 and 2018 amounts include $6,142 and $5,042, respectively, of contributions made to the plan and $13,774 and $10,866, respectively, of non-cash expense recognized pursuant to the requirements of GASB Statement No. 68.

At December 31, 2019 and December 31, 2018, the Airport reported deferred inflows of resources and deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Deferred Outflows and Inflows at December 31, 2017	$ 25,336	$ (5,801)	$ 19,535
Prior year contributions subsequent to measurement date	(2,276)	-	(2,276)
Difference between expected and actual experience	3,190	397	3,587
Changes in assumptions	(5,870)	-	(5,870)
Net differences between projected and actual earnings on pension plan investments	(1,969)	184	(1,785)
Changes in proportion and differences between contributions and proportionate share of contributions	1,201	14	1,215
Contributions subsequent to measurement date	2,615	-	2,615
Deferred Outflows and Inflows at December 31, 2018	$ 22,227	$ (5,206)	$ 17,021
Prior year contributions subsequent to measurement date	$ (2,615)	$ -	$ (2,615)
Difference between expected and actual experience	(1,266)	454	(812)
Changes in assumptions	1,141	-	1,141
Net differences between projected and actual earnings on pension plan investments	(1,838)	1,335	(503)
Changes in proportion and differences between contributions and proportionate share of contributions	(775)	(277)	(1,052)
Contributions subsequent to measurement date	3,271	-	3,271
Deferred Outflows and Inflows at December 31, 2019	$ 20,145	$ (3,694)	$ 16,451

(in thousands of dollars)

The $3,271 reported as a deferred outflow of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in 2020, 2021, 2022, 2023 and 2024 in the amounts of $7,941, $4,257, $1,299, $(147), and $(170), respectively.

Actuarial Assumptions
The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Investment rate of return	6.25%

The mortality tables used for active members are the PUB-2010 General Mortality table for the nonhazardous system and the PUB-2010 Public Safety Mortality table for the hazardous system, both being projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For retired members and beneficiaries, the mortality table used is a Kentucky Retirement System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The Kentucky Retirement Systems Board adopted new actuarial assumptions after the June 30, 2018, valuation. These assumptions are documented in the report titled *Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ended June 30, 2018*. The total pension liability as of June 30, 2019 is determined using these updated assumptions.

(a) Discount rate: The discount rate used to measure the total pension liability was 6.25%

(b) Projected cash flows: The single discount rate of 6.25% was used for both the nonhazardous and hazardous systems to measure the total pension liability for the fiscal year ending June 30, 2019. This single discount rate was based on the expected rate of return on pension plan investments for each system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the CERS' fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 year amortization period of the unfunded actuarial accrued liability.

(c) Long-term rate of return: The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(in thousands of dollars)

(d) Municipal bond rate: the discount rate determination does not use a municipal bond rate.

(e) Assumed asset allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	**62.50%**	
US equity	18.75%	4.30%
Non-US equity	18.75%	4.80%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	2.60%
Liquidity	**14.50%**	
Core bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversified strategies	**23.00%**	
Real estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real return	15.00%	4.10%

(f) Sensitivity analysis: The following presents the net pension liability of the Airport calculated using the discount rate of percent, as well as what the Airport's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for nonhazardous and hazardous:

Asset Class	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Airport's net pension liability - nonhazardous	$ 69,837	$ 55,838	$ 44,170
Airport's net pension liability - hazardous	51,034	40,820	32,446
Total	$ 120,871	$ 96,658	$ 76,616

Pension Plan Fiduciary Net Position

Detailed information about CERS' fiduciary net position is available in the separately issued Kentucky Employees' Retirement Systems' Comprehensive Annual Financial Report (which is a matter of public record). The report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601, or can be obtained in an electronic format by visiting the website at www.kyret.ky.gov.

(in thousands of dollars)

Deferred Compensation Plans
The Airport's employees are also eligible to participate in two deferred compensation plans which are authorized under KRS Sections 18A.230 – 18A.275 and administered by the Kentucky Public Employees' Deferred Compensation Authority. These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. Both plans permit employees to defer a portion of their compensation until future years. Deferred compensation is not available to employees until termination, retirement or death, or in certain circumstances of financial hardship. There were no employer contributions to the 457 or 401(k) plans for the years ended December 31, 2019 and 2018. Employee contributions in total were approximately $1,215 and $1,234, respectively, for the years ended December 31, 2019 and 2018.

Additional information about the deferred compensation plans may be obtained from the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky 40601-8862.

10. Other Postemployment Benefits

General Information about the OPEB Plan

Plan description
Under the provisions of KRS Section 61.701, the Kentucky Retirement Systems Board also administers the Kentucky Retirement Systems' Insurance Fund ("Insurance Fund"). The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the System and pays a prescribed contribution for whole or partial payment of required insurance premiums. The assets of the Insurance Fund, combined with the assets of the System, are invested as a whole, while each plan's assets are used only for payment of benefits to the members of that plan, and a pro-rata share of administrative costs.

Benefits provided
The Insurance Fund provides access to group health insurance coverage for retirees of the System, including all nonhazardous and hazardous members of the CERS. The coverage is optional and available to retirees until they become eligible for Medicare, at which time coverage is available through a Medicare eligible supplement plan offered by the Insurance Fund.

(in thousands of dollars)

Insurance Fund benefits provided: Nonhazardous

	Tier 1 Nonhazardous Participation Beginning prior to 7/1/2003	Tier 2 Nonhazardous Participation Beginning 7/1/2003 through 8/31/2008	Tier 3 Nonhazardous Participation Beginning on or after 9/01/2008
Benefit Eligibility:	Recipient of a retirement allowance	Recipient of a retirement allowance with at least 120 months of service at retirement	Recipient of a retirement allowance with at least 180 months of service at retirement
Benefit Amounts:	Percentage of member premium paid by retirement system: Less than 4 years = 0%. 4-9 years = 25%. 10-14 years = 50%. 15-19 years = 75%. 20 or more years = 100%	Monthly contribution: ten dollars for each year of earned service, increased by 1.5% each July 1. Upon the retiree's death, the surviving spouse may continue coverage (if in receipt of a retirement allowance) but is responsible for 100% of the premiums.	Monthly contribution: ten dollars for each year of earned service, increased by 1.5% each July 1. Upon the retiree's death, the surviving spouse may continue coverage (if in receipt of a retirement allowance) but is responsible for 100% of the premiums.
Duty Disability Retirement:	Disability a result of injuries sustained while in the line of duty; 100% of the maximum contribution for the member and dependents	Disability a result of injuries sustained while in the line of duty; a benefit equal to at least 20 times the nonhazardous monthly contribution	Disability a result of injuries sustained while in the line of duty; a benefit equal to at least 20 times the nonhazardous monthly contribution
Duty Death in Service:	Active employee's death a result of injuries sustained while in the line of duty; spouse and children receive 100% of the maximum contribution.	Active employee's death a result of injuries sustained while in the line of duty; spouse and children receive a benefit equal to at least 20 times the nonhazardous monthly contribution.	Active employee's death a result of injuries sustained while in the line of duty; spouse and children receive a benefit equal to at least 20 times the nonhazardous monthly contribution.

(in thousands of dollars)

Insurance Fund benefits provided: Hazardous

	Tier 1 Hazardous Participation Beginning prior to 7/1/2003	Tier 2 Hazardous Participation Beginning 7/1/2003 through 8/31/2008	Tier 3 Hazardous Participation Beginning on or after 9/01/2008
Benefit Eligibility:	Recipient of a retirement allowance	Recipient of a retirement allowance with at least 120 months of service at retirement	Recipient of a retirement allowance with at least 180 months of service at retirement
Benefit Amounts:	Percentage of member and dependent premium paid by retirement system: Less than 4 years = 0%. 4-9 years = 25%. 10-14 years = 50%. 15-19 years = 75%. 20 or more years = 100%	Monthly contribution of fifteen dollars for each year of earned hazardous service. The monthly contribution is increased by 1.5% each July 1. Upon the retiree's death, the surviving spouse of a hazardous duty member will receive a monthly contribution of ten dollars for each year of hazardous service.	Monthly contribution of fifteen dollars for each year of earned hazardous service. The monthly contribution is increased by 1.5% each July 1. Upon the retiree's death, the surviving spouse of a hazardous duty member will receive a monthly contribution of ten dollars for each year of hazardous service.
Duty Disability Retirement:	Disability a result of injuries sustained while in the line of duty; 100% of the maximum contribution for the member and dependents	Disability a result of injuries sustained while in the line of duty; a benefit equal to at least 20 times the hazardous monthly contribution	Disability a result of injuries sustained while in the line of duty; a benefit equal to at least 20 times the hazardous monthly contribution
Duty Death in Service:	Active employee's death was a result of injuries sustained while in the line of duty: the member's spouse and children receive 100% of the maximum contribution.	Active employee's death was a result of injuries sustained while in the line of duty: the member's spouse and children receive a benefit equal to at least 20 times the hazardous monthly contribution.	Active employee's death was a result of injuries sustained while in the line of duty: the member's spouse and children receive a benefit equal to at least 20 times the hazardous monthly contribution.
Non-Duty Death in Service:	Surviving spouses in receipt of a pension allowance: eligible for continued health coverage with the percentage of premium paid for by the retirement system based on the member's years of hazardous service at the time of death.	Surviving spouse in receipt of a pension allowance: eligible for continued health coverage with percentage of the premium paid for by the retirement system based on the member's years of hazardous service at the time of death.	Surviving spouse in receipt of a pension allowance: eligible for continued health coverage with percentage of the premium paid for by the retirement system based on the member's years of hazardous service at the time of death.
Surviving Spouse of a Retiree:	Surviving spouse in receipt of a pension allowance: a premium subsidy based on the member's years of hazardous service	No surviving spouse coverage	No surviving spouse coverage

(in thousands of dollars)

Contributions
Employer insurance contribution rates are governed by KRS Section 61.565 which requires the Airport to contribute at an actuarially determined rate. The Kentucky Retirement Systems Board sets the employer contribution rates on the basis of the annual actuarial valuation last preceding the July 1 of a new biennium. If it is determined on the new basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted, then the Kentucky Retirement Systems Board may amend contribution rates as of the first day of July of the second year of a biennium.

