FINANCE COMMITTEE MEETING

September 23, 2021
9:00 a.m.

MEETING INSTRUCTIONS

The September 23, 2021 Finance Committee meeting will be held in person as well as live-streamed. You may access the livestream on Youtube at:

bit.ly/lextranmeeting

AGENDA

I.	Call to order	9:00		
II.	Approval of Minutes – April 6, 2021	9:00	–	9:05
III.	FY2021 Audit	9:05	–	9:40
IV.	Cash Reserve Policy	9:40	–	9:55
V.	Proposed Agenda Items	9:55	–	10:00
VI.	Adjournment	10:00		

FINANCE COMMITTEE MEETING
LEXTRAN BOARD OF DIRECTORS

MINUTES
April 6, 2021

VIA WEBEX VIDEO CONFERENCE

MEMBERS PRESENT
George Ward, Finance Committee Chair
Jamie Rodgers, Board Member
Rick Christman, Board Member
Jill Barnett, General Manager
Nikki Falconbury, Director of Finance & HR

MEMBERS ABSENT

OTHERS PRESENT
Fred Combs, Director of Planning, Technology & Comm. Relations
Stephanie Hoke, Finance Manager
Alan Jones, Systems Administrator
Anne-Tyler Morgan, McBrayer Law Firm, Board Attorney

CALL TO ORDER
Mr. Ward called the April 6, 2021 Lextran's Board of Directors Finance Committee meeting to order at 1:00 p.m.

Due to the COVID-19 pandemic, state of emergency and Governor Beshear's Executive Orders regarding social distancing, this meeting of the Lextran Board of Directors Finance Committee was held via video-teleconference pursuant to Senate 150 (as signed by the Governor on March 30, 2020) and Attorney General Opinion 20-05, and in accordance with KRS 61.826, because it was not feasible to offer a primary physical location for the meeting.

APPROVAL OF MINUTES
Mr. Ward called for a motion to approve the January 20, 2021 meeting minutes. Mr. Christman made a motion to approve the minutes, and it was seconded by Ms. Rodgers. The motion carried unanimously.

FY2022 BUDGET
Ms. Barnett reviewed highlights from FY2021:
- Lextran was awarded $5.2 million in Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA) for the reimbursement of operating expenses, with an emphasis on payroll in January 2021
- Radio communications partnership with LFUCG was approved in January 2021
- The Fifth Third loan for the HQ project was paid in full on February 10, 2021
- FTA site visit for Triennial Review is scheduled for April 2021

- Lextran will offer service to the Keeneland Spring Meet in April 2021
- Service improvements begin on May 16, 2021
- The American Rescue Plan of 2021 was signed by President Biden in March 2021 ($14M)
    - Eligible projects are to be determined. Funds available until Sept. 2024

Ms. Barnett also presented a look at what is to be expected for FY2022 including labor contract negotiations, the award of a new management contract, the Transit Center rehabilitation project, Comprehensive Operations Analysis recommendations, Ridership Amenities in Many Places Phase II, Advancing Innovations in Mobility project, Canopy design and construction, the New Markets Tax Credits transaction dissolves, and no budgeted increase for fuel costs.

Ms. Falconbury presented the proposed operating budget located on page 7 of the April 6, 2021 Lextran Board of Directors Finance Committee Board packet. The property tax revenue has been budgeted with a 2% increase. The federal funds include the 5307 funds for preventive maintenance and paratransit cost as well as the CARES and CRRSA funds received. The University of Kentucky partnership is budgeted based on our current contract, as the discussion stage continues for the partnership. Passenger fares are projecting about 40% lower currently, which aligns with transit industry standards. The New Markets Tax Credits transaction dissolves in March 2022, which will cause the lease to end. State funding is currently uncertain, though a request letter has been submitted for a match on 5307 funds.

The wages and fringe are the largest expenses and include a health insurance increase as predicted by the broker. Unemployment insurance and workers compensation insurance are expected to increase. Fuel and oil are budgeted to be the same amount as the FY2021 budget, including $2.20 a gallon average cost for diesel fuel. The additional CNG and Electric buses are projected to increase the utilities expenses but should also lower the fuel expense. Ms. Rodgers asked about the professional services and the increase in the budget amount. Ms. Falconbury replied that the increase in budget includes an increase in legal fees, the new management contract and the New Markets Tax Credit transaction that will be dissolved.

Ms. Falconbury reviewed the 5 Year Capital Plan located on page 8 of the April 6, 2021 Lextran Board of Directors Finance Committee Board packet. Ms. Falconbury noted a correction on the Bus Canopy total for $2,200,000. The Transit Center project should carry over to the next two to three years. The Volkswagen Settlement funds shown in FY2021 budget is the match for the Congestion Mitigation & Air Quality (CMAQ) grant. The Volkswagen Settlement funds shown in FY2022 is a 50% match for four CNG buses. Mr. Ward asked about the Capital Cost of Contracting (Paratransit). Ms. Falconbury explained that Lextran is eligible to pay up to 50% of paratransit and preventive maintenance from federal funds. Mr. Ward asked about increasing the Transit Enhancements budget to allow more shelters and benches at bus stops. Mr. Christman also commented that he would like to add more shelters to bus stops. He would like to see shelters at all bus stops. Mr. Combs replied that Lextran has approximately 1,000 bus stops in Lexington and shelters cannot be placed at some of them due to space, public right-of-way, private property, etc. Ms. Falconbury recommended looking at the comprehensive operations analysis to see if there are particular areas listed for shelters. Mr. Combs stated that bus stop renovations are included with the Rider Amenities at Many Places (RAMP) project and Lextran has currently completed 33 stops. The RAMP budget items also include repairing roadway or stop improvements in general.

