

## FINANCE COMMITTEE MEETING

September 26, 2025

10:00 a.m.

Broadcast on YouTube at:  
[bit.ly/lextranmeeting](https://bit.ly/lextranmeeting)

### AGENDA

- |      |                                      |       |   |       |
|------|--------------------------------------|-------|---|-------|
| I.   | Call to order                        | 10:00 |   |       |
| II.  | Approval of Minutes – April 11, 2025 | 10:00 | – | 10:05 |
| III. | FY2025 Audited Financial Statements  | 10:05 | – | 10:45 |
| IV.  | Old Business                         | 10:45 | – | 10:50 |
| V.   | Adjournment                          | 10:50 |   |       |

## **LEXTRAN BOARD OF DIRECTORS FINANCE COMMITTEE MEETING**

### **MINUTES**

**April 11, 2025**

### **MEMBERS PRESENT**

George Ward, Finance Committee Chair  
Jamie Rodgers, Board Member  
Fred Combs, General Manager  
Randolph Williams, Assistant General Manager  
Nikki Falconbury, Director of Finance & HR

### **OTHERS PRESENT**

Allie Jones, Lextran Finance Manager  
Alan Jones, Lextran Systems Administrator  
Addison Lowry, McBrayer Law Firm, Board Attorney

#### **I. CALL TO ORDER**

Mr. Ward called the April 11, 2025, Lextran Board of Directors Finance Committee meeting to order at 10:33 a.m.

#### **II. APPROVAL OF MINUTES**

Mr. Ward called for a motion to approve the April 15, 2024, and September 25, 2024, committee meeting minutes. Ms. Rodgers made a motion to approve the minutes. The motion carried unanimously.

#### **III. FY2025 HIGHLIGHTS**

Mr. Ward turned the meeting over to General Manager Fred Combs. Mr. Combs began with recognizing Mike Burnett for achieving 4th place in the national Rodeo. Mr. Combs then presented the highlights for FY2025, including the Transit Center renovation, new collective bargaining agreement, Microtransit feasibility study, strategic planning, on-time performance improvements, improvements to our IT systems, hiring and retention improvements, community outreach with paratransit, and new vehicle acquisition.

Mr. Combs presented the proposed FY2026 Operating Budget and Five-Year Capital Plan. Beginning with the FY2026 goals, including the Transit Center construction, paratransit performance improvements, and federal program updates such as DBE and Title VI. Mr. Combs also discussed the possibility of a new downtown circulator service through a Carbon Reduction grant award. Mr. Combs discussed the FY2026 Capital Program, which was intended to inform the Board about current and future capital needs and to add clarity to the Five-Year Capital Plan.

Ms. Falconbury explained the operating budget, beginning with revenue which was expected to be slightly higher than FY2025. Wages and fringe benefits were expected to be slightly higher due to retention rates increasing and hourly rates increasing from the new CBA contract terms.

Materials and supplies were increased due to increased costs for parts. Fuel was expected to be around \$2.60 per gallon for diesel, and \$2 per diesel-gallon equivalent for CNG. Insurance was budgeted significantly higher this year for property and liability insurance and workers compensation. Paratransit expenses were projected based on the estimated ridership. The travel training and meetings line item was cut last year and intended to be similar in FY2026.

Ms. Falconbury and Mr. Combs will be presenting the FY2026 budget at the Board of Directors' work session on April 16, 2025.

**IV. OLD BUSINESS**

None

**V. ADJOURNMENT**

Mr. Ward called for a motion to adjourn the April 11, 2025, meeting of the Lextran Board of Directors Finance Committee. The meeting adjourned by consensus at 11:59 a.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, 2025

DRAFT

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

FINANCIAL STATEMENTS  
June 30, 2025

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited 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 Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2025, and the fiduciary activities as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, and the fiduciary activities as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

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## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

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### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated <>, 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 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 Authority's 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.

Lexington, Kentucky

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TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

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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, 2025.

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.

### **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 31<sup>st</sup> 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, 2025, 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, 2025 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 - 28 of this report, and required supplementary information, and Uniform Grant Guidance reporting is provided after the notes as identified in the table of contents.

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TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

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**AUTHORITY ACTIVITIES AND FINANCIAL HIGHLIGHTS**

- The net position of the Authority increased by \$4,518,000 during the year to \$86,615,000.
- Total revenues earned by the Authority was approximately \$43,290,000.
- Total expenses incurred by the Authority was approximately \$38,772,000.
- Common operating statistical data is shown below:

	<u>2025</u>	<u>Change</u>	<u>2024</u>
Unlinked passenger trips	3,804,199	(148,770)	3,952,969
Vehicle revenue miles	3,127,921	84,898	3,043,023
Vehicle revenue hours	285,351	2,895	282,456

**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 \$86,615,000 at June 30, 2025, an approximately \$4,518,000 increase from June 30, 2024.

	<u>2025</u>	<u>2024</u>	<u>Change from 2024</u>	<u>% Change from 2024</u>
<b>ASSETS</b>				
Current assets	\$ 40,786,000	\$ 37,841,000	\$ 2,945,000	8%
Noncurrent assets:				
Net capital assets	46,497,000	43,917,000	2,580,000	6
Net pension asset	<u>5,161,000</u>	<u>3,799,000</u>	<u>1,362,000</u>	<u>36</u>
Total assets	<u>92,444,000</u>	<u>85,557,000</u>	<u>6,887,000</u>	<u>8</u>
Deferred outflows of resources	<u>825,000</u>	<u>1,057,000</u>	<u>(232,000)</u>	<u>(22)</u>
Total assets and deferred outflows of resources	<u>\$ 93,269,000</u>	<u>\$ 86,614,000</u>	<u>\$ 6,655,000</u>	<u>8%</u>

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TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

