



BOARD OF DIRECTORS MEETING

200 WEST LOUDON AVE, CONFERENCE ROOM 110
LEXINGTON, KY 40508

October 17, 2018

5:00 p.m.

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BOARD OF DIRECTORS MEETING

200 WEST LOUDON AVE, CONFERENCE ROOM 110
 LEXINGTON, KY 40508

October 17, 2018

5:00 p.m.

AGENDA

I.	Call to order	5:00		
II.	Approval of Board Meeting Minutes	5:00	–	5:05
	i. September 19, 2018 Board Meeting			
III.	Public Comment on Agenda Items / Public Hearing	5:05	–	5:10
IV.	Chair’s Report	5:10	–	5:15
V.	Review Fiscal Year 2018 Audit by Crowe, LLC.	5:15	–	5:30
VI.	Action Items	5:30	–	5:40
	i. Resolution No. 2018-22 - Website Hosting and Design			
VII.	Change Order	5:40	–	5:45
VIII.	Old Business		–	
IX.	New Business	5:45	–	5:50
	i. Ad-Hoc committee on Employee Handbook			
X.	General Manager’s Report	5:50	–	5:45
	i. Financial Statement			
	ii. General Manager’s Report			
	i. Presentation on Strategic Outlook 2018-2020			
	iii. Key Performance Indicators			
XI.	Proposed Agenda Items	5:45	–	5:50
XII.	Closed Session			
XIII.	Adjournment	5:55		

BOARD OF DIRECTORS MEETING**MINUTES**

September 19, 2018

MEMBERS PRESENT

Malcolm Ratchford, Chair
George Ward, Vice Chair
Adrienne Thakur
Rick Christman
Elias Haddad
Marci Krueger-Sidebottom
Christian Motley

MEMBERS ABSENT

Dr. Augusta Julian

STAFF PRESENT

Carrie Butler, General Manager
Jill Barnett, Assistant General Manager
Carla McHale, Director of Human Resources
Fred Combs, Planning and Technology Manager
John Givens, Director of Risk Management
Keith Srutowski, Director of Procurement
Jim Barrett, Director of Maintenance
Nikki Falconbury, Director of Finance
Ronda Brooks, Administrative Assistant
Alan Jones, Technology Coordinator
Chris Meetin, Maintenance Manager

STAFF ABSENT

Jacob Walbourn, McBrayer Law Firm, Board Attorney

OTHERS PRESENT

Joseph David, Transportation Planner, LFUCG MPO
Matthew Gidcomb, KFTC - Kentuckians for the Commonwealth

I. CALL TO ORDER

Mr. Ratchford called the September 19, 2018 meeting of Lextran's Board of Directors to order at 5:00 p.m.

II. APPROVAL OF MINUTES

Mr. Ratchford called for a motion to approve the minutes from the August 15, 2018 board meeting. Mr. Ward made a motion to approve the minutes and it was seconded by Mr. Haddad. The motion carried unanimously.

III. PUBLIC COMMENT

No public comment

IV. CHAIR'S REPORT

Mr. Ratchford will be out of town for the next two weeks.
Mr. Ratchford requested a public comment follow-up status report as part of the General Manager's report.

V. ACTION ITEMS

Resolution 2018-21 Purchase Three (3) Compressed Natural Gas (CNG) Buses – Ms. Butler reviewed the resolution that authorizes and directs the General Manager to purchase three (3) 40-foot CNG low-floor transit buses from Gillig at a cost not-to-exceed \$514,353.00 per bus for a total not-to-exceed amount of \$1,543,059.00. Mr. Ratchford called for a motion. Mr. Ward made a motion and Mr. Christman seconded. The motion carried unanimously.

VI. CHANGE ORDER

No change report.

VII. OLD BUSINESS

No old business to report.

VIII. NEW BUSINESS

No new business to report.

IX. GENERAL MANAGER'S REPORT

Ms. Falconbury presented the financial statements, found on pages 8-9 of the September 19, 2018 board packet. Lextran is two months into the fiscal year of 2019. We're keeping an eye on

Paratransit expenses have increased due to higher ridership and fuel cost is higher than expected.

Ms. Butler reviewed the General Manager's report and Key Performance Indicators, found on pages 10-12 of the September 19, 2018 board packet. Highlights:

- At the Commerce Lexington Public Policy Luncheon on Friday, August 24th, U.S. Department of Transportation Secretary Elaine L. Chao announced Lextran will receive a \$2.3 million grant to expand their electric fleet.
- Additional coverage was added to UK Campus, route 27 Yellow Route - Ms. Butler commended operations.
- August was the highest ridership in five years.
- Ms. Barnett has been appointed the acting Director of Operations.

X. PROPOSED AGENDA ITEMS

- Website design resolution
- Deferred Compensation Services information
- Audit

ACTION ITEM:

- Ms. Barnett is to follow-up with Mr. Motley regarding Lextran's involvement with ONE Lexington Meeting.

XI. CLOSED SESSION

There was no closed session.

XII. ADJOURNMENT

The meeting adjourned by consensus at 5:23 p.m.

Board of Directors
Transit Authority of Lexington-Fayette Urban County Government
200 West Loudon Avenue
Lexington, Kentucky 40508

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the Company for further information on the responsibilities of management and of Crowe LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of the Company's 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 or disclosures. 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.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you on June 20, 2018

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.

- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications with regulators.
 - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
<p>The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the year ended June 30, 2018, the following statements were implemented by the Authority:</p> <ul style="list-style-type: none"> • Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i> • Statement No. 82, <i>Pension Issues – an amendment of Statements No. 67, No. 68, and No. 73.</i> • Statement No. 85, <i>Omnibus 2017</i> • Statement No. 86, <i>Certain Debt Extinguishment Issues</i> 	Adoption of these new statements had no effect on the Authority's net position or changes therein.
Significant Unusual Transactions.	No such matters noted
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance

and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the Company's year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management's estimates.
Pension Liability and Deferred Outflows and Inflows of Resources	Management hired an independent actuary to determine the liability and expense related to the pension plan.	We obtained the actuary report and compared the liability and expenses per the report to the amounts recorded by management.
Useful Lives of Capital Assets	Management has determined the economic useful lives of capital assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the Company.	We tested the propriety of information underlying management's estimates.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the Company's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

Accrued Wages Payable	\$75,176
Cash	\$75,176

To manually record for payroll deductions paid but not recorded relating to the period subsequent to the payroll conversion.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
<p>Other Information In Documents Containing Audited Financial Statements Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.</p>	<p>We read the following items and noted no material inconsistencies or misstatement of facts in such information based on our reading thereof.</p> <ul style="list-style-type: none"> Management's Discussion and Analysis of Financial Condition and Results of Operations
<p>Significant Difficulties Encountered During the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p>Disagreements With Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p>Consultations With Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>

Communication Item	Results
<p>Representations The Auditor Is Requesting From Management We are to provide you with a copy of management's requested written representations to us.</p>	<p>We direct your attention to a copy of the letter of management's representation to us provided separately.</p>
<p>Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.</p>	<p>There were no such significant issues discussed, or subject to correspondence, with management.</p>
<p>Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with the Company's related parties.</p>	<p>There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>
<p>Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>	<p>There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>

We are pleased to serve your Company as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe LLP
Crowe LLP

Lexington, Kentucky
September 28, 2018



**TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT**
Lexington, Kentucky

FINANCIAL STATEMENTS
June 30, 2018

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT
Lexington, Kentucky

FINANCIAL STATEMENTS
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Transit Authority of the Lexington-Fayette Urban County Government
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Transit Authority of the Lexington-Fayette Urban County Government (the Authority), a component unit of Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2018, and the fiduciary activities as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 opinions.

Opinions

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 Authority as of June 30, 2018, and the fiduciary activities as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 and other required supplementary information, the Schedule of Changes in the Authority's Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Employer Contributions – Pension Plan, and the Schedule of Annual Money-Weighted Rate of Return on Pension Plan on pages 34 - 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

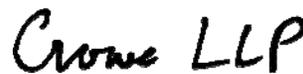
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental combining statement of net position (proprietary fund) and combining statement of revenues, expenses and changes in net position (proprietary fund) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental combining statement of net position (proprietary fund) and combining statement of revenues, expenses and changes in net position (proprietary fund) are the responsibility of management and were derived from and related 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.


Crowe LLP

Lexington, Kentucky
September 28, 2018

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The following Management's Discussion and Analysis (MD&A) of the Transit Authority of the Lexington-Fayette Urban County Government (the Authority) activities and financial performance provides the reader with an introduction to, and overview of, the financial statements of the Authority for the fiscal year ended June 30, 2018.

The Authority is a component unit of the Lexington-Fayette Urban County Government and serves the public transportation needs of Lexington-Fayette Urban County including the University of Kentucky campus and surrounding areas. During the previous year, the Authority participated in the New Market Tax Credits (NMTC) Program, administered by the United States Treasury Department and the New Markets Development Program administered by the Kentucky Department of Revenue (the NMTC Programs), to assist with financing of the new facility constructed at 200 West Loudon Avenue. The program is described in further detail in the Authority Activities and Financial Highlights section of the MD&A. To facilitate the NMTC transaction, the Authority formed two new legal entities, Lextran Real Properties, Inc. (Lextran Real Properties) and Lextran Foundation, Inc. (the Foundation). These entities are considered blended component units of the Authority and their activities are included in the Authority's financial statements.

Introduction to the Basic Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority presents its basic financial statements using the economic resources measurement focus and accrual basis of accounting. As a special purpose government engaged in business-type activities, the Authority's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows as a Proprietary Fund. The Authority also reports on a Fiduciary Fund net position and changes in net position for its defined benefit pension plan as of the preceding December 31st of each year. The Fiduciary Fund is not part of the government-wide financial statements. Notes to the basic financial statements, supplementary information, and required supplementary information, including this section, support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of operations of the Authority.

Statement of Net Position: The Statement of Net Position includes all assets and deferred outflows and liabilities and deferred inflows of resources of the Authority, with the difference between the two reported as net position. Activity and balances are reported on an accrual basis. This statement also identifies major categories of restrictions on net position as applicable.

Statement of Revenues, Expenses, and Changes in Net Position: The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year ended June 30, 2018, on an accrual basis.

Statement of Cash Flows: The Statement of Cash Flows presents the changes in cash and cash equivalents for the year ended June 30, 2018 summarized by operating, capital and noncapital financing, and investing activities. The statement is prepared using the direct method of reporting cash flows.

The Authority's basic financial statements can be found on pages 12 - 16 of this report. The notes to basic financial statements provide additional information that is essential to a better understanding of the data provided in the financial statements. The notes can be found on pages 17 - 33 of this report, and required supplementary information, other supplementary information, and Uniform Grant Guidance reporting is provided after the notes as identified in the table of contents.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

AUTHORITY ACTIVITIES AND FINANCIAL HIGHLIGHTS

- The net position of the Authority increased by \$840,000 during the year to \$47,095,000.
- Total revenues earned by the Authority was approximately \$30,215,000.
- Total expenses incurred by the Authority was approximately \$29,375,000.
- The Authority had approximately \$19,429,000 of notes payable outstanding at June 30, 2018, offset by cash proceeds and amounts invested in capital assets.
- Common operating statistical data is shown below:

	<u>2018</u>	<u>Change</u>	<u>2017</u>
Unlinked passenger trips	4,141,121	1.3%	4,090,000
Vehicle revenue miles	3,514,715	3.3%	3,404,000
Vehicle revenue hours	326,260	6.6%	306,000

FINANCIAL POSITION SUMMARY - PROPRIETARY FUND

Net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$47,095,000 at June 30, 2018, an approximately \$840,000 increase from June 30, 2017.

	<u>2018</u>	<u>2017</u>	<u>Change from 2017</u>	<u>% Change from 2017</u>
ASSETS				
Current assets	\$ 16,901,000	\$ 14,910,000	\$ 1,991,000	13.4%
Noncurrent assets:				
Cash - restricted	1,211,000	1,175,000	36,000	3.1
Notes receivable	8,355,000	8,355,000	-	-
Net capital assets	41,964,000	43,900,000	(1,936,000)	(4.4)
Net pension asset	<u>88,000</u>	<u>-</u>	<u>88,000</u>	<u>100</u>
Total assets	<u>68,519,000</u>	<u>68,340,000</u>	<u>179,000</u>	<u>0.3</u>
Deferred outflows of resources	<u>1,063,000</u>	<u>1,332,000</u>	<u>(269,000)</u>	<u>(20.2)</u>
Total assets and deferred outflows of resources	<u>\$ 69,582,000</u>	<u>\$ 69,672,000</u>	<u>\$ (90,000)</u>	<u>(0.1)%</u>

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL POSITION SUMMARY - PROPRIETARY FUND (Continued)

	<u>2018</u>	<u>2017</u>	<u>Change from 2017</u>	<u>% Change from 2017</u>
LIABILITIES				
Current liabilities	\$ 1,892,000	\$ 1,571,000	\$ 321,000	20.4%
Noncurrent liabilities	<u>18,876,000</u>	<u>21,292,000</u>	<u>(2,416,000)</u>	<u>(11.3)</u>
Total liabilities	<u>20,768,000</u>	<u>22,863,000</u>	<u>(2,095,000)</u>	<u>(9.2)</u>
Deferred inflows of resources	<u>1,719,000</u>	<u>554,000</u>	<u>1,165,000</u>	<u>210.3</u>
Total liabilities and deferred Inflows of resources	<u>\$22,487,000</u>	<u>\$ 23,417,000</u>	<u>\$ (930,000)</u>	<u>(4.0)%</u>
NET POSITION				
Net investment in capital assets	\$23,745,000	\$ 24,764,000	\$ (1,018,000)	(4.1)%
Unrestricted	<u>23,350,000</u>	<u>21,491,000</u>	<u>1,859,000</u>	<u>8.7</u>
Total net position	<u>\$47,095,000</u>	<u>\$ 46,255,000</u>	<u>\$ 840,000</u>	<u>1.8%</u>

Total assets increased approximately \$179,000 due in part to the following:

- Current assets increased primarily due to timing of grant receivables.
- Net investment in capital assets decreased due to sale of property in the current fiscal year.