PROPOSED AGENDA ITEMS

a. Mass Transit Fund Reserve Policy
b. Investment Policy
c. Competitive Wage Scales
d. Long Term Implementations on Property Tax

ADJOURNMENT

Mr. Ward called for a motion to adjourn the April 6, 2021 meeting of the Lextran Board of Directors Finance Committee. Ms. Rogers made a motion that was seconded by Mr. Christman. The meeting adjourned by consensus at 2:06 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, 2021

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

FINANCIAL STATEMENTS
June 30, 2021

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, 2021, and the fiduciary activities as of and for the year ended December 31, 2020, 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, 2021, and the fiduciary activities as of December 31, 2020 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 <>, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Crowe LLP

Lexington, Kentucky
<>, 2021

(Continued)

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, 2021, 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, 2021 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.

(Continued)

AUTHORITY ACTIVITIES AND FINANCIAL HIGHLIGHTS

- The net position of the Authority increased by $6,788,000 during the year to $56,898,000.
- Total revenues earned by the Authority was approximately $35,428,000.
- Total expenses incurred by the Authority was approximately $28,640,000.
- The Authority had approximately $12,672,000 of notes payable outstanding at June 30, 2021, offset by cash proceeds and amounts invested in capital assets.
- Common operating statistical data is shown below:

	2021	Change	2020
Unlinked passenger trips	2,531,071	(36%)	3,953,219
Vehicle revenue miles	3,012,316	(11%)	3,417,281
Vehicle revenue hours	287,580	(7%)	309,070

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 $57,286,000 at June 30, 2021, an approximately $3 increase from June 30, 2020.

	2021	2020	Change from 2020	% Change from 2020
ASSETS				
Current assets	$ 23,399,000	$ 21,236,000	$ 2,163,000	10%
Noncurrent assets:				
Cash – restricted	707,000	596,000	111,000	19
Notes receivable	8,355,000	8,355,000	-	8
Net capital assets	38,367,000	39,141,000	(774,000)	(2)
Net pension asset	2,118,000	653,000	1,465,000	224
Total assets	72,946,000	69,981,000	2,965,000	4
Deferred outflows of resources	1,757,000	2,285,000	(528,000)	(23)
Total assets and deferred outflows of resources	$ 74,703,000	$ 72,266,000	$ 2,437,000	3%

(Continued)

FINANCIAL POSITION SUMMARY - PROPRIETARY FUND (Continued)

	2021	2020	Change from 2020	% Change from 2020
LIABILITIES				
Current liabilities	$ 999,000	$ 1,951,000	$ (952,000)	(49%)
Noncurrent liabilities	12,998,000	16,963,000	(3,965,000)	(23)
Total liabilities	13,997,000	18,914,000	(4,917,000)	(26)
Deferred inflows of resources	3,420,000	3,243,000	177,000	5
Total liabilities and deferred Inflows of resources	$ 17,417,000	$ 22,157,000	$ (4,351,000)	(20%)
NET POSITION				
Net investment in capital assets	$ 26,400,000	$ 22,159,000	$ 4,241,000	19%
Unrestricted	30,886,000	27,950,000	2,936,000	11
Total net position	$ 57,286,000	$ 50,109,000	$ 7,177,000	14%

Total assets increased approximately $2,965,000 due in part to the following:

- Current assets increased primarily due to timing of grant receivables.
- Changes in net pension asset of approximately $1,465,000.

Total liabilities decreased approximately $4,917,000 due in part to the following:

- Payments on outstanding notes payable of approximately $4,905,000.

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 46% at June 30, 2021) 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 54% at June 30, 2021) may be used to meet any of the Authority's ongoing obligations.

(Continued)

CAPITAL ASSETS

At June 30, 2021, the Authority had approximately $38,368,000 invested in capital and other related assets, a decrease of approximately $774,000 or (2%) from 2020. At June 30, 2020, the Authority had approximately $39,141,000 invested in capital and other related assets

Major additions for the past two years include:

For the year ended June 30, 2021:	
• Bus Purchases	$ 2,160,000
• Security Equipment Purchases	113,000
	$ 2,273,000
For the year ended June 30, 2020:	
• Bus Purchases	$ 3,103,000
• Bus Shelter Project	109,000
	$ 3,212,000

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.

(Continued)

CAPITAL ASSETS (Continued)

A summary of changes in capital assets as of June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	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	13,610	-	(20,795)	416,019
Total capital assets not being depreciated	5,002,037	13,610	-	(20,795)	4,994,852
Depreciable capital assets:					
Motor coaches and vans	30,597,174	2,160,179	(1,150)	-	32,756,203
Buildings	27,459,485	234,028	(4,599)	20,795	27,709,709
Equipment and fixtures	7,344,382	65,011	-	-	7,409,393
Total depreciable capital assets	65,401,041	2,459,218	(5,749)	20,795	67,875,305
Less accumulated depreciation	31,262,177	3,246,783	(5,749)	-	34,503,211
Total capital assets being depreciated	34,138,864	(787,565)	-	20,795	33,372,094
Net capital assets	$ 39,140,901	$ (773,955)	$ -	$ -	$ 38,366,946

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

(Continued)

NOTES PAYABLE

Total notes payable at June 30, 2021 was $12,673,000, all of which is fixed rate debt. The balance 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 2021:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
$ 17,578,077	$ -	$ (4,904,677)	$ 12,673,400	$ -