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**FINANCIAL POSITION SUMMARY – PROPRIETARY FUND (Continued)**

	<u>2025</u>	<u>2024</u>	<u>Change from 2024</u>	<u>% Change from 2024</u>
<b>LIABILITIES</b>				
Current liabilities	\$ 2,598,000	\$ 2,010,000	\$ 588,000	29%
Noncurrent liabilities	<u>559,000</u>	<u>338,000</u>	<u>221,000</u>	<u>65</u>
Total liabilities	<u>3,157,000</u>	<u>2,348,000</u>	<u>809,000</u>	<u>34</u>
Deferred inflows of resources	<u>3,497,000</u>	<u>2,169,000</u>	<u>1,328,000</u>	<u>61</u>
Total liabilities and deferred Inflows of resources	<u>\$ 6,654,000</u>	<u>\$ 4,517,000</u>	<u>\$ 2,137,000</u>	<u>47%</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 46,110,000	\$ 43,917,000	\$ 2,193,000	5
Unrestricted	<u>40,505,000</u>	<u>38,180,000</u>	<u>2,325,000</u>	<u>6</u>
Total net position	<u>\$ 86,615,000</u>	<u>\$ 82,097,000</u>	<u>\$ 4,518,000</u>	<u>6%</u>

Total assets increased approximately \$6,887,000 due in part to the following:

- Current assets increased primarily due to timing of grant receivables.
- Increase in net pension asset of approximately \$1,362,000.
- Increase in net capital assets of approximately \$2,580,000

Total liabilities increased approximately \$809,000 due in part to the following:

- Current liabilities increased primarily due to timing of payroll and compensated absences and an accrual for deferred revenue in which cash was received in advance.

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 54% at June 30, 2025) represents the Authority's investment in capital and other related assets (e.g., land, buildings, improvements, and equipment. The Authority uses these capital assets to provide services to its passengers and visitors. Consequently, these assets are not available for future spending.

The remaining unrestricted net position (approximately 46% at June 30, 2025) may be used to meet any of the Authority's ongoing obligations.

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TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

## CAPITAL ASSETS

At June 30, 2025, the Authority had approximately \$46,497,000 invested in capital and other related assets, an increase of approximately \$2,580,000 or 6% from 2024. At June 30, 2024, the Authority had approximately \$6,723,000 invested in capital and other related assets. Major additions for the past two years include:

For the year ended June 30, 2025:

• Bus and charger purchases	\$ 2,166,000
• Paratransit vehicles	1,160,000
• Buildings – Transit Center	1,867,000
• Avail technology upgrades	<u>1,530,000</u>
	<u>\$ 6,723,000</u>

For the year ended June 30, 2024:

• Bus and charger purchases	\$ 8,714,000
• Buildings	15,000
• Radio & CNG equipment purchases	<u>1,372,000</u>
	<u>\$ 10,101,000</u>

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

A summary of changes in capital assets as of June 30, 2025 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,705,700	\$ -	\$ -	\$ -	\$ 1,705,700
Transit Center easement	2,873,162	-	-	-	2,873,162
Construction in process	<u>316,568</u>	-	-	<u>(316,568)</u>	-
Total capital assets not being depreciated	<u>4,895,430</u>	-	-	<u>(316,568)</u>	<u>4,578,862</u>
Depreciable capital assets:					
Motor coaches and vans	44,278,635	2,165,646	(2,656,395)	(514,935)	43,272,951
Buildings	27,943,241	1,867,447	(1,413,519)	-	28,397,168
Paratransit vehicles	471,227	1,160,014	-	514,935	2,146,176
Equipment and fixtures	<u>9,071,710</u>	<u>1,530,025</u>	<u>(969,698)</u>	<u>316,568</u>	<u>9,946,605</u>
Total depreciable capital assets	81,764,813	6,723,132	(5,039,612)	316,568	83,764,900
Less accumulated depreciation	<u>(42,743,207)</u>	<u>(4,143,671)</u>	<u>5,039,612</u>	-	<u>(41,847,266)</u>
Total capital assets being depreciated	<u>39,021,606</u>	<u>2,579,461</u>	-	<u>316,568</u>	<u>41,917,634</u>
Net capital assets	<u>\$ 43,917,036</u>	<u>\$ 2,579,461</u>	\$ -	\$ -	<u>\$ 46,496,496</u>

(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

**CAPITAL ASSETS (Continued)**

A summary of changes in capital assets as of June 30, 2024 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 1,705,700	\$ -	\$ -	\$ -	\$ 1,705,700
Transit Center easement	2,873,162	-	-	-	2,873,162
Construction in process	-	316,568	-	-	316,568
Total capital assets not being depreciated	<u>4,578,862</u>	<u>316,568</u>	<u>-</u>	<u>-</u>	<u>4,895,430</u>
Depreciable capital assets:					
Motor coaches and vans	37,256,321	8,713,673	(1,691,359)	-	44,278,635
Buildings	27,928,478	14,763	-	-	27,943,241
Paratransit vehicles	471,227	-	-	-	471,227
Equipment and fixtures	<u>7,699,933</u>	<u>1,371,777</u>	<u>-</u>	<u>-</u>	<u>9,071,710</u>
Total depreciable capital assets	73,355,959	10,100,213	(1,691,359)	-	81,764,813
Less accumulated depreciation	<u>(40,470,085)</u>	<u>(3,964,481)</u>	<u>1,691,359</u>	<u>-</u>	<u>(42,743,207)</u>
Total capital assets being depreciated	<u>32,885,924</u>	<u>6,135,732</u>	<u>-</u>	<u>-</u>	<u>39,021,606</u>
Net capital assets	<u>\$ 37,464,786</u>	<u>\$ 6,452,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,917,036</u>

**SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION – PROPRIETARY FUND**

	<u>2025</u>	<u>2024</u>	<u>Change from 2024</u>	<u>% Change from 2024</u>
Operating revenues	\$ 4,342,000	\$ 4,270,000	\$ 72,000	2%
Operating expenses	<u>(34,628,000)</u>	<u>(31,711,000)</u>	<u>(2,917,000)</u>	<u>9</u>
Loss before depreciation and non-operating revenue and expense	(30,286,000)	(27,441,000)	(2,845,000)	10
Depreciation	<u>(4,144,000)</u>	<u>(3,964,000)</u>	<u>(180,000)</u>	<u>5</u>
Loss before non-operating revenue and expense	(34,430,000)	(31,405,000)	(3,025,000)	10
Non-operating revenue and expense	<u>31,055,000</u>	<u>26,593,000</u>	<u>4,462,000</u>	<u>17</u>
Gain (loss) before capital contributions	(3,375,000)	(4,812,000)	1,437,000	30
Capital contributions	<u>7,893,000</u>	<u>3,853,000</u>	<u>4,040,000</u>	<u>105</u>
Change in net position	<u>\$ 4,518,000</u>	<u>\$ (959,000)</u>	<u>\$ 5,477,000</u>	<u>571%</u>

(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

**REVENUE – PROPRIETARY FUND**

A summary of revenues for the year ended June 30, 2025, and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2025</u>	<u>2024</u>	<u>Change from 2024</u>	<u>% of Total</u>	<u>% Change from 2024</u>
Operating:					
Passenger fares	\$ 3,821,000	\$ 3,777,000	\$ 44,000	9%	1%
Advertising	320,000	322,000	(2,000)	1	(1)
Other	<u>201,000</u>	<u>171,000</u>	<u>30,000</u>	<u>-</u>	<u>18</u>
Total operating	4,342,000	4,270,000	72,000	10	2
Non-operating revenues:					
Property taxes	25,543,000	24,114,000	1,429,000	59	6
Federal assistance	4,880,000	720,000	4,160,000	11	578
State assistance	386,000	1,759,000	(1,373,000)	1	(78)
Interest income	<u>246,000</u>	<u>-</u>	<u>246,000</u>	<u>1</u>	<u>100</u>
Total non-operating	<u>31,055,000</u>	<u>26,593,000</u>	<u>4,462,000</u>	<u>72</u>	<u>17</u>
Capital contributions	<u>7,893,000</u>	<u>3,853,000</u>	<u>4,040,000</u>	<u>18</u>	<u>105</u>
Total revenues	<u>\$ 43,290,000</u>	<u>\$ 34,716,000</u>	<u>\$ 8,574,000</u>	<u>100%</u>	<u>25%</u>

Non-operating revenues increase approximately \$8,861,000 due in part to the following:

- Federal assistance increased approximately \$4,160,000 due to timing of the execution of federal grant agreements and additional paratransit operating grants.
- Property tax revenues received from the mass transit tax increased approximately \$1,429,000.
- State assistance decreased approximately \$1,373,000 due to timing.

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TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

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**EXPENSES – PROPRIETARY FUND**

A summary of expenses for the year ended June 30, 2025, and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2025</u>	<u>2024</u>	<u>Change from 2024</u>	<u>% of Total</u>	<u>% Change from 2024</u>
Operating					
Operations	\$ 23,945,000	\$ 21,494,000	\$ 2,451,000	62%	11%
Maintenance	5,111,000	5,019,000	92,000	13	2
General and administrative	5,000,000	4,845,000	155,000	13	3
Non-vehicle	572,000	353,000	219,000	1	62
Depreciation and amortization	<u>4,144,000</u>	<u>3,964,000</u>	<u>180,000</u>	<u>11</u>	<u>5</u>
Total operating	<u>38,772,000</u>	<u>35,675,000</u>	<u>3,097,000</u>	<u>100</u>	<u>9</u>
 Total expenses	 <u>\$ 38,772,000</u>	 <u>\$ 35,676,000</u>	 <u>\$ 3,097,000</u>	 <u>100%</u>	 <u>9%</u>

Operating expenses increased approximately \$3,097,000 due in part to the following:

- Expense related to operations increased by approximately \$2,451,000 mostly due to increased operator wages and benefits as a result of hiring more operators.
- Expense related to non-vehicle increased by approximately \$219,000 mostly due to increased contract maintenance costs.

The increase in net position for fiscal year 2025 was approximately \$4,518,000 as compared to a decrease of approximately \$959,000 in 2024.

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(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024

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### SUMMARY OF CASH FLOW ACTIVITIES – PROPRIETARY FUND

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

	<u>2025</u>	<u>2024</u>	<u>Change from 2024</u>	<u>% Change from 2024</u>
Operating activities	\$ (29,226,000)	\$ (27,549,000)	\$ (1,677,000)	6%
Noncapital financing activities	32,245,000	27,581,000	4,664,000	17
Capital and related financing activities	(3,105,000)	(6,563,000)	3,458,000	(53)
Investing activities	<u>246,000</u>	<u>-</u>	<u>246,000</u>	<u>100</u>
Net change in cash	160,000	(6,531,000)	6,691,000	102
Cash, beginning of year	<u>31,739,000</u>	<u>38,270,000</u>	<u>(6,531,000)</u>	<u>(17)</u>
Cash, end of year	<u>\$ 31,899,000</u>	<u>\$ 31,739,000</u>	<u>\$ 160,000</u>	<u>1%</u>

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

### CURRENT OUTLOOK

Ridership began to recover at a slow rate in Fiscal years 2023 and 2024 after the COVID-19 pandemic. In Fiscal year 2025, ridership remained relatively flat and is expected to continue to remain flat in 2026. Lextran will continue to work on improving fixed route and paratransit performance. Microtransit and a Downtown Circulator are being explored, but the estimates show high costs per trip compared to fixed routes and sustainability could be an issue.