Total liabilities decreased approximately \$2,095,000 due in part to the following:

- Payments on outstanding notes payable of approximately \$911,000.
- Changes in accrued expenses of approximately \$57,000.
- Changes in a net pension liability of approximately \$1,520,000.

Deferred outflows and inflows of resources changed based on changes in the pension plan during the year.

NET POSITION – PROPRIETARY FUND

Net investment in capital assets (approximately 50% at June 30, 2018) represents the Authority's investment in capital and other related assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to its passengers and visitors. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

The remaining unrestricted net position (approximately 50% at June 30, 2018) may be used to meet any of the Authority's ongoing obligations.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSETS

At June 30, 2018, the Authority had approximately \$41,964,000 invested in capital and other related assets, a decrease of approximately \$1,936,000 or 4% from 2017. At June 30, 2017, the Authority had approximately \$43,900,000 invested in capital and other related assets.

Major additions for the past two years include:

For the year ended June 30, 2018:

• Computer equipment	\$ 32,000
• Purchase of one revenue buses (electric)	836,000
• Purchase of five revenue buses (CNG)	2,375,000
• Maintenance Garage scaffolding	34,000
• Security equipment	143,000
	<u>\$ 3,420,000</u>

For the year ended June 30, 2017:

• Bus shelters	\$ 38,000
• Purchase of five revenue buses (electric)	5,392,000
• Electric charging station	558,000
• Security equipment	94,000
	<u>\$ 6,082,000</u>

The majority of funding for the above projects was through capital contributions obtained from Federal Department of Transportation agencies with the remainder coming from local and state government matching contributions, as well as cash proceeds from the New Market Tax Credits transaction. More detail about the Authority's capital and other related assets is presented in Note 3 to the basic financial statements. More detail about the New Market Tax Credits transaction is presented in Note 9 to the basic financial statements.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSETS (Continued)

A summary of changes in capital assets as of June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,098,411	\$ -	\$ 392,740	\$ 1,705,671
Transit Center easement	<u>2,873,162</u>	<u>-</u>	<u>-</u>	<u>2,873,162</u>
Total capital assets not being depreciated	<u>4,971,573</u>	<u>-</u>	<u>392,740</u>	<u>4,578,833</u>
Depreciable capital assets:				
Motor coaches and vans	27,037,391	3,210,525	2,785,986	27,461,930
Buildings	28,074,353	150,178	1,076,538	27,147,993
Equipment and fixtures	<u>7,279,647</u>	<u>85,542</u>	<u>120,941</u>	<u>7,244,248</u>
Total depreciable capital assets	62,391,391	3,446,245	3,983,465	61,854,171
Less accumulated depreciation	<u>23,463,158</u>	<u>3,904,155</u>	<u>2,897,878</u>	<u>24,469,435</u>
Total capital assets being depreciated	<u>38,928,233</u>	<u>(457,910)</u>	<u>1,085,587</u>	<u>37,384,736</u>
Net capital assets	<u>\$ 43,899,806</u>	<u>\$ (457,910)</u>	<u>\$ 1,478,327</u>	<u>\$ 41,963,569</u>

A summary of changes in capital assets as of June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,098,411	\$ -	\$ -	\$ 2,098,411
Transit Center easement	2,873,162	-	-	2,873,162
Construction in process	<u>61,886</u>	<u>-</u>	<u>61,886</u>	<u>-</u>
Total capital assets not being depreciated	<u>5,033,459</u>	<u>-</u>	<u>61,886</u>	<u>4,971,573</u>
Depreciable capital assets:				
Motor coaches and vans	21,645,207	5,392,184	-	27,037,391
Buildings	28,480,235	1,738,271	2,144,153	28,074,353
Equipment and fixtures	<u>7,002,348</u>	<u>277,299</u>	<u>-</u>	<u>7,279,647</u>
Total depreciable capital assets	57,127,790	7,407,754	2,144,153	62,391,391
Less accumulated depreciation	<u>19,798,647</u>	<u>3,664,511</u>	<u>-</u>	<u>23,463,158</u>
Total capital assets being depreciated	<u>37,329,143</u>	<u>3,743,243</u>	<u>2,144,153</u>	<u>38,928,233</u>
Net capital assets	<u>\$ 42,362,602</u>	<u>\$ 3,743,243</u>	<u>\$ 2,206,039</u>	<u>\$ 43,899,806</u>

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

NOTES PAYABLE

Total notes payable at June 30, 2018 was \$19,428,837, all of which is fixed rate debt. Of this total, \$6,755,437 is a note payable to a bank and \$12,673,400 consists of five notes payable to three community development entities that were issued as part of the New Market Tax Credits (Note 9) transaction. Additional information regarding notes payable is provided in Note 6 to the basic financial statements.

The following is a summary of the changes in the principal amount of notes payable during 2018:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>\$ 20,311,023</u>	<u>\$ -</u>	<u>\$ 882,186</u>	<u>\$ 19,428,837</u>	<u>\$ 911,425</u>

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION – PROPRIETARY FUND

	<u>2018</u>	<u>2017</u>	<u>Change from 2017</u>	<u>% Change from 2017</u>
Operating revenues	\$ 4,055,000	\$ 3,796,000	\$ 259,000	6.8
Operating expenses	<u>24,360,000</u>	<u>21,481,000</u>	<u>(2,879,000)</u>	<u>13.4</u>
Loss before depreciation and non-operating revenue and expense	(20,305,000)	(17,685,000)	(2,620,000)	14.8
Depreciation	<u>(3,904,000)</u>	<u>(3,665,000)</u>	<u>(239,000)</u>	<u>6.5</u>
Loss before non-operating revenue and expense	(24,209,000)	(21,350,000)	(2,859,000)	13.4
Non-operating income and expense	<u>22,031,000</u>	<u>20,283,000</u>	<u>1,748,000</u>	<u>8.6</u>
Loss before capital contributions	(2,178,000)	(1,067,000)	(1,111,000)	104.2
Capital contributions	<u>3,018,000</u>	<u>3,808,000</u>	<u>(790,000)</u>	<u>(20.7)</u>
Change in net position	<u>\$ 840,000</u>	<u>\$ 2,741,000</u>	<u>\$ (1,901,000)</u>	<u>(69.4)</u>

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REVENUE – PROPRIETARY FUND

A summary of revenues for the year ended June 30, 2018, and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2018</u>	<u>2017</u>	<u>Change from 2017</u>	<u>% of Total</u>	<u>% Change from 2017</u>
Operating:					
Passenger fares	\$ 3,508,000	\$ 3,326,000	\$ 182,000	11.7	5.5
Advertising	309,000	252,000	57,000	1.0	22.6
Other	<u>238,000</u>	<u>218,000</u>	<u>20,000</u>	<u>0.8</u>	<u>9.2</u>
Total operating	<u>4,055,000</u>	<u>3,796,000</u>	<u>259,000</u>	<u>13.5</u>	<u>6.8</u>
Non-operating:					
Property taxes	18,225,000	17,119,000	1,106,000	60.6	6.5
Federal assistance	4,354,000	5,485,000	(1,131,000)	14.5	(20.6)
State assistance	538,000	500,000	38,000	1.8	7.6
Local assistance	25,000	287,000	(262,000)	0.1	(91.3)
Gain from sale of capital assets	<u>-</u>	<u>6,000</u>	<u>(6,000)</u>	<u>0.0</u>	<u>(100.0)</u>
Total non-operating	<u>23,142,000</u>	<u>23,397,000</u>	<u>(255,000)</u>	<u>76.5</u>	<u>(1.1)</u>
Capital contributions	<u>3,018,000</u>	<u>3,808,000</u>	<u>(790,000)</u>	<u>10.0</u>	<u>(20.7)</u>
Total revenues	<u>\$30,215,000</u>	<u>\$31,001,000</u>	<u>\$ (786,000)</u>	<u>100.0</u>	<u>(2.5)</u>

Non-operating revenues decreased approximately \$255,000 due in part to the following:

- Federal assistance decreased approximately \$1,131,000 due to less projects in 2017 and grant timing.
- Property tax revenues received from the mass transit tax increased approximately \$1,106,000.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

EXPENSES – PROPRIETARY FUND

A summary of expenses for the year ended June 30, 2018, and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2018</u>	<u>2017</u>	<u>Change from 2017</u>	<u>% of Total</u>	<u>% Change from 2017</u>
Operating:					
Operations	\$ 16,480,000	\$ 15,626,000	\$ 854,000	56.1	5.5
Maintenance	4,516,000	3,883,000	633,000	15.4	16.3
General and administrative	2,814,000	1,415,000	1,399,000	9.6	98.9
Non-vehicle	550,000	557,000	(7,000)	1.9	(1.3)
Depreciation and amortization	<u>3,904,000</u>	<u>3,665,000</u>	<u>239,000</u>	<u>13.3</u>	<u>6.5</u>
Total operating	<u>28,264,000</u>	<u>25,146,000</u>	<u>3,118,000</u>	<u>96.2</u>	<u>12.4</u>
Non-operating:					
Loss from sale of capital assets	139,000	-	139,000	0.5	NA
Interest Expense	220,000	272,000	(52,000)	0.7	(19.1)
New market tax credit transaction fees	<u>752,000</u>	<u>2,842,000</u>	<u>(2,090,000)</u>	<u>2.6</u>	<u>(73.5)</u>
Total non-operating	<u>1,111,000</u>	<u>3,114,000</u>	<u>(2,003,000)</u>	<u>3.8</u>	<u>(64.3)</u>
Total expenses	<u>\$ 29,375,000</u>	<u>\$ 28,260,000</u>	<u>\$ 1,115,000</u>	<u>100.0</u>	<u>3.9</u>

Expenses increased approximately \$1,115,000 from \$28,260,000 to \$29,375,000 due in part to the following:

- o Approximately \$195,000 increase in expenses related to higher diesel fuel costs.
- o Approximately \$381,000 increase in expenses related to the purchase transportation – paratransit costs.
- o Approximately \$500,000 increase in expenses related to material and supplies – maintenance.

The increase in net position for fiscal year 2018 was approximately \$840,000 as compared to an increase of approximately \$2,741,000 in 2017.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

SUMMARY OF CASH FLOW ACTIVITIES – PROPRIETARY FUND

The following shows a summary of the major sources and uses of cash for the past two years.

	<u>2018</u>	<u>2017</u>	<u>Change from 2017</u>	<u>% Change from 2017</u>
Operating activities	\$ (20,265,000)	\$ (18,134,000)	\$ (2,131,000)	11.8%
Noncapital financing activities	18,795,000	28,801,000	10,006,000	(34.7)
Capital and related financing activities	<u>(942,000)</u>	<u>(7,428,000)</u>	<u>6,486,000</u>	<u>(87.3)</u>
Net change in cash	(2,412,000)	3,239,000	(5,651,000)	(174.5)
Cash, beginning of year	<u>14,645,000</u>	<u>11,406,000</u>	<u>3,239,000</u>	<u>28.4</u>
Cash, end of year	<u>\$ 12,233,000</u>	<u>\$ 14,645,000</u>	<u>\$ (2,412,000)</u>	<u>(16.5)%</u>

Cash from capital and related financing activities decreased due to the expenditures related to capital asset additions in the current fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Director of Finance, Transit Authority of the Lexington-Fayette Urban County Government, 200 West Loudon Avenue, Lexington, KY 40508.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2018

ASSETS

Unrestricted current assets:	
Cash	\$ 11,022,614
Receivables:	
Trade	233,237
Federal Department of Transportation	4,912,052
Commonwealth of Kentucky	136,425
Property taxes	111,874
Inventories of repair parts and fuel	457,593
Prepaid expenses	<u>27,461</u>
Total current assets	16,901,256
Restricted noncurrent assets:	
Cash – Loan proceeds	1,210,784
Unrestricted noncurrent assets:	
Nondepreciable capital assets	4,578,833
Depreciable capital assets	61,854,171
Accumulated depreciation	<u>(24,469,435)</u>
Depreciable capital assets, net	37,384,736
Note receivable	8,355,000
Net pension asset	<u>87,855</u>
Total noncurrent assets	50,406,424
Total assets	68,518,464
Deferred outflows of resources	<u>1,063,261</u>
Total assets and deferred outflows of resources	<u>\$ 69,581,725</u>

LIABILITIES

Current liabilities:	
Notes payable, current portion	\$ 911,425
Trade accounts payable	706,274
Accrued expenses	121,446
Compensated absences	<u>151,547</u>
Total current liabilities	1,890,692
Noncurrent liabilities:	
Notes payable, net of current portion	18,517,412
Compensated absences	<u>358,912</u>
Total noncurrent liabilities	18,876,324
Total liabilities	20,767,016
Deferred inflows of resources	<u>1,719,259</u>
Total liabilities and deferred inflows of resources	22,486,275

NET POSITION

Net investment in capital assets	23,745,516
Unrestricted	<u>23,349,934</u>
Total net position	<u>47,095,450</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 69,581,725</u>

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year ended June 30, 2018

Operating revenues	
Passenger fares	\$ 3,507,762
Advertising	308,752
Fuel tax refunds and other	<u>237,642</u>
Total operating revenues	<u>4,054,156</u>
Operating expenses	
Operations	16,480,295
Maintenance	4,515,644
General and administrative	2,814,421
Non-vehicle	549,523
Depreciation and amortization	<u>3,904,155</u>
Total operating expenses	<u>28,264,038</u>
Operating loss	(24,209,882)
Non-operating revenues (expenses)	
Property taxes	18,225,355
Federal assistance	4,354,175
State assistance	538,000
Local assistance	24,989
New market tax credit transaction fees	(751,523)
Interest expense	(219,660)
Gain(loss) from sale of capital assets	<u>(139,735)</u>
Total non-operating revenues (expenses)	<u>22,031,601</u>
Loss before capital contributions	(2,178,281)
Capital contributions:	
Federal contributions	<u>3,018,618</u>
Total capital contributions	<u>3,018,618</u>
Change in net position	840,337
Net position, beginning of year	<u>46,255,113</u>
Net position, end of year	<u>\$ 47,095,450</u>

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2018

Cash flows from operating activities	
Cash received from passengers and service contracts	\$ 3,963,890
Cash payment to suppliers for goods and services	(10,514,637)
Cash payments to employees for services	<u>(13,714,637)</u>
Net cash flows from operating activities	(20,265,384)
Cash flows from noncapital financing activities	
Federal assistance	(28,902)
State assistance	523,315
Local assistance	24,989
Property taxes	<u>18,276,461</u>
Net cash flows from noncapital financing activities	18,795,863
Cash flows from capital and related financing activities	
Principal payments on note payable	(882,186)
Interest payments on note payable	(219,660)
New market tax credit transaction fees	(751,523)
Capital contributions	3,018,618
Proceeds from disposal of capital assets	1,338,592
Purchases of capital assets	<u>(3,446,245)</u>
Net cash flows from capital and related financing activities	<u>(942,404)</u>
Net change in cash	(2,411,925)
Cash, beginning of year	<u>14,645,323</u>
Cash, end of year	<u>\$ 12,233,398</u>
Operating loss	\$ (24,209,882)
Adjustments to reconcile loss from operations to cash used in operating activities:	
Depreciation and amortization	3,904,155
Change in net pension liability, deferred outflows and deferred inflows	(173,652)
Change in assets and liabilities:	
Trade receivables	(90,266)
Inventories of maintenance parts and fuel	(2,009)
Accounts payable	354,388
Accrued expenses	(56,689)
Compensated absences	<u>8,571</u>
Net cash used in operating activities	<u>\$ (20,265,384)</u>

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF PLAN NET POSITION
FIDUCIARY FUND
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 380,399
Interest and dividends receivable	33,768
Investments, at fair value	
U.S. government obligations	4,608
Corporate bonds	3,171,693
Mutual funds	5,211,883
Corporate stocks	<u>4,389,946</u>
Total investments, at fair value	<u>12,778,130</u>
Total assets	<u>\$ 13,192,297</u>

NET POSITION

Net position restricted for pensions	<u>\$ 13,192,297</u>
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See accompanying notes to financial statements.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUND
Year ended December 31, 2017

Additions

Contributions	
Employer	\$ 379,082
Plan members	<u>464,167</u>
Total contributions	843,249
Investment earnings	
Net appreciation in fair value of investments	1,607,396
Interest and dividend income	<u>231,282</u>
Total investment loss	<u>1,838,678</u>
Total additions	<u>2,681,927</u>

Deductions

Benefit payments	596,909
Administrative expenses	<u>6,813</u>
Total deductions	<u>603,722</u>

Net increase in net position	2,079,580
Plan net position, beginning of the year	<u>11,114,092</u>
Plan net position, end of the year	<u>\$ 13,192,297</u>

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Authority is a special-purpose district organized to provide public transportation services for Fayette County, Kentucky and provides fixed route public transportation services. The Authority, which began operations in December 1973, was organized in accordance with the provisions of Kentucky Revised Statutes Chapter 96A by the City of Lexington and Fayette County, Kentucky. An eight-member board appointed by the Lexington-Fayette Urban County Government directs the business activities and affairs of the Authority. The financial statements include the Transit Authority of the Lexington-Fayette Urban County Government (“Lextran”), Lextran Foundation, Inc. (the “Foundation”) and Lextran Real Properties, Inc. (“Lextran Real Properties”).

Lextran Foundation, Inc. and Lextran Real Properties, Inc.: The Foundation and Lextran Real Properties were formed for the purpose of participating in the Federal and Kentucky New Market Tax Credit Programs and are considered blended component units of the Authority. Both entities are 501(c)(3) non-profit corporations. The boards of directors of the Foundation and Lextran Real Properties are appointed by the Lextran board of directors and the organizations are set up for exclusive benefit of the Authority. The Foundation and Lextran Real Properties do not issue stand-alone financial statements.

The Authority is a component unit of the Lexington-Fayette Urban County Government (LFUCG) and the Authority’s financial statements are included as a discretely presented component unit in LFUCG’s comprehensive annual financial report.

Basis of Presentation and Accounting: The financial statements are prepared on the basis of Governmental Accounting Standards Board (GASB) pronouncements. The accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. All of the activities are accounted for as an enterprise fund for financial reporting purposes. The Authority uses methods prescribed by the Federal Transit Administration (FTA) as guidance. The authority for FTA to prescribe an accounting and reporting system is found in Section 15 of the Federal Transit Act of 1992, as amended.

Proprietary Fund: The Authority is a single-enterprise proprietary fund and uses the accrual basis of accounting. Proprietary funds are used to account for operations that are financed in a manner similar to a private business enterprise and that a periodic determination of revenues earned, expenses incurred and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Authority activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recognized as soon as they result in liabilities for the benefits provided. Proprietary funds distinguish operating revenues and expenses from non-operating items:

- Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds’ principal ongoing operations. The principal operating revenues of the Authority are charges to customers in the form of bus fares and reimbursement by sponsors of subsidized routes.
- Operating expenses include the cost of providing transit service, administrative expenses and depreciation and amortization on capital assets.
- Property taxes, federal, state, and local assistance used to finance operations and expenses not related to the provision of transit service are reported as non-operating revenues and expenses.

It is the Authority’s policy to apply restricted resources first when an obligation is incurred for which both restricted and unrestricted net position are available for use.

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Fiduciary Fund: The Authority's defined benefit pension trust funds are presented in a fiduciary fund in the accompanying financial statements. These assets are being held for the benefit of pension participants and cannot be used for the activities or obligations of the Authority. The Fiduciary Fund has been presented as of its year end of December 31, 2017.

Exchange and Non-Exchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. Non-exchange transactions are transactions in which the Authority receives value without directly giving equal value in return. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include the following: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; (2) matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and (3) expenditure requirements, in which resources are provided to the Authority on a reimbursement basis.

Federal, State and Local Funding: The Authority receives a variety of funding from FTA and other sources including:

- *Capital contributions* - As part of the capital program, the Authority has received grants from the FTA as well as matching contributions from the State and Local governments as required in the grant agreements. All federal and state capital grants and contributions are in the form of cash, which is then used to purchase capital assets. These grants and contributions are reported as capital contributions when all eligibility requirements have been met.
- *Non-operating assistance* - The Authority receives non-operating subsidies each year from the FTA. In addition, the FTA requires local matching of the non-operating subsidy to be provided by the Kentucky Transportation Cabinet or local sources. The local matching requirement can also be fulfilled with certain operating revenues, such as contract services, and by direct operating subsidies. The Authority also receives toll credits from the Kentucky Transportation Cabinet for certain grants that provide for up to an additional 20% match against federal subsidies.
- *Direct operating subsidy* - In addition to normal passenger fare revenue, the Authority has an agreement with the University of Kentucky for a direct operating subsidy. The subsidy is recorded as passenger fare revenue. Payments are received monthly and for the year ended June 30, 2018, total revenue recognized by the Authority was \$2,179,932.
- *Property Taxes* - Property tax is levied based on the assessed valuation of property. All taxable property located within the Authority's taxing district is assessed annually on January 1. Taxes are payable to the Fayette County Sherriff on or before December 31 of the year of assessment. The Fayette County Sherriff remits collections monthly to Lextran. Lextran received 0.06% of all property taxes collected.

Concentration of Funding: The Authority relies on federal assistance for operations and capital acquisitions. Federal revenues represented approximately 24.4% of total 2018 revenues. The Authority relies on property taxes for operations and capital acquisitions. Property tax revenues represented approximately 60.3% of total revenues in 2018.

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Cash and Cash Equivalents: The Authority's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Tax Assessments: During November 2004, a referendum was passed to increase the ad valorem tax by six cents per one-hundred-dollar valuation for the purpose of funding mass transportation. The property tax is levied in September on the assessed valuation of property located in Fayette County as of the preceding January 1, lien date. As of June 30, 2018, the accompanying financial statements reflect property taxes receivable of \$111,874. Property taxes receivable represents amounts collected by local taxing authorities that are not remitted to the Authority until after year end.

Receivables: Management considers its receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

Inventory: Inventory consists of fuel, tires, repair parts and supplies. No general administrative expenses are included in the inventory valuation. Expenses are recorded as the materials are consumed. Inventory is valued on the moving, weighted average cost method.

Prepaid Expenses: Prepaid expenses consist of normal operating expenses for which payment is due in advance, such as insurance, and are expensed when the benefit is received.

Notes Receivable: Notes receivable at June 30, 2018 consists of one note issued by Lextran Foundation, Inc. as part of the New Market Tax Credit transaction. No allowance has been recorded by management. Additional detail about the note is included in Note 9.

Capital and Other Related Assets: Capital and other related assets, which include property, facilities and equipment are capitalized at total acquisition cost, provided such cost exceeds \$1,000 and the expected useful life of the asset is more than one year. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets, which range from three to forty years. The Authority has acquired certain assets with funding provided by federal assistance from the FTA grant programs along with local matching funds. The Authority holds title to these assets; however, the federal government retains an interest in these assets should the Authority no longer use the assets for mass transit purposes.

Capitalization of Interest Costs on Borrowings: The Authority capitalizes interest cost on borrowings incurred during the new construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Deferred Inflows of Resources and Deferred Outflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period.

Compensated Absences: The Authority's policy permits employees to accumulate earned but unused vacation. Employees with at least 10 years of service are entitled to receive 1/3 of their earned but unused sick leave upon separation of service. Eligible employees can receive payment for earned but unused personal leave up to 240 hours upon separation from service. All earned vacation and the vested portions of sick and personal leave are expensed as incurred.

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TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Changes in compensated absences are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 501,888	\$ 853,874	\$ 845,303	\$ 510,459	\$ 151,547

The total non-vested portions of sick and personal leave amounted to \$388,966 as of June 30, 2018.

Net Pension Liability: The Authority has recorded a net pension liability reflecting the difference between the total pension liability and the fiduciary net position of the single employer defined benefit plan.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Lextran Employees Contributory Pension Plan and Trust (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position: The net position classifications are defined as follows:

- *Net investment in capital assets* - This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.
- *Unrestricted net position* - This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management: The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; general liability claims; and natural disasters. The Authority manages these risks through the purchase of insurance. There have been no reductions in insurance coverage during the year ended June 30, 2018. Settlements have not exceeded insurance coverage for the three years ended June 30, 2018. The Authority carries the following insurance policies with the indicated limits of coverage:

Workers’ Compensation & Employers’ Liability	\$ 4,000,000
General Liability	5,000,000
Automobile Liability	5,000,000

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Contingencies: As of June 30, 2018, the Authority had not received the final project closeout for all grants for the year ended June 30, 2018. A final project closeout represents that the project has been completed and totally funded with final approval by the Federal Transit Administration. Management does not believe that there will be any material audit adjustments to the grants by the Inspector General; therefore, no provision for such has been reflected in the financial statements.

The Authority is involved in various claims and arbitrations involving former employees and certain other matters. Since the possibility of loss is not probable or measurable in management's current estimation, no loss has been recorded in the Authority's financial statements.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the year ended June 30, 2018, the following statements were implemented by the Authority:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 82, *Pension Issues – an amendment of Statements No. 67, No. 68, and No. 73.*
- Statement No. 85, *Omnibus 2017*
- Statement No. 86, *Certain Debt Extinguishment Issues*

These new statements had no effect on the Authority's net position or changes therein.

NOTE 2 – CASH AND CASH EQUIVALENTS

As of June 30, 2018, the Authority had cash balances totaling \$12,233,398. Of this total, \$11,022,614 is unrestricted and \$1,210,784 is unspent proceeds from the issuance of notes payable that is restricted per the note agreements for construction projects.

As of June 30, 2018, the Authority held no investments, as all deposits were classified as cash and cash equivalents. Deposits are subject to several types of risks, mainly credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

Custodial Credit Risk: All of the Authority's deposits are either insured or collateralized. At June 30, 2018, the carrying amount of the Authority's deposits was approximately \$12,333,000 and the bank balance was approximately \$12,276,000. The difference between the bank balances and the carrying amounts represents outstanding checks and deposits in transit.

Investment Policy: Statutes authorize the Authority to invest in various instruments. These are obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, obligations of any corporation of the United States government, collateralized and uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency, Commercial Paper rated in the highest category by a nationally recognized rating agency, bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities, and securities issued by a state or local government in the United States rated in one of the three highest categories by a nationally recognized rating.

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Authority to manage the investment program is granted to the Director of Finance, referred to in the policy as the investment officer. The investment officer is responsible for all transactions undertaken and establishes a system of controls to regulate the activities of subordinate officials. No person may engage in an investment transaction except as provided under the terms of the policy and the procedures established by the investment officer. The investment officer and the Authority may elect to use a broker and/or investment advisor to implement the investment policy. All brokers, advisors, and financial institutions initiating transactions with the Authority must acknowledge their agreement to abide by the content of the Authority's investment policy.

NOTE 3 – CAPITAL AND OTHER RELATED ASSETS

A summary of changes in capital assets as of June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,098,411	\$ -	\$ 392,740	\$ 1,705,671
Transit Center easement	<u>2,873,162</u>	<u>-</u>	<u>-</u>	<u>2,873,162</u>
Total capital assets not being depreciated	<u>4,971,573</u>	<u>-</u>	<u>392,740</u>	<u>4,578,833</u>
Depreciable capital assets:				
Motor coaches and vans	27,037,391	3,210,525	2,785,986	27,461,930
Buildings	28,074,353	150,178	1,076,538	27,147,993
Equipment and fixtures	<u>7,279,647</u>	<u>85,542</u>	<u>120,941</u>	<u>7,244,248</u>
Total depreciable capital assets	62,391,391	3,446,245	3,983,465	61,854,171
Less accumulated depreciation	<u>23,463,158</u>	<u>3,904,155</u>	<u>2,897,878</u>	<u>24,469,435</u>
Total capital assets being depreciated	<u>38,928,233</u>	<u>(457,910)</u>	<u>1,085,587</u>	<u>37,384,736</u>
Net capital assets	<u>\$ 43,899,806</u>	<u>\$ (457,910)</u>	<u>\$ 1,478,327</u>	<u>\$ 41,963,569</u>

NOTE 4 – FUEL AVAILABILITY AND COST

The Authority is dependent upon the availability of diesel fuel. Increases in the cost of fuel may, in the future, adversely affect the profitability of the Authority. There is no assurance that diesel fuel prices will not increase. To alleviate possible fuel cost increases, the Authority periodically enters into contracts with local fuel suppliers to purchase fuel at or below current market prices. In September 2013, the Authority entered into an agreement with an oil company to provide diesel and unleaded fuel at a variable price based on the Oil Price Information Service's (OPIS) spot prices. This agreement expired in September 2018, and the Authority entered into a new five year agreement to provide fuel at a firm fixed price based on the daily rack average Oil Price Information Service's (OPIS) for the Lexington, Kentucky region. OPIS is an independent third-party that provides daily spot price assessments for refined oil products.