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION – PROPRIETARY FUND

	2021	2020	Change from 2020	% Change from 2020
Operating revenues	$ 2,988,000	$ 3,366,000	$ (378,000)	(11%)
Operating expenses	24,730,000	24,334,000	(396,000)	2
Loss before depreciation and non-operating revenue and expense	(21,742,000)	(20,968,000)	(774,000)	4
Depreciation	(3,247,000)	(3,154,000)	(93,000)	3
Loss before non-operating revenue and expense	(24,989,000)	(24,122,000)	(867,000)	4
Non-operating revenue and expense	31,295,000	28,026,000	3,269,000	12
Gain before capital contributions	6,306,000	3,904,000	2,402,000	62
Capital contributions	871,000	1,251,000	(380,000)	(30)
Change in net position	$ 7,177,000	$ 5,155,000	$ 2,022,000	39%

(Continued)

REVENUE – PROPRIETARY FUND

A summary of revenues for the year ended June 30, 2021, and the amount and percentage of change in relation to prior year amounts is as follows:

	2021	2020	Change from 2020	% of Total	% Change from 2020
Operating:					
Passenger fares	$ 2,508,000	$ 2,824,000	$ (316,000)	7%	(11%)
Advertising	260,000	309,000	(49,000)	1	(16)
Other	220,000	233,000	(13,000)	-	(6)
Total operating	2,988,000	3,366,000	(378,000)	8	(11)
Non-operating revenues:					
Property taxes	19,957,000	19,444,000	513,000	56	3
Federal assistance	11,487,000	8,929,000	2,558,000	33	29
Local assistance	125,000	-	125,000	-	100
State assistance	-	498,000	(498,000)	-	(100)
Total non-operating	31,569,000	28,871,000	2,698,000	89	9
Capital contributions	871,000	1,251,000	(380,000)	3	(30)
Total revenues	$ 35,428,000	$ 33,488,000	$ 1,940,000	100%	6%

Non-operating revenues increased approximately $ 2,697,000 due in part to the following:

- Federal assistance increased approximately $2,558,000 due to CARES Act Funding.
- Property tax revenues received from the mass transit tax increased approximately $512,000.

(Continued)

EXPENSES – PROPRIETARY FUND

A summary of expenses for the year ended June 30, 2021, and the amount and percentage of change in relation to prior year amounts is as follows:

	2021	2020	Change from 2020	% of Total	% Change from 2020
Operating:					
Operations	$ 16,211,000	$ 17,088,000	$ (877,000)	58%	(5%)
Maintenance	4,289,000	3,755,000	534,000	15	14
General and administrative	3,427,000	2,969,000	458,000	12	15
Non-vehicle	803,000	522,000	281,000	3	54
Depreciation and amortization	3,247,000	3,154,000	93,000	11	3
Total operating	27,977,000	27,488,000	489,000	99	2
Non-operating:					
Gain from sale of capital assets	(2,000)	(35,000)	33,000	-	94
Interest expense	61,000	165,000	(104,000)	-	(63)
New market tax credit transaction fees	215,000	715,000	(500,000)	1	(70)
Total non-operating	274,000	845,000	(571,000)	1	(68)
Total expenses	$ 28,251,000	$ 28,333,000	$ (83,000)	100%	-%

The increase in net position for fiscal year 2021 was approximately $7,177,000 as compared to an increase of approximately $5,155,000 in 2020.

(Continued)

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.

	2021	2020	Change from 2020	% Change from 2020
Operating activities	$ (22,527,000)	$ (21,214,000)	$ (1,313,000)	6%
Noncapital financing activities	29,955,000	28,286,000	1,669,000	6
Capital and related financing activities	(6,780,000)	(4,217,000)	(2,563,000)	61
Net change in cash	648,000	2,855,000	(2,207,000)	(77)
Cash, beginning of year	16,105,000	13,250,000	2,855,000	22
Cash, end of year	$ 16,753,000	$ 16,105,000	$ 648,000	4%

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 temporarily suspended collecting passenger 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. The temporary suspension of fares ended in January 2021. 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 million was awarded in fiscal year 2020 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, 2021

ASSETS	
Unrestricted current assets:	
Cash	$ 16,044,796
Receivables:	
Trade	178,448
Federal Department of Transportation	6,116,603
Commonwealth of Kentucky	85,123
Property taxes	231,635
Inventories of repair parts and fuel	714,316
Prepaid expenses	27,460
Total current assets	23,398,381
Restricted noncurrent assets:	
Cash – loan proceeds	706,753
Unrestricted noncurrent assets:	
Nondepreciable capital assets	4,994,852
Depreciable capital assets	67,875,305
Accumulated depreciation	(34,503,211)
Depreciable capital assets, net	33,372,094
Note receivable	8,355,000
Net pension asset	2,118,567
Total noncurrent assets	49,547,266
Total assets	72,945,647
Deferred outflows of resources - pension	1,757,884
Total assets and deferred outflows of resources	$ 74,703,531
LIABILITIES	
Current liabilities:	
Trade accounts payable	$ 648,155
Accrued expenses	203,083
Compensated absences	147,643
Total current liabilities	998,881
Noncurrent liabilities:	
Notes payable	12,673,400
Compensated absences	324,408
Total noncurrent liabilities	12,997,808
Total liabilities	13,996,689
Deferred inflows of resources - pension	3,420,438
Total liabilities and deferred inflows of resources	17,417,127
NET POSITION	
Net investment in capital assets	26,400,300
Unrestricted	30,886,104
Total net position	57,286,404
Total liabilities, deferred inflows of resources and net position	$ 74,703,531

