FINANCE COMMITTEE MEETING

September 30, 2020
9 a.m.

VIRTUAL MEETING INSTRUCTIONS
Held via Webex Video Conference:
Go to www.webex.com or download the app, and then when prompted:
Meeting number: 132 919 8765
Meeting password: xGAapvKV824

Audience or Lextran staff can join by phone for listen only:
312-535-8110 OR 408-418-9388
Enter Meeting Number when prompted.

Broadcast on YouTube at:
bit.ly/lextranmeeting

Contact Alan Jones at ajones@lextran.com for assistance or for access from outside the US

AGENDA

I.	Call to order	9:00
II.	Approval of Minutes – April 8, 2020	9:00 – 9:05
III.	Review of FY2020 Audit a. Cash flow analysis	9:05 – 10:00
IV.	Discussion of CARES Act funding	10:00 – 10:20
V.	Proposed Agenda Items	10:20 – 10:30
VI.	Adjournment	10:30

Lextran

FINANCE COMMITTEE MEETING
LEXTRAN BOARD OF DIRECTORS

MINUTES
April 8, 2020

VIA WEBEX VIDEO CONFERENCE

MEMBERS PRESENT
George Ward, Finance Committee Chair
Marci Krueger-Sidebottom, Board Member

MEMBERS ABSENT
Rick Christman, Board Member

OTHERS PRESENT
Carrie Butler, General Manager
Jill Barnett, Assistant General Manager
Fred Combs, Director of Planning, Technology & Comm. Relations
Nikki Falconbury, Director of Finance
Stephanie Hoke, Finance Coordinator
Stephanie Hunt, Administrative Projects Coordinator
Alan Jones, IT Coordinator
Anne-Tyler Morgan, McBrayer Law Firm, Board Attorney

CALL TO ORDER

Mr. Ward called the April 8, 2020 Lextran's Board of Directors Finance Committee Meeting to order at 1:02 p.m.

STAFF REPORT

Ms. Carrie Butler presented the first draft of the Fiscal Year 2021 Operating Budget for Lextran, starting on slide 6, per Mr. Ward's request. She explained the current known and unknown issues and the assumptions and forecasts that were used to develop the budget. A mid-year budget adjustment is likely, considering uncertainties surrounding COVID-19 and the extent of its effect on the Mass Transit Fund and local property taxes. Ms. Butler reviewed the five-year capital budget and various projects that have been started and that are slated to start this year, explaining the sources of funding for each of those projects. There were questions from the Committee regarding the funding for the Comprehensive Operations Analysis. Ms. Butler explained that it is a reimbursement grant from the state that will flow through Lexington-Fayette Urban County Government. In looking at revenue projections, Mr. Ward asked if the assumption was that Lextran would be collecting fares again, starting July 1, 2020. He also asked if there would be enough expenses cut so that, should there be a delay in UK opening campus back up for students, the bottom line for Lextran wouldn't be affected. Ms. Butler explained that the budget is currently set up as though we will start collecting fares again on July 1.

Ms. Krueger-Sidebottom asked what the drop in ridership has been due to COVID-19. Prior to Spring Break there were approximately 19,000 riders per day, and last week we had approximately 5,000 riders per day. Ms. Krueger-Sidebottom then questioned whether the amount for fares in the budget should be adjusted to a lower amount until sometime in the Fall. Ms. Butler explained that due to all the current uncertainties it could be less, or fares could be more. She cited examples in the past when gas prices were high or the unemployment rate rose, and there was a rise in ridership. Ms. Krueger-Sidebottom suggested that a drop in passenger fares be budgeted for now and Ms. Butler said it would be noted and discussed at the work session.

In the review of expenses, Ms. Butler explained that the largest expenses have remained the same as previous years: wages, fringe benefits, and paratransit. Mr. Ward asked if there was an increase in the number of employees. Ms. Butler explained there was not an increase in the number of employees. Ms. Krueger-Sidebottom noted the significant increase in the Dues, Training and Awards category. Ms. Falconbury explained that the safety banquet and awards ceremony was moved from the miscellaneous category. The Customer Service Training that was passed by board resolution is also included in that category.

Ms. Butler reviewed the most recent Five-Year Forecast. She mentioned that once more information is received regarding the CARES Act funds we will be able to make adjustments. Mr. Ward asked about the assumptions used for the budget. Ms. Butler and Ms. Falconbury explained that fare revenue and UK money were taken out for the rest of the fiscal year, and paratransit was reduced based on the last invoice from WHEELS – the number of trips has gone down drastically. Mr. Ward asked if the numbers for paratransit were down because of less demand, or if the Red Cross had sent employees home or laid some off. Ms. Butler explained that demand was down across the board and WHEELS had seen a reduction in the amount of trips requested and has had to make adjustments. Lextran is working with WHEELS to keep things going and WHEELS is currently running shadow buses on some routes where we know it's common to have passengers in wheelchairs. Mr. Ward questioned if there were any assumptions in the budget for 2021 that the first quarter will be down. Ms. Butler and Ms. Falconbury explained that the fares and property taxes were left flat. Mr. Ward recommended reducing the amount budgeted for the money coming from UK, because it's likely the campus will remain closed through the summer.

Mr. Ward and Ms. Krueger-Sidebottom thanked the Finance team for putting together the budget in this especially challenging time, and Mr. Ward mentioned that he appreciated that a mid-year review and possible adjustment of the budget were already being considered.

ADJOURNMENT

Meeting adjourned by consensus at 1:36 p.m.

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

A Component Unit of the Lexington-Fayette
Urban County Government

FINANCIAL STATEMENTS
June 30, 2020

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

FINANCIAL STATEMENTS
June 30, 2020

CONTENTS

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, 2020, and the fiduciary activities as of and for the year ended December 31, 2019, 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, 2020, and the fiduciary activities as of December 31, 2019 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.

(Continued)

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 (Asset), the Schedule of Employer Contributions – Pension Plan, and the Schedule of Annual Money-Weighted Rate of Return on Pension Plan on pages 34 - 36 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 October ________ 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.

[redacted]

[redacted]

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, 2020.

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. In a 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, 2020, 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, 2020 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.

AUTHORITY ACTIVITIES AND FINANCIAL HIGHLIGHTS

- The net position of the Authority increased by $5,155,000 during the year to $50,109,000.
- Total revenues earned by the Authority was approximately $33,488,000.
- Total expenses incurred by the Authority was approximately $28,333,000.
- The Authority had approximately $17,578,000 of notes payable outstanding at June 30, 2020, offset by cash proceeds and amounts invested in capital assets.
- Common operating statistical data is shown below:

	2020	Change	2019
Unlinked passenger trips	3,953,219	(12%)	4,492,245
Unlinked passenger trips	3,417,281	(5%)	3,589,123
Unlinked passenger trips	309,070	(6%)	328,871

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 $50,109,000 at June 30, 2020, an approximately $5,156,000 increase from June 30, 2019.

	2020	2019	Change from 2019	% Change from 2019
ASSETS				
Current assets	$ 21,236,000	$ 17,433,000	$ 3,803,000	21.8%
Noncurrent assets:				
Cash – restricted	596,000	1,154,000	(558,000)	(48.4)
Notes receivable	8,355,000	8,355,000	-	-
Net capital assets	39,141,000	38,611,000	530,000	1.4
Net pension asset	653,000	-	653,000	100.0
Total assets	69,981,000	65,553,000	4,428,000	6.8
Deferred outflows of resources	2,285,000	2,324,000	(39,000)	(1.7)
Total assets and deferred outflows of resources	$ 72,266,000	$ 67,877,000	$ 4,389,000	6.5%

FINANCIAL POSITION SUMMARY - PROPRIETARY FUND (Continued)

	2020	2019	Change from 2019	% Change from 2019
LIABILITIES				
Current liabilities	$ 1,951,000	$ 2,098,000	$ (147,000)	(7)%
Noncurrent liabilities	16,963,000	19,017,000	(2,054,000)	(10.8)
Total liabilities	18,914,000	21,115,000	(2,201,000)	(10.4)
Deferred inflows of resources	3,243,000	1,808,000	1,435,000	79.4
Total liabilities and deferred Inflows of resources	$ 22,157,000	$ 22,923,000	$ (766,000)	(3.3)%
NET POSITION				
Net investment in capital assets	$ 21,159,000	$ 21,248,000	$ 911,000	4.3%
Unrestricted	27,950,000	23,706,000	4,244,000	17.9
Total net position	$ 50,109,000	$ 44,954,000	$ 5,155,000	11.5%

Total assets increased approximately $4,428,000 due in part to the following:

- Current assets increased primarily due to timing of grant receivables.
- Purchase of six 40' CNG Buses.

Total liabilities decreased approximately $2,201,000 due in part to the following:

- Payments on outstanding notes payable of approximately $939,000.
- Changes in a net pension liability of approximately $1,000,000.

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 43% at June 30, 2020) 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 57% at June 30, 2020) may be used to meet any of the Authority's ongoing obligations.

CAPITAL ASSETS

At June 30, 2020, the Authority had approximately $39,141,000 invested in capital and other related assets, an increase of approximately $530,000 or 1.4% from 2019. At June 30, 2019, the Authority had approximately $38,611,000 invested in capital and other related assets

Major additions for the past two years include:

For the year ended June 30, 2020:	
• Bus Purchases	$ 3,103,000
• Bus Shelter Project	109,000
	$ 3,212,000
For the year ended June 30, 2019:	
• Computer equipment	$ 110,000
• Shop tools	19,000
• Phone system upgrade	34,000
	$ 163,000

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.

CAPITAL ASSETS (Continued)

A summary of changes in capital assets as of June 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Adjustment Increases	Ending Balance
Capital assets not being depreciated:					
Land	$ 1,705,671	$ -	$ -	$ -	$ 1,705,671
Transit Center easement	2,873,162	-	-	-	2,873,162
Construction in process	-	423,204	-	-	423,204
Total capital assets not being depreciated	4,578,833	423,204	-	-	5,002,037
Depreciable capital assets:					
Motor coaches and vans	27,461,930	3,103,160	41,180	73,264	30,597,174
Buildings	27,192,490	155,896	-	111,099	27,459,485
Equipment and fixtures	7,424,886	14,694	105,040	9,842	7,344,382
Total depreciable capital assets	62,079,306	3,273,750	146,220	194,205	65,401,041
Less accumulated depreciation	28,046,940	3,153,740	132,708	194,205	31,262,177
Total capital assets being depreciated	34,032,366	120,010	13,512	-	34,138,864
Net capital assets	$ 38,611,199	$ 543,214	$ 13,512	$ -	$ 39,140,901