Employee insurance contributions are governed by KRS Section 61.702, deducted from active employees' salaries, and remitted to the CERS by the Airport along with the employer's portion of the contribution.

The Airport has met 100% of its contribution funding requirements for the plan fiscal years ended June 30, 2019 and June 30, 2018. GASB Statement No. 75 requires participating employers to include an adjustment related to an implicit subsidy, which is calculated as the difference between the underlying retiree claims costs and the overall health care premiums paid on behalf of retirees. This adjustment is needed for the purpose of the deferred outflows related to contributions made after the measurement date. The Airport's OPEB contributions amount, outlined in the schedule below, does not include the implicit subsidy reported in the amount of $179 and $98 for the years ended December 31, 2019 and 2018, respectively.

(in thousands of dollars)

The contribution rates in effect and contributions remitted relating to the Insurance Fund for the fiscal year ended December 31, 2019 were as follows:

	Contributions to the Insurance Fund	
	Non Hazardous	Hazardous
Employee contribution rates:		
Tier 1 : Participation prior to 7/1/2003	0%	0%
Tier 2 : Participation 7/1/2003 through 8/31/2008	1.00%	1.00%
Tier 3 : Participation on or after 9/1/2008	1.00%	1.00%
Airport contribution rates:		
July 1, 2019 - December 31, 2019	4.76%	9.52%
July 1, 2018 - June 30, 2019	5.26%	10.47%
July 1, 2017 - June 30, 2018	4.70%	9.35%
July 1, 2016 - June 30, 2017	4.73%	9.35%
Employee contributions:		
2019	$ 117	$ 31
2018	$ 103	$ 29
2017	$ 85	$ 21
Airport contributions:		
2019	$ 1,052	$ 882
2018	$ 980	$ 852
2017	$ 859	$ 755
Amount of payroll on which employee and employer contributions were based:		
2019	$ 20,990	$ 8,804
2018	$ 19,687	$ 8,609
2017	$ 18,215	$ 8,056
Contributions made by Airport and employees as a percentage of contributions required of of Airport and employees 2019, 2018, and 2017	100%	100%

(in thousands of dollars)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019 and December 31, 2018, the Airport reported liabilities of $24,281 and $24,448, respectively, for its assigned proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and June 30, 2018; and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of those dates. The Airport's proportion of the net OPEB liability was based on a projection of the Airport's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities. At June 30, 2019, and June 30, 2018, the Airport's proportionate shares of the CERS nonhazardous plan were 0.79374% and 0.77448%, respectively. At June 30, 2019, and June 30, 2018, the Airport's proportionate shares of the CERS hazardous plan were 1.47746% and 1.50039%, respectively.

Based on its proportionate shares of OPEB expense as assigned by the Insurance Fund, for the Airport's fiscal years ended December 31, 2019 and December 31, 2018, the Airport recognized OPEB expense of $4,018 and $2,742, respectively. The 2019 and 2018 amounts include $1,936 and $1,832, respectively, of contributions made to the plan and $2,082 and $910, respectively, of non-cash expense recognized pursuant to the requirements of GASB Statement No. 75.

(in thousands of dollars)

At December 31, 2019 and December 31, 2018, the Airport reported deferred inflows of resources and deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Deferred Outflows and Inflows at December 31, 2017	$ 8,476	$ (1,549)	$ 6,927
Prior year contributions subsequent to measurement date	(827)	-	(827)
Prior year implicit subsidies subsequent to measurement date	(49)	-	(49)
Difference between expected and actual experience	-	(2,732)	(2,732)
Changes in assumptions	(717)	(61)	(778)
Net differences between projected and actual earnings on pension plan investments	-	(520)	(520)
Changes in proportion and differences between contributions and proportionate share of contributions	763	7	770
Contributions subsequent to measurement date	949	-	949
Implicit subsidies subsequent to measurement date	90	-	90
Deferred Outflows and Inflows at December 31, 2018	$ 8,685	$ (4,855)	$ 3,830
Prior year contributions subsequent to measurement date	$ (949)	$ -	$ (949)
Prior year implicit subsidies subsequent to measurement date	(90)	-	(90)
Difference between expected and actual experience	-	(3,260)	(3,260)
Changes in assumptions	462	14	476
Net differences between projected and actual earnings on pension plan investments	163	579	742
Changes in proportion and differences between contributions and proportionate share of contributions	74	(138)	(64)
Contributions subsequent to measurement date	749	-	749
Implicit subsidies subsequent to measurement date	147	-	147
Deferred Outflows and Inflows at December 31, 2019	$ 9,241	$ (7,660)	$ 1,581

The $749 reported as a deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date and the $147 reported as a deferred outflow of resources resulting from the calculation of the implicit subsidy will be recognized as reductions of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in 2020, 2021, 2022, 2023, 2024 and 2025 in the amounts of $473, $473, $473, ($105), ($452), and ($177), respectively.

(in thousands of dollars)

Actuarial Assumptions
The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Investment rate of return	6.25%
Healthcare trend rates:	
Pre-65 years of age	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Post-65 years of age	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality tables used for active members are the PUB-2010 General Mortality table for the nonhazardous system and the PUB-2010 Public Safety Mortality table for the hazardous system, both being projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For retired members and beneficiaries, the mortality table used is a Kentucky Retirement System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019, were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles, in order to reflect future economic expectations.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(in thousands of dollars)

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	**62.50%**	
US equity	18.75%	4.30%
Non-US equity	18.75%	4.80%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	2.60%
Liquidity	**14.50%**	
Core bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversified strategies	**23.00%**	
Real estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real return	15.00%	4.10%

Discount rate: The projection of cash flows used to determine the discount rate of 5.68% for CERS nonhazardous and 5.69% for CERS hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 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 3.13%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the Insurance Fund's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Insurance Fund's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity analysis - discount rate: The following presents the net OPEB liability of the Airport calculated using the discount rate of percent, as well as what the Airport's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the nonhazardous and hazardous plans:

Asset Class	1% Decrease 4.68%	Current Discount Rate 5.68%	1% Increase 6.68%
Airport's net OPEB liability - nonhazardous	$ 17,884	$ 13,350	$ 9,615
	4.69%	**5.69%**	**6.69%**
Airport's net OPEB liability - hazardous	$ 15,251	$ 10,931	$ 7,424

(in thousands of dollars)

Sensitivity analysis - healthcare cost trend rate: The following presents the net OPEB liability of the Airport, as well as what the Airport's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates for the hazardous and nonhazardous plans:

Asset Class	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Airport's net OPEB liability - nonhazardous	$ 9,928	$ 13,350	$ 17,499
Airport's net OPEB liability - hazardous	$ 7,606	$ 10,931	$ 14,987

OPEB Plan Fiduciary Net Position
Detailed information about CERS' fiduciary net position is available in the separately issued Kentucky Employees' Retirement Systems' Comprehensive Annual Financial Report (which is a matter of public record). The report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601, or can be obtained in an electronic format by visiting the website at www.kyret.ky.gov.

11. Self-funded Group Health Coverage

As discussed in Note 1, effective January 1, 2009, the Airport, by resolution of the Board, established an account group for all activities of the self-funded health coverages maintained for employees. By this resolution, the Airport assumed the risk of financing the health and dental coverages through self-funding of claims, subject to certain individual stop loss and group aggregate limits.

Commercially procured coverages assume any liabilities for claims which exceed the established limits. Third party administrators are utilized to manage the claims handling activities of the plans. Activities in the Designated for Group Health Coverage account group include contributions to the account, the payment of claims, the payment of fees and expenses, and the establishment and maintenance of reserves. Contributions to the account for the payment of claims, fees and expenses are made from the Operations and Maintenance account group and are recorded as operating expenses. Contributions to the account for the purposes of building reserves are recorded as transfers of net position from the General Purposes account group.

Any assets of the Designated for Group Health Coverage account group which are determined by the Airport's Chief Financial Officer to no longer be necessary for the self-funded health coverage programs are returned to the General Purposes account group, with a corresponding transfer of net position, in the period in which the determination is made.

(in thousands of dollars)

The changes in the balances of the claims liability and reserves in the Designated for Group Health Coverage account group consisted of the following:

	Claims Liability
Liability at December 31, 2017	$ 474
Claims and changes in estimates for 2018	4,766
Claims paid in 2018	(4,810)
Changes in receivables related to claims	-
Liability at December 31, 2018	$ 430
Claims and changes in estimates for 2019	4,878
Claims paid in 2019	(4,855)
Changes in receivables related to claims	7
Liability at December 31, 2019	$ 460

	Reserve
Reserves at December 31, 2017	$ 4,503
Contributions from Operations and Maintenance	5,087
Investment income	72
Claims, premiums and fees incurred	(5,159)
Reserves at December 31, 2018	$ 4,503
Contributions from Operations and Maintenance	6,502
Investment income	149
Claims, premiums and fees incurred	(6,651)
Reserves at December 31, 2019	$ 4,503

The Airport purchases both aggregate and specific stop loss coverage for the health insurance coverage. The specific stop loss insurance assumes the risk for claims on any individual covered by the plan. During 2019 and 2018, the individual stop loss coverage to which the Airport's claims liability was limited was $150. The aggregate insurance during 2019 and 2018 provided full coverage for aggregate claims in excess of 125% of expected claims amounts actuarially calculated by a third party. These amounts, given enrollment levels, limited total medical coverage risk financing by the Airport during 2019 and 2018 to approximately $5,985 and $6,177 each year, respectively.