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, 2021

Operating revenues	
Passenger fares	$ 2,507,747
Advertising	260,000
Fuel tax refunds and other	219,954
Total operating revenues	2,987,701
Operating expenses	
Operations	16,211,230
Maintenance	4,288,688
General and administrative	3,427,093
Non-vehicle	803,218
Depreciation and amortization	3,246,783
Total operating expenses	27,977,012
Operating loss	(24,989,311)
Non-operating revenues (expenses)	
Property taxes	19,957,760
Federal assistance	11,486,504
Local assistance	125,441
Interest expense	(60,930)
New market tax credit transaction fees	(215,307)
Gain on disposal of capital assets	1,534
Total non-operating revenues (expenses)	31,295,002
Gain before capital contributions	6,305,691
Capital contributions:	
Federal contributions	871,289
Total capital contributions	871,289
Change in net position	7,176,980
Net position, beginning of year	50,109,424
Net position, end of year	$ 57,286,404

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, 2021

Cash flows from operating activities	
Cash received from passengers and service contracts	$ 3,004,516
Cash payment to suppliers for goods and services	(10,749,348)
Cash payments to employees for services	(14,782,167)
Net cash flows from operating activities	(22,526,999)
Cash flows from noncapital financing activities	
Federal assistance	9,910,219
Local assistance	125,441
Property taxes	19,918,522
Net cash flows from noncapital financing activities	29,954,182
Cash flows from capital and related financing activities	
Principal payments on note payable	(4,904,677)
Interest payments on note payable	(60,930)
New market tax credit transaction fees	(215,307)
Capital contributions	871,289
Proceeds from disposal of capital assets	1,534
Purchases of capital assets	(2,472,828)
Net cash flows from capital and related financing activities	(6,780,919)
Net change in cash	646,264
Cash, beginning of year	16,105,285
Cash, end of year	$ 16,751,549
Operating loss	$ (24,989,311)
Adjustments to reconcile loss from operations to cash used in operating activities:	
Depreciation and amortization	3,246,783
Change in net pension asset, deferred outflows and deferred inflows	(759,954)
Change in assets and liabilities:	
Trade receivables	16,815
Inventories of maintenance parts and fuel	(28,553)
Accounts payable	2,649
Accrued expenses	19,136
Compensated absences	(34,564)
Net cash used in operating activities	$ (22,526,999)

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
December 31, 2020

ASSETS	
Cash and cash equivalents	$ 1,060,694
Interest and dividends receivable	36,067
Contributions receivable	63,786
Investments, at fair value	
U.S. government obligations	3,210
Corporate bonds	3,721,894
Mutual funds	5,637,370
Corporate stocks	6,708,645
Total investments, at fair value	16,071,119
Total assets	$ 17,231,666
NET POSITION	
Net position restricted for pensions	$ 17,231,666

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, 2020

Additions	
Contributions	
Employer	$ 408,013
Plan members	474,073
Total contributions	882,086
Investment earnings	
Net appreciation in fair value of investments	1,762,756
Interest and dividend income	292,319
Total investment income	2,055,075
Total additions	2,937,161
Deductions	
Benefit payments	672,786
Administrative expenses	5,000
Total deductions	677,786
Net increase in net position	2,259,375
Plan net position, beginning of the year	14,972,291
Plan net position, end of the year	$ 17,231,666

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, 2020.

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, 2021, total revenue recognized by the Authority was $2,129,201.

- *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 34.9% of total 2021 revenues. The Authority relies on property taxes for operations and capital acquisitions. Property tax revenues represented approximately 56.3% of total revenues in 2021.

(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, 2021, the accompanying financial statements reflect property taxes receivable of $231,635. 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, 2021 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.

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	$ 506,615	$ 699,965	$ (734,529)	$ 472,051	$ 147,643

The total non-vested portions of sick and personal leave amounted to $385,302 as of June 30, 2021.

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, 2021. Settlements have not exceeded insurance coverage for the three years ended June 30, 2021. 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, 2021, the Authority had not received the final project closeout for all grants for the year ended June 30, 2021. 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.

Adoption of New Accounting Pronouncements: For the year ended June 30, 2021, the Authority adopted the following accounting pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, was adopted with no impact on the financial statements.
- GASB Statement No. 84, *Fiduciary Activities*, was adopted with no impact on the financial statements.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was adopted resulting in enhanced debt disclosures in Note 7.
- GASB Statement No. 90, *Majority Equity Interests*, was adopted with no impact on the financial statements.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (paragraphs 4-5*), was adopted with no impact on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

As of June 30, 2021, the Authority had cash balances totaling $16,751,549. Of this total, $16,044,796 is unrestricted and $706,753 is unspent proceeds from the issuance of notes payable that is restricted per the note agreements for construction projects.

As of June 30, 2021, 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, 2021, the carrying amount of the Authority's deposits was approximately $16,752,000 and the bank balance was approximately $17,141,000. The difference between the bank balances and the carrying amounts represents outstanding checks and deposits in transit.

(Continued)

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

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.

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, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	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	13,610	-	(20,795)	416,019
Total capital assets not being depreciated	5,002,037	13,610	-	(20,795)	4,994,852
Depreciable capital assets:					
Motor coaches and vans	30,597,174	2,160,179	-	-	32,757,354
Buildings	27,459,485	234,028	(1,150)	20,795	27,713,158
Equipment and fixtures	7,344,382	65,011	(4,599)	-	7,404,794
Total depreciable capital assets	65,401,041	2,459,218	(5,749)	20,795	67,875,305
Less accumulated depreciation	31,262,177	3,246,783	(5,749)	-	34,503,211
Total capital assets being depreciated	34,138,864	(787,565)	-	20,795	33,372,094
Net capital assets	$ 39,140,901	$ (773,955)	$ -	$ -	$ 38,366,946

(Continued)

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.