A summary of changes in capital assets as of June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,705,671	$ -	$ -	$ 1,705,671
Transit Center easement	2,873,162	-	-	2,873,162
Total capital assets not being depreciated	4,578,833	-	-	4,578,833
Depreciable capital assets:				
Motor coaches and vans	27,461,930	73,264	73,264	27,461,930
Buildings	27,147,993	44,497	-	27,192,490
Equipment and fixtures	7,244,248	180,638	-	7,424,886
Total depreciable capital assets	61,854,171	298,399	73,264	62,079,306
Less accumulated depreciation	24,469,435	3,576,752	753	28,046,940
Total capital assets being depreciated	37,384,736	(3,278,353)	74,017	34,032,366
Net capital assets	$ 41,963,569	$ (3,278,353)	$ 74,017	$ 38,611,199

NOTES PAYABLE

Total notes payable at June 30, 2020 was $17,578,077, all of which is fixed rate debt. Of this total, $4,904,677 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 2019:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
$ 18,517,412	$ -	$ (939,335)	$ 17,578,077	$ 968,098

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION – PROPRIETARY FUND

	2020	2019	Change from 2019	% Change from 2019
Operating revenues	$ 3,366,000	$ 4,125,000	$ (759,000)	(18.4)%
Operating expenses	24,334,000	25,377,000	1,043,000	(4.1)
Loss before depreciation and non-operating revenue and expense	(20,968,000)	(21,252,000)	248,000	(1.3)
Depreciation	(3,154,000)	(3,577,000)	423,000	(11.8)
Loss before non-operating revenue and expense	(24,122,000)	(24,829,000)	707,000	(2.8)
Non-operating revenue and expense	28,026,000	22,508,000	5,518,000	24.5
Gain (loss) before capital contributions	3,904,000	(2,321,000)	6,225,000	268.2
Capital contributions	1,251,000	180,000	1,071,000	595.0
Change in net position	$ 5,155,000	$ (2,141,000)	$ 7,296,000	340.8%

REVENUE – PROPRIETARY FUND

A summary of revenues for the year ended June 30, 2020, and the amount and percentage of change in relation to prior year amounts is as follows:

	2020	2019	Change from 2019	% of Total	% Change from 2019
Operating:					
Passenger fares	$ 2,824,000	$ 3,584,000	$ (760,000)	8.4%	(21.2)%
Advertising	309,000	300,000	9,000	0.9	3.0
Other	233,000	241,000	(8,000)	0.7	(3.3)
Total operating	3,366,000	4,125,000	(759,000)	10.1	(18.4)
Non-operating revenues:					
Property taxes	19,444,000	18,798,000	646,000	58.1	3.4
Federal assistance	8,929,000	4,291,000	4,638,000	26.7	108.1
State assistance	498,000	466,000	32,000	1.5	6.9
Total non-operating	28,871,000	23,555,000	5,316,000	86.2	22.6
Capital contributions	1,251,000	180,000	1,071,000	3.7	595.5
Total revenues	$ 33,488,000	$ 27,860,000	$ 5,628,000	100.0%	20.2%

Non-operating revenues increased approximately $5,316,000 due in part to the following:

- Federal assistance increased approximately $4,638,000 due to CARES Act Funding.
- Property tax revenues received from the mass transit tax increased approximately $646,000.

EXPENSES – PROPRIETARY FUND

A summary of expenses for the year ended June 30, 2020, and the amount and percentage of change in relation to prior year amounts is as follows:

	2020	2019	Change from 2019	% of Total	% Change from 2019
Operating:					
Operations	$ 17,088,000	$ 17,734,000	$ (646,000)	60.3%	(3.6)%
Maintenance	3,755,000	4,345,000	(590,000)	13.3	(13.6)
General and administrative	2,969,000	2,744,000	225,000	10.5	8.2
Non-vehicle	522,000	554,000	(32,000)	1.8	(5.8)
Depreciation and amortization	3,154,000	3,577,000	(423,000)	11.1	(11.8)
Total operating	27,488,000	28,954,000	(1,466,000)	97.0	(5.1)
Non-operating:					
Loss from sale of capital assets	(35,000)	-	(35,000)	(0.1)	100.0
Interest expense	165,000	190,000	(25,000)	0.6	(13.2)
New market tax credit transaction fees	715,000	857,000	(142,000)	2.5	(16.6)
Total non-operating	845,000	1,047,000	(202,000)	3.0	19.3
Total expenses	$ 28,333,000	$ 30,001,000	$ (1,688,000)	100.0%	5.6%

Expenses decreased approximately $1,688,000 from $30,001,000 to $28,333,000 due in part to the following:

- Approximately $325,000 decrease in expenses related professional services and contract maintenance.
- Approximately $260,000 decrease in expenses related to the diesel fuel.
- Approximately $504,000 decrease in expenses related to materials and supplies.

The increase in net position for fiscal year 2020 was approximately $5,155,000 as compared to and decrease of approximately $2,141,000 in 2019.

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.