### 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, Kentucky 40508.



TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2025

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**ASSETS**

Unrestricted current assets:

Cash and cash equivalents	\$ 31,898,778
Receivables	
Trade	4,140
Federal and local grants	6,700,361
Commonwealth of Kentucky	1,163,089
Property taxes	200,700
Inventories of repair parts and fuel	792,105
Prepaid expenses	<u>27,460</u>
Total current assets	40,786,633

Unrestricted noncurrent assets:

Nondepreciable capital assets	4,578,862
Depreciable capital assets	83,764,900
Accumulated depreciation	<u>(41,847,266)</u>
Depreciable capital assets, net	41,917,634
Net pension asset	<u>5,160,834</u>
Total noncurrent assets	<u>51,657,330</u>
Total assets	92,443,963

Deferred outflows of resources - pension	<u>825,106</u>
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**Total assets and deferred outflows of resources** \$ 93,269,069

**LIABILITIES**

Current liabilities:

Trade accounts payable	\$ 1,246,279
Accrued expenses	697,952
Compensated absences	319,450
Unearned revenue	<u>335,000</u>
Total current liabilities	2,598,681

Noncurrent liabilities:

Compensated absences	<u>558,598</u>
Total noncurrent liabilities	<u>558,598</u>
Total liabilities	3,157,279

Deferred inflows of resources - pension	<u>3,496,972</u>
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**Total liabilities and deferred inflows of resources** 6,654,251

**NET POSITION**

Net investment in capital assets	46,109,912
Unrestricted	<u>40,504,906</u>
Total net position	<u>86,614,818</u>

**Total liabilities, deferred inflows of resources and net position** \$ 93,269,069

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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, 2025

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<b>Operating revenues</b>	
Passenger fares	\$ 3,820,932
Advertising	320,000
Fuel tax refunds and other	<u>201,433</u>
Total operating revenues	<u>4,342,365</u>
<b>Operating expenses</b>	
Operations	23,945,266
Maintenance	5,110,895
General and administrative	4,999,720
Non-vehicle	572,673
Depreciation and amortization	<u>4,143,671</u>
Total operating expenses	<u>38,772,225</u>
<b>Operating loss</b>	(34,429,860)
<b>Non-operating revenues</b>	
Property taxes	25,542,429
Federal assistance	4,880,000
State assistance	385,685
Interest income	<u>246,023</u>
Total non-operating revenues	<u>31,054,137</u>
<b>Income (loss) before capital contributions</b>	(3,375,723)
<b>Capital contributions</b>	
Federal contributions	<u>7,893,441</u>
Total capital contributions	<u>7,893,441</u>
<b>Change in net position</b>	4,517,718
Net position, beginning of year	<u>82,097,100</u>
<b>Net position, end of year</b>	<u>\$ 86,614,818</u>

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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, 2025

<b>Cash flows from operating activities</b>	
Cash received from passengers and service contracts	\$ 4,642,193
Cash payment to suppliers for goods and services	(14,643,983)
Cash payments to employees for services	<u>(19,224,595)</u>
Net cash flows from operating activities	(29,226,385)
<b>Cash flows from noncapital financing activities</b>	
Federal assistance	4,880,000
State assistance	1,776,292
Property taxes	<u>25,588,641</u>
Net cash flows from noncapital financing activities	32,244,933
<b>Cash flows from capital and related financing activities</b>	
Capital contributions	3,618,461
Purchases of capital assets	<u>(6,723,132)</u>
Net cash flows from capital and related financing activities	(3,104,671)
<b>Cash flows from investing activities</b>	
Interest income	<u>246,023</u>
Net cash flows from investing activities	<u>246,023</u>
<b>Net change in cash</b>	159,900
Cash and cash equivalents, beginning of year	<u>31,738,878</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 31,898,778</u>
<b>Operating loss</b>	\$ (34,429,860)
Adjustments to reconcile loss from operations to cash used in operating activities:	
Depreciation and amortization	4,143,671
Change in assets and liabilities:	
Trade receivables	634,828
Inventories of maintenance parts and fuel	86,870
Net pension asset	(1,361,451)
Deferred outflows of resources	(1,988,369)
Accounts payable	(205,335)
Accrued expenses	276,037
Compensated absences	402,853
Unearned revenue	(335,000)
Deferred inflows of resources	<u>3,549,371</u>
Net cash flows from operating activities	<u>\$ (29,226,385)</u>
<b>Supplemental disclosure of cash flow information</b>	
Non-cash capital and finance related transactions:	
Capital purchases in accounts payable	\$ 386,584

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
December 31, 2024

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**ASSETS**

Cash and cash equivalents	\$ 187,245
Interest and dividends receivable	55,756
Contributions receivable	12,151
Investments, at fair value	
U.S. government obligations	3,064,890
Corporate bonds	3,187,907
Corporate stocks	12,171,379
Mutual funds	<u>5,166,486</u>
Total investments, at fair value	<u>23,590,662</u>
Total assets	<u>\$ 23,845,814</u>

**NET POSITION**

Net position restricted for pensions	<u>\$ 23,845,814</u>
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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, 2024

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**Additions**

Contributions	
Employer	\$ 394,174
Plan members	<u>416,978</u>
Total contributions	811,152
Investment earnings	
Net appreciation in fair value of investments	2,481,829
Interest and dividend income	<u>449,265</u>
Total investment income	<u>2,931,094</u>
Total additions	<u>3,742,246</u>

**Deductions**

Benefit payments	936,863
Administrative expenses	<u>15,000</u>
Total deductions	<u>951,863</u>

**Net increase in net position**

2,790,383

Plan net position, beginning of the year

21,055,431

**Plan net position, end of the year**

\$ 23,845,814

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See accompanying notes to financial statements.