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. Upon expiration, a new lease agreement with The Goodyear Tire and Rubber Company was entered into effective January 2021 through December 2025 with two one-year extension options and is also based upon monthly revenue vehicle mileage. For the year ended June 30, 2021, total tire lease expense was $84,886.

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, 2021, 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 amounts of notes payable during 2021:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
$ 17,578,077	$ -	$ (4,904,677)	$ 12,673,400	$ -

(Continued)

NOTE 6 – NOTES PAYABLE (Continued)

During the year ending June 30, 2021, the Authority paid off the remaining balance of the note issued by the bank.

Notes payable consist of the following at June 30, 2021:

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
Notes payable	$ 12,673,400

Annual Debt Service Requirements: The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2021, are as follows:

	Principal	Interest	Total
Year ended June 30,			
2022	$ -	$ 185,126	$ 185,126
2023	-	185,126	185,126
2024	-	185,126	185,126
2025	-	185,126	185,126
2026	-	185,126	185,126
2027-2031	-	925,629	925,629
2032-2036	-	925,629	925,629
2037-2041	-	925,629	925,629
2042-2045	12,673,400	740,503	13,413,903
	$ 12,673,400	$ 4,443,020	$ 17,116,420

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

Line of Credit: The Authority had a borrowing agreement with Fifth Third Bank for a line of credit whereby the Authority could borrow up to $1,000,000. The agreement expired on April 20, 2021 and was not renewed.

Events of Default or Termination: In the event of default or termination of the note agreements, the outstanding principal balance and accrued interest for all notes will be immediately due and payable to the borrower without notice. Additionally, interest in funds outstanding will accrue at the default rate, which is the interest rate plus 3%.

(Continued)

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.

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, 2020:

	Fair Value Measurements as of December 31, 2020		
	Level 1	Level 2	Level 3
Investments at fair value			
U.S. government obligations	$ -	$ 3,210	$ -
Corporate bonds	-	3,721,894	-
Corporate stocks	6,708,645	-	-
Mutual funds	5,637,370	-	-
Total investments by fair value level	$ 12,346,015	$ 3,725,104	$ -

(Continued)

NOTE 7 – FIDUCIARY FUND (Continued)

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.

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, 2020, the carrying amount and bank balance of the Authority’s deposits was approximately $1,061,000.

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, 2020, 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, 2020, the Plan held no investments from a single issuer that exceeded 5% or more of the total investments.

(Continued)

NOTE 7 – FIDUCIARY FUND (Continued)

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, 2020 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	$ 3,210	$ -	$ -	$ -	$ 3,210	AA+	$ 134,878
Corporate bonds	3,721,894	377,886	2,173,820	664,202	505,986	AA-	-
	$ 3,725,104	$ 377,886	$ 2,173,820	$ 664,202	$ 509,196	A+	-
						A	410,132
						A-	772,045
						BBB+	948,391
						BBB	619,731
						BBB-	711,088
						NR	128,839
							$ 3,725,104

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, 2021, the following employees were covered by the benefit terms:

- Inactive employees or beneficiaries currently receiving benefits 64
- Inactive employees entitled to but not yet receiving benefits 82
- Active employees 190

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.

(Continued)

NOTE 8 – RETIREMENT PLANS (Continued)

Net Pension Asset: The Authority's net pension asset was measured as of January 1, 2021 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 there have been no changes to the demographic and economic assumptions that affect the measurement of the total pension liability.

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 13.6%.

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.

(Continued)

NOTE 8 – RETIREMENT PLANS (Continued)

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, 2020	$ 14,318,835	$ 14,972,291	$ (653,456)
Changes for the year:			
Service cost	652,170	-	652,170
Interest	930,055	-	930,055
Differences between expected and actual experience	(115,175)	-	(115,175)
Contributions – employer	-	408,013	(408,013)
Contributions – employee	-	474,073	(474,073)
Net investment income	-	2,055,075	(2,055,075)
Benefit payments, including refunds of employee contributions	(672,786)	(672,786)	-
Administrative expense	-	(5,000)	5,000
Net changes	794,264	2,259,375	(1,465,111)
Balance at December 31, 2020	$ 15,113,099	$ 17,231,666	$ (2,118,567)

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 asset	$ (272,474)	$ (2,118,567)	$ (3,663,187)

Pension Plan Fiduciary Net Position: The net position of the fiduciary fund was $17,231,666 at December 31, 2020. More detailed information about the fiduciary fund is included Note 7 of the financial statements. The plan does not present separately audited financial statements.

(Continued)

NOTE 8 – RETIREMENT PLANS (Continued)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2021, the Authority recognized pension income of $438,520. At June 30, 2021, 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	$ -	$ 1,296,623
Changes of assumptions	773,143	-
Net difference between projected and actual earnings on pension plan investments	772,232	2,123,815
Total to be amortized over time	1,545,375	3,420,438
Authority contributions subsequent to the measurement date	212,509	-
Total deferred amounts	$ 1,757,884	$ 3,420,438

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date of $212,509 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:	
2022	$ (470,496)
2023	(250,164)
2024	(636,280)
2025	(287,183)
2026	(73,137)
Thereafter	(157,803)
	$ (1,875,063)

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, 2021, employee contributions totaled $99,689, and the Authority recognized employer contribution expense of $21,011. At June 30, 2021, the Authority had no outstanding liability for employer contributions.