12. Risk Management

The Airport 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 manages these risks through the purchase of commercial insurance.

(in thousands of dollars)

13. Commitments and Contingencies

At December 31, 2019, the Airport is committed, either through contracts or Board proceedings, to the eventual expenditure of approximately $117,240 for construction of the GTF, with such costs to be funded with the Series 2019 CFC bonds and CFCs. Additionally, the Airport is committed to the eventual expenditure of approximately $22,223 for the rehabilitation of and additions to other Airport facilities. Of the $22,223, approximately $14,400 will be funded by federal grants, state grants, and PFCs, with the remainder to be funded by available capital funds.

Environmental Mitigation and Remediation
In 2017, the Airport discovered fuel leakage in the soil around the Aircraft Rescue and Fire Fighting training facility located on the Airport. The Airport reported this circumstance to its pollution legal liability insurer and contracted with an environmental investigation firm to determine the extent of the contamination and develop and recommend an action plan. The Airport's Corrective Action Plan ("CAP") was approved by the Commonwealth of Kentucky Energy and Environmental Cabinet's Department for Environmental Protection Division of Waste Management in December 2019; and the Airport continues to work with its pollution legal liability insurer to execute the CAP. The Airport's pollution legal liability policy provides a $5,000 each incident, and in the aggregate, limit of liability inclusive of remediation expense for onsite new and pre-existing conditions subject to a $100 self-insured retention. The cost to implement the CAP is currently estimated to be $437, with the amount in excess of the Airport's $100 self-insured retention to be paid by the applicable insurer. The expense related to the $100 of self-insured retention was reflected in the December 31, 2018 Statement of Revenues, Expenses and Changes in Net Position.

14. Subsequent Events

COVID-19
First identified in late 2019, in early March 2020 the World Health Organization declared the coronavirus respiratory disease COVID-19 a global pandemic. In response to widespread effects and risks of the pandemic, the United States and many other countries have implemented measures to combat the outbreak which have impacted global business operations. These measures, among others, include international travel restrictions and, in some states, requirements to stay home. As a result of these measures and the public's concern regarding being in contact with others during the pandemic, COVID-19 has had drastic and acute impacts on the national and world economies, the aviation industry, and, therefore, the operations and finances of the Airport. These impacts include, beginning in March 2020, a significant downturn in passenger traffic and reductions in passenger flights, with these reductions impacting the Airport's revenues dependent upon this activity.

To help mitigate the financial impacts of the decrease in operations resulting from the pandemic, the Airport implemented a number of cost cutting and liquidity enhancing measures. As of the date of issuance of these financial statements, these measures have begun and are expected to continue to produce significant mitigating effects on the financial impacts of the pandemic.

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act includes $10.0 billion in funds to be awarded as economic relief to eligible U.S. airports affected by the pandemic. Through this program the Airport has been awarded $42.9 million to reimburse operating and debt service expenditures of the Airport. The CARES Act also

(in thousands of dollars)

provides additional funds through increasing from 75% to 100% the federal share of Airport Improvement Program grants awarded in fiscal year 2020. The increase in the federal share of grants is expected to provide approximately $5,000 of additional capital funding to the Airport.

To potentially provide some measure of financial relief to its airline tenants, the Airport is continuing to evaluate how best to apply the amount awarded through the CARES Act, with a primary consideration being application which helps assure both the financial sustainability of the Airport and maintaining reasonable rates and charges for the airlines serving the Airport.

Additionally, at the date of the issuance of these financial statements, the Airport is considering certain other relief measures for its concession tenants. If enacted, the relief measures being considered would have an approximate $1,500 to $2,500 impact on 2020 operating revenues through the reduction in the minimum rentals to be received under noncancelable leases. This potential reduction has not been reflected in the 2020 amount of minimum future rentals disclosed in Note 5 of the financial statements.

As discussed in Note 1, the Airport has on-hand significant sources of reserves available to fund operating expenses and debt service. Due to the mitigation measures and funding discussed above, at the date of the issuance of these financial statements, it is not expected that significant amounts of reserves will be needed to fund the operations or debt service of the Airport. However, should the need arise, reserves would be used to ensure satisfaction of the Airport's obligations.

Due to the severity of the impacts of the COVID-19 pandemic on worldwide economies and the aviation industry, it is expected that the operations and finances of the aviation industry and the Airport will continue to be impacted, although decreasingly so, for the foreseeable future. However, due to mitigating factors which include, but are not limited to, the 1) measures enacted by the Airport, 2) sources of funding being made available through the CARES Act, 3) availability of significant sources of Airport reserves, 4) diversification of the Airport's revenues due to cargo operations, which have not experienced reductions because of the pandemic, 5) criticality of the aviation system to worldwide economies and 6) importance of the Airport to the aviation system, management and the Board fully expect the Airport to successfully emerge from the economic downturn caused by the pandemic and remain a financially and operationally viable going concern.

Management believes that financial impacts of the global pandemic have no significant effects on the balances presented at December 31, 2019. Accordingly, the attached financial statements have not been modified in any way related to this matter.

(in thousands of dollars)

Revolving Line of Credit

In March 2020, the Airport adopted the 2020 Airport Revenue Subordinate General Bond Resolution which stipulates that any bonds issued under the resolution are to be secured by a pledge of net operating revenues subordinate to the rights of the Series 2016 and Series 2019 Revenue Bonds. Pursuant to the subordinate bond resolution, in March 2020 the Airport also approved a resolution authorizing entering into an agreement with PNC Bank National Association for a revolving line of credit that expires on March 1, 2024 and has a maximum commitment amount of $75,000,000. The Airport is permitted to draw on the line of credit for the purpose of financing capital improvement projects. The line of credit bears interest at the London Interbank Offered Rate (LIBOR) plus 62.5 or 56.0 basis points dependent upon whether the notes issued under the line of credit are taxable or tax-exempt, respectively. Due to the postponement of certain capital projects as discussed above, as of the date of the issuing of these financial statements, the Airport has not drawn any amounts on the revolving line of credit.

(in thousands of dollars)

Schedule of the Proportionate Share of the Net Pension Liability of the
Kentucky Retirement Systems' County Employees Retirement System
Last 10 years *
As of June 30

	2019	2018	2017	2016	2015	2014
Plan's total pension liability	$ 19,368,969	$ 17,876,062	$ 16,995,820	$ 14,791,127	$ 14,353,633	$ 13,061,349
Plan's fiduciary net position	9,573,629	9,367,300	8,905,233	8,151,573	8,519,002	8,615,148
Plan's net pension liability	$ 9,795,340	$ 8,508,762	$ 8,090,587	$ 6,639,554	$ 5,834,631	$ 4,446,201
Plan's fiduciary net position as a percentage of the total pension liability	49.43%	52.40%	52.40%	55.11%	59.35%	65.96%
Airport's proportionate share of the net pension liability	$ 96,658	$ 83,454	$ 75,103	$ 58,295	$ 50,810	$ 38,228
Airport's proportion of the net pension liability	0.9868%	0.9808%	0.9283%	0.8780%	0.8708%	0.8598%
Airport's covered payroll	$ 29,794	$ 28,296	$ 26,271	$ 24,447	$ 24,423	$ 22,641
Airport's proportionate share of the net pension liability as a percentage of its covered payroll	324.42%	294.93%	285.88%	238.45%	208.04%	168.84%

* Fiscal year 2014 was the 1st year of implementation, therefore only six years are shown

(in thousands of dollars)

Schedule of the Employer Pension Contributions of the
Kentucky Retirement Systems' County Employees Retirement System
Last 10 years
As of December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contributions for pension	$ 6,142	$ 5,042	$ 4,361	$ 3,809	$ 3,658	$ 3,561	$ 3,455	$ 3,086	$ 2,700	$ 2,535
Airport's contributions in relation to the statutorily required contributions	(6,142)	(5,042)	(4,361)	(3,809)	(3,658)	(3,561)	(3,455)	(3,086)	(2,700)	(2,535)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of statutorily required contributions for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Airport's covered payroll	$ 29,794	$ 28,296	$ 26,271	$ 24,447	$ 24,423	$ 22,641	$ 22,148	$ 21,500	$ 20,782	$ 21,441
Contributions as a percentage of the Airport's covered payroll	20.61%	17.82%	16.60%	15.58%	14.98%	15.73%	15.60%	14.35%	12.99%	11.82%

(in thousands of dollars)

1. Defined Benefit Pension Plans

Outlined below are the factors that have significantly affected trends in the amounts reported for the ten years presented in the Required Supplementary Information related to the net pension liability.

Changes of benefit terms
The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 for the year(s) listed below:

2009
A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014
A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions
The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 for the year(s) listed below:

2015
- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- 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.

2017
- 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%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.

(in thousands of dollars)

2019

Subsequent to June 30, 2018, the Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions. These assumptions are documented in the report titled *Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018*. The total pension liability as of June 30, 2019 is determined using these updated assumptions:

- Salary increase assumptions applicable to individual members including an increase to some of the step-rate and promotional component of the salary increase assumption for shorter service employees as well as a recommended increase to the salary increase assumption for the CERS hazardous for those members with more than 10 years of service.
- The mortality tables used for active members are the PUB-2010 General Mortality table for the nonhazardous system and the PUB-2010 Public Safety Mortality table for the hazardous system, both being projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For retired members and beneficiaries, the mortality table used is a Kentucky Retirement System- specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the PUB-2010 Disabled Mortality table with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

A summary of the changes to economic and demographic assumptions and other methods recommended in *Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018* is as follows:

Assumption	CERS non-hazardous	CERS hazardous
Economic assumptions:		
Inflation	No Change	No Change
Investment Return - Pension	No Change	No Change
Short-Service Salary Increase	Increase	Increase
Long-Service Salary Increase	No Change	Increase
Payroll Growth Assumption	No Change	No Change
Demographic assumptions:		
Retiree Mortality	Kentucky Retirement System Specific	Kentucky Retirement System Specific
Termination	Slight Increase	Significant Decrease
Retirement	Slight Decrease	Slight Decrease
Disability	Increase	Increase
Health Insurance Participation	No Change	No Change
Other methods:		
Asset Method	5-Year Smoothing	5-Year Smoothing

(in thousands of dollars)

Schedule of the Proportionate Share of the Net OPEB Liability of the
Kentucky Retirement Systems' County Employees Portion of the Insurance Fund
Last 10 years *
As of June 30

	2019	2018	2017
Plan's total OPEB liability	$ 6,332,040	$ 6,183,547	$ 6,238,551
Plan's fiduciary net position	3,910,225	3,695,108	3,401,537
Plan's net OPEB liability	$ 2,421,815	$ 2,488,439	$ 2,837,014
Plan's fiduciary net position as a percentage of the total OPEB liability	61.75%	59.76%	54.52%
Airport's proportionate share of the net OPEB liability	$ 24,281	$ 24,448	$ 26,635
Airport's proportion of the net OPEB liability	1.0026%	0.9825%	0.9388%
Airport's covered payroll	$ 29,794	$ 28,296	$ 26,271
Airport's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.50%	86.40%	101.39%

* Fiscal year 2017 was the 1st year of implementation, therefore only three years are shown

(in thousands of dollars)

Schedule of the Employer OPEB Contributions of the
Kentucky Retirement Systems' Insurance Fund
Last 10 years
As of December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contributions for OPEB	$ 1,936	$ 1,832	$ 1,614	$ 1,600	$ 1,785	$ 1,752	$ 2,009	$ 2,258	$ 2,162	$ 2,255
Airport's contributions in relation to the statutorily required contributions	(1,936)	(1,832)	(1,614)	(1,600)	(1,785)	(1,752)	(2,009)	(2,258)	(2,162)	(2,255)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of statutorily required contributions for OPEB	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Airport's covered payroll	$ 29,794	$ 28,296	$ 26,271	$ 24,447	$ 24,423	$ 22,641	$ 22,148	$ 21,500	$ 20,782	$ 21,441
Contributions as a percentage of the Airport's covered payroll	6.50%	6.47%	6.14%	6.54%	7.31%	7.74%	9.07%	10.50%	10.40%	10.52%

(in thousands of dollars)

1. Other Post Employment Benefit Plans

Outlined below are the factors that have significantly affected trends in the amounts reported for the ten years presented in the Required Supplementary Information related to the net OPEB liability.

Changes of assumptions
The following changes were made by the Kentucky Retirement Systems Board of Trustees and reflected in the valuation performed as of June 30 for the year(s) listed below:

2019
Subsequent to June 30, 2018, the Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions. These assumptions are documented in the report titled *Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018*. The total OPEB liability as of June 30, 2019 is determined using these updated assumptions:

- Salary increase assumptions applicable to individual members including an increase to some of the step-rate and promotional component of the salary increase assumption for shorter service employees as well as a recommended increase to the salary increase assumption for the CERS hazardous for those members with more than 10 years of service.
- The mortality tables used for active members are the PUB-2010 General Mortality table for the nonhazardous system and the PUB-2010 Public Safety Mortality table for the hazardous system, both being projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For retired members and beneficiaries, the mortality table used is a KRS-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the PUB-2010 Disabled Mortality table with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

(in thousands of dollars)

A summary of the changes to economic and demographic assumptions and other methods recommended in *Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018* is as follows:

Assumption	CERS non-hazardous	CERS hazardous
Economic assumptions:		
Inflation	No Change	No Change
Investment Return - Insurance	No Change	No Change
Short-Service Salary Increase	Increase	Increase
Long-Service Salary Increase	No Change	Increase
Payroll Growth Assumption	No Change	No Change
Demographic assumptions:		
Retiree Mortality	Kentucky Retirement System Specific	Kentucky Retirement System Specific
Termination	Slight Increase	Significant Decrease
Retirement	Slight Decrease	Slight Decrease
Disability	Increase	Increase
Health Insurance Participation	No Change	No Change
Other methods:		
Asset Method	5-Year Smoothing	5-Year Smoothing

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Balance Sheet Information
December 31, 2019

(in thousands of dollars)

			Unrestricted Account Groups				
	Total	Eliminations	Operations & Maintenance	Designated for Capital Projects	Designated for Group Health Coverage	Repair & Replacement Reserve	General Purposes
Assets							
Current assets							
Unrestricted							
Cash	$ 850	$ -	$ 825	$ -	$ 25	$ -	$ -
Investments (at fair value)	127,590	-	36,383	32,322	4,744	8,119	46,022
Investment income receivable	248	-	54	39	10	24	121
Accounts receivable	4,678	-	4,526	-	152	-	-
Interfund receivable	-	(23,773)	3,424	-	557	-	19,792
Grants and federal awards receivable	6,723	-	48	6,675	-	-	-
Prepaid expenses	2,148	-	1,692	-	-	-	456
Supplies inventory	4,399	-	4,399	-	-	-	-
Total unrestricted current assets	146,636	(23,773)	51,351	39,036	5,488	8,143	66,391
Restricted							
Cash	329	-	-	-	-	-	-
Investments (at fair value)	35,528	-	1,073	-	-	-	-
Investment income receivable	77	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Total restricted current assets	35,934	-	1,073	-	-	-	-
Total current assets	182,570	(23,773)	52,424	39,036	5,488	8,143	66,391
Non-current assets							
Unrestricted							
Investments (at fair value)	5,002	-	-	-	1,013	1,937	2,052
Prepaid expenses	246	-	246	-	-	-	-
Capital assets, non-depreciable	231,245	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	510,389	-	-	-	-	-	-
Total unrestricted non-current assets	746,882	-	246	-	1,013	1,937	2,052
Restricted							
Cash	-	-	-	-	-	-	-
Investments (at fair value)	266,837	-	-	-	-	-	-
Investment income receivable	833	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Interfund receivable	-	(1,736)	-	-	-	-	-
Passenger facility charges receivable	2,400	-	-	-	-	-	-
Customer facility charges receivable	1,370	-	-	-	-	-	-
Total restricted non-current assets	271,440	(1,736)	-	-	-	-	-
Total non- current assets	1,018,322	(1,736)	246	-	1,013	1,937	2,052
Total assets	1,200,892	(25,509)	52,670	39,036	6,501	10,080	68,443
Deferred Outflows of Resources							
Pension	20,145	-	20,145	-	-	-	-
Other postemployment benefits	9,241	-	9,241	-	-	-	-
Total deferred outflows of resources	29,386	-	29,386	-	-	-	-
Total assets and deferred outflows of resources	$ 1,230,278	$ (25,509)	$ 82,056	$ 39,036	$ 6,501	$ 10,080	$ 68,443
Liabilities							
Current Liabilities							
Accounts payable and accrued expenses	$ 32,427	$ -	$ 17,009	$ 2,487	$ 460	$ -	$ 57
Rates and charges settlement payable to airlines	24,820	-	8,620	-	-	-	-
Interfund payable	-	(25,509)	21,173	551	1,538	58	994
Contract retainage payable	3,200	-	28	362	-	-	-
Bond interest payable	2,242	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	3,451	-	-	-	-	-	-
Subordinate debt - equipment lease	183	-	-	-	-	-	-
Total current liabilities	66,323	(25,509)	46,830	3,400	1,998	58	1,051
Non-current liabilities							
Accounts payable and accrued expenses	1,908	-	1,908	-	-	-	-
Rates and charges settlement payable to airlines	-	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	183,865	-	-	-	-	-	-
Subordinate debt - equipment lease	253	-	-	-	-	-	-
Net pension liability	96,658	-	96,658	-	-	-	-
Net other postemployment benefits liability	24,281	-	24,281	-	-	-	-
Total non-current liabilities	306,965	-	122,847	-	-	-	-
Total liabilities	373,288	(25,509)	169,677	3,400	1,998	58	1,051
Deferred Inflows of Resources							
Pension	3,694	-	3,694	-	-	-	-
Other postemployment benefits	7,660	-	7,660	-	-	-	-
Total deferred inflows of resources	11,354	-	11,354	-	-	-	-
Net Position							
Unrestricted	18,578	-	(98,975)	35,636	4,503	10,022	67,392
Net investment in capital assets	634,105	-	-	-	-	-	-
Restricted:							
For federally approved projects	88,872	-	-	-	-	-	-
For ground transportation expenditures	66,577	-	-	-	-	-	-
For operational cash flow shortages (by bond resolutions)	24,042	-	-	-	-	-	-
For debt service	13,462	-	-	-	-	-	-
Total net position	845,636	-	(98,975)	35,636	4,503	10,022	67,392
Total liabilities, deferred inflows of resources and net position	$ 1,230,278	$ (25,509)	$ 82,056	$ 39,036	$ 6,501	$ 10,080	$ 68,443

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Balance Sheet Information, continued
December 31, 2019

(in thousands of dollars)

	Net Investment in Capital Assets	Restricted Account Groups							
		Passenger Facility Charge	Police Forfeiture	Customer Facility Charge	Operations & Maintenance Reserve	2019 Terminal Roadway Reconfiguration	Bond Interest & Redemption	Bond Reserve	Other Third Party Funding
Assets									
Current assets									
Unrestricted									
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investments (at fair value)	-	-	-	-	-	-	-	-	-
Investment income receivable	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-
Interfund receivable	-	-	-	-	-	-	-	-	-
Grants and federal awards receivable	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Supplies inventory	-	-	-	-	-	-	-	-	-
Total unrestricted current assets	-	-	-	-	-	-	-	-	-
Restricted									
Cash	-	-	-	-	-	-	-	-	329
Investments (at fair value)	-	91	73	15,023	121	421	2,248	32	16,446
Investment income receivable	-	-	-	-	-	-	3	-	74
Accounts receivable	-	-	-	-	-	-	-	-	-
Total restricted current assets	-	91	73	15,023	121	421	2,251	32	16,849
Total current assets	-	91	73	15,023	121	421	2,251	32	16,849
Non-current assets									
Unrestricted									
Investments (at fair value)	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Capital assets, non-depreciable	231,245	-	-	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	510,389	-	-	-	-	-	-	-	-
Total unrestricted non-current assets	741,634	-	-	-	-	-	-	-	-
Restricted									
Cash	-	-	-	-	-	-	-	-	-
Investments (at fair value)	-	81,756	3,238	141,858	23,963	2,623	-	13,399	-
Investment income receivable	-	245	2	441	79	3	-	63	-
Accounts receivable	-	-	-	-	-	-	-	-	-
Interfund receivable	-	1,231	-	505	-	-	-	-	-
Passenger facility charges receivable	-	2,400	-	-	-	-	-	-	-
Customer facility charges receivable	-	-	-	1,370	-	-	-	-	-
Total restricted non-current assets	-	85,632	3,240	144,174	24,042	2,626	-	13,462	-
Total non- current assets	741,634	85,632	3,240	144,174	24,042	2,626	-	13,462	-
Total assets	741,634	85,723	3,313	159,197	24,163	3,047	2,251	13,494	16,849
Deferred Outflows of Resources									
Pension	-	-	-	-	-	-	-	-	-
Other postemployment benefits	-	-	-	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 741,634	$ 85,723	$ 3,313	$ 159,197	$ 24,163	$ 3,047	$ 2,251	$ 13,494	$ 16,849
Liabilities									
Current Liabilities									
Accounts payable and accrued expenses	$ -	$ -	$ -	$ 12,128	$ -	$ 286	$ -	$ -	$ -
Rates and charges settlement payable to airlines	-	-	-	-	-	-	-	-	16,200
Interfund payable	-	91	73	215	121	5	9	32	649
Contract retainage payable	-	-	-	2,680	-	130	-	-	-
Bond interest payable	-	-	-	-	-	-	2,242	-	-
Revenue bonds payable, inclusive of unamortized premium	3,451	-	-	-	-	-	-	-	-
Subordinate debt - equipment lease	183	-	-	-	-	-	-	-	-
Total current liabilities	3,634	91	73	15,023	121	421	2,251	32	16,849
Non-current liabilities									
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-	-
Rates and charges settlement payable to airlines	-	-	-	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	103,642	-	-	77,597	-	2,626	-	-	-
Subordinate debt - equipment lease	253	-	-	-	-	-	-	-	-
Net pension liability	-	-	-	-	-	-	-	-	-
Net other postemployment benefits liability	-	-	-	-	-	-	-	-	-
Total non-current liabilities	103,895	-	-	77,597	-	2,626	-	-	-
Total liabilities	107,529	91	73	92,620	121	3,047	2,251	32	16,849
Deferred Inflows of Resources									
Pension	-	-	-	-	-	-	-	-	-
Other postemployment benefits	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-
Net Position									
Unrestricted	-	-	-	-	-	-	-	-	-
Net investment in capital assets	634,105	-	-	-	-	-	-	-	-
Restricted:									
For federally approved projects	-	85,632	3,240	-	-	-	-	-	-
For ground transportation expenditures	-	-	-	66,577	-	-	-	-	-
For operational cash flow shortages (by bond resolutions)	-	-	-	-	24,042	-	-	-	-
For debt service	-	-	-	-	-	-	-	13,462	-
Total net position	634,105	85,632	3,240	66,577	24,042	-	-	13,462	-
Total liabilities, deferred inflows of resources and net position	$ 741,634	$ 85,723	$ 3,313	$ 159,197	$ 24,163	$ 3,047	$ 2,251	$ 13,494	$ 16,849

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Balance Sheet Information
December 31, 2018

(in thousands of dollars)

	Total	Eliminations	Unrestricted Account Groups: Operations & Maintenance	Designated for Capital Projects	Designated for Group Health Coverage	Repair & Replacement Reserve	General Purposes
Assets							
Current assets							
Unrestricted							
Cash	$ 975	$ -	$ 943	$ -	$ 32	$ -	$ -
Investments (at fair value)	104,592	-	34,142	27,854	4,408	7,734	30,454
Investment income receivable	289	-	74	70	7	35	103
Accounts receivable	3,968	-	3,823	-	145	-	-
Interfund receivable	-	(21,181)	2,341	405	59	-	18,376
Grants and federal awards receivable	5,753	-	44	5,709	-	-	-
Prepaid expenses	1,763	-	1,763	-	-	-	-
Supplies inventory	4,849	-	4,849	-	-	-	-
Total unrestricted current assets	122,189	(21,181)	47,979	34,038	4,651	7,769	48,933
Restricted							
Cash	370	-	-	-	-	-	-
Investments (at fair value)	9,412	-	1,074	-	-	-	-
Investment income receivable	2	-	1	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Total restricted current assets	9,784	-	1,075	-	-	-	-
Total current assets	131,973	(21,181)	49,054	34,038	4,651	7,769	48,933
Non-current assets							
Unrestricted							
Investments (at fair value)	12,611	-	-	-	1,475	2,264	8,872
Prepaid expenses	147	-	147	-	-	-	-
Capital assets, non-depreciable	210,904	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	485,804	-	-	-	-	-	-
Total unrestricted non-current assets	709,466	-	147	-	1,475	2,264	8,872
Restricted							
Cash	1	-	-	-	-	-	-
Investments (at fair value)	164,431	-	-	-	-	-	-
Investment income receivable	411	-	-	-	-	-	-
Accounts receivable	323	-	-	-	-	-	-
Interfund receivable	-	(8,942)	-	-	-	-	-
Passenger facility charges receivable	1,571	-	-	-	-	-	-
Customer facility charges receivable	852	-	-	-	-	-	-
Total restricted non-current assets	167,589	(8,942)	-	-	-	-	-
Total non- current assets	877,055	(8,942)	147	-	1,475	2,264	8,872
Total assets	1,009,028	(30,123)	49,201	34,038	6,126	10,033	57,805
Deferred Outflows of Resources							
Pension	22,227	-	22,227	-	-	-	-
Other postemployment benefits	8,685	-	8,685	-	-	-	-
Total deferred outflows of resources	30,912	-	30,912	-	-	-	-
Total assets and deferred outflows of resources	$ 1,039,940	$ (30,123)	$ 80,113	$ 34,038	$ 6,126	$ 10,033	$ 57,805
Liabilities							
Current Liabilities							
Accounts payable and accrued expenses	$ 24,495	$ -	$ 14,201	$ 2,056	$ 430	$ -	$ -
Rates and charges settlement payable to airlines	2,182	-	2,182	-	-	-	-
Interfund payable	-	(30,123)	26,886	518	1,193	67	446
Contract retainage payable	1,348	-	28	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	3,112	-	-	-	-	-	-
Subordinate debt - equipment lease	177	-	-	-	-	-	-
Total current liabilities	31,314	(30,123)	43,297	2,574	1,623	67	446
Non-current liabilities							
Accounts payable and accrued expenses	1,972	-	1,972	-	-	-	-
Rates and charges settlement payable to airlines	16,200	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	46,351	-	-	-	-	-	-
Subordinate debt - equipment lease	435	-	-	-	-	-	-
Net pension liability	83,454	-	83,454	-	-	-	-
Net other postemployment benefits liability	24,448	-	24,448	-	-	-	-
Total non-current liabilities	172,860	-	109,874	-	-	-	-
Total liabilities	204,174	(30,123)	153,171	2,574	1,623	67	446
Deferred Inflows of Resources							
Pension	5,206	-	5,206	-	-	-	-
Other postemployment benefits	4,855	-	4,855	-	-	-	-
Total deferred inflows of resources	10,061	-	10,061	-	-	-	-
Net Position							
Unrestricted	20,173	-	(83,119)	31,464	4,503	9,966	57,359
Net investment in capital assets	645,200	-	-	-	-	-	-
Restricted:							
For federally approved projects	89,634	-	-	-	-	-	-
For ground transportation expenditures	44,121	-	-	-	-	-	-
For operational cash flow shortages (by bond resolutions)	21,930	-	-	-	-	-	-
For debt service	4,306	-	-	-	-	-	-
For uses legally required by contributing parties	341	-	-	-	-	-	-
Total net position	825,705	-	(83,119)	31,464	4,503	9,966	57,359
Total liabilities, deferred inflows of resources and net position	$ 1,039,940	$ (30,123)	$ 80,113	$ 34,038	$ 6,126	$ 10,033	$ 57,805

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Balance Sheet Information, continued
December 31, 2018

(in thousands of dollars)

	Net Investment in Capital Assets	Restricted Account Groups						
		Passenger Facility Charge	Police Forfeiture	Customer Facility Charge	Operations & Maintenance Reserve	Bond Interest & Redemption	Bond Reserve	Other Third Party Funding
Assets								
Current assets								
Unrestricted								
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investments (at fair value)	-	-	-	-	-	-	-	-
Investment income receivable	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Interfund receivable	-	-	-	-	-	-	-	-
Grants and federal awards receivable	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Supplies inventory	-	-	-	-	-	-	-	-
Total unrestricted current assets	-	-	-	-	-	-	-	-
Restricted								
Cash	-	-	-	-	-	-	-	370
Investments (at fair value)	-	175	1	7,975	158	4	25	-
Investment income receivable	-	-	-	-	-	1	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Total restricted current assets	-	175	1	7,975	158	5	25	370
Total current assets	-	175	1	7,975	158	5	25	370
Non-current assets								
Unrestricted								
Investments (at fair value)	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Capital assets, non-depreciable	210,904	-	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	485,804	-	-	-	-	-	-	-
Total unrestricted non-current assets	696,708	-	-	-	-	-	-	-
Restricted								
Cash	-	-	-	-	-	-	-	1
Investments (at fair value)	-	84,477	2,326	42,087	21,688	-	4,287	9,566
Investment income receivable	-	151	3	170	41	-	19	27
Accounts receivable	-	-	-	-	-	-	-	323
Interfund receivable	-	1,106	-	1,011	201	-	-	6,624
Passenger facility charges receivable	-	1,571	-	-	-	-	-	-
Customer facility charges receivable	-	-	-	852	-	-	-	-
Total restricted non-current assets	-	87,305	2,329	44,120	21,930	-	4,306	16,541
Total non- current assets	696,708	87,305	2,329	44,120	21,930	-	4,306	16,541
Total assets	696,708	87,480	2,330	52,095	22,088	5	4,331	16,911
Deferred Outflows of Resources								
Pension	-	-	-	-	-	-	-	-
Other postemployment benefits	-	-	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 696,708	$ 87,480	$ 2,330	$ 52,095	$ 22,088	$ 5	$ 4,331	$ 16,911
Liabilities								
Current Liabilities								
Accounts payable and accrued expenses	$ 31	$ -	$ -	$ 7,777	$ -	$ -	$ -	$ -
Rates and charges settlement payable to airlines	-	-	-	-	-	-	-	-
Interfund payable	82	175	1	197	158	5	25	370
Contract retainage payable	1,320	-	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	3,112	-	-	-	-	-	-	-
Subordinate debt - equipment lease	177	-	-	-	-	-	-	-
Total current liabilities	4,722	175	1	7,974	158	5	25	370
Non-current liabilities								
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-
Rates and charges settlement payable to airlines	-	-	-	-	-	-	-	16,200
Revenue bonds payable, inclusive of unamortized premium	46,351	-	-	-	-	-	-	-
Subordinate debt - equipment lease	435	-	-	-	-	-	-	-
Net pension liability	-	-	-	-	-	-	-	-
Net other postemployment benefits liability	-	-	-	-	-	-	-	-
Total non-current liabilities	46,786	-	-	-	-	-	-	16,200
Total liabilities	51,508	175	1	7,974	158	5	25	16,570
Deferred Inflows of Resources								
Pension	-	-	-	-	-	-	-	-
Other postemployment benefits	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-	-
Net Position								
Unrestricted								
Net investment in capital assets	645,200	-	-	-	-	-	-	-
Restricted:								
For federally approved projects	-	87,305	2,329	-	-	-	-	-
For ground transportation expenditures	-	-	-	44,121	-	-	-	-
For operational cash flow shortages (by bond resolutions)	-	-	-	-	21,930	-	-	-
For debt service	-	-	-	-	-	-	4,306	-
For uses legally required by contributing parties	-	-	-	-	-	-	-	341
Total net position	645,200	87,305	2,329	44,121	21,930	-	4,306	341
Total liabilities, deferred inflows of resources and net position	$ 696,708	$ 87,480	$ 2,330	$ 52,095	$ 22,088	$ 5	$ 4,331	$ 16,911

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2019

(in thousands of dollars)

	Total	Unrestricted Account Groups: Operations & Maintenance	Designated for Capital Projects	Designated for Group Health Coverage	Repair & Replacement Reserve	General Purposes
Operating revenues						
Landing fees, net	$ 22,430	$ 22,430	$ -	$ -	$ -	$ -
Rentals:						
Terminal, net	8,453	8,453	-	-	-	-
Ramp	4,660	4,660	-	-	-	-
Ground	4,670	4,670	-	-	-	-
Other	1,856	1,856	-	-	-	-
Parking	48,310	48,310	-	-	-	-
Concessions	15,485	15,485	-	-	-	-
Rebilled services	2,467	2,467	-	-	-	-
Ground transportation	1,502	1,502	-	-	-	-
Other	849	849	-	-	-	-
Total operating revenues	110,682	110,682	-	-	-	-
Operating expenses						
Salaries, wages and benefits	61,681	55,797	-	5,884	-	-
Contracted services	29,084	26,845	-	767	-	1,049
Supplies and capital items expensed	8,138	8,138	-	-	-	-
Utilities	7,777	7,609	-	-	-	-
General administration	2,379	2,337	-	-	-	-
Insurance	1,206	1,206	-	-	-	-
Total operating expenses	110,265	101,932	-	6,651	-	1,049
Operating income (loss), before depreciation and amortization	417	8,750	-	(6,651)	-	(1,049)
Depreciation and amortization	(42,885)	-	-	-	-	-
Operating (loss) income, after depreciation and amortization	(42,468)	8,750	-	(6,651)	-	(1,049)
Nonoperating changes in net position: increase (decrease)						
Revenue bonds:						
Revenue bond - transfer of principal	-	(2,165)	-	-	-	-
Revenue bond - transfer of interest	-	(2,124)	-	-	-	-
Revenue bond - payment of principal	-	-	-	-	-	-
Revenue bond interest, net of premium amortization	(5,788)	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-
Transfer of bond proceeds to fund bond reserve	-	-	-	-	-	-
Transfer of bond payable matched to unspent proceeds	-	-	-	-	-	-
Transfer of bond proceeds to reimburse previously incurred project costs	-	-	-	-	-	-
Bond issuance costs	(1,116)	-	-	-	-	-
Subordinate debt - principal	-	(177)	-	-	-	-
Subordinate debt - interest	(16)	(16)	-	-	-	-
Passenger facility charge revenues	18,364	-	-	-	-	-
Customer facility charge revenues	12,130	-	-	-	-	-
Police forfeiture program revenues	1,136	-	-	-	-	-
Police forfeiture program revenues passed through to other local government	- (38)	-	-	-	-	-
Grants and federal awards for operating expenses	400	400	-	-	-	-
Investment income	9,674	2,388	631	149	56	205
Net gain on disposal of capital assets	43	-	43	-	-	-
Non-capitalized project costs	(812)	-	-	-	-	-
Capitalization of expenditures	-	-	(17,983)	-	-	-
Transfers:						
Funding of capital projects	-	2	(3,252)	-	-	(9,351)
Required reserve funding	-	(2,021)	-	-	-	-
Group health coverage	-	(6,476)	-	6,502	-	-
Debt service requirements	-	4,289	-	-	-	-
Reimbursement of eligible expenditures	-	345	16,919	-	-	660
Current year remaining revenues	-	(19,051)	-	-	-	19,051
Total nonoperating changes in net position, before capital contributions	33,977	(24,606)	(3,642)	6,651	56	10,565
Capital Contributions						
Donated capital	19,933	-	-	-	-	-
Grants and federal awards for capital expenditures	8,331	-	7,814	-	-	517
Third party funding of project costs	158	-	-	-	-	-
Total capital contributions	28,422	-	7,814	-	-	517
Total changes in net position	19,931	(15,856)	4,172	-	56	10,033
Net position at the beginning of the year (deficit)	825,705	(83,119)	31,464	4,503	9,966	57,359
Net position (deficit) at the end of the year	$ 845,636	$ (98,975)	$ 35,636	$ 4,503	$ 10,022	$ 67,392

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Revenues, Expenses and Changes in Net Position, continued
Year Ended December 31, 2019

(in thousands of dollars)

	Net Investment in Capital Assets	Restricted Account Groups: Passenger Facility Charge	Police Forfeiture	Customer Facility Charge	Operations & Maintenance Reserve	2019 Terminal Roadway Reconfiguration	Bond Interest & Redemption	Bond Reserve	Other Third Party Funding
Operating revenues									
Landing fees, net	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rentals:									
Terminal, net	-	-	-	-	-	-	-	-	-
Ramp	-	-	-	-	-	-	-	-	-
Ground	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-
Concessions	-	-	-	-	-	-	-	-	-
Rebilled services	-	-	-	-	-	-	-	-	-
Ground transportation	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total operating revenues	-	-	-	-	-	-	-	-	-
Operating expenses									
Salaries, wages and benefits	-	-	-	-	-	-	-	-	-
Contracted services	-	-	43	380	-	-	-	-	-
Supplies and capital items expensed	-	-	-	-	-	-	-	-	-
Utilities	-	-	168	-	-	-	-	-	-
General administration	-	-	37	5	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Total operating expenses	-	-	248	385	-	-	-	-	-
Operating income (loss), before depreciation and amortization	-	-	(248)	(385)	-	-	-	-	-
Depreciation and amortization	(42,885)	-	-	-	-	-	-	-	-
Operating income (loss), after depreciation and amortization	(42,885)	-	(248)	(385)	-	-	-	-	-
Nonoperating changes in net position: increase (decrease)									
Revenue bonds:									
Revenue bond - transfer of principal	-	-	-	-	-	-	2,165	-	-
Revenue bond - transfer of interest	-	-	-	(3,500)	-	(1,286)	6,910	-	-
Revenue bond - payment of principal	2,165	-	-	-	-	-	(2,165)	-	-
Revenue bond interest, net of premium amortization	1,122	-	-	-	-	-	(6,910)	-	-
Issuance of bonds	(141,027)	-	-	103,130	-	37,897	-	-	-
Transfer of bond proceeds to fund bond reserve	-	-	-	(8,215)	-	(917)	-	9,132	-
Transfer of bond payable matched to unspent proceeds	80,223	-	-	(77,597)	-	(2,626)	-	-	-
Transfer of bond proceeds to reimburse previously incurred project costs	-	-	-	16,491	-	(16,491)	-	-	-
Bond issuance costs	-	-	-	(719)	-	(397)	-	-	-
Subordinate debt - principal	177	-	-	-	-	-	-	-	-
Subordinate debt - interest	-	-	-	-	-	-	-	-	-
Passenger facility charge revenues	-	18,364	-	-	-	-	-	-	-
Customer facility charge revenues	-	-	-	12,130	-	-	-	-	-
Police forfeiture program revenues	-	-	1,136	-	-	-	-	-	-
Police forfeiture program revenues passed through to other local government	-	-	(38)	-	-	-	-	-	-
Grants and federal awards for operating expenses	-	-	-	-	-	-	-	-	-
Investment income	-	2,176	61	3,163	91	427	-	24	303
Net gain on disposal of capital assets	-	-	-	-	-	-	-	-	-
Non-capitalized project costs	(812)	-	-	-	-	-	-	-	-
Capitalization of expenditures	70,009	-	-	(35,266)	-	(16,607)	-	-	(153)
Transfers:									
Funding of capital projects	-	-	-	13,250	-	-	-	-	(649)
Required reserve funding	-	-	-	-	2,021	-	-	-	-
Group health coverage	-	-	-	(26)	-	-	-	-	-
Debt service requirements	-	(4,289)	-	-	-	-	-	-	-
Reimbursement of eligible expenditures	-	(17,924)	-	-	-	-	-	-	-
Current year remaining revenues	-	-	-	-	-	-	-	-	-
Total nonoperating changes in net position, before capital contributions	11,857	(1,673)	1,159	22,841	2,112	-	-	9,156	(499)
Capital Contributions									
Donated capital	19,933	-	-	-	-	-	-	-	-
Grants and federal awards for capital expenditures	-	-	-	-	-	-	-	-	-
Third party funding of project costs	-	-	-	-	-	-	-	-	158
Total capital contributions	19,933	-	-	-	-	-	-	-	158
Total changes in net position	(11,095)	(1,673)	911	22,456	2,112	-	-	9,156	(341)
Net position at the beginning of the year (deficit)	645,200	87,305	2,329	44,121	21,930	-	-	4,306	341
Net position (deficit) at the end of the year	$ 634,105	$ 85,632	$ 3,240	$ 66,577	$ 24,042	$ -	$ -	$ 13,462	$ -

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018

(in thousands of dollars)

		Unrestricted Account Groups				
	Total	Operations & Maintenance	Designated for Capital Projects	Designated for Group Health Coverage	Repair & Replacement Reserve	General Purposes
Operating revenues						
Landing fees, net	$ 21,132	$ 21,132	$ -	$ -	$ -	$ -
Rentals:						
Terminal, net	8,724	8,724	-	-	-	-
Ramp	4,433	4,433	-	-	-	-
Ground	4,403	4,403	-	-	-	-
Other	1,166	1,166	-	-	-	-
Parking	45,383	45,383	-	-	-	-
Concessions	14,715	14,715	-	-	-	-
Rebilled services	2,341	2,341	-	-	-	-
Ground transportation	1,294	1,294	-	-	-	-
Other	692	692	-	-	-	-
Total operating revenues	104,283	104,283	-	-	-	-
Operating expenses						
Salaries, wages and benefits	54,941	50,534	-	4,385	-	-
Contracted services	25,458	22,357	-	774	-	1,854
Supplies and capital items expensed	8,050	7,970	-	-	-	-
Utilities	7,820	7,820	-	-	-	-
General administration	2,585	2,553	-	-	-	-
Insurance	1,561	1,561	-	-	-	-
Total operating expenses	100,415	92,795	-	5,159	-	1,854
Operating income (loss), before depreciation and amortization	3,868	11,488	-	(5,159)	-	(1,854)
Depreciation and amortization	(41,877)	-	-	-	-	-
Operating income (loss), after depreciation and amortization	(38,009)	11,488	-	(5,159)	-	(1,854)
Nonoperating changes in net position: increase (decrease)						
Revenue bonds:						
Revenue bond - transfer of principal	-	(2,065)	-	-	-	-
Revenue bond - transfer of interest	-	(2,228)	-	-	-	-
Revenue bond - payment of principal	-	-	-	-	-	-
Revenue bond interest, net of premium amortization	(1,218)	-	-	-	-	-
Bond issuance costs	(311)	-	-	-	-	-
Subordinate debt - principal	-	(117)	-	-	-	-
Subordinate debt - interest	(12)	(12)	-	-	-	-
Passenger facility charge revenues	18,143	-	-	-	-	-
Customer facility charge revenues	11,930	-	-	-	-	-
Police forfeiture program revenues	492	-	-	-	-	-
Police forfeiture program revenues passed through to other local government	(3)	-	-	-	-	-
Grants and federal awards for operating expenses	352	352	-	-	-	-
Investment income	4,840	1,718	486	72	15	39
Net gain on disposal of capital assets	189	-	-	-	-	189
Non-capitalized project costs	(274)	-	-	-	-	-
Capitalization of expenditures	-	-	(12,476)	-	-	-
Other	-	175	-	-	-	-
Transfers:						
Funding of capital projects	-	-	15,318	-	-	(15,318)
Required reserve funding	-	(2,415)	-	-	-	-
Group health coverage	-	(5,087)	-	5,087	-	-
Debt service requirements	-	4,293	-	-	-	-
Current year remaining revenues	-	(17,878)	-	-	-	17,878
Total nonoperating changes in net position, before capital contributions	34,128	(23,264)	3,328	5,159	15	2,788
Capital Contributions						
Grants and federal awards for capital expenditures	8,056	-	7,154	-	-	902
Third party funding of project costs	235	-	-	-	-	-
Total capital contributions	8,291	-	7,154	-	-	902
Total changes in net position	4,410	(11,776)	10,482	-	15	1,836
Net position at the beginning of the year (deficit)	821,295	(71,343)	20,982	4,503	9,951	55,523
Net position (deficit) at the end of the year	$ 825,705	$ (83,119)	$ 31,464	$ 4,503	$ 9,966	$ 57,359

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Revenues, Expenses and Changes in Net Position, continued
Year Ended December 31, 2018

(in thousands of dollars)

	Net Investment in Capital Assets	Restricted Account Groups: Passenger Facility Charge	Police Forfeiture	Customer Facility Charge	Operations & Maintenance Reserve	Bond Interest & Redemption	Bond Reserve	Other Third Party Funding
Operating revenues								
Landing fees, net	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rentals:								
Terminal, net	-	-	-	-	-	-	-	-
Ramp	-	-	-	-	-	-	-	-
Ground	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-
Concessions	-	-	-	-	-	-	-	-
Rebilled services	-	-	-	-	-	-	-	-
Ground transportation	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total operating revenues	-	-	-	-	-	-	-	-
Operating expenses								
Salaries, wages and benefits	-	-	-	22	-	-	-	-
Contracted services	-	-	18	455	-	-	-	-
Supplies and capital items expensed	-	-	80	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
General administration	-	-	32	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Total operating expenses	-	-	130	477	-	-	-	-
Operating income (loss), before depreciation and amortization	-	-	(130)	(477)	-	-	-	-
Depreciation and amortization	(41,877)	-	-	-	-	-	-	-
Operating income (loss), after depreciation and amortization	(41,877)	-	(130)	(477)	-	-	-	-
Nonoperating changes in net position: increase (decrease)								
Revenue bonds:								
Revenue bond - transfer of principal	-	-	-	-	-	2,065	-	-
Revenue bond - transfer of interest	-	-	-	-	-	2,228	-	-
Revenue bond - payment of principal	2,065	-	-	-	-	(2,065)	-	-
Revenue bond interest, net of premium amortization	1,010	-	-	-	-	(2,228)	-	-
Bond issuance costs	(112)	-	-	(199)	-	-	-	-
Subordinate debt - principal	117	-	-	-	-	-	-	-
Subordinate debt - interest	-	-	-	-	-	-	-	-
Passenger facility charge revenues	-	18,143	-	-	-	-	-	-
Customer facility charge revenues	-	-	-	11,930	-	-	-	-
Police forfeiture program revenues	-	-	492	-	-	-	-	-
Police forfeiture program revenues passed through to other local government	-	-	(3)	-	-	-	-	-
Grants and federal awards for operating expenses	-	-	-	-	-	-	-	-
Investment income	-	1,524	32	874	46	-	17	17
Net gain on disposal of capital assets	-	-	-	-	-	-	-	-
Non-capitalized project costs	(274)	-	-	-	-	-	-	-
Capitalization of expenditures	30,777	-	8	(18,398)	-	-	-	89
Other	-	(175)	-	-	-	-	-	-
Transfers:								
Funding of capital projects	-	-	-	-	-	-	-	-
Required reserve funding	-	-	-	-	2,415	-	-	-
Group health coverage	-	-	-	-	-	-	-	-
Debt service requirements	-	(4,293)	-	-	-	-	-	-
Current year remaining revenues	-	-	-	-	-	-	-	-
Total nonoperating changes in net position, before capital contributions	33,583	15,199	529	(5,793)	2,461	-	17	106
Capital Contributions								
Grants and federal awards for capital expenditures	-	-	-	-	-	-	-	-
Third party funding of project costs	-	-	-	-	-	-	-	235
Total capital contributions	-	-	-	-	-	-	-	235
Total changes in net position	(8,294)	15,199	399	(6,270)	2,461	-	17	341
Net position at the beginning of the year (deficit)	653,494	72,106	1,930	50,391	19,469	-	4,289	-
Net position (deficit) at the end of the year	$ 645,200	$ 87,305	$ 2,329	$ 44,121	$ 21,930	$ -	$ 4,306	$ 341

Cincinnati/Northern Kentucky International Airport
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

(in thousands of dollars)

Name of Agency or Department	CFDA or Other No.	Name of Program	Federal Awards with Expenditure Activity in 2019: Award Amount	Federal Awards with Expenditure Activity in 2019: Total Awards Expended
US Dept of Transportation	20.106	Airport Improvement Program*	$ 22,800	$ 8,304
US Dept of Justice	16.922	Equitable Sharing Program	3,306	246
US Dept of Treasury	21.016	Equitable Sharing Program	34	1
Federal Highway Administration (Passed through the Kentucky Transportation Cabinet)	20.205	Highway Planning and Construction	498	27
		Total awards expended		$ 8,578

* AIP was tested as a major program

See report of independent auditors and accompanying notes to the Schedule of Expenditures of Federal Awards

(in thousands of dollars)

1. General

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") presents the activity of all federal financial assistance programs of the Kenton County Airport Board ("Airport"). The Airport's reporting entity is defined in Note 1 to the Airport's financial statements. All federal financial assistance was received directly from federal agencies, unless otherwise indicated on the Schedule. No amounts were provided to subrecipients and the Airport did not elect to use the 10% de minimis indirect cost rate.

The grant revenue amounts received and expended are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Airport. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

2. Basis of Presentation

The Schedule includes the federal grant activity of the Airport and is presented in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

3. Reconciliation to Financial Statements

Following is a reconciliation of amounts per the Schedule to the 2019 financial statements (amounts rounded to nearest thousand):

		2019
Grants and federal awards, nonoperating changes in net position	$	400
Less: Federal receipts not subject to Uniform Guidance requirements		(399)
Less: Local government grants not funded by federal sources		(1)
Grants and federal awards, capital contributions		8,331
Police forfeiture revenues expended for operations, operating expenses		248
Less: Operating expenses funded with state revenues		(1)
Expenditures of revenues from federal sources reported on the Schedule	$	8,578

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blue

Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the members of the Kenton
County Airport Board
Hebron, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities of the Cincinnati/Northern Kentucky International Airport (the Airport), which is controlled and operated by the Kenton County Airport Board, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Airport's financial statements (hereby referred to as the financial statements), and have issued our report thereon dated July 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
July 20, 2020

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blue

Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 *fax* 859.253.1384 *email* blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Cincinnati/Northern Kentucky International Airport's (hereby referred to as the Airport) which is controlled and operated by the Kenton County Airport Board, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal programs for the year ended December 31, 2019. The Airport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Airport's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Airport's compliance.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Opinion on Each Major Federal Program

In our opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Blue & Co., LLC

Lexington, Kentucky
July 20, 2020

(in thousands of dollars)

Section I - Summary of Auditor's Results

Type of auditor's report issued: unmodified

Internal Control over financial reporting:

Material weakness(es) identified? ______ yes ___X___ no

Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ yes ___X___ none reported

Noncompliance material to financial statements noted? ______ yes ___X___ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ______ yes ___X___ no

Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ yes ___X___ none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ______ yes ___X___ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as a low-risk auditee? ___X___ yes ______ no

(in thousands of dollars)

Section II - Findings related to financial statements reported in accordance with *Governmental Auditing Standards*

None reported.

Section III - Findings and questioned costs related to federal awards

None reported.

Federal Award Findings and Questioned Costs

No findings or questioned costs for federal award programs were reported for the year ended December 31, 2018.

Cincinnati/Northern Kentucky International Airport
Schedule of Passenger Facility Charges Collected and Expended
Year Ended December 31, 2019

Federal Aviation Administration approved PFC applications:

#94-01-C-00-CVG	**#01-06-C-00-CVG**	**#07-11-C-00-CVG**
#95-02-C-00-CVG	**#01-07-C-00-CVG**	**#08-12-C-00-CVG**
#98-03-C-00-CVG	**#02-08-C-00-CVG**	**#11-13-C-00-CVG**
#98-04-C-00-CVG	**#05-09-C-00-CVG**	**#13-14-C-00-CVG**
#99-05-C-00-CVG	**#06-10-C-00-CVG**	**#19-15-C-00-CVG**

(in thousands of dollars)

Quarter Ended	Collections from Airlines	Investment Earnings	Total Received	Expenditures on Approved Projects	Debt Service on Approved Projects	Total Expenditures	PFCs and Earnings Net of Expenditures
Total Program to Date							
Balance at December 31, 2018	$ 518,438	$ 48,400	$ 566,838	$ (312,932)	$ (166,601)	$ (479,533)	$ 87,305
Q1-19	3,348	300	3,648	-	(267)	(267)	
Q2-19	4,766	538	5,304	-	(1,341)	(1,341)	
Q3-19	4,748	902	5,650	(14,072)	(2,681)	(16,753)	
Q4-19	4,672	287	4,959	(3,916)	-	(3,916)	
Total 2019	17,534	2,027	19,561	(17,988)	(4,289)	(22,277)	(2,716)
Change in accrual	830	149	979	64	-	64	1,043
Total Program to Date							
Balance at December 31, 2019	$ 536,802	$ 50,576	$ 587,378	$ (330,856)	$ (170,890)	$ (501,746)	
PFC funds to be used for future eligible expenditures							$ 85,632

1. General

The accompanying Schedule of Passenger Facility Charges Collected and Expended presents all Passenger Facility Charge activities of the Kenton County Airport Board ("Airport"). The Airport's reporting entity is defined in Note 1 to the Airport's financial statements. The Schedule of Passenger Facility Charges Collected and Expended includes all the Passenger Facility Charges and the interest earnings thereon collected by the Airport beginning June 1, 1994 through December 31, 2019. Passenger Facility Charges are collected pursuant to Federal Aviation Administration approved applications.

2. Basis of Presentation

The accompanying Schedule of Passenger Facility Charges Collected and Expended of the Airport is presented in accordance with accounting principles generally accepted in the United States of America. Passenger Facility Charges are recorded as restricted revenue until expended in compliance with applicable Final Agency Decisions from the Federal Aviation Administration.

CPAs / ADVISORS

blue

Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 *fax* 859.253.1384 *email* blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE FEDERAL AVIATION ADMINISTRATION

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Report on Compliance of Passenger Facility Charges

We have audited the Cincinnati/Northern Kentucky International Airport's (hereby referred to as the Airport) which is controlled and operated by the Kenton County Airport Board, compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on its Passenger Facility Charge Program (the Program) for the year ended December 31, 2019.

Management's Responsibility

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, and regulations, applicable to the Program. Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Airport's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Airport's compliance with those requirements.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Opinion on Passenger Facility Charge Program

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the requirements that could have a direct and material effect on the Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Program and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

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

Blue & Co., LLC

Lexington, Kentucky
July 20, 2020

Cincinnati/Northern Kentucky International Airport
Schedule of Passenger Facility Charge Findings and Questioned Costs
Year Ended December 31, 2019

Summary of Auditor's Results

We have issued an unmodified opinion, dated July 20, 2020 on the financial statements of Cincinnati/Northern Kentucky International Airport (the Airport) as of and for the year ended December 31, 2019.

Our audit disclosed no material weaknesses or significant deficiencies that are considered to be material weaknesses in relation to internal control over financial reporting or internal control over the Passenger Facility Charge program (the Program).

Our audit disclosed no instances of non-compliance which are material to the Airport's financial statements.

We have issued an unmodified opinion, dated July 20, 2020 on the Airport's compliance for its Program.

Our audit disclosed no findings required to be reported under the provisions of the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide).

Findings Relating to the Financial Statements

Our audit disclosed no findings which are required to be reported in accordance with the Guide.

Findings and Questioned Costs for the Passenger Facility Charge Program

Our audit disclosed no findings or questioned costs for Program as defined by the Guide.

Cincinnati/Northern Kentucky International Airport
Schedule of Prior Year Passenger Facility Charge Findings and Their Resolutions
Year Ended December 31, 2018

No findings that are required to be reported in accordance with the provisions of the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration were reported for the year ended December 31, 2018.