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: The Transit Authority of the Lexington-Fayette Urban County Government (Lextran or 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 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.

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.

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.

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(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**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, 2024.

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.
- *UK Partnership Agreement* - 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, 2025, total revenue recognized by the Authority was \$2,566,434.
- *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 Sheriff on or before December 31 of the year of assessment. The Fayette County Sheriff 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 29% of total 2025 revenues. The Authority relies on property taxes for operations and capital acquisitions. Property tax revenues represented approximately 59% of total revenues in 2025.

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(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**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, short-term investments with original maturities of three months or less from the date of acquisition and money market accounts. The Authority's cash equivalents primarily consist of investments in money market funds. These investments are stated at cost, which approximates fair value, due to their short-term maturities and high liquidity.

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, 2025, the accompanying financial statements reflect property taxes receivable of \$200,700. 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 credit losses 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.

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 \$5,000 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. At times, the Authority may receive donated capital or other related assets from other organizations or governments. Those assets are initially reported at their acquisition value, which approximates their appraised value, and are depreciated over their remaining useful lives.

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.

A compensated absences liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

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(Continued)



TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**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	\$ 475,195	\$ 1,631,464	\$ (1,228,611)	\$ 878,048	\$ 319,450

The total non-vested and unaccrued portion of sick leave amounted to \$273,304 as of June 30, 2025.

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."

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, 2025. Settlements have not exceeded insurance coverage for the three years ended June 30, 2025. 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

Contingencies: As of June 30, 2025, the Authority had not received the final project closeout for all grants for the year ended June 30, 2025. 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.

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(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

Adoption of New Accounting Pronouncements: For the year ended June 30, 2025, the Authority adopted the following accounting pronouncements:

- GASB Statement No. 101, *Compensated Absences*. The objective of the statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Authority determined the impact on beginning net position to be immaterial and recorded the full impact of approximately \$319,000 in the compensated absences liability on the statement of net position in the current year.
- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The statement was adopted with no material impact on the financial statements.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

As of June 30, 2025, the Authority had cash and cash equivalents balances totaling \$31,898,778, all of which is unrestricted. As of June 30, 2025, all deposits were classified as cash and cash equivalents and include \$16,346,023 of investments in money market accounts. These money market accounts are valued at fair value using quoted prices for identical assets in active markets that the Authority has the ability to access as of the measurement date (Level 1 inputs).

Custodial Credit Risk: All of the Authority's deposits are either insured or collateralized. At June 30, 2025, the carrying amount of the Authority's deposits was approximately \$31,899,000 and the bank balance was approximately \$32,692,000. The difference between the bank balances and the carrying amounts represents outstanding checks and deposits in transit.

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

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.

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(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

**NOTE 3 – CAPITAL AND OTHER RELATED ASSETS**

A summary of changes in capital assets as of June 30, 2025 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 1,705,700	\$ -	\$ -	\$ -	\$ 1,705,700
Transit Center easement	2,873,162	-	-	-	2,873,162
Construction in process	<u>316,568</u>	<u>-</u>	<u>-</u>	<u>(316,568)</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,895,430</u>	<u>-</u>	<u>-</u>	<u>(316,568)</u>	<u>4,578,862</u>
Depreciable capital assets:					
Motor coaches and vans	44,278,635	2,165,646	(2,656,395)	(514,935)	43,272,951
Buildings	27,943,241	1,867,447	(1,413,519)	-	28,397,168
Paratransit vehicles	471,227	1,160,014	-	514,935	2,146,176
Equipment and fixtures	<u>9,071,710</u>	<u>1,530,025</u>	<u>(969,698)</u>	<u>316,568</u>	<u>9,946,605</u>
Total depreciable capital assets	81,764,813	6,723,132	(5,039,612)	316,568	83,764,900
Less accumulated depreciation	<u>(42,743,207)</u>	<u>(4,143,671)</u>	<u>5,039,612</u>	<u>-</u>	<u>(41,847,266)</u>
Total capital assets being depreciated	<u>39,021,606</u>	<u>2,579,461</u>	<u>-</u>	<u>316,568</u>	<u>41,917,634</u>
Net capital assets	<u>\$ 43,917,036</u>	<u>\$ 2,579,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,496,496</u>

**NOTE 4 – FUEL AVAILABILITY AND COST**

The Authority is dependent upon the availability of diesel fuel. Increases in the cost of fuel may, in the future, adversely affect the profitability of the Authority. There is no assurance that diesel fuel prices will not increase. To alleviate possible fuel cost increases, the Authority periodically enters into contracts with local fuel suppliers to purchase fuel at or below current market prices. In September 2024, the Authority entered into a three-year contract, with two one-year extension options, to provide fuel at a firm fixed price based on the daily rack 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 – LEASES**

In January of 2021, the Authority entered into a lease agreement with The Goodyear Tire and Rubber Company to supply tires for the vehicle fleet through December 2025 with two one-year extension options. The payment terms are variable and based upon monthly revenue vehicle mileage. For the year ended June 30, 2025, total tire lease expense was \$77,471. GASB Statement No. 87, *Leases*, is not applicable for this lease since the payments are variable.

(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**NOTE 6 – 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 7. 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, 2024:

	Fair Value Measurements as of		
	December 31, 2024		
	Level 1	Level 2	Level 3
Investments at fair value			
U.S. government obligations	\$ -	\$ 3,064,890	\$ -
Corporate bonds	-	3,187,907	-
Corporate stocks	12,171,379	-	-
Mutual funds	5,166,486	-	-
Total investments by fair value level	\$ 17,337,865	\$ 6,252,797	\$ -

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(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**NOTE 6 – 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, 2024, the carrying amount and bank balance of the Authority's deposits was approximately \$187,000.

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, 2024, 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.

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(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

**NOTE 6 – FIDUCIARY FUND (Continued)**

As of December 31, 2024, the Plan held no investments from a single issuer that exceeded 5% or more of the total investments.

A summary of the maturity dates for U.S. government obligations and corporate bonds, and a summary of credit ratings of corporate bonds, that the Authority was invested in as of December 31, 2024 are listed below:

<u>Investment</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More Than 10 Years</u>	<u>S&amp;P Rating</u>	<u>Fair Value</u>
U.S. government obligations	\$ 3,064,890	\$ -	\$ -	\$ -	\$3,064,890	AA+	\$ 124,726
Corporate bonds	3,187,907	792,157	2,047,485	-	148,557	AA	150,939
	<u>\$ 6,252,797</u>	<u>\$ 792,157</u>	<u>\$ 2,047,485</u>	<u>\$ -</u>	<u>\$3,213,447</u>	AA-	-
						A+	-
						A	399,140
						A-	897,639
						BBB+	769,317
						BBB	846,146
						BBB-	-
						NR	3,064,890
							<u>\$ 6,252,797</u>

**NOTE 7 – 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, 2025, the following employees were covered by the benefit terms:

- Inactive employees or beneficiaries currently receiving benefits 78
- Inactive employees entitled to but not yet receiving benefits 106
- Active employees 172

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. Effective July 1, 2024 the benefit was increased to \$60 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.

(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**NOTE 7 – RETIREMENT PLANS (Continued)**

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 and effective July 1, 2024 the rate increased to \$1.22 per hour. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Net Pension Asset: The Authority's net pension asset was measured as of January 1, 2025 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	6.0%
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 in assumptions.

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

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

Annual Money-Weighted Rate of Return: The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, is 14.0%.

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(Continued)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

**NOTE 7 – RETIREMENT PLANS (Continued)**

Discount Rate: The discount rate used to measure the total pension asset was 6.0 percent. Based on projected future contributions, benefit payments and investment returns, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
<b>Balances at January 1, 2024</b>	\$ 17,256,048	\$ 21,055,431	\$ (3,799,383)
<b>Changes for the year:</b>			
Service cost	636,387	-	636,387
Interest	1,026,349	-	1,026,349
Differences between expected and actual experience	(827,719)	-	(827,719)
Contributions – employer	-	394,174	(394,174)
Contributions – employee	-	416,978	(416,978)
Net investment income	-	2,931,094	(2,931,094)
Benefit payments, including refunds of employee contributions	(936,863)	(936,863)	-
Assumption change	-	-	-
Administrative expense	-	(15,000)	15,000
Other	1,530,778	-	1,530,778
Net changes	1,428,932	2,790,383	(1,361,451)
<b>Balance at December 31, 2024</b>	<u>\$ 18,684,980</u>	<u>\$ 23,845,814</u>	<u>\$ (5,160,834)</u>

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 6.0 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 (5.0 percent) or 1-percentage point higher (7.0 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Authority's net pension asset	\$ (2,870,008)	\$ (5,160,834)	\$ (7,071,651)

Pension Plan Fiduciary Net Position: The net position of the fiduciary fund was \$23,845,814 at December 31, 2024. 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)



TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

**NOTE 7 – RETIREMENT PLANS (Continued)**

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2025, the Authority recognized pension expense of \$628,379. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,753,707
Changes of assumptions	597,811	-
Net difference between projected and actual earnings on pension plan investments	-	1,743,265
Total to be amortized over time	597,811	3,496,972
Authority contributions subsequent to the measurement date	227,295	-
Total deferred amounts	<u>\$ 825,106</u>	<u>\$ 3,496,972</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date of \$227,295 will be recognized as a reduction of the net pension asset in the year ended June 30, 2026. 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:	
2026	\$ (675,004)
2027	(319,834)
2028	(1,044,563)
2029	(565,738)
2030	(175,779)
Thereafter	(118,243)
	<u>\$ (2,899,161)</u>

**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, 2025, employee contributions totaled \$301,716, and the Authority recognized employer contribution expense of \$85,315. At June 30, 2025, the Authority had no outstanding liability for employer contributions.

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

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, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>										
Service cost	\$ 636,387	\$ 672,469	\$ 702,733	\$ 659,443	\$ 652,170	\$ 610,201	\$ 598,783	\$ 578,460	\$ 571,542	\$ 603,766
Interest	1,026,349	1,009,531	978,401	976,720	930,055	868,215	848,669	820,605	782,444	754,084
Differences between expected and actual experience	(827,719)	(402,749)	(216,443)	(436,863)	(115,175)	(468,265)	(460,853)	(331,676)	(182,823)	(386,269)
Changes of assumptions	-	-	-	893,912	-	600,852	-	-	-	-
Benefit payments, including refunds of employee	(936,863)	(1,024,965)	(836,554)	(832,726)	(672,786)	(688,445)	(694,764)	(596,909)	(578,152)	(460,082)
Other	<u>1,530,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	1,428,932	254,286	628,137	1,260,486	794,264	922,558	291,835	470,480	593,011	511,499
Total pension liability – beginning	<u>17,256,048</u>	<u>17,001,762</u>	<u>16,373,585</u>	<u>15,113,099</u>	<u>14,318,835</u>	<u>13,396,277</u>	<u>13,104,442</u>	<u>12,633,962</u>	<u>12,040,951</u>	<u>11,529,452</u>
Total pension liability – ending	<u>\$ 18,684,980</u>	<u>\$ 17,256,048</u>	<u>\$ 17,001,762</u>	<u>\$ 16,373,585</u>	<u>\$ 15,113,099</u>	<u>\$ 14,318,835</u>	<u>\$ 13,396,277</u>	<u>\$ 13,104,442</u>	<u>\$ 12,633,962</u>	<u>\$ 12,040,951</u>
<b>Plan fiduciary net position</b>										
Contributions – employee	\$ 416,978	\$ 447,850	\$ 444,429	\$ 448,149	\$ 474,073	\$ 439,917	\$ 399,577	\$ 379,082	\$ 450,724	\$ 471,580
Contributions – employer	394,174	385,444	382,501	385,702	408,013	378,617	464,270	464,167	350,973	367,214
Net investment income	2,931,094	3,628,885	(2,489,510)	2,899,560	2,055,075	2,553,637	(1,060,752)	1,838,678	739,691	(89,256)
Benefit payments, including refunds of employee	(936,863)	(1,024,965)	(816,554)	(832,726)	(672,786)	(688,445)	(694,764)	(596,909)	(578,152)	(460,082)
Administrative expense	<u>(15,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(7,063)</u>	<u>(6,813)</u>	<u>(14,331)</u>	<u>(13,335)</u>
Net change in plan fiduciary net position	2,790,383	3,432,214	(2,504,134)	2,895,685	2,259,375	2,678,726	(898,732)	2,078,205	948,905	276,121
Plan fiduciary net position – beginning	<u>21,055,431</u>	<u>17,623,217</u>	<u>20,127,351</u>	<u>17,231,666</u>	<u>14,972,291</u>	<u>12,293,565</u>	<u>13,192,297</u>	<u>11,114,092</u>	<u>10,165,187</u>	<u>9,889,066</u>
Plan fiduciary net position – ending	<u>\$ 23,845,814</u>	<u>\$ 21,055,431</u>	<u>\$ 17,623,217</u>	<u>\$ 20,127,351</u>	<u>\$ 17,231,666</u>	<u>\$ 14,972,291</u>	<u>\$ 12,293,565</u>	<u>\$ 13,192,297</u>	<u>\$ 11,114,092</u>	<u>\$ 10,165,187</u>
Authority's net pension liability (asset) - ending	<u>\$ (5,160,834)</u>	<u>\$ (3,799,383)</u>	<u>\$ (621,455)</u>	<u>\$ (3,753,766)</u>	<u>\$ (2,118,567)</u>	<u>\$ (653,456)</u>	<u>\$ 1,102,712</u>	<u>\$ (87,855)</u>	<u>\$ 1,519,870</u>	<u>\$ 1,875,764</u>
Plan fiduciary net position as a percentage of the total pension liability	127.62%	122.02%	103.66%	122.93%	114.02%	104.56%	91.77%	100.67%	87.97%	84.42%
Covered payroll	\$ 13,547,759	\$ 12,096,455	\$ 11,848,368	\$ 10,581,410	\$ 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	(38.09)%	(31.41)%	(5.25)%	(35.48)%	(21.06)%	(6.31)%	11.39%	(.95)%	17.43%	22.01%

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  
Plan year ended December 31, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 219,409	\$ 224,619	\$ 258,344	\$ 211,294	\$ 178,097	\$ 309,321	\$ 134,513	\$ 285,714	\$ 322,476	\$ 301,322
Contributions in relation to the actuarially determined contribution	<u>452,877</u>	<u>346,134</u>	<u>412,305</u>	<u>362,824</u>	<u>376,702</u>	<u>408,084</u>	<u>365,977</u>	<u>407,903</u>	<u>357,456</u>	<u>362,626</u>
Contribution excess	<u>\$ (233,468)</u>	<u>\$ (121,515)</u>	<u>\$ (153,961)</u>	<u>\$ (151,530)</u>	<u>\$ (198,605)</u>	<u>\$ (98,763)</u>	<u>\$ (231,464)</u>	<u>\$ (122,189)</u>	<u>\$ (34,980)</u>	<u>\$ (61,304)</u>
Covered payroll	\$13,547,759	\$12,096,455	\$11,848,358	\$10,581,410	\$ 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	3.34%	2.86%	3.48%	3.43%	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	5 years
Asset valuation method	Market value
Inflation	None
Salary increases	Not applicable, as benefits are not related to salary.
Investment rate of return	6.00% (6.50% before 2021)
Retirement Age	Earlier of age 65, or age 62 with 10 years of service.
Mortality	PubG-2010 Table with MP-2019 (RP 2014 before 2019)

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN  
ON PENSION PLAN  
Plan year ended December 31, 2024

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<u>Year Ending December 31</u>	<u>Annual Money-Weighted Rate of Return</u>
2015	(0.9%)
2016	7.2%
2017	16.4%
2018	(8.0%)
2019	20.7%
2020	13.6%
2021	16.8%
2022	(12.4%)
2023	20.7%
2024	14.0%

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TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2025

<u>Federal Grantor/ Program or Cluster Title</u>	<u>ALN Number</u>	<u>Pass-through or Federal Grant Number</u>	<u>Expenditures</u>
<b>Department of Transportation Federal Transit Administration</b>			
Direct Programs:			
Federal Transit Cluster:			
Federal Transit Formula Grants	20.507	KY-2019-010	\$ 104,046
Federal Transit Formula Grants	20.507	KY-2020-005	35,324
Federal Transit Formula Grants	20.507	KY-2020-010	1,700,807
Federal Transit Formula Grants	20.507	KY-2023-001	97,839
Federal Transit Formula Grants	20.507	KY-2023-002	84,870
Federal Transit Formula Grants	20.507	KY-2025-006	4,902,884
Low or No Emissions Discretionary Grants	20.526	KY-2025-010	<u>5,582,534</u>
<b>Total Federal Transit Cluster</b>			<u>12,508,304</u>
Direct Programs:			
Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities Program			
	20.513	KY-2023-014	109,912
	20.513	KY-2024-016	44,479
	20.513	KY-2024-013	<u>76,729</u>
			231,120
Direct Programs:			
Section 5312 Research, Development, Demonstration and Deployment Projects Program			
	20.530	KY-2021-007	<u>34,017</u>
			<u>34,017</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 12,773,441</u>

The following shows subrecipient activity for the year:

Assistance Listing	
<u>Number</u>	<u>Amount</u>
20.513	\$76,729

See accompanying notes to schedule of expenditures of federal awards.

TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2025

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**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 non-cash assistance or loan payments during 2025.

**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 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.

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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, 2025 and the fiduciary activities as of and for the year ended December 31, 2024, 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 <>.

**Report on 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 or significant deficiencies may exist that have not been identified.

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(Continued)

## Report on 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 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.

Lexington, Kentucky  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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 Major Federal Program**

#### ***Opinion on Major Federal Program***

We have audited the Transit Authority of the Lexington-Fayette-Urban County Government (the Authority's) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2025. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

#### ***Basis for Opinion on Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

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(Continued)

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2025 and the fiduciary activities as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated <>, which contained an unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lexington, Kentucky

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TRANSIT AUTHORITY OF  
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2025

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**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, 20.526

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**

There were no findings for the year ended June 30, 2025.

**SECTION 3 – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings for the year ended June 30, 2025.

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

In planning and performing our audit of the financial statements of Transit Authority of Lexington-Fayette Urban County Government ("Authority") as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

The purpose of this letter 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 Authority's internal control over financial reporting or on compliance. This letter 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. Accordingly, this letter is not suitable for any other purpose.

Crowe LLP

Lexington, Kentucky  
Date

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 Transit Authority of Lexington-Fayette Urban County Government (the Authority) 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 Authority's financial statements are free of material misstatement, we performed tests of the Authority'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 THE AUTHORITY**

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 the Authority under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have the following relationships with the Authority that do not impair our independence but which, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired. We have determined that the provision of the service is not prohibited and it will not create a threat to the auditor's independence.

Relationship	Safeguards
<p><b>Non-Audit Services:</b> We were engaged to perform the following non-audit services during your last fiscal year:</p> <ul style="list-style-type: none"> <li>Assistance with preparation of your financial statements, schedule of expenditures of federal awards, data collection form and supplementary schedules</li> </ul>	<p>We believe your management is capable of evaluating and taking responsibility for their management decisions regarding our services, and we did not assume the role of an employee or of management of the Authority in performing and reporting on our services.</p>

## PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you on August 25, 2025.

- 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 Authority 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 Authority's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications between the Authority 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
GASB Statement No. 101 <i>Compensated Absences</i> and GASB Statement No. 102 <i>Certain Risk Disclosures</i>	Adoption of these statements did not have a material impact on the Authority's financial position or results of operations. See Note 1 of the financial statements for full details of the impact of adoption.

**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 Authority'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.

<b>Significant Accounting Estimate</b>	<b>Process Used by Management</b>	<b>Basis for Our Conclusions</b>
Allowance for Doubtful Accounts and Bad Debt Expense	The allowance for doubtful accounts was determined by management by a process involving consideration of past experiences, current aging information, contacts with the customers, and other available data including environmental factors such as industry, geographical, economic and political factors.	We tested this accounting estimate by reviewing, on a test basis, the information listed.
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.
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 Authority.	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.



## 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 Authority'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 Authority, considering the need to balance the cost of providing information with the likely benefit to users of the Authority'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 Authority'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.

- An adjustment was posted to correct the accrued wages payable and related payroll expense as of June 30, 2025. As a result of this adjustment, liabilities and operating expenses decreased by approximately \$491,000 and change in net position increased by the same amount.

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. Uncorrected misstatements or matters underlying the uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if it was concluded that the uncorrected misstatements are immaterial to the financial statements under audit. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

- Due to the immaterial nature of the impact of implementing GASB Statement No. 101, the Authority chose to implement on a prospective basis rather than retrospectively resulting in beginning net position being overstated and current year operating expense also being overstated by approximately \$319,000. Ending net position is correctly stated as this this waived adjustment relates only to the expense being reported in the current year, rather than the prior year.

## OTHER COMMUNICATIONS

Communication Item	Results
<p><b>Other Information Included in an Annual Report</b>  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:</p> <ul style="list-style-type: none"> <li>• Material inconsistency exists between the other information and the auditor's knowledge obtained in the audit; or</li> <li>• A material misstatement of fact exists, or the other information is otherwise misleading.</li> </ul> <p>If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared other information to accompany the audited financial statements.</p> <ul style="list-style-type: none"> <li>- Management's Discussion and Analysis of Financial Condition and Results of Operations</li> <li>- We read the other information and noted no material inconsistencies or misstatement of facts based on our reading thereof.</li> </ul>
<p><b>Significant Difficulties Encountered During the Audit</b>  We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p><b>Disagreements with Management</b>  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 Authority's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p><b>Difficulties or Contentious Matters</b>  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.</p>	<p>During the audit, there were no such issues for which we consulted outside the engagement team.</p>
<p><b>Circumstances that Affect the Form and Content of the Auditor's Report</b>  We are to discuss with you any circumstances that affect the form and content of the auditor's report, if any.</p>	<p>There are no such circumstances that affect the form and content of the auditor's report.</p>
<p><b>Consultations with Other Accountants</b>  If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>

Communication Item	Results
<b>Representations the Auditor Is Requesting from Management</b> 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.
<b>Significant Issues Discussed, or Subject to Correspondence, With Management</b> 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.
<b>Significant Related Party Findings or Issues</b> We are to communicate to you significant findings or issues arising during the audit in connection with the Authority'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.
<b>Other Findings or Issues We Find Relevant or Significant</b> 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 the Authority 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 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>