(Continued)

NOTE 8 – RETIREMENT PLANS (Continued)

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

NOTE 9 – NEW MARKET TAX CREDITS

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

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

The following outside entities were parties to the NMTC transaction:

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

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.

(Continued)

NOTE 9 – NEW MARKET TAX CREDITS (Continued)

- Lextran loaned the Foundation the $8,355,000 of assets required for participation in the NMTC Program. The note accrues interest at 1.000001% for a period of thirty years. The entire principal balance is due on June 17, 2045.

- Lextran Real Properties purchased land and construction in process from the Authority for $3,303,864. The Authority donated an additional $374,084 of construction in process to Lextran Real Properties.

- The Authority donated $3,509,028 in cash to Lextran Real Properties.

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

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

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

NOTE 10 – CONDENSED COMBINING INFORMATION

The following summarizes the combining information for the statement of net position as of June 30, 2021:

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Current assets	$ 23,210,884	$ -	$ 187,497	$ -	$ 23,398,381
Capital assets	27,352,732	11,014,214	-	-	38,366,946
Other assets	10,473,567	706,753	8,355,000	(8,355,000)	11,180,320
Deferred outflows	1,757,884	-	-	-	1,757,884
Total assets and deferred outflows	62,795,067	11,720,967	8,542,497	(8,355,000)	74,703,531
Current liabilities	998,881	-	-	-	998,881
Noncurrent liabilities	324,408	12,673,400	8,355,000	(8,355,000)	12,997,808
Deferred inflows	3,420,438	-	-	-	3,420,438
Total liabilities and deferred inflows	4,743,727	12,673,400	8,355,000	(8,355,000)	17,417,127
Net position					
Net investment in capital assets	27,352,733	(952,433)	-	-	26,400,300
Unrestricted	30,698,607	-	187,497	-	30,886,104
Total net position	$ 58,051,340	$ (952,433)	$ 187,497	$ -	$ 57,286,404

(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, 2021:

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Operating revenues					
Passenger fares	$ 2,507,747	$ -	$ -	$ -	$ 2,507,747
Advertising	260,000	-	-	-	260,000
Fuel tax refunds and other	136,404	826,056	83,550	(826,056)	219,954
Total operating revenues	2,904,151	826,056	83,550	(826,056)	2,987,701
Operating expenses					
Operating expenses	25,556,058	-	227	(826,056)	24,730,229
Depreciation and amortization	2,874,552	372,231	-	-	3,246,783
Total operating expenses	28,430,610	372,231	227	(826,056)	27,977,012
Operating income (loss)	(25,526,459)	453,825	83,323	-	(24,989,311)
Non-operating revenues (expenses)					
Property taxes	19,957,760	-	-	-	19,957,760
Federal assistance	11,486,504	-	-	-	11,486,504
Local assistance	125,441	-	-	-	125,441
New market tax credit transaction fees	-	(215,307)	-	-	(215,307)
Interest expense	(60,930)	-	-	-	(60,930)
Gain on disposal of capital assets	1,534	-	-	-	1,534
Total non-operating revenues (expenses)	31,510,309	(215,307)	-	-	31,295,002
Capital contributions	871,289	-	-	-	871,289
Change in net position	6,855,139	238,518	83,323	-	7,176,980
Net position, beginning of year	51,196,201	(1,190,951)	104,174	-	50,109,424
Net position, end of year	$ 58,051,340	$ (952,433)	$ 187,497	$ -	$ 57,286,404

The following summarizes the combining information for the statement of cash flows for the year ended June 30, 2021:

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Net cash provided (used) by:					
Operating activities	$ (22,610,322)	$ -	$ 83,323	$ -	$ (22,526,999)
Noncapital financing activities	29,954,182	-	-	-	29,954,182
Capital and related financing activities	(6,891,667)	110,748	-	-	(6,780,919)
Net change in cash	452,193	110,748	83,323	-	646,264
Beginning cash and cash equivalents	15,405,106	596,005	104,174	-	16,105,285
Ending cash and cash equivalents	$ 15,857,299	$ 706,753	$ 187,497	$ -	$ 16,751,549

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, 2021

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	$ 652,170	$ 610,201	$ 598,783	$ 578,460	$ 571,542	$ 603,766
Interest	930,055	868,215	848,669	820,605	782,444	754,084
Differences between expected and actual experience	(115,175)	(468,265)	(460,853)	(331,676)	(182,823)	(386,269)
Changes of assumptions	-	600,852	-	-	-	-
Benefit payments, including refunds of employee	(672,786)	(688,445)	(694,764)	(596,909)	(578,152)	(460,082)
Net change in total pension liability	794,264	922,558	291,835	470,480	593,011	511,499
Total pension liability – beginning	14,318,835	13,396,277	13,104,442	12,633,962	12,040,951	11,529,452
Total pension liability – ending	$ 15,113,099	$ 14,318,835	$ 13,396,277	$ 13,104,442	$ 12,633,962	$ 12,040,951
Plan fiduciary net position						
Contributions – employee	$ 474,073	$ 439,917	$ 399,577	$ 379,082	$ 450,724	$ 471,580
Contributions – employer	408,013	378,617	464,270	464,167	350,973	367,214
Net investment income	2,055,075	2,553,637	(1,060,752)	1,838,678	739,691	(89,256)
Benefit payments, including refunds of employee	(672,786)	(688,445)	(694,764)	(596,909)	(578,152)	(460,082)
Administrative expense	(5,000)	(5,000)	(7,063)	(6,813)	(14,331)	(13,335)
Net change in plan fiduciary net position	2,259,375	2,678,726	(898,732)	2,078,205	948,905	276,121
Plan fiduciary net position – beginning	14,972,291	12,293,565	13,192,297	11,114,092	10,165,187	9,889,066
Plan fiduciary net position – ending	$ 17,231,666	$ 14,972,291	$ 12,293,565	$ 13,192,297	$ 11,114,092	$ 10,165,187
Authority's net pension liability (asset) - ending	$ (2,118,567)	$ (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	114.02%	104.56%	91.77%	100.67%	87.97%	84.42%
Covered payroll	$ 10,059,904	$ 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	(21.06%)	(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.