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TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – OPERATING LEASES

In January of 2016, the Authority entered into a lease agreement with The Goodyear Tire and Rubber Company to supply tires for the vehicle fleet through December 2020. The payment terms for both leases are variable and are based on monthly revenue vehicle mileage. For the year ended June 30, 2018, total tire lease expense was \$91,990.

In February 2016, the Authority entered into a two-year lease with the Lexington & Fayette County Parking Authority for space in the Transit Center Garage located at 150 East Vine Street, Lexington, Kentucky. As of February 2018 the Authority exercised a two year extension option. The rent per the lease agreement is \$2,000 per annum. For the year ended June 30, 2018, total lease expense related to the property was \$2,000.

NOTE 6 – NOTES PAYABLE

During 2015, the Authority issued notes payable in an aggregate amount of \$22,173,400. Of the total, \$9,500,000 was a note issued by a bank and \$12,673,400 related to notes issued by community development entities in conjunction with the New Market Tax Credits transaction (Note 9). All notes were issued to finance the construction of the new headquarters facility. The following is a summary of the changes in the principal amount of notes payable during 2018:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
\$ 20,311,023	\$ _____ -	\$ 882,186	\$ 19,428,837	\$ 911,425

Notes payable consist of the following at June 30, 2018:

Note payable to a bank secured by real estate. Due in monthly installments of \$91,820.44, including fixed interest at 3.02%. The note matures on March 1, 2025.	\$ 6,755,437
Three notes payable to Community Ventures Investment XVIII, LLC, secured by real estate, fixed interest at 1.46%, and paid quarterly. All principal is due on June 16, 2045. Notes payable values of \$3,028,300, \$3,028,300 and \$2,673,400.	8,730,000
Note payable to CHHS Subsidiary CDE 18, LLC, secured by real estate, fixed interest at 1.46%, and paid quarterly. All principal is due on June 16, 2045.	1,971,700
Note payable to AMCREF Fund XXVII, LLC, secured by real estate, fixed interest at 1.46% and paid quarterly. All principal is due on June 16, 2045.	<u>1,971,700</u>
Total notes payable	19,428,837
Less current portion	<u>911,425</u>
Long term portion of notes payable	<u>\$ 18,517,412</u>

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – NOTES PAYABLE (Continued)

Annual Debt Service Requirements: The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2018, are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 911,425	\$ 375,546	\$ 1,286,971
2020	939,334	347,637	1,286,971
2021	968,098	318,873	1,286,971
2022	997,744	289,227	1,286,971
2023	1,028,296	258,675	1,286,971
2024-2028	1,910,540	792,868	2,703,408
2029-2033	-	925,629	925,629
2034-2038	-	925,629	925,629
2039-2043	-	925,629	925,629
2044-2045	<u>12,673,400</u>	<u>509,096</u>	<u>13,182,496</u>
	<u>\$ 19,428,837</u>	<u>\$ 5,668,809</u>	<u>\$ 25,097,646</u>

* See Note 9 for additional information on the outstanding principal balance and the New Market Tax Credit transaction.

Debt Covenants: The note payable to a bank is subject to financial and nonfinancial covenants. The primary financial covenant is a debt service coverage ratio for which the Authority reported being in compliance at June 30, 2018. The calculation is based on a net amount available for debt service that equals or exceeds 110% of the aggregate annual debt service for the fiscal year.

Line of Credit: The Authority has a borrowing agreement with Fifth Third Bank for a line of credit whereby the Authority can borrow up to \$1,000,000. The interest rate is the 30 Day Libor rate plus 1.05% (3.14% at June 30, 2018) and matures on April 20, 2019. The line of credit is secured by pledged revenues of the Authority. There were no draws or payments on the line of credit during the fiscal year.

NOTE 7 – FIDUCIARY FUND

The Authority's pension trust funds are presented as a fiduciary fund. The pension plan is not audited separately. Information regarding the pension plan is included in Note 8. Additional information follows:

Basis of Accounting and Presentation: The financial statements are prepared using the accrual basis of accounting. Contributions from the employees and the Authority are recognized as revenue in the period in which employees provide service and expenses are recorded when incurred regardless of when payment is made. Benefit payments are recognized when due and payable in accordance with the terms of the Plan.

Fair Value of Investments: Investments are presented at fair value or estimated fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate and government fixed income securities not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Other investments not having an established market are recorded at estimated fair value.

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – FIDUCIARY FUND (Continued)

The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. Fair value measurements are determined by maximizing the use of observable inputs and minimizing the use of unobservable inputs. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and gives the lowest priority to unobservable inputs (Level 3 measurements). The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the reporting entity's own assumptions about the fair value of an asset or liability.

The Authority has the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurements as of		
	June 30, 2018		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value			
U.S. government obligations	\$ -	\$ 4,608	\$ -
Corporate bonds	-	3,171,693	-
Corporate stocks	4,389,946	-	-
Mutual funds	<u>5,211,883</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 9,601,829</u>	<u>\$ 3,176,301</u>	<u>\$ -</u>

Investment Policy: The Plan's investment policy permits the following investments:

- Any corporate bond or asset backed security, which is assigned one of the four highest grades assigned by Standard & Poor's Rating Group or Moody's Investor Services, Inc.
- Obligations of, guaranteed by, or insured by the U.S. Government, its agencies or instrumentalities.
- Preferred stock which has an investment grade rating by Standard & Poor's or Moody's.
- Obligations of U.S. Banks or Savings and Loan Associations (including certificates of deposit and bankers' acceptances) which are fully insured by the Federal Deposit Insurance Corporation.
- Commercial paper variable amount master notes issued by companies which have an issue of outstanding debt securities rated as investment grade by Standard & Poor's or Moody's or commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's.
- Fully collateralized repurchase agreements with respect to obligations which the Plan is authorized to invest.
- A portion may be invested in interest bearing cash equivalents.

Interest Rate Risk: The Plan's policy does not limit the investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – FIDUCIARY FUND (Continued)

Credit Risk: The Plan's policy limits investments in U.S. obligations and corporate bonds to debt rated in one of the four highest categories by a nationally recognized agency.

Custodial Credit Risk: All of the Authority's cash deposits are either insured or collateralized. At December 31, 2017, the carrying amount and bank balance of the Authority's deposits was approximately \$380,000.

For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the Plan will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2017, the Plan's investments are either insured or held by the Plan's counterparty in the Authority's name.

Concentration of Credit Risk: The Plan's policy limits the concentration of credit risk as follows:

- No more than 80%, nor less than 50%, of the total should be invested in equities or stock funds.
- No more than 50%, nor less than 20% of the total should be invested in bonds and other fixed income obligations.
- No more than 10% of the total should be invested in cash or cash equivalents.
- No more than 5% of the total should be invested in obligations of one obligor, unless that obligor is the United States government or agencies thereof.
- Equity investment in international mutual funds shall be limited to 10% of the total portfolio.
- Equity investments in small company mutual funds shall be limited to 10% of the total portfolio.

As of December 31, 2017, the Plan held no investments from a single issuer that exceeded 5% or more of the total investments.

A summary of the maturity dates for U.S. government obligations and corporate bonds, and a summary of credit ratings of corporate bonds, that the Authority was invested in as of June 30, 2018 are listed below:

<u>Investment</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More Than 10 Years</u>	<u>S&P Rating</u>	<u>Fair Value</u>
U.S. Government obligations	\$ 4,608	\$ -	\$ -	\$ -	\$ 4,608	AA+	\$ -
Corporate bonds	3,171,693	425,181	2,383,220	-	363,292	AA-	74,911
	<u>\$ 3,176,301</u>	<u>\$ 425,181</u>	<u>\$ 2,383,220</u>	<u>\$ -</u>	<u>\$ 367,900</u>	A+	-
						A	176,144
						A	395,135
						BBB+	1,310,529
						BBB	601,047
						BBB-	487,851
						NR	<u>130,684</u>
							<u>\$ 3,176,301</u>

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TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – RETIREMENT PLANS

Single Employer Defined Benefit Pension Plan

General Information about the Pension Plan: The Authority's Employees Contributory Pension Plan and Trust (the Plan) is a single employer plan that is administered by its Retirement Committee. The defined benefit pension plan provides a definite amount of monthly pension for each participant at retirement. Plan contributions are pursuant to the collective bargaining agreement and the Retirement Committee determines benefits.

At June 30, 2018, the following employees were covered by the benefit terms:

- Inactive employees or beneficiaries currently receiving benefits 58
- Inactive employees entitled to but not yet receiving benefits 64
- Active employees 178

Benefits Provided: The Transit Authority of the Lexington-Fayette Urban County Government Board is the authority under which benefit terms of the Plan are established or amended. The Plan is open to new participants. An employee becomes eligible to participate in the Plan upon completion of a probationary period. A participant who leaves the employment of the Authority, before retirement age, is entitled, at that time, to his or her contributions plus 2% interest on each contribution compounded annually. Vested benefits are payable to participants upon reaching their normal retirement age with completion of at least 5 years of continuous service. Effective October 1, 2011, the monthly amount of a normal pension is equal to \$50 for each year of continuous service. The Plan does not provide for automatic cost of living adjustments. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Contributions: The Transit Authority of the Lexington-Fayette Urban County Government Board is the authority under which obligations to contribute to the Plan are established or amended. Effective October 1, 2011 and after, the employee contribution is \$1.22 per hour. Effective October 1, 2011, the Authority contributed \$.95 per hour for full-time participants. Effective July 1, 2017, the employer contribution rate increased to \$1.05 per hour for full time participants. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Net Pension Liability: The Authority's net pension liability (asset) was measured as of January 1, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Cost method	Entry Age Normal Cost
Investment rate of return	6.5%
Assumed hours contributed on	360,000
Mortality Rates	RP-2014 Mortality Table

Changes in Assumptions: Since the prior measurement date there have been no changes to the demographic and economic assumptions that affect the measurement of the total pension liability, other than the employer contribution rate change effective July 1, 2017.

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – RETIREMENT PLANS (Continued)

Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic fixed income	35%	2.0%
Domestic equity	60	5.5
Cash	<u>5</u>	0.0
Total	<u>100%</u>	

Annual Money-Weighted Rate of Return: The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, is 16.4%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5 percent. Based on projected future contributions, benefit payments and investment returns, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset):

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability(Asset) <u>(a) – (b)</u>
Balances at January 1, 2017	\$ 12,633,962	\$ 11,114,092	\$ 1,519,870
Changes for the year:			
Service cost	578,460	-	578,460
Interest	820,605	-	820,605
Differences between expected and actual experience	(331,676)	-	(331,676)
Contributions – employer	-	379,082	(379,082)
Contributions – employee	-	464,167	(464,167)
Net investment income	-	1,838,678	(1,838,678)
Benefit payments, including refunds of employee contributions	(596,909)	(596,909)	-
Administrative expense	-	(6,813)	6,813
Net changes	<u>470,480</u>	<u>2,078,205</u>	<u>(1,607,725)</u>
Balance at December 31, 2017	<u>\$ 13,104,442</u>	<u>\$ 13,192,297</u>	<u>\$ (87,855)</u>

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – RETIREMENT PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability or asset of the Authority, calculated using the discount rate of 6.5 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5 percent) or 1-percentage point higher (7.5 percent) than the current rate:

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
Authority's net pension liability (asset)	\$ 1,463,536	\$ (87,855)	\$ (1,396,856)

Pension Plan Fiduciary Net Position: The net position of the fiduciary fund was \$13,193,672 at December 31, 2017. More detailed information about the fiduciary fund is included Note 7 of the financial statements. The plan does not present separately audited financial statements.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2018, the Authority recognized pension expense of \$605,621. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 803,235
Changes of assumptions	516,011	-
Net difference between projected and actual earnings on pension plan investments	<u>338,090</u>	<u>916,024</u>
Total to be amortized over time	\$ 854,101	\$ 1,719,259
Authority contributions subsequent to the measurement date	<u>209,160</u>	<u>-</u>
Total deferred amounts	<u>\$ 1,063,261</u>	<u>\$ 1,719,259</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date of \$209,160 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. A twelve year average remaining services life is used to amortize the remaining deferred inflows and outflows of resources. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (62,964)
2020	(98,152)
2021	(249,601)
2022	(238,037)
2023	(17,705)
Thereafter	<u>(198,699)</u>
	<u>\$ (865,158)</u>

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – RETIREMENT PLANS (Continued)

Defined Contribution Plan

In addition to the defined benefit pension plan, the Authority's administrative employees are also eligible to participate in the Transit Authority of Lexington-Fayette Urban County Government 401(a) Plan, a defined contribution plan. For each administrative employee in the plan, the Authority is required to contribute 50 percent of Participant's elective deferrals, not to exceed 5% of participant's compensation, to an individual employee account. Participants are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2018, employee contributions totaled \$107,848, and the Authority recognized employer contribution expense of \$35,839. At June 30, 2018, the Authority had no outstanding liability for employer contributions.

Participants are immediately vested in their own contributions and earnings on those contributions and become vested in employer contributions and earnings on employer contributions after completion of 60 months of creditable service with the Authority. Non-vested Authority contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the employer contributions.

NOTE 9 – NEW MARKET TAX CREDITS

During 2015, the Authority participated in the New Market Tax Credits (NMTC) Program administered by the United States Treasury Department and the New Markets Development Program administered by the Kentucky Department of Revenue (the NMTC Programs). The NMTC Programs permit taxpayers to receive a credit against income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The purpose of the NMTC transaction was to finance the Authority's new headquarters facility constructed at 200 West Loudon Avenue. The headquarters facility is financed by NMTC, FTA and local funds. The NMTC transaction was completed in June 2015. The legal structure and financing mechanisms are described below.

Lextran Foundation and Lextran Real Properties were formed in order to facilitate the NMTC transaction. The Foundation was formed to be the leverage lender for the transaction. Lextran Real Properties was formed as the Qualified Active Low-Income Community Business (QALICB) and will receive the funding from three CDEs and to construct the headquarters facility. Lextran Real Properties will lease the headquarters facility to the Authority upon completion of construction.

The following outside entities were parties to the NMTC transaction:

- Stonehenge Kentucky Investor II, LLC is the Kentucky tax credit investor.
- Stonehenge Kentucky NMTC Investment Fund II, LLC (Stonehenge) is the Kentucky investment fund and owns 100% of AMCREF and CHHS.
- AMCREF Fund XXVII, LLC (AMCREF) and CHHS Subsidiary CDE, 18 LLC (CHHS) are the Kentucky subsidiary CDEs.
- Twain Investment Fund 91, LLC is the Federal investment fund and owns 99.99% of the interest in Community Ventures Investment XVIII, LLC.
- U.S. Bancorp Community Development Corporation (USBCDC) owns 100% of the membership interest of Twain investment Fund 91, LLC.
- Community Ventures Investments XVIII, LLC (Community Ventures) is the Federal subsidiary CDE.

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – NEW MARKET TAX CREDITS (Continued)

The following originative transactions related to the NMTC transaction occurred in June 2016:

- The Foundation loaned \$8,355,000 of assets to Stonehenge. The note accrues interest at 1.000001% for a period of thirty years. The entire principal balance is due on June 17, 2045. Interest payments received by the Foundation will be contributed to Lextran.
- The CDE's loaned \$12,673,400 to Lextran Real Properties, consisting of two notes of \$3,028,300 and one note of \$2,673,400 from Community Ventures and notes of \$1,971,700 each from CHHS and AMCREF. The five notes accrue interest at 1.460743% for a period of thirty years. The entire principal balance of each note is due on June 16, 2045.
- Lextran loaned the Foundation the \$8,355,000 of assets required for participation in the NMTC Program. The note accrues interest at 1.000001% for a period of thirty years. The entire principal balance is due on June 17, 2045.
- Lextran Real Properties purchased land and construction in process from the Authority for \$3,303,864. The Authority donated an additional \$374,084 of construction in process to Lextran Real Properties.
- The Authority donated \$3,509,028 in cash to Lextran Real Properties.

All intercompany transactions between the Authority, the Foundation and Lextran Real Properties have been fully eliminated in the combining financial statements.

The Authority has entered into a put/call agreement with USBCDC in which USBCDC has the option to put its interest in Twain Investment Fund 91, LLC to the Authority, and the Authority has the option to call for the assignment of USBCDC's interest in Twain Investment Fund, at the end of the seven year NMTC compliance period which ends December 16, 2022.

Lextran Foundation has entered into a put/call agreement with Stonehenge in which Stonehenge has the option to put its interest in AMCREF and CHHS to the Foundation, and the Foundation has the option to call for the assignment of Stonehenge's interest in AMCREF and CHHS, at the end of the seven year NMTC compliance period.

If the options described above are exercised, the Authority would own the \$8,730,000 in notes currently due to Community Ventures and the Foundation would own the \$3,943,400 in notes currently due to AMCREF and CHHS. The Authority and the Foundation intend to exercise these options at the end of the seven year NMTC compliance period, which would result in no principal payments being made on the \$12,673,400 in notes and approximately \$4,165,000 of interest payments being relieved.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – CONDENSED COMBINING INFORMATION

The following schedules represent condensed financial information by entity for the fiscal year ending 2018:

CONDENSED STATEMENT OF NET ASSETS
June 30, 2018

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Current assets	\$ 16,879,981	\$ -	\$ 21,275	\$ -	\$ 16,901,256
Capital assets	29,088,175	12,875,394	-	-	41,963,569
Other assets	9,587,899	65,740	8,355,000	(8,355,000)	9,653,639
Deferred outflows	1,063,261	-	-	-	1,063,261
Total assets and deferred outflows	56,619,316	12,941,134	8,376,275	(8,355,000)	69,581,725
Current liabilities	1,890,692	-	-	-	1,890,692
Noncurrent liabilities	6,202,924	12,673,400	8,355,000	(8,355,000)	18,876,324
Deferred inflows	1,719,259	-	-	-	1,719,259
Total liabilities and deferred inflows	9,812,875	12,673,400	8,355,000	(8,355,000)	22,486,275
Net Position					
Net investment in capital assets	23,477,782	267,734	-	-	23,745,516
Unrestricted	23,328,659	-	21,275	-	23,349,934
Total net position	\$ 46,806,441	\$ 267,734	\$ 21,275	\$ -	\$ 47,095,450

CONDENSED STATEMENT OF REVENUES EXPENSES, AND CHANGES IN NET ASSETS
June 30, 2018

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Operating revenues					
Passenger fares	\$ 3,507,762	\$ -	\$ -	\$ -	\$ 3,507,762
Advertising	308,752	-	-	-	308,752
Other	762,211	787,086	83,550	(1,395,205)	237,642
Total operating revenues	4,578,725	787,086	83,550	(1,395,205)	4,054,156
Operating expenses					
Operating expenses	\$ 25,691,835	\$ -	\$ 63,253	\$ (1,395,205)	\$ 24,359,883
Depreciation and amortization	3,904,155	-	-	-	3,904,155
Total operating expenses	29,595,990	-	63,253	(1,395,205)	28,264,038
Operating income (loss)	(25,017,265)	787,086	20,297	-	(24,209,882)
Non-operating revenues (expenses)					
Property taxes	18,225,355	-	-	-	18,225,355
Federal assistance	4,354,175	-	-	-	4,354,175
State assistance	538,000	-	-	-	538,000
Local assistance	24,989	-	-	-	24,989
New market tax credit transaction fees	-	(751,523)	-	-	(751,523)
Interest Expense	(219,660)	-	-	-	(219,660)
Loss from sale of capital assets	(139,735)	-	-	-	(139,735)
Total non-operating revenues (expenses)	22,783,124	(751,523)	-	-	22,031,601
Capital contributions	3,018,618	-	-	-	3,018,618
Change in net position	784,477	35,563	20,297	-	840,337
Net position, beginning of year	46,021,964	232,171	978	-	46,255,113
Net position, end of year	\$ 46,806,441	\$ 267,734	\$ 21,275	\$ -	\$ 47,095,450

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – CONDENSED COMBINING INFORMATION (Continued)

CONDENSED STATEMENT OF CASH FLOWS
June 30, 2018

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Net Cash provided (used) by:					
Operating activities	\$ (20,265,384)	\$ -	\$ -	\$ -	\$ (20,265,384)
Noncapital financing activities	18,795,863	-	-	-	18,795,863
Capital and related financing activities	(998,264)	35,563	20,297	-	(942,404)
Beginning cash and cash equivalents	<u>14,614,168</u>	<u>30,177</u>	<u>978</u>	<u>-</u>	<u>14,645,323</u>
Ending cash and cash equivalents	<u>\$ 12,146,383</u>	<u>\$ 65,740</u>	<u>\$ 21,275</u>	<u>\$ -</u>	<u>\$ 12,233,398</u>

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY
Plan year ended December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 578,460	\$ 571,542	\$ 603,766
Interest	820,605	782,444	754,084
Differences between expected and actual experience	(331,676)	(182,823)	(386,269)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee	<u>(596,909)</u>	<u>(578,152)</u>	<u>(460,082)</u>
Net change in total pension liability	470,480	593,011	511,499
Total pension liability – beginning	<u>12,633,962</u>	<u>12,040,951</u>	<u>11,529,452</u>
Total pension liability – ending	<u>\$ 13,104,442</u>	<u>\$ 12,633,962</u>	<u>\$ 12,040,951</u>
Plan fiduciary net position			
Contributions – employee	\$ 379,082	\$ 450,724	\$ 471,580
Contributions – employer	464,167	350,973	367,214
Net investment income	1,838,678	739,691	(89,256)
Benefit payments, including refunds of employee	(596,909)	(578,152)	(460,082)
Administrative expense	<u>(6,813)</u>	<u>(14,331)</u>	<u>(13,335)</u>
Net change in plan fiduciary net position	2,078,205	948,905	276,121
Plan fiduciary net position – beginning	<u>11,114,092</u>	<u>10,165,187</u>	<u>9,889,066</u>
Plan fiduciary net position – ending	<u>\$ 13,192,297</u>	<u>\$ 11,114,092</u>	<u>\$ 10,165,187</u>
Authority's net pension liability – ending	<u>\$ (87,855)</u>	<u>\$ 1,519,870</u>	<u>\$ 1,875,764</u>
Plan fiduciary net position as a percentage of the total pension liability	100.67%	87.97%	84.42%
Covered payroll	\$ 9,228,639	\$ 8,718,644	\$ 8,521,947
Authority's net pension liability as a percentage of covered payroll	(.95%)	17.43%	22.01%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The amounts presented for each fiscal year were determined as of December 31, 2016 that occurred within the fiscal year.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 285,714	\$ 322,476	\$ 301,322
Contributions in relation to the actuarially determined contribution	<u>407,903</u>	<u>357,456</u>	<u>362,626</u>
Contribution deficiency (excess)	<u>\$ (122,189)</u>	<u>\$ (34,980)</u>	<u>\$ (61,304)</u>
Covered payroll	\$ 9,228,639	\$ 8,718,644	\$ 8,521,947
Contributions as a percentage of covered payroll	4.42%	4.10%	4.26%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar over 20 years
Remaining amortization period	12 years
Asset valuation method	market value
Inflation	None
Salary increases	Not applicable, as benefits are not related to salary.
Investment rate of return	6.50%
Retirement Age	Earlier of age
Mortality	RP-2014 Mortality Table

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLAN
Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 285,714	\$ 322,476	\$ 301,322
Contributions in relation to the actuarially determined contribution	<u>379,082</u>	<u>350,973</u>	<u>367,214</u>
Contribution deficiency (excess)	<u>\$ (93,368)</u>	<u>\$ (28,497)</u>	<u>\$ (65,892)</u>
Covered payroll	\$ 9,228,639	\$ 8,718,644	\$ 8,521,947
Contributions as a percentage of covered employee payroll	4.11%	4.03%	4.31%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar over 20 years
Remaining amortization period	12 years
Asset valuation method	market value
Inflation	None
Salary increases	Not applicable, as benefits are not related to salary.
Investment rate of return	6.50%
Retirement Age	Earlier of age
Mortality	RP-2014 Mortality Table

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON
PENSION PLAN
Year ended December 31, 2017

<u>Year ending December 31</u>	<u>Annual Money-Weighted Rate of Return</u>
2008	-29.9%
2009	22.6%
2010	10.1%
2011	-3.7%
2012	7.5%
2013	14.8%
2014	4.6%
2015	-0.9%
2016	7.2%
2017	16.4%

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF NET POSITION (PROPRIETARY FUND)
June 30, 2018

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Unrestricted current assets:					
Cash	\$ 11,001,339	\$ -	\$ 21,275	\$ -	\$ 11,022,614
Accounts receivable	-				
Trade	233,237	-	-	-	233,237
Federal Department of Transportation Commonwealth of Kentucky	4,912,052	-	-	-	4,912,052
Property taxes	136,425	-	-	-	136,425
Inventories of repair parts and fuel	111,874	-	-	-	111,874
Prepaid expenses	457,593	-	-	-	457,593
Total current assets	27,461	-	-	-	27,461
	<u>16,879,981</u>	<u>-</u>	<u>21,275</u>	<u>-</u>	<u>16,901,256</u>
Restricted noncurrent assets:					
Cash	1,145,044	65,740	-	-	1,210,784
Unrestricted noncurrent assets:					
Note receivable	8,355,000	-	8,355,000	(8,355,000)	8,355,000
Nondepreciable capital assets	2,873,162	1,705,700	-	-	4,578,862
Depreciable capital assets	26,215,013	11,169,694	-	-	37,384,707
Net pension asset	87,855	-	-	-	87,855
Total noncurrent assets	<u>38,676,074</u>	<u>12,941,134</u>	<u>8,355,000</u>	<u>(8,355,000)</u>	<u>51,617,208</u>
Total assets	55,556,055	12,941,134	8,376,275	(8,355,000)	68,518,464
Deferred outflows of resources	1,063,261	-	-	-	1,063,261
Total assets and deferred outflows	<u>\$ 56,619,316</u>	<u>\$ 12,941,134</u>	<u>\$ 8,376,275</u>	<u>\$ (8,355,000)</u>	<u>\$ 69,581,725</u>

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF NET POSITION (PROPRIETARY FUND)
June 30, 2018

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Notes payable, current portion	\$ 911,425	\$ -	\$ -	\$ -	\$ 911,425
Trade accounts payable	706,274	-	-	-	706,274
Accrued expenses and other liabilities	121,446	-	-	-	121,446
Compensated absences	151,547	-	-	-	151,547
Total current liabilities	<u>1,890,692</u>	-	-	-	1,890,692
Notes payable, net of current portion	5,844,012	12,673,400	8,355,000	(8,355,000)	18,517,412
Compensated absences	358,912	-	-	-	358,912
Total noncurrent liabilities	<u>6,202,924</u>	<u>12,673,400</u>	<u>8,355,000</u>	<u>(8,355,000)</u>	<u>18,876,324</u>
Total liabilities	8,093,616	12,673,400	8,355,000	(8,355,000)	20,767,016
Deferred inflows of resources	1,719,259	-	-	-	1,719,259
Total liabilities and deferred inflows	<u>9,812,875</u>	<u>12,673,400</u>	<u>8,355,000</u>	<u>(8,355,000)</u>	<u>22,486,275</u>
Net Position					
Net investment in capital assets	23,477,782	267,734	-	-	23,745,516
Unrestricted	23,328,659	-	21,275	-	23,349,934
Total net position	<u>46,806,441</u>	<u>267,734</u>	<u>21,275</u>	<u>-</u>	<u>47,095,450</u>
Total liabilities, deferred inflows and net position	<u>\$ 56,619,316</u>	<u>\$ 12,941,134</u>	<u>\$ 8,376,275</u>	<u>\$ (8,355,000)</u>	<u>\$ 69,581,725</u>

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION (PROPRIETARY FUND)
Year ended June 30, 2018

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Consolidated Balance
Operating revenues					
Passenger fares	\$ 3,507,762	\$ -	\$ -	\$ -	\$ 3,507,762
Advertising	308,752	-	-	-	308,752
Fuel tax refunds and other	762,211	787,086	83,550	(1,395,205)	237,642
Total operating revenues	<u>4,578,725</u>	<u>787,086</u>	<u>83,550</u>	<u>(1,395,205)</u>	<u>4,054,156</u>
Operating expenses					
Operations	16,480,295	-	-	-	16,480,295
Maintenance	4,515,644	-	-	-	4,515,644
General and administrative	4,146,373	-	63,253	(1,395,205)	2,814,421
Non-vehicle	549,523	-	-	-	549,523
Depreciation and amortization	3,904,155	-	-	-	3,904,155
Total operating expenses	<u>29,595,990</u>	<u>-</u>	<u>63,253</u>	<u>(1,395,205)</u>	<u>28,264,038</u>
Operating income (loss)	(25,017,265)	787,086	20,297	-	(24,209,882)
Non-operating revenues (expenses)					
Property taxes	18,225,355	-	-	-	18,225,355
Federal assistance	4,354,175	-	-	-	4,354,175
State assistance	538,000	-	-	-	538,000
Local assistance	24,989	-	-	-	24,989
New market tax credit transaction fees	-	(751,523)	-	-	(751,523)
Interest expense	(219,660)	-	-	-	(219,660)
Gain (loss) from sale of capital assets	(139,735)	-	-	-	(139,735)
Total non-operating revenues (expenses)	<u>22,783,124</u>	<u>(751,523)</u>	<u>-</u>	<u>-</u>	<u>22,031,601</u>
Income (loss) before capital contributions	(2,234,141)	35,563	20,297	-	(2,178,281)
Capital contributions					
Federal contributions	3,018,618	-	-	-	3,018,618
Total capital contributions	<u>3,018,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,018,618</u>
Change in net position	784,477	35,563	20,297	-	840,337
Net position, beginning of year	<u>46,021,964</u>	<u>232,171</u>	<u>978</u>	<u>-</u>	<u>46,255,113</u>
Net position, end of year	<u>\$ 46,806,441</u>	<u>\$ 267,734</u>	<u>\$ 21,275</u>	<u>\$ -</u>	<u>\$ 47,095,450</u>

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

<u>Federal Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-through or Federal Grant Number</u>	<u>Expenditures</u>
Department of Transportation			
Federal Transit Administration			
Direct Programs:			
Federal Transit Cluster:			
Formula Grants	20.507	KY-1104-2018-2	\$ 4,045,984
Formula Grants	20.507	KY-2016-018	503,734
Formula Grants	20.507	KY-2016-019	158,936
Formula Grants	20.507	KY-2016-020	1,124,672
Formula Grants	20.507	KY-2017-012	261,026
Formula Grants	20.507	KY-2017-013	468,243
Formula Grants	20.507	KY-2017-014	683,400
Formula Grants	20.507	KY-90-0226-00	<u>19,876</u>
Total Federal Transit Cluster			<u>7,265,871</u>
Direct Programs:			
Transit Services Programs Cluster:			
Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	KY-2017-001-00	<u>10,000</u>
Direct Programs:			
Section 5312 Research, Development, Demonstration, and Deployment Projects Program	20.514	KY-26-0006-00	<u>96,922</u>
Total Expenditures of Federal Awards			<u>\$ 7,372,793</u>

See accompanying notes to schedule of expenditures of federal awards.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs received by the Transit Authority of Lexington-Fayette Urban County Government (the Authority). The Authority's reporting entity is defined in Note 1 to the audited financial statements. There were no subrecipient expenditures, noncash assistance or loan payments during 2018.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. 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).

The Authority has elected not to use the 10% de minimus indirect cost rate as allowed under Uniform Guidance.

Some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S REPORT 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

Board of Directors
Transit Authority of the Lexington-Fayette
Urban County Government
Lexington, 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 financial statements of the business-type activities of the Transit Authority of the Lexington-Fayette Urban County Government (the Authority), a component unit of the Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2018 and the fiduciary activities as of and for the year ended December 31, 2017, respectively, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 over financial reporting 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.


Crowe LLP

Lexington, Kentucky
September 28, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Transit Authority of the Lexington-Fayette-Urban County Government
Lexington, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Authority's 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 Authority's major federal programs for the year ended June 30, 2018. The Authority'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 Authority'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 Authority'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 Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority 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 June 30, 2018.

Report on Internal Control Over Compliance

Management of the Authority 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 Authority'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 Authority's internal control over compliance.

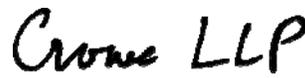
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of the Authority as of and for the year ended June 30, 2018 and the fiduciary activities as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated September 28, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.


Crowe LLP

Lexington, Kentucky
September 28, 2018

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>	_____	
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> X </u> None Reported	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported	
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>	_____	
Any audit findings disclosed that are required to be reported in accordance with 2CFR200.516(a)?	_____ Yes	<u> X </u> None Reported	

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster Number</u>
-----------------------	--

20.507	Federal Transit Cluster
--------	-------------------------

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
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TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018

SECTION 2 – FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

There were no findings for the year ended June 30, 2018.

SECTION 3 – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(a).

There were no findings for the year ended June 30, 2018.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF PRIOR YEAR FINDINGS
Year ended June 30, 2017

The prior year's audit disclosed no findings or questioned costs required to be reported in accordance with Government Auditing Standards.

October 17, 2018

TO: The Board of Directors

FROM: Carrie Butler, General Manager

SUBJECT: Resolution to Award a Contract for Website Hosting and Design

Attached is a resolution requesting authority to award a contract for website hosting and design.

RFP 1804 was issued June 25, 2018 with proposals received on August 9, 2018. A staff evaluation committee reviewed and approved the proposals for compliance and responsiveness. A responsive proposal was received from four (4) qualified proposers:

- KeySys/Bullhorn
- McNee Solutions
- Planeteria Media
- Zed Digital

The evaluation committee ranked the proposals received. Interviews were held with the two highest-ranking proposers. Proposals were re-scored following interviews. Zed Digital received the highest ranking and is recommended to be awarded the contract according to the terms of their proposal in response to RFP 1804.

The cost for the initial design and development of the website is not to exceed \$46,500. Hosting will be charged at a rate not to exceed \$450 per month. On-going site maintenance is to be charged at a rate not to exceed \$489 per month for six (6) hours of service. Additional hours of service will be charged at a rate not to exceed \$115 per hour. An optional integration with QuickBooks into the website will be at a cost not to exceed \$5,000. The term of the contract awarded will be for five (5) years.

If you have any questions, please call me at 255-7756.

RESOLUTION**TRANSIT AUTHORITY OF THE LEXINGTON-FAYETTE
URBAN COUNTY GOVERNMENT**

MOTION: _____ SECOND: _____

DATE: October 17, 2018 RESOLUTION NO.: 2018-22

WHEREAS, the Transit Authority of the Lexington-Fayette Urban County Government (Lextran) issued RFP 1804 for website hosting and design services; and

WHEREAS, RFP 1804 resulted in proposals from four qualified proposers; and

WHEREAS, the proposal from Zed Digital was the highest ranked proposal;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Transit Authority of the Lexington-Fayette Urban County Government (Lextran) hereby authorizes and directs the General Manager to execute a contract with Zed Digital to provide website design and hosting services per the terms as set forth in RFP 1804 and the proposal submitted by Zed Digital which are incorporated herein by reference. The cost for the initial design and development of the website is not to exceed \$46,500. Hosting will be charged at a rate not to exceed \$450 per month. On-going site maintenance is to be charged at a rate not to exceed \$489 per month for six (6) hours of service. Additional hours of service will be charged at a rate not to exceed \$115 per hour. An optional integration with QuickBooks into the website will be at a cost not to exceed \$5,000. The term of the contract awarded will be for five (5) years.

Chairperson, Malcolm Ratchford_____
Date

Change Order Report

October 2018

Contractor	Type of Service	Original Price	Change	Reason for Change	Prior Change Orders
Center for Transportation and the Environment (CTE)	Electric Bus Consultants	\$582,400.00	\$0.00	The original contract was set to expire on July 1, 2018, but due to delays in the project start, CTE was not able to gather data for the length of time as was originally envisioned. There are still grant funds available for this project, so the termination is being pushed out to allow for additional data collection. CTE also put together an informational video for the project. The new contract end date is 3-31-2020. There is no change in the dollar amount.	\$0.00

Balance Sheet
as of September 30, 2018

	Current Year-To-Date	Last Year-to-Date
Assets		
Current assets		
Operating Cash	\$9,953,163	\$8,275,428
Project Loan Account	\$1,145,044	\$1,145,044
Accounts receivable	\$2,103,447	\$1,799,790
Inventory	\$551,130	\$402,034
Net pension asset	\$1,063,260	\$1,331,841
Work in process	\$146,903	\$83,499
Prepaid	\$903,046	\$926,508
Total Current Assets	<u>\$15,865,993</u>	<u>\$13,964,144</u>
Long term note - Lextran Foundation Inc.	\$8,355,000	\$8,355,000
Net capital and related assets	\$28,182,876	\$30,047,518
Total Assets	<u><u>\$52,403,869</u></u>	<u><u>\$52,366,662</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$2,780,226	\$2,432,533
Payroll liabilities	\$878,620	\$871,848
Short term note - Fifth Third Bank	\$918,324	\$891,039
Total Current Liabilities	<u>\$4,577,170</u>	<u>\$4,195,420</u>
Long term note - Fifth Third Bank	\$5,611,828	\$6,539,231
Net Position	\$42,214,872	\$41,632,011
Total Liabilities and Net Position	<u><u>\$52,403,869</u></u>	<u><u>\$52,366,662</u></u>

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
September 2018
FY 2019

Revenues	Actual	Budget	Variance	FY 2018 Actual
Property taxes	\$352,255	\$287,000	\$65,255	\$284,270
Passenger revenue	\$371,386	\$344,775	\$26,611	\$350,079
Federal funds	\$1,376,286	\$1,171,479	\$204,807	\$1,287,543
State funds	\$0	\$0	\$0	\$0
Advertising revenue	\$260,000	\$260,000	\$0	\$260,077
Other revenue	\$608,776	\$610,935	(\$2,159)	\$582,219
Total Revenues	\$2,968,703	\$2,674,189	\$294,514	\$2,764,188
Expenses				
Wages	\$2,147,389	\$2,309,898	(\$162,510)	\$2,127,806
Fringe benefits	\$1,270,629	\$1,320,650	(\$50,022)	\$1,197,590
Professional services	\$478,111	\$404,402	\$73,709	\$240,002
Materials and supplies	\$283,329	\$241,550	\$41,779	\$396,645
Fuel-Diesel	\$252,681	\$264,475	(\$11,794)	\$209,049
Fuel-Other	\$69,531	\$73,750	(\$4,219)	\$52,950
Utilities - Facilities	\$65,474	\$91,875	(\$26,401)	\$67,901
Utilities - Electric Bus	\$22,928	\$21,525	\$1,403	\$15,534
Insurance	\$176,858	\$176,250	\$608	\$169,857
Fuel taxes	\$52,651	\$51,602	\$1,048	\$51,598
Paratransit Expenses	\$1,458,329	\$1,352,050	\$106,279	\$1,317,290
Vanpool Expenses	\$7,200	\$8,500	(\$1,300)	\$8,400
Dues and subscriptions	\$28,945	\$30,950	(\$2,005)	\$30,104
Travel, training and meetings	\$18,708	\$31,966	(\$13,258)	\$19,190
Media advertising	\$19,033	\$66,250	(\$47,217)	\$23,895
Miscellaneous	\$11,051	\$12,563	(\$1,512)	\$19,738
Interest Expense	\$50,175	\$47,605	\$2,570	\$68,108
Leases and rentals	\$201,956	\$200,455	\$1,501	\$198,772
Depreciation	\$905,297	\$905,297	\$0	\$986,626
Total Expenses	\$7,520,274	\$7,611,613	(\$91,339)	\$7,201,055
Change in Net Position	(\$4,551,571)	(\$4,937,424)	\$385,853	(\$4,436,867)

Notes:

Average price of diesel fuel for FY2019 - \$2.31; Latest price of diesel fuel (October 9, 2018) - \$2.52

Latest price of CNG diesel gallon equivalent - \$1.22

MEMORANDUM

To: Board of Directors
From: Carrie Butler, General Manager
Date: October 17, 2018
Re: General Manager's Report for the Period of September 2018

Budget Statistics

Total revenue for September 2018, was \$979,128 and the expenditures totaled \$2,241,473. This resulted in a difference of (\$1,262,345) for the month. For a year to date comparison, with expenditures subtracted from revenues, the under budget variance is \$385,853.

Community Involvement

- UK Football Home Game Shuttles Begin – September 1
- Weekly Voter Registrations at the Transit Center with Kentuckians for the Commonwealth – September 4
- Meet and greet with new UK Transportation Staff – September 6
- Drive Electric Event with EvolveKY – September 8
- Outreach at Lexington Legend's Playoff Game – September 11
- Kentucky Refugee Ministries Quarterly Update – September 12
- "How to Ride" with All About Kids – September 18
- Green Check Awards Ceremony – Bronze Level Recognition – September 20
- Expungement Clinic and Job Fair at Goodwill HQ – September 21
- Touch-A-Truck with Child Development Center of the Bluegrass – September 23
- Teacher's Environmental Academy: Energy and Transportation Day with Bluegrass GreenSource – September 29

Meetings / Updates

In September, Lextran representatives participated in the following meetings:

- Pedestrian Safety Working Group – September 6
- APTA Strategic Planning Steering Committee – September 6
- KY Clean Fuels Coalition Meeting – September 12
- Employee Meetings – September 13
- ONE Lexington Meeting – September 17
- UK Transportation Engineering class lecture – September 18
- Connected and Autonomous Vehicle Collaborative – September 18
- Kentucky Public Transportation Association Meeting – September 18
- LexChip Quarterly Meeting – September 20
- Legislative Meeting with Rep. Andy Barr and Rep. Guthrie – September 21
- APTA Annual Meeting – September 24-26

Green Check Bronze Level Recognition

Lextran was awarded a bronze level Green Check Award and received it on September 20th along with other 2018 Green Check members. The program, through Bluegrass Greensource, spotlights organizations making an effort toward sustainability and helps them to assess and increase those efforts.

Procurement Update

- An RFP for Paratransit Eligibility Testing was published on September 24, 2018. The pre-proposal conference was held on October 10, 2018. Proposals are due November 1, 2018.
- Work continues on an RFP for bus shelters, benches, and trash receptacles. A release date has not been set.
- Work continues on an RFP for a technology consultant which will focus on upgrading or replacing Lextran's current radio system and other on-board technology.
- Work continues on an RFP for customer service training.
- Work is underway on an RFP for bus stop enhancements
- Up-coming potential procurements include:
 - Customer service/community survey
 - Parking lot striping and clean-up
 - Garage best practices/CNG upgrade

Recruitment Activities

- Applications received: 78
 - Bus Operator: 27
 - Maintenance Mechanic: 9
 - Compliance Coordinator: 8
 - Parts Clerk: 6
 - Electronics Technician: 8
 - Service Worker: 15
 - Transportation Supervisor: 1
 - Maintenance Shift Supervisor: 4
- Interviews: 10
 - Maintenance Mechanic: 2
 - Parts Clerk: 3
 - Electronics Technician: 3
 - Compliance Coordinator: 2
- New Hires: 2
 - Maintenance Mechanic: 2

Training Activities

- Four new mechanics started with CDL training

- Ten mechanics had fork truck training
- Four employees completed Smith System training
- Twenty-five employees were trained to work at UK
- Fourteen supervisors were trained to observe at UK
- Nine employees had remedial coaching sessions
- Two employees had return to work sessions

Public Comment Response

No comments were received at last month's meeting

Lextran Strategic Outlook 2018-2020

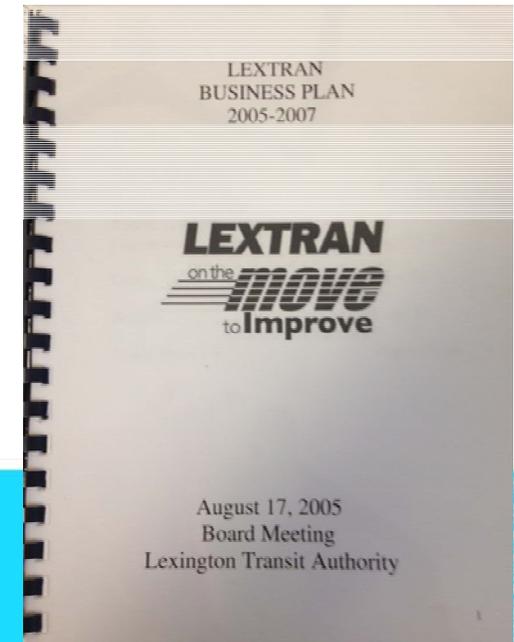


October 17, 2018



How we got here?

- Lextran Business Plan 2005-2007
 - ‘attract new riders through innovative services’
- Strategic Planning Workshop 2012
 - ‘new Lextran Headquarters and new technology’
- Lextran Strategic Plan and Priorities 2016
 - ‘be a transit authority, prioritize customer and identify new markets’
- Rebranding Project in 2017
- Now in 2018, meetings with Board members; facilitation session



**WE SERVE
PEOPLE
AND OUR
COMMUNITY
WITH MOBILITY
SOLUTIONS.**



Themes / Ideas / Issues

- Provide service where people need it, for people who need it
- Take ownership of the image of the rider
- Stabilize staffing levels
- Keep up with technology, but not outpace
- Make Lextran service meaningful way to get around for more people
- Image of sustainable / 'green' is positive



Key Pillars

- Deliver High Quality Service
- Demonstrate Value to Community
- Manage and Sustain Resources



Deliver High Quality Product/Service

- Rider-focused improvements at stops – sidewalks, benches, shelters, garbage cans, etc.
- Improved reliability of service – on-time performance, reduce delays, etc.
- Provide more service when possible, or maintain service levels



Deliver High Quality Product/Service

Projects and Tasks:

- Headway Management software
- RAMP program
- Fleet Improvement and Replacement program
- Website redesign
- Transit Center improvements
- Service Quality Team – including Wheels service



Demonstrate Value to the Community

- Understanding more about how we are perceived and valued
- Amplify Lextran's image to Lexington and the community
- Make visible improvements that everyone can appreciate



Demonstrate Value to the Community

Projects and Tasks:

- Customer Survey – to establish a baseline
- Complete branding of fleet and bus stops
- Rider Campaign and marketing efforts
- Refocus and refine internal processes:
 - For maintenance of vehicles and stops
 - For employee engagement and appreciation



Manage and sustain resources

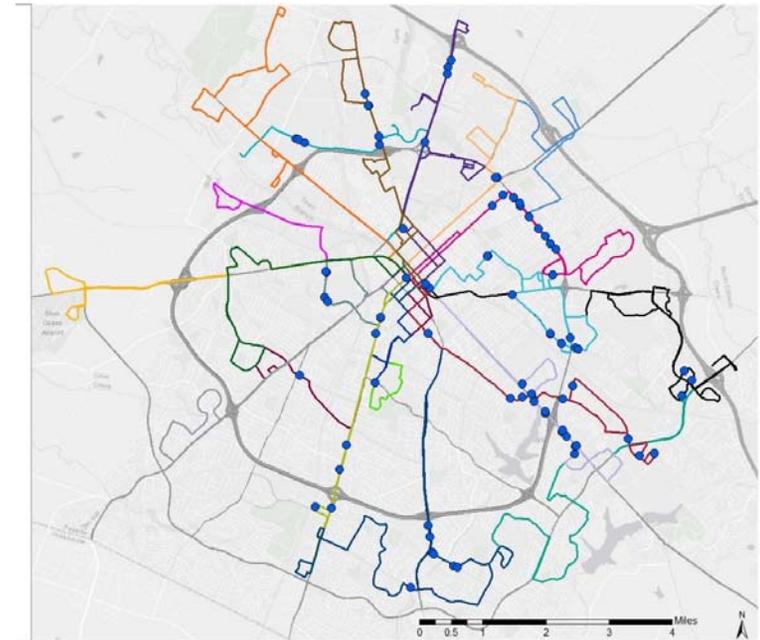
- Execute policy and regulatory requirements
- Engage in day-to-day business process and improvements
- Focus on effective technology and support 'tools'
- Look for additional resources and grants



Manage and Sustain Resources

Projects and Tasks:

- Recurring reporting and policy or regulatory requirements – NTD, DBE, EEO, Title VI, TAM, OSHA, audits, budget
- Grant Applications and Projects
- Legislative Agenda
- Sustainability Plan
- Training Plan
- Procurement Training
- Agency Safety Plan
- Service Standards and Key Performance Indicators – Mid to Long Term Mobility plan



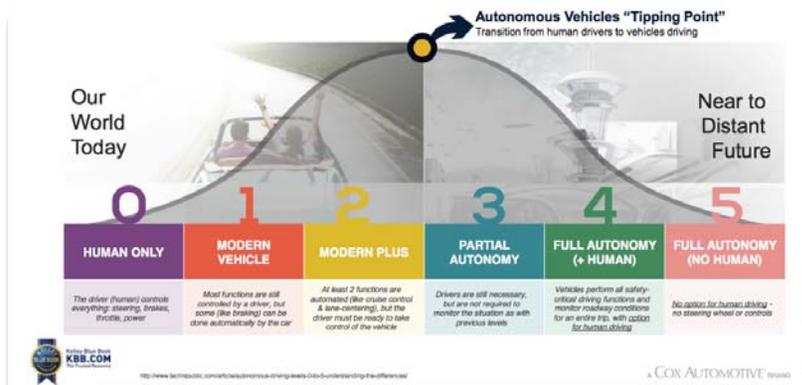
FY 2019 Capital and Planning Projects

- Compressed Natural Gas Fleet and Garage Retrofit
- RAMP program for bus stops
- Fleet Replacement:
 - Three CNG buses on order
 - Two Proterras in specification review / process
- Scoping for On-Board Communications system
- Transit Center project with Town Branch Project

Future Look, Unfunded Projects

- Secondary Back Up Generator
- Comprehensive Operations Analysis / Bus Rapid Transit / Transit Center
- Covered storage area for fleet
- Replacement of On-Board Communications and Dispatch system
- Fleet, fleet, fleet
 - Expand or maintain alternate fuel fleet

✓ The levels of Autonomous Vehicles

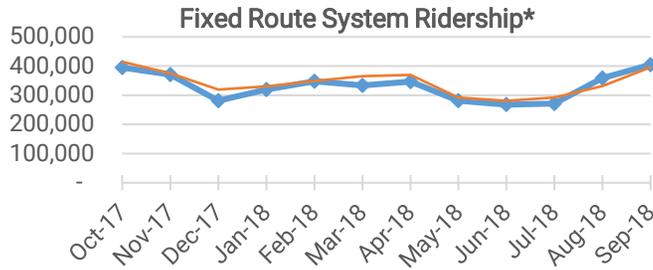


Deeper Dives?

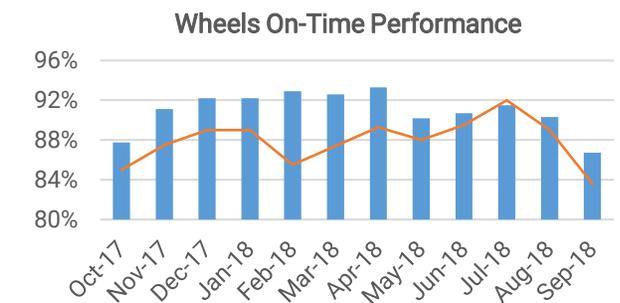
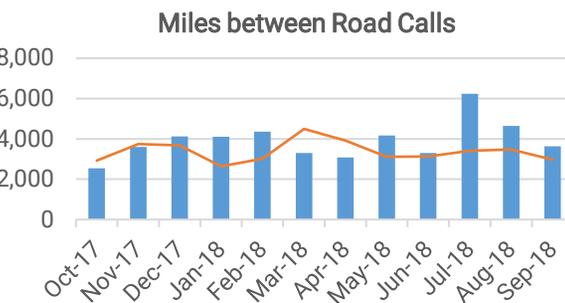
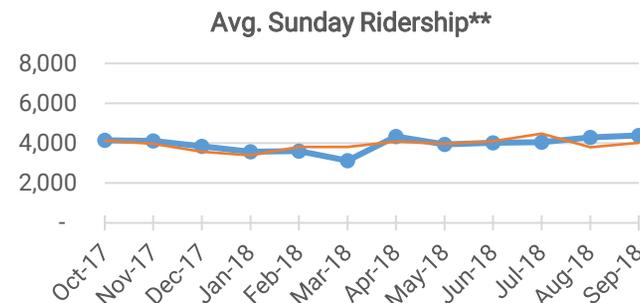
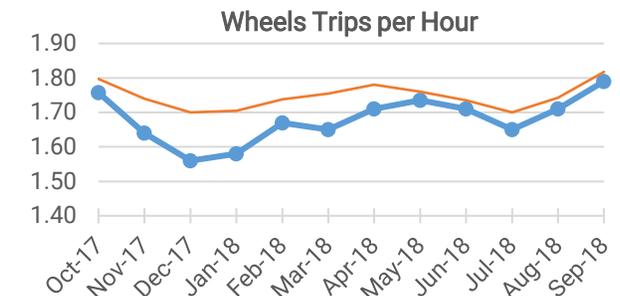
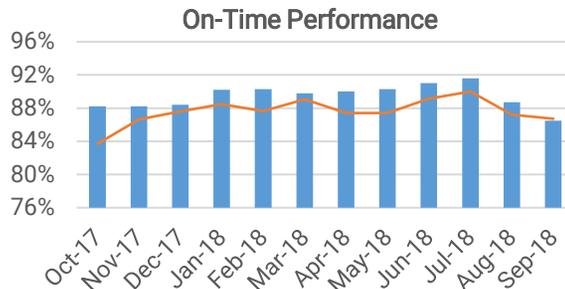
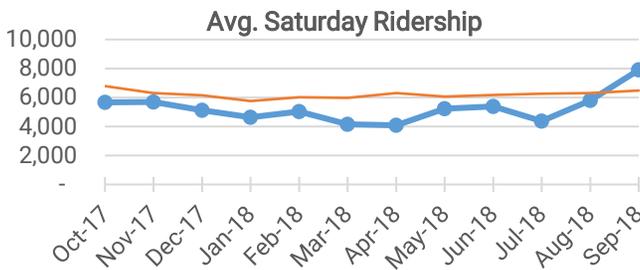
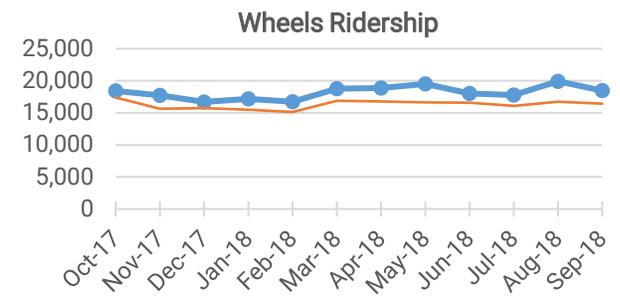
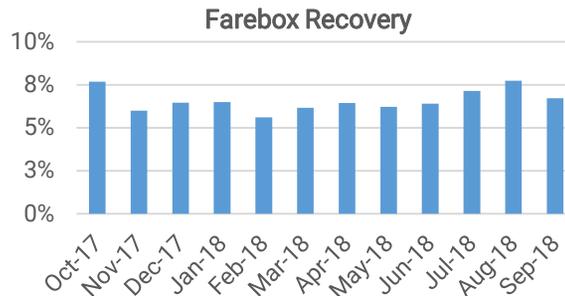
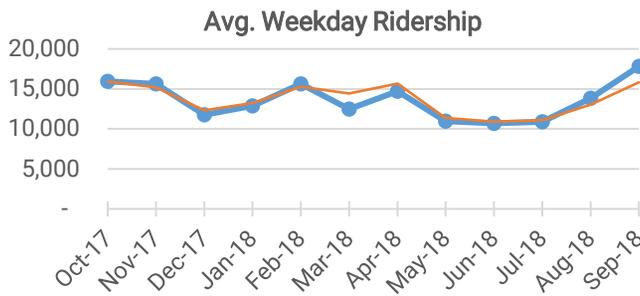
Other Reports?

Focus Areas?

More information?



Performance Indicator	Lextran Fixed Route System			Wheels		
	This Month	FY19 YTD	FY18 Total	This Month	FY19 YTD	FY18 Total
Total Ridership	404,872	1,035,139	3,933,347	18,487	56,206	213,830
Total Revenue Miles	138,228	424,313	1,712,430	133,239	417,911	1,635,660
Total Revenue Hours	15,832	47,591	194,649	10,349	32,792	127,399
Pass. per Mile	2.93	2.44	2.30	0.13	0.13	0.13
Pass. per Hour	25.57	21.75	20.21	1.79	1.71	1.68

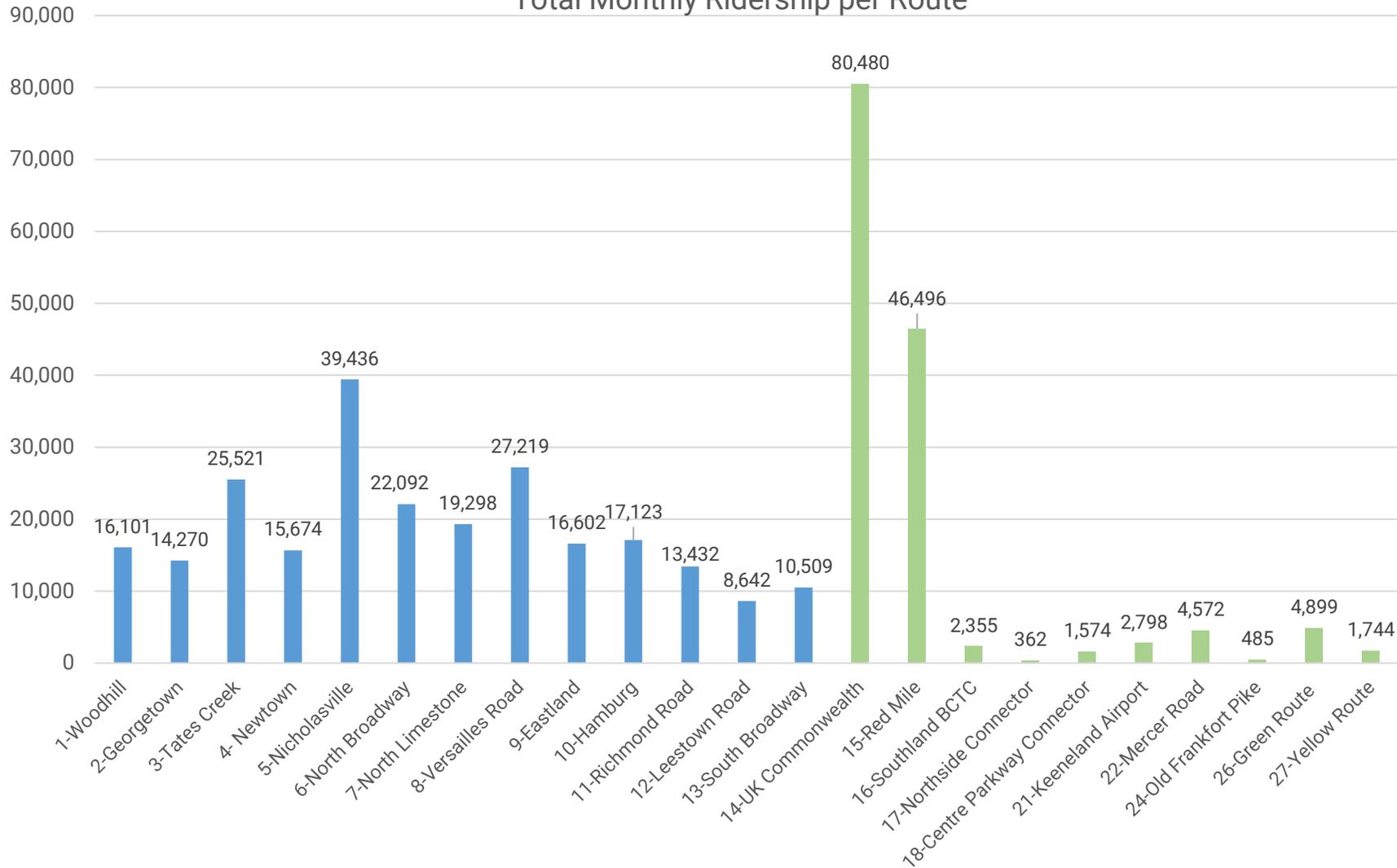


*Ridership for April used a mixture of farebox and automatic passenger count data.

Route Performance Indicators								
Route Name	Total Cost	Net Cost	Net Total Cost per Hour	Passengers per Mile	Passengers per Hour	Net Cost per Passenger	Farebox Recovery Rate	On-Time Performance
8-Versailles Road	\$86,292	\$72,853	\$93.07	4.03	34.77	\$2.68	15.6%	96.4%
6-North Broadway	\$80,948	\$68,942	\$88.32	3.96	28.30	\$3.12	14.8%	93.0%
7-North Limestone	\$74,658	\$65,755	\$91.28	3.75	26.79	\$3.41	11.9%	95.4%
5-Nicholasville	\$160,537	\$147,150	\$96.52	3.44	25.87	\$3.73	8.3%	84.3%
9-Eastland	\$79,287	\$71,365	\$91.63	3.17	21.32	\$4.30	10.0%	94.1%
1-Woodhill	\$91,153	\$84,205	\$104.67	2.15	20.01	\$5.23	7.6%	87.3%
4- Newtown	\$85,184	\$78,419	\$99.58	2.44	19.90	\$5.00	7.9%	85.5%
11-Richmond Road	\$79,747	\$73,918	\$105.01	2.05	19.08	\$5.50	7.3%	95.5%
2-Georgetown	\$85,483	\$80,253	\$103.44	2.13	18.39	\$5.62	6.1%	88.4%
3-Tates Creek	\$160,527	\$149,082	\$106.02	1.91	18.15	\$5.84	7.1%	82.7%
13-South Broadway	\$66,665	\$62,571	\$106.41	1.91	17.87	\$5.95	6.1%	94.6%
10-Hamburg	\$141,845	\$134,262	\$118.20	1.26	15.07	\$7.84	5.3%	80.6%
12-Leestown Road	\$75,496	\$71,877	\$111.91	1.31	13.46	\$8.32	4.8%	94.5%
14-UK Commonwealth	\$122,471	\$122,471	\$107.97	8.74	70.95	\$1.52	0.0%	NA
15-Red Mile	\$114,630	\$114,138	\$103.53	5.85	42.18	\$2.45	0.4%	81.1%
26-Green Route	\$25,982	\$25,982	\$114.72	2.24	21.63	\$5.30	0.0%	NA
27-Yellow Route	\$16,202	\$16,202	\$108.74	1.41	11.70	\$9.29	0.0%	NA
18-Centre Parkway Connector	\$43,747	\$41,893	\$123.83	0.36	4.65	\$26.62	4.2%	94.7%
17-Northside Connector	\$19,179	\$18,452	\$117.79	0.20	2.31	\$50.97	3.8%	71.7%
22-Mercer Road	\$32,651	\$30,536	\$111.07	1.58	16.63	\$6.68	6.5%	90.0%
16-Southland BCTC	\$26,022	\$25,200	\$104.04	1.22	9.72	\$10.70	3.2%	92.7%
21-Keeneland Airport	\$38,383	\$35,692	\$110.70	0.82	8.68	\$12.76	7.0%	92.3%
24-Old Frankfort Pike	\$18,298	\$18,140	\$105.81	0.36	2.83	\$37.40	0.9%	90.1%
Total	\$1,725,387	\$1,609,357	\$103.50	2.86	25.19	\$4.11	6.7%	87%

Note: Route 14 UK Commonwealth, Route 26 Green Route, and Route 27 Yellow Route do not collect fares.

September 2018 Total Monthly Ridership per Route



September Safety, Maintenance, and Operations Indicators

Indicator	Lextran Fixed Route System			Wheels		
	This Month	FY19 YTD	FY18 Total	This Month	FY19 YTD	FY18 Total
Preventable Accidents	3	6	38	5	9	16
Non-Preventable Accidents	1	9	56	3	4	18
Accident Frequency Rate	2.17	1.42	2.22	3.24	1.85	0.84
Accident Frequency Rate Goal*	1.75	1.75	1.75	2	2	2
Injury Frequency Rate	37.22	29.08	23.65	N/A	N/A	N/A
Injury Frequency Rate Goal**	27.04	27.04	27.04	N/A	N/A	N/A
Days without Preventable Accident	27	86	296	N/A	N/A	N/A
Days of Lost time	30	100	701	N/A	N/A	N/A
Workers Comp Claims	8	14	47	N/A	N/A	N/A
Miles Between Road Calls	3,638	4,612	3,451	N/A	N/A	N/A
Preventive Maintenance Inspections	24	110	441	N/A	N/A	N/A

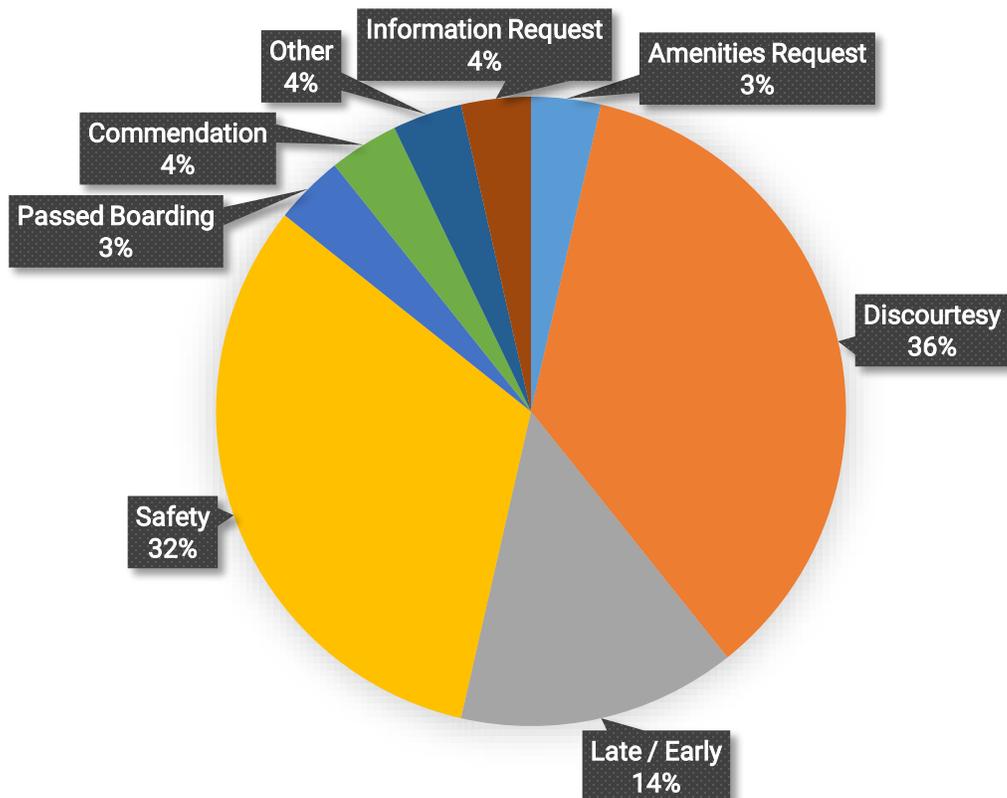
*The accident frequency goals are calculated per 100,000 miles.

**The incident frequency goal is calculated per 200,000 working hours.

September Call Logs

Comments by Type	Lextran Fixed Route System			Wheels		
	This Month	FY19 YTD	FY18 YTD	This Month	FY19 YTD	FY18 YTD
Total Commendations	1	3	1	4	6	6
Discourtesy	10	34	16	5	24	16
Late / Early	4	11	8	8	16	12
Safety	9	23	15	7	25	33
Passed	1	12	10	0	0	0
Other	1	11	6	0	0	0
Request: Information	1	5	1	1	1	1
Request: Service	0	0	12	0	0	0
Request: Amenities	1	6	0	0	0	0
Website	0	0	3	0	0	0
Total Calls into System	9,369	32,346	41,723	21,646	63,275	62,485
Total Calls into IVR	43,499	135,940	149,584	N/A	N/A	N/A
Average Length of Call	1:31	1:25	1:32	1:12	1:15	1:02
Average Time to Abandon	0:00	0:12	0:16	1:17	1:05	1:07

Lextran Comments for September 2018



The bus just pulled out of the Transit Center in front of me. Me and the car beside me had to hit our brakes. He looked in the mirror and gave a thumbs up.

I went into the McDonalds because I had plenty of time before the bus got to my stop. When I got out, the bus had already been through, at least 8 minutes early. I had to walk home.

A car pulled out in front of the bus and the driver had to slam on his brakes. This happens all the time and the driver did a great job that day keeping us safe.

The driver passed me once at the stop and would have passed me again and I had not been waving my arms and yelling. When I asked him what he was doing he told me I wasn't there, but I was. He was very inconsiderate and never apologized.



September 2018

Lextran in the media

September 19, 2018 Jacobson Park To Close For Disaster Exercise

<https://lex18.com/news/covering-kentucky/2018/09/19/jacobson-park-to-close-for-disaster-exercise>

September 26, 2018 Walk and Roll Week: Alternative Transportation Week of Fun Lextran is co-hosting this event

<https://uknow.uky.edu/campus-news/walk-and-roll-week-alternative-transportation-week-fun>