	2020	2019	Change from 2019	% Change from 2019
Operating activities	$ (21,214,000)	$ (21,467,000)	$ 253,000	(1.2)
Noncapital financing activities	28,286,000	24,487,000	3,799,000	15.5
Capital and related financing activities	(4,217,000)	(2,003,000)	(2,214,000)	110.5
Net change in cash	2,855,000	1,017,000	1,838,000	180.7
Cash, beginning of year	13,250,000	12,233,000	1,017,000	8.3
Cash, end of year	$ 16,105,000	$ 13,250,000	$ 2,855,000	21.5

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

CURRENT OUTLOOK

Fiscal years 2020 and 2021 have been significantly impacted by the COVID-19 pandemic. Lextran stopped collecting fares in March 2020, similar to many transit agencies nationwide, due to social distancing guidelines and an in effort to protect operators by limiting close contact with customers. In addition, high rates of unemployment, business closures, and the University of Kentucky shifting to virtual classes reduced ridership significantly from March through July. Ridership began to increase slightly in August and September, however it has remained well below ridership in previous years. Federal funding related to the CARES Act in the amount of $13.8 was awarded in fiscal year 20 to be utilized between January 20, 2020 and March 30, 2025. Several unknowns related to the pandemic remain – the likelihood of additional emergency funding, how ridership may recover moving forward, the impacts on funding at the federal and local levels, and how labor costs may be impacted due to impending labor contract negotiations and trends nationwide.

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, 2020

ASSETS	
Unrestricted current assets:	
Cash	$ 15,509,280
Receivables:	
Trade	199,507
Federal Department of Transportation	4,540,318
Commonwealth of Kentucky	80,879
Property taxes	192,397
Inventories of repair parts and fuel	685,763
Prepaid expenses	27,460
Total current assets	21,235,604
Restricted noncurrent assets:	
Cash – Loan proceeds	596,005
Unrestricted noncurrent assets:	
Nondepreciable capital assets	5,002,037
Depreciable capital assets	65,401,041
Accumulated depreciation	(31,262,177)
Depreciable capital assets, net	34,138,864
Note receivable	8,355,000
Net pension asset	653,456
Total noncurrent assets	48,745,362
Total assets	69,980,966
Deferred outflows of resources - pension	2,285,415
Total assets and deferred outflows of resources	$ 72,266,381
LIABILITIES	
Current liabilities:	
Notes payable, current portion	$ 968,098
Trade accounts payable	645,506
Accrued expenses	183,947
Compensated absences	152,826
Total current liabilities	1,950,377
Noncurrent liabilities:	
Notes payable, net of current portion	16,609,979
Compensated absences	353,789
Total noncurrent liabilities	16,963,768
Total liabilities	18,914,145
Deferred inflows of resources - pension	3,242,812
Total liabilities and deferred inflows of resources	22,156,957
NET POSITION	
Net investment in capital assets	22,158,829
Unrestricted	27,950,595
Total net position	50,109,424
Total liabilities, deferred inflows of resources and net position	$ 72,266,381

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, 2020

Operating revenues	
Passenger fares	$ 2,824,378
Advertising	309,309
Fuel tax refunds and other	233,382
Total operating revenues	3,367,069
Operating expenses	
Operations	17,087,854
Maintenance	3,755,282
General and administrative	2,969,295
Non-vehicle	522,166
Depreciation and amortization	3,153,740
Total operating expenses	27,488,337
Operating loss	(24,121,268)
Non-operating revenues (expenses)	
Property taxes	19,444,518
Federal assistance	8,929,010
State assistance	497,500
Interest expense	(164,695)
New market tax credit transaction fees	(714,958)
Gain on disposal of capital assets	34,606
Total non-operating revenues (expenses)	28,025,981
Gain before capital contributions	3,904,713
Capital contributions:	
Federal contributions	1,251,035
Total capital contributions	1,251,035
Change in net position	5,155,748
Net position, beginning of year	44,953,676
Net position, end of year	$ 50,109,424

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, 2020

Cash flows from operating activities	
Cash received from passengers and service contracts	$ 3,602,646
Cash payment to suppliers for goods and services	(10,143,762)
Cash payments to employees for services	(14,672,734)
Net cash flows from operating activities	(21,213,850)
Cash flows from noncapital financing activities	
Federal assistance	8,392,009
State assistance	540,674
Property taxes	19,353,393
Net cash flows from noncapital financing activities	28,286,076
Cash flows from capital and related financing activities	
Principal payments on note payable	(939,335)
Interest payments on note payable	(164,695)
New market tax credit transaction fees	(714,958)
Capital contributions	1,251,035
Proceeds from disposal of capital assets	48,117
Purchases of capital assets	(3,696,924)
Net cash flows from capital and related financing activities	(4,216,760)
Net change in cash	2,855,466
Cash, beginning of year	13,249,819
Cash, end of year	$ 16,105,285
Operating loss	$ (24,121,268)
Adjustments to reconcile loss from operations to cash used in operating activities:	
Depreciation and amortization	3,153,740
Change in net pension asset, deferred outflows and deferred inflows	(284,187)
Change in assets and liabilities:	
Trade receivables	235,577
Inventories of maintenance parts and fuel	(39,631)
Prepaid expenses	1
Accounts payable	(211,468)
Accrued expenses	31,188
Compensated absences	22,198
Net cash used in operating activities	$ (21,213,850)

See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
December 31, 2019

ASSETS	
Cash and cash equivalents	$ 458,279
Interest and dividends receivable	41,727
Investments, at fair value	
U.S. government obligations	3,560
Corporate bonds	3,957,348
Mutual funds	4,919,214
Corporate stocks	5,592,163
Total investments, at fair value	14,472,285
Total assets	$ 14,972,291
NET POSITION	
Net position restricted for pensions	$ 14,972,291

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year ended December 31, 2019

Additions	
Contributions	
Employer	$ 378,617
Plan members	439,917
Total contributions	818,534
Investment earnings	
Net appreciation in fair value of investments	2,219,952
Interest and dividend income	333,685
Total investment income	2,553,637
Total additions	3,372,171
Deductions	
Benefit payments	(688,445)
Administrative expenses	(5,000)
Total deductions	(693,445)
Net increase in net position	2,678,726
Plan net position, beginning of the year	12,293,565
Plan net position, end of the year	$ 14,972,291

See accompanying notes to financial statements.

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)

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, 2019.

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, 2019, total revenue recognized by the Authority was $1,876,653.

- *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 30.4% of total 2020 revenues. The Authority relies on property taxes for operations and capital acquisitions. Property tax revenues represented approximately 58.1% of total revenues in 2020.

(Continued)

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, 2020, the accompanying financial statements reflect property taxes receivable of $192,397. 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, 2020 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.

(Continued)

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	$ 484,417	$ 888,159	$ (865,961)	$ 506,615	$ 152,826

The total non-vested portions of sick and personal leave amounted to $351,272 as of June 30, 2020.

Net Pension Asset: The Authority has recorded a net pension asset 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 asset, 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, 2020. Settlements have not exceeded insurance coverage for the three years ended June 30, 2020. 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)

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingencies: As of June 30, 2020, the Authority had not received the final project closeout for all grants for the year ended June 30, 2020. 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.

COVID-19 Impacts: In December 2019, novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Authority could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity of investment results will depend on future developments which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions required to contain the coronavirus. The Authority has not included any contingencies in the financial statements specific to this issue.

NOTE 2 – CASH AND CASH EQUIVALENTS

As of June 30, 2020, the Authority had cash balances totaling $16,105,285. Of this total, $15,509,280 is unrestricted and $595,972 is unspent proceeds from the issuance of notes payable that is restricted per the note agreements for construction projects.

As of June 30, 2020, the Authority held no investments, as all deposits were classified as cash and cash equivalents.

Custodial Credit Risk: All of the Authority's deposits are either insured or collateralized. At June 30, 2020, the carrying amount of the Authority's deposits was approximately $16,105,000 and the bank balance was approximately $16,174,000. 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)

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, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Adjustment Increases	Ending Balance
Capital assets not being depreciated:					
Land	$ 1,705,671	$ -	$ -	$ -	$ 1,705,671
Transit Center easement	2,873,162	-	-	-	2,873,162
Construction in process	-	423,204	-	-	423,204
Total capital assets not being depreciated	4,578,833	423,204	-	-	5,002,037
Depreciable capital assets:					
Motor coaches and vans	27,461,930	3,103,160	41,180	73,264	30,597,174
Buildings	27,192,490	155,896	-	111,099	27,459,485
Equipment and fixtures	7,424,886	14,694	105,040	9,842	7,344,382
Total depreciable capital assets	62,079,306	3,273,750	146,220	194,205	65,401,041
Less accumulated depreciation	28,046,940	3,153,740	132,708	194,205	31,262,177
Total capital assets being depreciated	34,032,366	120,010	13,512	-	34,138,864
Net capital assets	$ 38,611,199	$ 543,214	$ 13,512	$ -	$ 39,140,901

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.

(Continued)

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, 2020, total tire lease expense was $78,430.

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. A second extension option was exercised in February of 2020 for 53 months to expire June 30, 2024. The rent per the lease agreement is $2,000 per annum. For the year ended June 30, 2020, 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 2020:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
$ 18,517,412	$ -	$ (939,335)	$ 17,578,077	$ 968,098

Notes payable consist of the following at June 30, 2020:

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.	$ 4,904,677
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.	1,971,700
Total notes payable	17,578,077
Less current portion	968,098
Long term portion of notes payable	$16,609,979

(Continued)

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, 2020, are as follows:

	Principal	Interest	Total
Year ended June 30,			
2021	$ 968,098	$ 318,873	$ 1,286,971
2022	997,743	289,228	1,286,971
2023	1,028,295	258,676	1,286,971
2024	1,059,783	227,188	1,286,971
2025	816,081	195,429	1,011,510
2026-2030	34,677	925,629	960,306
2031-2035	-	925,629	925,629
2036-2040	-	925,269	925,629
2041-2045	12,673,400	925,629	13,599,029
	$ 17,578,077	$ 4,991,910	$ 22,569,987

* 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, 2020. 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% (.16% at June 30, 2020) and matures on April 20, 2021. 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)

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 December 31, 2019:

	Fair Value Measurements as of December 31, 2019		
	Level 1	Level 2	Level 3
Investments at fair value			
U.S. government obligations	$ -	$ 3,560	$ -
Corporate bonds	-	3,957,348	-
Corporate stocks	5,592,163	-	-
Mutual funds	4,919,214	-	-
Total investments by fair value level	$10,511,377	$ 3,960,908	$ -

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)

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, 2019, the carrying amount and bank balance of the Authority's deposits was approximately $458,000.

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, 2019, 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, 2019, 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 December 31, 2019 are listed below:

Investment	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years	S&P Rating	Fair Value
U.S. Government obligations	$ 3,560	$ -	$ -	$ -	$ 3,560	AA+	$ -
Corporate bonds	3,957,348	678,312	2,408,683	509,448	360,905	AA-	-
	$ 3,960,908	$ 678,312	$ 2,408,683	$ 509,448	$ 364,465	A+	128,104
						A	390,422
						A	1,407,335
						BBB+	735,914
						BBB	681,475
						BBB-	487,510
						NR	130,148
							$ 3,960,908

(Continued)

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, 2020, 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	80
• Active employees	188

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 Asset: The Authority's net pension asset was measured as of January 1, 2020 and the total pension liability used to calculate the net pension asset 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	320,000
Mortality rates	PubG-2010 Table with MP-2019
Salary growth rate	Not applicable
Inflation rate	None

Changes in Assumptions: Since the prior measurement date the only change in assumption related to the mortality rates utilized. The change was from the RP-2014 Mortality table to the PubG-2010 with MP-2019.

(Continued)

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:

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

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 20.7%.

Discount Rate: The discount rate used to measure the total pension asset 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at January 1, 2019	$ 13,396,277	$ 12,293,565	$ 1,102,712
Changes for the year:			
Service cost	610,201	-	610,201
Interest	868,215	-	868,215
Differences between expected and actual experience	(468,265)	-	(468,265)
Changes of Assumptions	600,852	-	600,852
Contributions – employer	-	439,917	(439,917)
Contributions – employee	-	378,617	(378,617)
Net investment income	-	2,553,637	(2,553,637)
Benefit payments, including refunds of employee contributions	(688,445)	(688,445)	-
Administrative expense	-	(5,000)	5,000
Net changes	922,558	2,678,726	(1,756,168)
Balance at December 31, 2019	$ 14,318,835	$ 14,972,291	$ (653,456)

(Continued)

NOTE 8 – RETIREMENT PLANS (Continued)

Sensitivity of the Net Pension Asset 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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Authority's net pension liability (asset)	$ 1,115,450	$ (653,456)	$ (2,132,447)

Pension Plan Fiduciary Net Position: The net position of the fiduciary fund was $14,972,291 at December 31, 2019. 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, 2020, the Authority recognized pension expense of $321,434. At June 30, 2020, 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	$ -	$ 1,394,192
Changes of assumptions	912,752	-
Net difference between projected and actual earnings on pension plan investments	1,158,349	1,848,620
Total to be amortized over time	2,071,101	3,242,812
Authority contributions subsequent to the measurement date	214,314	-
Total deferred amounts	$ 2,285,415	$ 3,242,812

(Continued)

NOTE 8 – RETIREMENT PLANS (Continued)

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date of $214,314 will be recognized as a reduction of the net pension asset in the year ended June 30, 2021. 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:	
2021	$ (253,616)
2022	(242,052)
2023	(21,720)
2024	(407,836)
2025	(58,738)
Thereafter	(187,749)
	$ (1,171,711)

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, 2020, employee contributions totaled $93,176, and the Authority recognized employer contribution expense of $22,011. At June 30, 2020, 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.

(Continued)

NOTE 9 – NEW MARKET TAX CREDITS (Continued)

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.

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.

(Continued)

NOTE 9 – NEW MARKET TAX CREDITS (Continued)

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.

NOTE 10 – CONDENSED COMBINING INFORMATION

The following summarizes the combining information for the statement of net position as of June 30, 2020:

	Transit Authoriy of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Current assets	$ 21,631,430	$ -	$ 104,174	$ (500,000)	$ 21,235,604
Capital assets	27,754,457	11,386,444	-	-	39,140,901
Other assets	9,008,456	596,005	8,355,000	(8,355,000)	9,604,461
Deferred outflows	2,285,415	-	-	-	2,285,415
Total assets and deferred outflows	60,679,758	11,982,449	8,459,174	(8,855,000)	72,266,381
Current liabilities	1,950,377	500,000	-	(500,000)	1,950,377
Noncurrent liabilities	4,290,368	12,673,400	8,355,000	(8,355,000)	16,963,768
Deferred inflows	3,242,812	-	-	-	3,242,812
Total liabilities and deferred inflows	9,483,557	13,173,400	8,355,000	(8,855,000)	22,156,957
Net Position					
Net investment in capital assets	22,849,780	(690,951)	-	-	22,158,829
Unrestricted	28,346,421	(500,000)	104,174	-	27,950,595
Total net position	$ 51,196,201	$ (1,190,951)	$ 104,174	$ -	$ 50,109,424

(Continued)

NOTE 10 – CONDENSED COMBINING INFORMATION (Continued)

The following summarizes the combining information for the statement of revenues, expenses, and changes in net position for the year ended June 30, 2020:

	Transit Authoriy of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Operating revenues					
Passenger fares	$ 2,824,378	$ -	$ -	$ -	$ 2,824,378
Advertising	309,309	-	-	-	309,309
Other	649,832	801,816	83,550	(1,301,816)	233,382
Total operating revenues	3,783,519	801,816	83,550	(1,301,816)	3,367,069
Operating expenses					
Operating expenses	$ 25,636,165	$ -	$ 248	$ (1,301,816)	$ 24,334,597
Depreciation and amortization	2,781,510	372,230	-	-	3,153,740
Total operating expenses	28,417,675	372,230.00	248	(1,301,816)	27,488,337
Operating income (loss)	(24,634,156)	429,586	83,302	-	(24,121,268)
Non-operating revenues (expenses)					
Property taxes	19,444,518	-	-	-	19,444,518
Federal assistance	8,929,010	-	-	-	8,929,010
State assistance	497,500	-	-	-	497,500
New market tax credit transaction fees	-	(714,958)	-	-	(714,958)
Interest Expense	(164,695)	-	-	-	(164,695)
Loss from sale of capital assets	34,606	-	-	-	34,606
Total non-operating revenues (expenses)	28,740,939	(714,958)	-	-	28,025,981
Capital contributions	1,251,035	-	-	-	1,251,035
Change in net position	5,357,818	(285,372)	83,302	-	5,155,748
Net position, beginning of year	44,721,692	211,112	20,872	-	44,953,676
Net position, end of year	$ 50,079,510	$ (74,260)	$ 104,174	$ -	$ 50,109,424

The following summarizes the combining information for the statement of cash flows for the year ended June 30, 2020:

	Transit Authoriy of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Net cash provided (used) by:					
Operating activities	$ (21,297,152)	$ -	$ 83,302	$ -	$ (21,213,850)
Noncapital financing activities	28,286,076	-	-	-	28,286,076
Capital and related financing activities	(4,803,647)	586,887	-	-	(4,216,760)
Net change in cash	2,185,277	586,887	83,302	-	2,855,466
Beginning cash and cash equivalents	13,219,829	9,118	20,872	-	13,249,819
Ending cash and cash equivalents	$ 15,405,106	$ 596,005	$ 104,174	$ -	$ 16,105,285

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY (ASSET)
Plan year ended December 31, 2019

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	$ 610,201	$ 598,783	$ 578,460	$ 571,542	$ 603,766
Interest	868,215	848,669	820,605	782,444	754,084
Differences between expected and actual experience	(468,265)	(460,853)	(331,676)	(182,823)	(386,269)
Changes of assumptions	600,852	-	-	-	-
Benefit payments, including refunds of employee	(688,445)	(694,764)	(596,909)	(578,152)	(460,082)
Net change in total pension liability	922,558	291,835	470,480	593,011	511,499
Total pension liability – beginning	13,396,277	13,104,442	12,633,962	12,040,951	11,529,452
Total pension liability – ending	$14,318,835	$13,396,277	$13,104,442	$12,633,962	$12,040,951
Plan fiduciary net position					
Contributions – employer	$ 439,917	$ 399,577	$ 379,082	$ 450,724	$ 471,580
Contributions – employee	378,617	464,270	464,167	350,973	367,214
Net investment income	2,553,637	(1,060,752)	1,838,678	739,691	(89,256)
Benefit payments, including refunds of employee	(688,445)	(694,764)	(596,909)	(578,152)	(460,082)
Administrative expense	(5,000)	(7,063)	(6,813)	(14,331)	(13,335)
Net change in plan fiduciary net position	2,678,726	(898,732)	2,078,205	948,905	276,121
Plan fiduciary net position – beginning	12,293,565	13,192,297	11,114,092	10,165,187	9,889,066
Plan fiduciary net position – ending	$14,972,291	$12,293,565	$13,192,297	$11,114,092	$10,165,187
Authority's net pension liability (asset) -- ending	$ (653,456)	$ 1,102,712	$ (87,855)	$ 1,519,870	$ 1,875,764
Plan fiduciary net position as a percentage of the total pension liability	104.56%	91.77%	100.67%	87.97%	84.42%
Covered payroll	$10,351,028	$ 9,680,930	$ 9,228,639	$ 8,718,644	$ 8,521,947
Authority's net pension liability as a percentage of covered payroll	(6.31%)	11.39%	(.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 that occurred within the fiscal year.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year ended December 31, 2019

	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 309,321	$ 134,513	$ 285,714	$ 322,476	$ 301,322
Contributions in relation to the actuarially determined contribution	408,084	365,977	407,903	357,456	362,626
Contribution excess	$ (98,763)	$ (231,464)	$ (122,189)	$ (34,980)	$ (61,304)
Covered payroll	$10,351,028	$ 9,680,930	$ 9,228,639	$ 8,718,644	$ 8,521,947
Contributions as a percentage of covered payroll	3.94%	3.78%	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	11 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 65, or age 62 with 10 years of service.
Mortality	PubG-2010 Table with MP-2019

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, 2019

Year ending December 31	Annual Money-Weighted Rate of Return
2010	10.1%
2011	(3.7)%
2012	7.5%
2013	14.8%
2014	4.6%
2015	(0.9)%
2016	7.2%
2017	16.4%
2018	(8.0)%
2019	20.7%

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF NET POSITION (PROPRIETARY FUND)
June 30, 2020

	Transit Authoriy of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Unrestricted current assets:					
Cash	$ 15,405,106	$ -	$ 104,174	$ -	$ 15,509,280
Accounts receivable	-				
Trade	699,507	-	-	(500,000)	199,507
Federal Department of Transportation	4,540,318	-	-	-	4,540,318
Commonwealth of Kentucky	80,879	-	-	-	80,879
Property taxes	192,397	-	-	-	192,397
Inventories of repair parts and fuel	685,763	-	-	-	685,763
Prepaid expenses	27,460	-	-	-	27,460
Total current assets	21,631,430	-	104,174	(500,000)	21,235,604
Restricted noncurrent assets:					
Cash	-	596,005	-	-	596,005
Unrestricted noncurrent assets:					
Note receivable	8,355,000	-	8,355,000	(8,355,000)	8,355,000
Nondepreciable capital assets	3,296,366	1,705,671	-	-	5,002,037
Depreciable capital assets	24,458,091	9,680,773	-	-	34,138,864
Net pension asset	653,456	-	-	-	653,456
Total noncurrent assets	36,762,913	11,982,449	8,355,000	(8,355,000)	48,745,362
Total assets	58,394,343	11,982,449	8,459,174	(8,855,000)	69,980,966
Deferred outflows of resources	2,285,415	-	-	-	2,285,415
Total assets and deferred outflows	$ 60,679,758	$ 11,982,449	$ 8,459,174	$ (8,855,000)	$ 72,266,381

(Continued)

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF NET POSITION (PROPRIETARY FUND)
June 30, 2020

	Transit Authoriy of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Notes payable, current portion	$ 968,098	$ -	$ -	$ -	$ 968,098
Trade accounts payable	645,506	500,000	-	(500,000)	645,506
Accrued expenses and other liabilities	183,947	-	-	-	183,947
Compensated absences	152,826	-	-	-	152,826
Total current liabilities	1,950,377	500,000	-	(500,000)	1,950,377
Notes payable, net of current portion	3,936,579	12,673,400	8,355,000	(8,355,000)	16,609,979
Compensated absences	353,789	-	-	-	353,789
Total noncurrent liabilities	4,290,368	12,673,400	8,355,000	(8,355,000)	16,963,768
Total liabilities	6,240,745	13,173,400	8,355,000	(8,855,000)	18,914,145
Deferred inflows of resources	3,242,812	-	-	-	3,242,812
Total liabilities and deferred inflows	9,483,557	13,173,400	8,355,000	(8,855,000)	22,156,957
Net position					
Net investment in capital assets	22,849,780	(690,951)	-	-	22,158,829
Unrestricted	28,346,421	(500,000)	104,174	-	27,950,595
Total net position	51,196,201	(1,190,951)	104,174	-	50,109,424
Total liabilities, deferred inflows and net position	$ 60,679,758	$ 11,982,449	$ 8,459,174	$ (8,855,000)	$ 72,266,381

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION (PROPRIETARY FUND)
June 30, 2020

	Transit Authoriy of Lexington-Fayette Urban County Government	Lextran Real Properties, Inc.	Lextran Foundation, Inc.	Eliminations	Total Consolidated Balance
Operating revenues					
Passenger fares	$ 2,824,378	$ -	$ -	$ -	$ 2,824,378
Advertising	309,309	-	-	-	309,309
Fuel tax refunds and other	649,832	801,816	83,550	(1,301,816)	233,382
Total operating revenues	3,783,519	801,816	83,550	(1,301,816)	3,367,069
Operating expenses					
Operations	17,087,854	-	-	-	17,087,854
Maintenance	3,755,282	-	-	-	3,755,282
General and administrative	4,270,863	-	248	(1,301,816)	2,969,295
Non-vehicle	522,166	-	-	-	522,166
Depreciation and amortization	2,781,510	372,230	-	-	3,153,740
Total operating expenses	28,417,675	372,230	248	(1,301,816)	27,488,337
Operating income (loss)	(24,634,156)	429,586	83,302	-	(24,121,268)
Non-operating revenues (expenses)					
Property taxes	19,444,518	-	-	-	19,444,518
Federal assistance	8,929,010	-	-	-	8,929,010
State assistance	497,500	-	-	-	497,500
New market tax credit transaction fees	-	(714,958)	-	-	(714,958)
Interest expense	(164,695)	-	-	-	(164,695)
Gain (loss) from sale of capital assets	34,606	-	-	-	34,606
Total non-operating revenues (expenses)	28,740,939	(714,958)	-	-	28,025,981
Income (loss) before capital contributions	4,106,783	(285,372)	83,302	-	3,904,713
Capital contributions					
Federal contributions	1,251,035	-	-	-	1,251,035
Total capital contributions	1,251,035	-	-	-	1,251,035
Change in net position	5,357,818	(285,372)	83,302	-	5,155,748
Net position, beginning of year	45,838,383	(905,579)	20,872	-	44,953,676
Net position, end of year	$ 51,196,201	$ (1,190,951)	$ 104,174	$ -	$ 50,109,424

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020

Federal Grantor/ Program or Cluster Title	CFDA Number	Pass-through or Federal Grant Number	Expenditures
Department of Transportation			
Federal Transit Administration			
Direct Programs:			
Federal Transit Cluster:			
Federal Transit Formula Grants	20.507	KY-2016-019	$ 33,505
Federal Transit Formula Grants	20.507	KY-2017-012	41,895
Federal Transit Formula Grants	20.507	KY-2018-011	124,625
Federal Transit Formula Grants	20.507	KY-2019-010	205,126
Federal Transit Formula Grants	20.507	KY-2020-005	4,116,970
COVID-19- Federal Transit Formula Grants	20.507	KY-2020-010	4,402,448
Buses and Bus Facilities Formula Grants	20.526	KY-2018-010	481,020
Buses and Bus Facilities Formula Grants	20.526	KY-2019-009	627,785
Total Federal Transit Cluster			10,033,374
Direct Programs:			
Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities Program	20.513	KY-2017-001	87,373
Section 5312 Research, Development, Demonstration, and Deployment Projects Program	20.514	KY-26-0006-00	59,298
Total Expenditures of Federal Awards			$10,180,045

See accompanying notes to schedule of expenditures of federal awards.

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 2020.

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, 2020 and the fiduciary activities as of and for the year ended December 31, 2019, 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 <>, 2020.

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.

(Continued)

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.

[redacted]

[redacted]

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, 2020. 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, 2020.

(Continued)

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, 2020 and the fiduciary activities as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated <>, 2020, 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.

[redacted]

[redacted]

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements				
Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No
Federal Awards				
Internal control over major programs:				
Material weakness(es) identified?		Yes	X	None Reported
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2CFR200.516(a)?		Yes	X	None Reported

Identification of major programs:

CFDA Number(s)	**Name of Federal Program or Cluster Number**
20.507, 20.256	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

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, 2020.

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, 2020.