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLAN
Year ended December 31, 2020

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 178,097	$ 309,321	$ 134,513	$ 285,714	$ 322,476	$ 301,322
Contributions in relation to the actuarially determined contribution	376,702	408,084	365,977	407,903	357,456	362,626
Contribution excess	$ (198,605)	$ (98,763)	$ (231,464)	$ (122,189)	$ (34,980)	$ (61,304)
Covered payroll	$ 10,059,904	$ 10,351,028	$ 9,680,930	$ 9,228,639	$ 8,718,644	$ 8,521,947
Contributions as a percentage of covered payroll	3.74%	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	9 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, 2020

Year ending December 31	Annual Money-Weighted Rate of Return
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%
2020	13.6%

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF NET POSITION (PROPRIETARY FUND)
June 30, 2021

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Unrestricted current assets:					
Cash	$ 15,857,299	$ -	$ 187,497	$ -	$ 16,044,796
Accounts receivable					
Trade	178,448	-	-	-	178,448
Federal Department of Transportation	6,116,603	-	-	-	6,116,603
Commonwealth of Kentucky	85,123	-	-	-	85,123
Property taxes	231,635	-	-	-	231,635
Inventories of repair parts and fuel	714,316	-	-	-	714,316
Prepaid expenses	27,460	-	-	-	27,460
Total current assets	23,210,884	-	187,497	-	23,398,381
Restricted noncurrent assets:					
Cash – loan proceeds	-	706,753	-	-	706,753
Unrestricted noncurrent assets					
Note receivable	8,355,000	-	8,355,000	(8,355,000)	8,355,000
Nondepreciable capital assets	3,289,181	1,705,671	-	-	4,994,852
Depreciable capital assets	24,063,551	9,308,543	-	-	33,372,094
Net pension asset	2,118,567	-	-	-	2,118,567
Total noncurrent assets	37,826,299	11,720,967	8,355,000	(8,355,000)	49,547,266
Total assets	61,037,183	11,720,967	8,542,497	(8,355,000)	72,945,647
Deferred outflows of resources	1,757,884	-	-	-	1,757,884
Total assets and deferred outflows	$ 62,795,067	$ 11,720,967	$ 8,542,497	$ (8,355,000)	$ 74,703,531

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF NET POSITION (PROPRIETARY FUND)
June 30, 2021

	Transit Authority of Lexington-Fayette Urban County Government	Lextran Real Properties Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Trade accounts payable	$ 648,155	$ -	$ -	$ -	$ 648,155
Accrued expenses	203,083	-	-	-	203,083
Compensated absences	147,643	-	-	-	147,643
Total noncurrent liabilities	998,881	-	-	-	998,881
Notes payable	-	12,673,400	8,355,000	(8,355,000)	12,673,400
Compensated absences	324,408	-	-	-	324,408
Total noncurrent liabilities	324,408	12,673,400	8,355,000	(8,355,000)	12,997,808
Total liabilities	1,712,498	12,673,400	8,355,000	(8,355,000)	14,385,898
Deferred inflows of resources	3,420,438	-	-	-	3,420,438
Total liabilities and deferred inflows	5,132,936	12,673,400	8,355,000	(8,355,000)	17,806,336
Net position					
Net investment in capital assets	27,352,733	(952,433)	-	-	26,400,300
Unrestricted	30,698,607	-	187,497	-	30,886,104
Total net position	58,051,340	(952,433)	187,497	-	57,286,404
Total liabilities, deferred inflows and net position	$ 62,795,067	$ 11,720,967	$ 8,542,497	$ (8,355,000)	$ 74,703,531

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 Authority of Lexington-Fayette Urban County Government	Lextran Real Properties Inc.	Lextran Foundation, Inc.	Eliminations	Total Combining Balance
Operating revenues					
Passenger fares	$ 2,507,747	$ -	$ -	$ -	$ 2,507,747
Advertising	260,000	-	-	-	260,000
Fuel tax refunds and other	136,404	826,056	83,550	(826,056)	219,954
Total operating revenues	2,904,151	826,056	83,550	(826,056)	2,987,701
Operating expenses					
Operating expenses	25,556,058	-	227	(826,056)	24,730,229
Depreciation and amortization	2,874,552	372,231	-	-	3,246,783
Total operating expenses	28,430,610	372,231	227	(826,056)	27,977,012
Operating income (loss)	(25,526,459)	453,825	83,323	-	(24,989,311)
Non-operating revenues (expenses)					
Property taxes	19,957,760	-	-	-	19,957,760
Federal assistance	11,486,504	-	-	-	11,486,504
Local assistance	125,441	-	-	-	125,441
New market tax credit transaction fees	-	(215,307)	-	-	(215,307)
Interest expense	(60,930)	-	-	-	(60,930)
Gain on sale of capital assets	1,534	-	-	-	1,534
Total non-operating revenues (expenses)	31,510,309	(215,307)	-	-	31,295,002
Gain before capital contributions	5,983,850	238,518	83,323	-	6,305,691
Capital contributions					
Federal contributions	871,289	-	-	-	871,289
Total capital contributions	871,289	-	-	-	871,289
Change in net position	6,855,139	238,518	83,323	-	7,176,980
Net position, beginning of year	51,196,201	(1,190,951)	104,174	-	50,109,424
Net position, end of year	$ 58,051,340	$ (952,433)	$ 187,497	$ -	$ 57,286,404

TRANSIT AUTHORITY OF
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2021

Federal Grantor/ Program or Cluster Title	ALN 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-2017-012	$ 31,882
Federal Transit Formula Grants	20.507	KY-2018-011	21,610
Federal Transit Formula Grants	20.507	KY-2019-010	166,093
Federal Transit Formula Grants	20.507	KY-2020-005	197,094
COVID-19- Federal Transit Formula Grants	20.507	KY-2020-010	5,908,033
Federal Transit Formula Grants	20.507	KY-2021-013	4,205,443
Buses and Bus Facilities Formula Grants	20.526	KY-2020-006	572,572
Low or No Emissions Discretionary Grants	20.526	KY-2020-008	7,396
Total Federal Transit Cluster			11,110,123
Direct Programs:			
Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities Program	20.513	KY-2017-001	45,004
Total Expenditures of Federal Awards			$ 11,155,127

DRAFT

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 2021.

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.

Crowe LLP
Independent Member Crowe Global

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, 2021 and the fiduciary activities as of and for the year ended December 31, 2020, 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 <>, 2021.

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.

Crowe LLP

Lexington, Kentucky
<>, 2021

Crowe

Crowe LLP
Independent Member Crowe Global

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, 2021. 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, 2021.

(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, 2021 and the fiduciary activities as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated <>, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

Lexington, Kentucky
<>, 2021

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:

ALN 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, 2021.

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, 2021.

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

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

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

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

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of the Company's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM TRANSIT AUTHORITY OF LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to Transit Authority of Lexington-Fayette Urban County Government under the independence requirements established by the American Institute of Certified Public Accountants.

PLANNED SCOPE AND TIMING OF THE AUDIT

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

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- The nature and extent of specialized skills or knowledge needed to plan and evaluate the results of the audit, including the use of an auditor's expert.
- Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
  - The allocation of responsibilities between you and management.
  - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications between the entity and regulators.
  - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

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

Accounting Standard	Impact of Adoption
The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. There were no new standards required to be implemented during the year.	Not applicable
Significant Unusual Transactions.	No such matters noted.
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

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

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

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

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

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

DR: Accrued Wages	$389,209	
CR: Payroll Expense		$389,209

Entry to correct an overaccrual of payroll as of June 30, 2021.

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

There were no such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
Other Information Included in an Annual Report Information may be prepared by management that accompanies or includes the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether a material inconsistency exists between the other information and the financial statements. We are also to remain alert for indications that: • Material inconsistency exists between the other information and the auditor's knowledge obtained in the audit; or • A material misstatement of fact exists, or the other information is otherwise misleading. If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.	We understand that management has not prepared other information to accompany the audited financial statements. • Management's Discussion and Analysis of Financial Condition and Results of Operations
Significant Difficulties Encountered During the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.	There were no significant difficulties encountered in dealing with management related to the performance of the audit.
Disagreements with Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
Difficulties or Contentious Matters We are required to discuss with the Those Charged with Governance any difficulties or contentious matters for which we consulted outside of the engagement team.	During the audit, there were no such issues for which we consulted outside the engagement team.

Communication Item	Results
Circumstances that Affect the Form and Content of the Auditor's Report We are to discuss with you any circumstances that affect the form and content of the auditor's report, if any.	There are no such circumstances that affect the form and content of the auditor's report.
Consultations with Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.	We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
Representations the Auditor Is Requesting from Management We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
Significant Related Party Findings or Issues We are to communicate to you significant findings or issues arising during the audit in connection with the Company's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising during the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

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

Crowe LLP

Lexington, Kentucky
<Date>

CASH RESERVE POLICY

OBJECTIVE

To establish a cash reserve policy, where the Transit Authority of Lexington-Fayette Urban County Government (Lextran) would maintain a cash on-hand minimum balance in the amount of 15% of annual operating expenses to facilitate cash flow in the event of delayed grant reimbursements or unforeseen economic conditions that would result in lower property tax revenues. Agency funds in excess of the 15% cash reserve would be allocated to other priority projects and programs as indicated in this policy.

MINIMUM PERCENTAGE FUNDING REQUIREMENTS

A minimum percentage of 15% of the total operating budgeted expenses should be maintained in a contingency reserve. These funds would only be made available for use upon the declaration of a fiscal emergency by the Board of Directors. In addition, staff may utilize these funds on a temporary basis to maintain cash flow for no more than 90 days in the event grant reimbursements are delayed. In this situation, if the funds are not replenished within 90 days, staff must report this matter to the Board of Directors at the next scheduled meeting.

Revenues in excess of the 15% cash reserve shall be used in the following order of priority:

1. Vehicle and facility maintenance (capital expenses) to maintain a state of good repair, as required by the Federal Transit Administration and to ensure the provision of transit services.
2. Evaluate and adjust wages and benefits as needed, to ensure competitive pay within the industry and the region.
3. Improve and/or expand transit services deemed reasonable for the service area.
4. Review fare policies and transit pass prices to ensure customers are receiving value for their dollars.

Created:
Updated: