

LAKELAND AREA MASS TRANSIT DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

LAKELAND AREA MASS TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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INTRODUCTORY SECTION

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March 8, 2021

Board Chair and Members of
the Board of Directors of the
Lakeland Area Mass Transit District
Citizens of our Service Area

Dear Board Chair, Board Members and Citizens:

State law requires that all independent special districts publish each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Financial Report of the Lakeland Area Mass District, a/k/a Citrus Connection (the "District"), for the fiscal year ended September 30, 2020.

This financial report is indicative of the District management's continued commitment to provide high quality, complete, concise, and reliable financial information on the District.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to provide the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefit, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended September 30, 2020, are free from material misstatement.

The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified, "clean" opinion that the District's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with GAAP. The independent auditors' report is located in front of the report.

The independent audit of the financial statements of the District was part of a broader, mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the basic financial statements, but also on the District's internal control and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of federal and state grant awards. These reports are included in the supplementary information section of this report.

Government Accounting Standards require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. This year's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

The Lakeland Area Mass Transit District, operating and also known as Citrus Connection or LAMTD, was created as a body politic and corporate under Chapter 163, Part V, Sections 163.567, et seq., Florida Statutes, on June 16, 1980. It was originally chartered for the purpose of providing mass transit service to the City of Lakeland, (the "City") and the unincorporated areas of Polk County, Florida (the "County").

The District's Board of Directors is comprised of two directors appointed by the Polk County Board of Commissioners, and three Directors from the City of Lakeland. The Authority is governed by its 5-member Board of Directors ("Board"), which makes decisions, designates management, significantly influences operations and maintains primary fiscal responsibility.

The District is identified as an "Independent Special District" as described in Section 189.403, Florida Statutes, and is authorized to levy an ad valorem tax of up to one-half mill (.50) on the taxable value of real and tangible personal property within the jurisdiction of the City of Lakeland. Chapter 165.570, *Florida Statutes*, allows the District to levy up to one mill, subject to public referendum. The District's ad valorem taxes are reviewed as part of the annual assessment of Polk County, which levies its taxes on November 1. Collection of taxes begins in November of each year and continues through the following March. Taxes become delinquent on April 1 and tax certificates placing liens on the property are sold May 31.

Additional revenues and funding are received from passenger fares, other revenue services and grants from the U.S. Government and the State of Florida. Located in Polk County, Florida, on the west coast of the state, the District is a regional provider of mass transportation services primarily within Polk County.

Services and Ridership

The District provides virtually all public transportation services in the Lakeland incorporated area. These services include fixed route, paratransit, and specialized services. The District maintains over 10 ADA bus stops, 68 shelters, 1 transit terminal, 1 Park and Ride Facility and a fleet of 51 fixed route, and paratransit vehicles.

Fiscal year 2020 ridership which includes both the District and Polk County ridership, is as follows:

- Fixed Route: 774,571 (a decrease of 34.7% compared to fiscal year 2019)
- Paratransit: 80,838 (a decrease of 25% compared to fiscal year 2019)

Management

The District is managed by an Executive Director who acts in accordance with the direction, goals and policies articulated by the Board. The Executive Director is responsible for the District's daily operations and directly supervises the core personnel who lead the organization: finance, safety, bus operations, maintenance, administration and marketing. Additionally, there are departments that support these functions.

Budget

The Board is required to adopt an annual operating budget prior to the beginning of each fiscal year. The budget serves as a policy document, an operation's guide, a financial plan and a communication device. The process for developing the District's budget begins with budget review and planning in March through May; through a series of meetings and analysis, a balanced operating budget and a prioritized capital budget are produced. The District may not spend more than the approved operating budget, with the Board having to approve increases to the budget. The Executive Director and the Chief Financial Officer may permit movement of funds within the approved budget.

The District Board's adopted fiscal year 2021 operating and capital budget total \$11,056,600. This adopted budget allows the District to continue to provide the same level of service in fiscal year 2021 as was delivered in fiscal year 2020.

Factors Affecting Financial Condition

The District is experiencing the continued effect of the national economic downturn resulting in a continued decrease of revenue for operations and capital, while the demand for service increases. The District's ability to fund its operations, and this increased service demand, is heavily dependent on a millage levy generated from property taxes. Property tax revenues have shown significant increase from the decline in prior years to \$4,982,794 and \$4,749,296 for fiscal year 2020 and 2019, respectively. The District's millage rate in 2020 and 2019 was 0.500.

In lieu of having ample property taxes to fund operations, the District has chosen to shift Federal 5307 formula funding, intended for capital improvements such as vehicles, facilities and equipment, to fund operational cost.

Long-Range Financial Planning

The District has seen a significant challenge in maintaining the current level of service to the community due to the national and regional economic down-turn. While the economic conditions have reduced available revenue to provide service delivery, those same conditions drive the need and use of those services higher. To ensure the District maintains and can support increases in that service demand in the future, prudent long-range financial planning is critical. Over the past year, the District has worked diligently to reduce its overall operating costs. As of September 30, 2020, the District's unrestricted net position totaled \$3.43 million, which is inclusive of the Board's requirement of maintaining an operating reserve for positive cash flow and contingency planning. In the coming year, the District will look at solidifying and building its reserves, examine a multi-year operating and capital budgeting process, and continue to work on reducing overall expenses through gains in efficiency and productivity.

Major Initiatives

- With the failure of the My Ride Consolidated Transit Development Plan (TDP) referendum in November 2014 to raise one percent in sales tax with one half (1/2) of the proceeds from the transportation surtax to the Transit Authority (Polk Transit Authority) to be used for transit services, the District was forced to reduce services in fiscal year 2015.
- In fiscal year 2015, the District reduced transit services totaling \$1.477 million or 13.5% of the fiscal year budget due to fiscal constraints and to facilitate a balanced budget in fiscal year 2015-2016 with funding for capital expenses for bus purchases.
- For fiscal year 2016, the District began to address the capital funding needs for bus and vehicle replacements. In doing so \$680,000 was designated annually for debt service to finance a lease purchase program for vehicle replacements.
- The District joined the Florida Retirement System (FRS) effective October 1, 2015, to provide a sustainable retirement plan for the work force for employee retention, employee's retirement and to address the need for a permanent retirement plan for the first time.

- In light of the failure of the My Ride referendum in 2014, the District entered into a local inter-governmental agreement with Polk County to provide transit services for the Polk County transit service area resulting in the District now being the sole provider of fixed route and paratransit services and to incrementally add other services. The three-year agreement for the period October 1, 2015 through September 30, 2018, is an attempt to address a consolidated effort to provide transit services County wide. The agreement totals for the first two years were \$6.5 million and \$6.1 million, respectively. The fiscal year 2018 agreement totals \$5.6 million, the agreement for fiscal year 2019 totaled \$6.780 million, and the fiscal year 2020 agreement totaled \$7.85 million.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department and the District organization. We wish to express our appreciation to all members of the organization who assisted and contributed to the preparation of this report. Credit also must be given to the governing Board of Directors for its unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Tom Phillips
Executive Director



David Persaud, MPA, CGFM, CPE
Chief Financial Officer

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Lakeland Area Mass Transit District
Lakeland, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the **Lakeland Area Mass Transit District** (the "District") as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 - 11), the Schedule of Proportionate Share of the Net Pension Liability – Florida Retirement System, Schedules of District Contributions – Florida Retirement System, Schedule of Proportionate Share of the Net Pension Liability – Retiree Health Insurance Subsidy, and Schedules of District Contributions – Retiree Health Insurance Subsidy (on pages 37 - 40) be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Letter of Transmittal and Schedule of Revenue and Expenses – Polk County Transit Services are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and by Section 215.97, *Florida Statutes*, and is also not a required part of the basic financial statements of the District.

The Schedule of Revenue and Expenses – Polk County Transit Services and the Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenue and Expenses – Polk County Transit Services and the Schedule of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Letter of Transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

Bradenton, Florida
March 8, 2021

Mauldin & Jenkins, LLC

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LAKELAND AREA MASS TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Annual Financial Report of the Lakeland Area Mass Transit District d/b/a Citrus Connection (the "District") presents management's analysis of the District's financial performance during the fiscal years that ended on September 30, 2020 and 2019. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

Fiscal Year 2020

- Operating revenues increased by 2.8%, or \$114,255, from fiscal year 2019. This was due to a decrease in customer fares and increase Polk County local funding for transit services.
- Non-Operating revenues increased \$.20 million or 1.49%. This was due to increases in property taxes, decrease in investment income, increase in federal and state operating grants and decrease in miscellaneous revenue.
- Operating expenses increased by 1.7%, or \$.33 million, from fiscal year 2019. This was due in part to the agreement with Polk County to operate County Transit Services and the District increases in operating expenses in salaries, wages, benefits, and insurance expenses.
- Total assets and deferred outflows of resources decreased \$.72 million or 2.65% due to decreases in cash and investments and increases in accounts receivable.
- Total liabilities and deferred inflows of resources increased by \$.34 million or 3.07%. This was due to an increase in pension liabilities and decrease in accounts payable.
- Current liabilities decreased by \$.44 million or 31.6%, from fiscal year 2019, due to a decrease in accounts payable.
- Overall net position decreased by 6.6%, or \$1.06 million from fiscal year 2019, primarily due to an increase in total liabilities.

Fiscal Year 2019

- Operating revenues increased by 5.1%, or \$200,489, from fiscal year 2018. This was due to an increase in customer fares, and Polk County local funding for transit services and advertising revenues.
- Non-Operating revenues increased \$.688 million or 5.5%. This was due to increases in property taxes, investment income, federal and state operating grants miscellaneous revenue.
- Operating expenses increased by 9.2%, or \$1.64 million, from fiscal year 2018. This was due in part to the agreement with Polk County to operate County Transit Services and the District increases in operating expenses in salaries, wages, benefits, fuel and materials and supplies.
- Total assets and deferred outflows of resources increased \$1.64 million or 6.43% due to decreases in accounts receivable and increases in investment and capital assets.
- Total liabilities and deferred inflows of resources increased by \$1.8 million or 19.64%. This was due to an increase in pension liabilities and capital leases.
- Current liabilities increased by \$80,000 or 6.1%, from fiscal year 2018, due to an increase in capital lease payable.
- Overall net position decreased by 1%, or \$172,000 from fiscal year 2018, primarily due to an increase in total liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of two parts: Financial Statements and Notes to the Financial Statements. The report also contains supplementary information in addition to the financial statements themselves.

Required Financial Statements

The financial statements of the District report information about the District using full accrual accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the District's assets, liabilities, deferred outflows and inflows of resources and net position, and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for computing the rate of return, evaluation of the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all costs through its customer fares, contract services, and operating subsidies, as well as its profitability and credit worthiness. The final required financial statement for each year is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the District

Our analysis of the District begins below with the Financial Statements. One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position - difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, regulation, and new or changed government legislation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position

To begin our analysis, a summary of the District's Statements of Net Position is presented below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 9,577,777	\$ 10,819,617	\$ 9,933,802
Capital assets	13,089,441	12,168,297	11,218,622
Total assets	<u>22,667,218</u>	<u>22,987,914</u>	<u>21,152,424</u>
Deferred outflows of resources	<u>3,709,835</u>	4,108,195	4,307,448
Current liabilities	954,881	1,389,184	1,309,318
Noncurrent liabilities	1,696,864	1,943,692	1,415,734
Net pension liability	8,409,783	7,204,809	5,942,142
Total liabilities	<u>11,061,528</u>	<u>10,537,685</u>	<u>8,667,194</u>
Deferred inflows of resources	<u>290,097</u>	475,779	537,976
Net position			
Net investment in capital assets	11,594,764	10,413,506	10,109,542
Unrestricted	3,430,664	5,669,139	6,145,160
Total net position	<u>\$ 15,025,428</u>	<u>\$ 16,082,645</u>	<u>\$ 16,254,702</u>

The Statements of Net Position show the change in assets, liabilities, deferred outflows of resources, deferred inflows of resources and the resulting net position. Net position may serve, over time, as a useful indicator of a government's overall financial position.

During fiscal year 2020, net position decreased \$1.06 million or 6.6% compared to fiscal year 2019. The decrease is attributable to the decrease in total assets of \$.32 million, primarily from the decrease in current assets. The total liabilities likewise increased \$.52 million.

During fiscal year 2019, net position decreased \$172,000 or 1% compared to fiscal year 2018. The decrease is attributable to the increase in total assets of \$1.8 million, primarily from the decrease in capital. The total liabilities likewise increased \$1.9 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statements of Revenues, Expenses, and Changes in Net Position are listed below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Passenger fares and contractual revenues for transit service	\$ 1,565,374	\$ 1,927,730	\$ 1,923,001
Polk County Transit Services contract revenue	2,583,896	2,039,082	1,872,230
Advertising	101,880	170,083	141,175
Total operating revenue	<u>4,251,150</u>	<u>4,136,895</u>	<u>3,936,406</u>
Operating expenses:			
Salaries and wages	8,387,273	7,895,515	7,381,255
Employee benefits	3,674,905	3,435,472	3,157,252
Fuel and lubricants	744,587	1,093,793	1,082,166
Depreciation	1,628,608	1,481,114	1,467,635
Materials, supplies, and maintenance	2,015,743	2,120,485	2,042,862
Insurance	353,513	272,842	269,330
Professional services	657,930	667,500	579,467
Utilities	215,534	211,628	222,587
Office expense	163,224	128,306	179,398
Travel and meetings	44,819	63,001	64,100
Uniforms	38,135	35,102	21,568
Advertising	38,739	52,001	53,000
Florida Retirement System expense	1,417,652	1,399,723	880,478
Training and education	6,040	17,428	23,162
Miscellaneous	377,737	527,541	311,394
Repairs and maintenance	86,095	124,315	147,534
Total operating expenses	<u>19,850,534</u>	<u>19,525,766</u>	<u>17,883,188</u>
Operating loss	<u>(15,599,384)</u>	<u>(15,388,871)</u>	<u>(13,946,782)</u>
Non-operating revenues (expenses):			
Property taxes	4,982,794	4,749,296	4,456,436
Federal and state operating grants	8,466,137	8,248,043	7,951,614
Investment income	99,433	208,036	135,819
Interest expense	(42,619)	(34,739)	(30,830)
Gain on disposal of capital assets	4,255	5,020	1,309
CRA contribution	(257,706)	(230,801)	(202,000)
Miscellaneous revenue	104,786	186,291	130,675
Total non-operating revenues, net	<u>13,357,080</u>	<u>13,131,146</u>	<u>12,443,023</u>
Net loss before before capital contributions	<u>(2,242,304)</u>	<u>(2,257,725)</u>	<u>(1,503,759)</u>
Capital contributions	<u>1,185,087</u>	<u>2,085,668</u>	<u>313,326</u>
Change in net position	<u>(1,057,217)</u>	<u>(172,057)</u>	<u>(1,190,433)</u>
Net position, beginning of year	<u>16,082,645</u>	<u>16,254,702</u>	<u>17,445,135</u>
Net position, end of year	<u>\$ 15,025,428</u>	<u>\$ 16,082,645</u>	<u>\$ 16,254,702</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District (Continued)

A summary of the significant changes in revenues and expenses for fiscal years 2020 and 2019 is provided below:

Revenues

- Passenger fares decreased 19% due to decline in ridership in response to the COVID-19 pandemic.
- Advertising revenues decreased 40% due to decreases in advertising contracts.
- Polk County Transit Services revenues increased 27% due to the District adding transit services for County Services in fiscal year 2020.
- Property taxes increased 4.9% and federal and state grants decreased 3%.

Expenses

- Salaries and wages increased 6.29% due to a 2.25% wage increase and increase in labor contract.
- Fringe benefits increased 7.9% due to increase in health insurance expenses and pension expense.
- Fuel expenses decreased 32% due to decrease in fuel price.
- Materials, supplies and maintenance decreased 5% as a result of decreased parts usage.
- Florida Retirement System expenses (FRS) increased 1.3% for accrued pension expense.
- Miscellaneous expenses decreased 28% due to write off on aging accounts receivable in fiscal year 2019 only.

Intergovernmental Agreement with Polk County and the State of Florida

The District entered into an interlocal agreement for fiscal year 2016 with Polk County to provide transit services for fixed route and paratransit services for the County service area. The District also contracted with the Florida Commission for the Transportation Disadvantaged for providing transit disadvantaged services for the Polk County service area.

For fiscal year ending September 30, 2020, the total expenses for all three entities totaled \$20.2 million. The District expenses totaled \$12.0 million, the Polk County expenses totaled \$6.9 million and the State of Florida Transportation Disadvantaged expenses totaled \$1.26 million.

For fiscal year ending September 30, 2019, the total expenses for all three entities totaled \$19.8 million. The District expenses totaled \$11.7 million, the Polk County expenses totaled \$6.7 million and the State of Florida Transportation Disadvantaged expenses totaled \$1.4 million.

For fiscal year ending September 30, 2018, the total expenses for all three entities totaled \$18.387 million. The District expenses totaled \$11.163 million, the Polk County expenses totaled \$6.198 million and the State of Florida Transportation Disadvantaged expenses totaled \$1.026 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

At the end of fiscal years 2020 and 2019, the District had a broad range of capital assets, consisting of land, buildings and shelters, revenue vehicles, and equipment.

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 1,999,625	\$ 1,902,250
Construction in progress	-	181,021
Buildings	7,259,340	6,422,334
Rolling stock	11,222,137	11,290,842
Shop and support equipment	3,954,618	3,904,073
Office furnishings and equipment	2,087,147	1,728,579
Less accumulated depreciation	<u>(13,433,426)</u>	<u>(13,260,802)</u>
Capital assets, net	<u>\$ 13,089,441</u>	<u>\$ 12,168,297</u>

At the end of fiscal year 2020, net capital assets increased \$.92 million or 7.6%. Significant additions to capital assets were as follows:

- Land and land improvements increased 5% due to acquisition of new land. Buildings increased 13% for the construction of shelters and pads. Office furnishings and equipment increased 21% due to the purchase of transportation technology.
- Accumulated depreciation increased by \$1.3% due to current year depreciation expense.

For additional information on the District's capital assets, please see financial statement Note 4, Capital Assets.

Long-Term Liabilities

The District (as Lessee) has entered into a Lease Agreement with Banc of America Public Capital Acquisition (BAPCC), a subsidiary of Bank of America for financing the acquisition of three heavy duty buses in fiscal year 2016. The amount financed is \$1,357,500 with an interest rate of 2.6482% for twelve years. These lease agreements qualify as capital lease for accounting purposes and are recorded at the present value of the future minimum lease payments at the inception date. The debt service payments for principal and interest at September 30, 2020, totaled \$132,174.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Liabilities (Continued)

Capital Lease: In fiscal year 2019, the District (as Lessee) entered into a Lease Agreement with U.S. Bancorp Government Leasing and Finance, Inc., for financing the acquisition of four heavy duty buses. The amount financed was \$800,000 with an interest rate of 2.544% for five years. The annual debt service lease payments over the life of lease is \$170,561.

For additional information on the District's long-term liabilities, please see financial statement Note 6, Long-Term Liabilities.

Operating Passenger Fares for Transit Service

In fiscal year 2020, ridership decreased 34% as compared to fiscal year 2019, and passenger fare revenue decreased 19% as compared to fiscal year 2019. This increase was due to the decrease in ridership due to COVID-19.

In fiscal year 2019, ridership decreased 3.37% as compared to fiscal year 2018, and passenger fare revenue decreased .25% as compared to fiscal year 2018. This increase was due to the increase in fuel prices.

In fiscal year 2018, ridership decreased 9% compared to fiscal year 2017, and passenger fare revenue for fiscal year 2018 decreased 1.2% compared to fiscal year 2017. This decrease was due to the end of the Polytechnic University Contract and decrease in ridership.

	Fixed Route	Demand Response	Total
<u>Ridership</u>			
FY 2020	\$ 774,571	\$ 80,838	\$ 855,409
FY 2019	1,187,030	107,741	1,294,771
FY 2018	1,144,300	108,299	1,252,599
FY 2017	1,252,509	93,702	1,346,211
 <u>Riders Per Hour</u>			
FY 2020	7.78	1.72	
FY 2019	13.29	1.92	
FY 2018	13.20	2.00	
FY 2017	15.00	1.82	
 <u>Operational Cost Per Revenue Hour</u>			
FY 2020	117.66		
FY 2019	116.62		
FY 2018	108.42		
FY 2017	106.94		

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2021 Outlook

The District reported a change in net position of (\$1,057,217), (\$1,020,250), and (\$1,190,433) for fiscal years 2020, 2019, and 2018, respectively. While these conditions would normally raise concern as to the ability to continue operations, several steps have been taken to eliminate the operating deficits.

- Polk Transit has legislative authority to levy ad valorem taxes. Based on feedback received through a number of public outreach efforts and from local stakeholders and leadership, a sales tax is considered a better option for funding public transportation services in Polk County. Sales tax benefit include spending flexibility, revenue generated shared across multiple groups, and the opportunity to offset existing mileage rates being assessed for public transportation.
- The agreement between the District and Polk County Government completed its third year with improved efficiency in shared resources.
- Overall, the District continues to be dependent on property tax revenues as the only dedicated local revenues for public transit services. This has contributed to limited service expansion.
- The District has designated \$.38 million in the fiscal year 2021 budget for capital related expenses.

Request for Information

This financial report is designed to provide a general overview of Lakeland Area Mass Transit District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Lakeland Area Mass Transit District, 1212 George Jenkins Blvd., Lakeland, Florida, 33815.

LAKELAND AREA MASS TRANSIT DISTRICT

**STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019**

	2020	2019
ASSETS		
Current assets		
Cash	\$ 1,135,476	\$ 2,196,973
Investments	4,887,240	5,476,660
Investments - restricted by Board	1,518,036	1,383,392
Accounts receivable, net	235,137	460,927
Due from other governments	1,595,268	1,102,054
Inventory	206,245	182,731
Prepaid expenses	375	16,880
Total current assets	9,577,777	10,819,617
Noncurrent assets		
Capital assets - nondepreciable	1,999,625	2,083,271
Capital assets - depreciable, net	11,089,816	10,085,026
Total noncurrent assets	13,089,441	12,168,297
Total assets	22,667,218	22,987,914
DEFERRED OUTFLOWS OF RESOURCES		
Pension	3,709,835	4,108,195
LIABILITIES		
Current liabilities		
Accounts payable	553,760	922,781
Accrued liabilities	54,363	72,091
Unearned revenue	17,000	83,950
Compensated absences	62,833	50,246
Capital lease payable, current	266,925	260,116
Total current liabilities	954,881	1,389,184
Noncurrent liabilities		
Compensated absences, less current portion	469,112	449,017
Capital lease payable, less current portion	1,227,752	1,494,675
Net pension liability	8,409,783	7,204,809
Total noncurrent liabilities	10,106,647	9,148,501
Total liabilities	11,061,528	10,537,685
DEFERRED INFLOWS OF RESOURCES		
Pension	290,097	475,779
NET POSITION		
Net investment in capital assets	11,594,764	10,413,506
Unrestricted	3,430,664	5,669,139
Total net position	\$ 15,025,428	\$ 16,082,645

The accompanying notes are an integral part of these financial statements.

LAKELAND AREA MASS TRANSIT DISTRICT

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating revenues		
Passenger fares and contractual revenues for transit service	\$ 1,565,374	\$ 1,927,730
Polk County Transit Services contract revenue	2,583,896	2,039,082
Advertising	101,880	170,083
Total operating revenues	<u>4,251,150</u>	<u>4,136,895</u>
Operating expenses		
Salaries and wages	8,387,273	7,895,515
Employee benefits	3,674,905	3,435,472
Fuel and lubricants	744,587	1,093,793
Depreciation	1,628,608	1,481,114
Materials, supplies, and maintenance	2,015,743	2,120,485
Insurance	353,513	272,842
Professional services	657,930	667,500
Utilities	215,534	211,628
Office expense	163,224	128,306
Travel and meetings	44,819	63,001
Uniforms	38,135	35,102
Advertising	38,739	52,001
Florida Retirement System expense	1,417,652	1,399,723
Training and education	6,040	17,428
Miscellaneous	377,737	527,541
Repairs and maintenance	86,095	124,315
Total operating expenses	<u>19,850,534</u>	<u>19,525,766</u>
Operating loss	<u>(15,599,384)</u>	<u>(15,388,871)</u>
Non-operating revenues (expenses)		
Property taxes	4,982,794	4,749,296
Federal and state operating grants	8,466,137	8,248,043
Investment income	99,433	208,036
Interest expense	(42,619)	(34,739)
Gain on disposal of capital assets	4,255	5,020
CRA contribution	(257,706)	(230,801)
Miscellaneous revenue	104,786	186,291
Total non-operating revenues, net	<u>13,357,080</u>	<u>13,131,146</u>
Net loss before capital contributions	(2,242,304)	(2,257,725)
Capital contributions	<u>1,185,087</u>	<u>2,085,668</u>
Change in net position	(1,057,217)	(172,057)
Net position, beginning of year	<u>16,082,645</u>	<u>16,254,702</u>
Net position, end of year	<u>\$ 15,025,428</u>	<u>\$ 16,082,645</u>

The accompanying notes are an integral part of these financial statements.

LAKELAND AREA MASS TRANSIT DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,409,990	\$ 4,148,706
Other operating payments	(152,920)	(44,510)
Payments to suppliers	(5,029,132)	(5,162,786)
Payments to employees	(12,136,218)	(11,364,105)
Net cash used in operating activities	<u>(12,908,280)</u>	<u>(12,422,695)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Federal and state grant receipts	7,972,923	9,024,457
Property tax revenues received	4,982,794	4,749,296
Net cash provided by non-capital financing activities	<u>12,955,717</u>	<u>13,773,753</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions - federal and state	1,185,087	2,085,668
Proceeds from sale of capital assets	4,255	5,020
Capital lease proceeds	-	800,000
Principal payment of capital lease liability	(260,114)	(154,289)
Interest payment on capital lease liability	(42,619)	(34,739)
Acquisition of capital assets	(2,549,752)	(2,430,789)
Net cash provided by (used in) capital and related financing activities	<u>(1,663,143)</u>	<u>270,871</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	99,433	208,036
Net cash provided by investing activities	<u>99,433</u>	<u>208,036</u>
Net change in cash and cash equivalents	(1,516,273)	1,829,965
Cash and cash equivalents:		
Beginning of year	9,057,025	7,227,060
End of year	<u>\$ 7,540,752</u>	<u>\$ 9,057,025</u>
Classified in the Statement of Net Position as:		
Current assets - cash	\$ 1,135,476	\$ 2,196,973
Current assets - investments	4,887,240	5,476,660
Current assets - investments - restricted by Board	1,518,036	1,383,392
	<u>\$ 7,540,752</u>	<u>\$ 9,057,025</u>

LAKELAND AREA MASS TRANSIT DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (15,599,384)	\$ (15,388,871)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,628,608	1,481,114
Miscellaneous income	104,786	186,291
CRA contribution	(257,706)	(230,801)
(Increase) decrease in:		
Accounts receivable	225,790	(9,801)
Inventory	(23,514)	(23,937)
Prepaid expenses	16,505	201,474
Deferred outflows of resources	398,360	199,253
Increase (decrease) in:		
Accounts payable	(369,021)	(53,438)
Accrued liabilities	(17,728)	59,748
Due to other governments	-	(88,474)
Unearned revenue	(66,950)	21,612
Accrued compensated absences	32,682	22,665
Net pension liability	1,204,974	1,262,667
Deferred inflows of resources	(185,682)	(62,197)
Net cash used in operating activities	\$ (12,908,280)	\$ (12,422,695)

The accompanying notes are an integral part of these financial statements.

LAKELAND AREA MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The Lakeland Area Mass Transit District (the "District") was created by Ordinance 80-13 of the Board of County Commissioners of Polk County and 2205 of the City of Lakeland, Florida, under the authority of Chapter 125, *Florida Statutes*. It is a special taxing district created for the purpose of establishing, operating, and maintaining a public mass transit system within the territorial boundaries of the District, which has been expanded from its original boundaries several times by voter referendum.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

The District is accounted for as an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

There are no component units of the District, and the District is not included as a component unit of any other government.

The District uses the accrual basis of accounting. Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting also relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. The District has adopted the uniform system of accounts prescribed by the Federal Transit Administration, U.S. Department of Transportation.

Cash, Cash Equivalents and Investments: Cash, cash equivalents and investments consist of amounts on deposit with the State Board of Administration (SBA) and are recorded at cost which is the same as market for this type of investment. For the statement of cash flow purposes, this investment is treated as a cash equivalent because there is no stated maturity and the funds are available on demand.

Florida Statute 218.415 and the District's investment policy authorize the District to invest surplus funds in certain investments. These investments include the Local Government Surplus Funds Trust Fund, an investment pool administered by the State Board Administration, under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On December 4, 2007, based on recommendations from an outside financial advisor, the SBA restructured the Pool into two separate pools. Pool A, subsequently renamed the LGIP pool, consisted of all money market appropriate assets. The LGIP pool is considered a Securities and Exchange Commission (SEC) "2a7-like" fund with the fair value of the investment equal to the account balance. A 2a7-like fund is not registered with the SEC as an investment company, but has a policy that it will and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, the rules governing money market funds. Thus, the pool operates essentially as a money market fund, but is classified as an external investment pool.

Receivables: Receivables are generally attributable to services provided by the District. An allowance for uncollectible accounts is estimated and no amounts were recorded based on management's judgment that all receivables are fully collectible.

Due from Other Governments: Due from other governments represents amounts due to the District from federal and state agencies under expenditure-driven grant agreements, and from the Polk Transit Authority (PTA), a related entity, under an interlocal agreement providing for the reimbursement of costs borne by the District on the PTA's behalf, and for the providing of transit services in the Winter Haven area pursuant to a Transit Operators Agreement.

Inventory: The inventory of spare parts is valued at the lower of cost or market. Cost is determined by using the average cost method.

Property and Equipment: Property and equipment acquired by the District are recorded at historical cost. Property and equipment purchased with an original value of \$2,000 or more is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Rolling stock	5 - 12 years
Shop and support equipment	3 - 10 years
Office furnishings and equipment	3 - 15 years

Routine maintenance and repairs are charged against operations as incurred. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in operations.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions: In the statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the District's statement of net position represent differences between expected and actual experience, changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the District's Statements of Net Position represent the difference between expected and actual experience, changes of actuarial assumptions for the Health Insurance Subsidy Program, and the net difference between projected and actual earnings on Florida Retirement System Pension investments, relating to the Florida Retirement System Pension Plan. These amounts will be recognized as reductions in pension expense in future years.

Net Position: Net position presents the difference between assets and deferred outflows, and liabilities and deferred inflows in the Statements of Net Position. Net position is reported as restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors and granters. Unrestricted net position may be designated for specific purposes at the option of the Board of Directors.

Net Investment in Capital Assets: This category consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes: Property taxes become due and payable on November 1 of each year. Polk County, Florida, bills and collects the property taxes pertaining to the District. For the fiscal years ended September 30, 2020 and 2019, the District levied 0.500 mills. A 4% discount is allowed if the taxes are paid in November with the discount declining by 1% each month thereafter. Taxes become delinquent on April 1 of each year. The levy date for property taxes for the current year was October 31 and the lien date is January 1.

Federal and State Operating Grants: Proceeds from federal and state operating grants to assist in financing operating deficits are recognized as revenue in the fiscal year to which they apply.

Accordingly, revenues are recognized when the related costs are incurred as opposed to when the funds are actually received.

Federal and state operating grants are subject to special audit. Such audits could result in claims against the District for disallowed costs or noncompliance with grantor restrictions.

Compensated Absences: The amounts of unpaid vacation and sick leave accumulated by District employees are accrued as expenses when incurred. At year-end, the total available sick leave and vacation hours are multiplied by the current pay rate to determine the accrued liability. Sick leave is limited such that a percentage of accrued sick time, ranging from 0% to 60%, is paid based on years of full-time employment, and the maximum amount to be paid to any single employee shall not exceed \$8,000. The District has separated that portion of the liability that is expected to be paid from current assets and has classified that estimate as a current liability and the remainder as non-current.

Management Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Restricted Funds: When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources when they are needed.

Operating Revenue: Consists of revenues relating to the normal operations of the District such as fares, contracted services, and advertising.

Non-Operating Revenues: The District classifies revenues which are directly related to operating its public mass transit system as operating. All other revenues are classified as non-operating, including property taxes and grants.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Operating Expenses: The District classifies expenses which are directly related to operating its public mass transit system as operating. All other expenses are classified as non-operating.

Charitable Contributions: The District is not designated as a "qualified" organization under section 501(c) of the Internal Revenue Code. However, contributions made for the purpose of supporting the District's community bus shelter program qualify as a tax-deductible contribution under other provisions of the Internal Revenue Code. The District recognizes charitable contributions in the period received as "contributed capital" for financial reporting purposes.

NOTE 2. CASH AND INVESTMENTS

As of September 30, 2020 and 2019, the aggregate carrying amounts of the District's deposits were \$1,135,476 and \$2,196,973, respectively, and the aggregate bank balances were \$1,319,425 and \$2,261,317, respectively, of which \$250,000 was covered by federal depository insurance.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Florida Statutes require deposits by governmental units in a financial institution be collateralized. The State of Florida maintains control over the collateral requirements and authorizes certain financial institutions to act as depositories for governmental units ("Qualified Public Depositories"). The District maintains all accounts in Qualified Public Depositories.

Cash Equivalents and Investments: The types of investments in which the District may invest are governed by several forms of legal and contractual provisions. The District may invest in direct obligations of the Federal Government, interest bearing time deposits, obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or obligations guaranteed by the Government National Mortgage Association or the Federal National Mortgage Association. The District may also invest reserve funds with the Florida State Board of Administration.

As of September 30, 2020 and 2019, the District is invested in the State Investment Pool and the fair value of these investments were \$6,405,276 and \$6,860,052, respectively, with maturities of less than one year.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Funds are invested in the SBA's local governments pooled investment account. The rate of interest fluctuates daily. The interest rate on September 30, 2020, was 0.33%. The interest rate on September 30, 2019, was 2.31%. The SBA account is divided into two funds. Fund A is accounted for as an SEC 2a7-like fund. The District carries these investments at amortized cost, which approximates fair value in accordance with GASB 79. The SBA's duties related to the Local Government Surplus Funds Trust Funds are defined in Sections 218.40-218.41, *Florida Statutes*. The Executive Director is authorized to use all investment authority included in Section 215.47, *Florida Statutes*, and is responsible for all internal measurements, regulation and rules defined in these sections of the Florida Statutes.

Interest Rate Risk: As a means of limiting its exposure to fair market value losses arising from interest rates, the District's investment policy requires at least one quarter of the District's investment portfolio to be maturities of less than one year. Investment maturities are limited as follows:

<u>Maturity</u>	<u>Maximum Investment</u>
1 - 3 years	75%
3 - 5 years	30%
5 - 10 years	20%
10 - 20 years	10%

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. Investments in the State Board of Administration investment pool are 100% of the District's investments.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments are reported in the accompanying Statements of Net Position as of September 30, 2020 and 2019:

	2020	2019
Current assets as reported in the Statements of Net Position:		
Cash	\$ 1,135,476	\$ 2,196,973
Investments	4,887,240	5,476,660
Investments - restricted by Board	1,518,036	1,383,392
	\$ 7,540,752	\$ 9,057,025
Cash	\$ 1,135,476	\$ 2,196,973
Investments - State Board of Administration	6,405,276	6,860,052
	\$ 7,540,752	\$ 9,057,025

Credit Risk: At September 30, 2020 and 2019, the District had investments in the State Board of Administration in the amounts of \$6,405,276 and \$6,860,052, respectively. The rating for these investments as of September 30, 2020 and 2019, was AAAM.

Fair Value Measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has no investments for which fair value measurement should be disclosed at September 30, 2020 and 2019, as its only investment is in the state investment pool, which is carried at amortized cost in accordance with applicable Governmental Accounting Standards Board (GASB) Standards.

NOTE 3. ASSETS RESTRICTED BY THE BOARD

The District has established long range plans concerning bus replacement in the event the federal and state capital assistance grants are no longer available. As part of the plan, management has set aside certain assets that would be used to fund this project. The Board evaluates the plan on an annual basis. The assets set aside for reserves as of September 30, 2020 and 2019, consist of the following:

	2020	2019
Investments - restricted by Board	\$ 1,518,036	\$ 1,383,392

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2020, 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 and land improvements	\$ 1,902,250	\$ 97,375	\$ -	\$ -	\$ 1,999,625
Construction in progress	181,021	775,183	-	(956,204)	-
Total	<u>2,083,271</u>	<u>872,558</u>	<u>-</u>	<u>(956,204)</u>	<u>1,999,625</u>
Capital assets, being depreciated:					
Buildings	6,422,334	57,823	-	779,183	7,259,340
Rolling stock	11,290,842	1,375,414	(1,455,984)	11,865	11,222,137
Shop and support equipment	3,904,073	58,780	-	(8,235)	3,954,618
Office furnishings and equipment	1,728,579	185,177	-	173,391	2,087,147
Total	<u>23,345,828</u>	<u>1,677,194</u>	<u>(1,455,984)</u>	<u>956,204</u>	<u>24,523,242</u>
Less accumulated depreciation	(13,260,802)	(1,628,608)	1,455,984	-	(13,433,426)
Total capital assets, being depreciated, net	<u>10,085,026</u>	<u>48,586</u>	<u>-</u>	<u>956,204</u>	<u>11,089,816</u>
Total capital assets, net	<u>\$ 12,168,297</u>	<u>\$ 921,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,089,441</u>

Capital assets activity for the year ended September 30, 2019, 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	\$ 1,902,250	\$ -	\$ -	\$ -	\$ 1,902,250
Construction in progress	-	239,918	-	(58,897)	181,021
Total	<u>1,902,250</u>	<u>239,918</u>	<u>-</u>	<u>(58,897)</u>	<u>2,083,271</u>
Capital assets, being depreciated:					
Buildings	6,309,217	54,220	-	58,897	6,422,334
Rolling stock	9,807,922	2,021,135	(538,215)	-	11,290,842
Shop and support equipment	3,828,824	75,249	-	-	3,904,073
Office furnishings and equipment	1,689,685	40,267	(1,373)	-	1,728,579
Total	<u>21,635,648</u>	<u>2,190,871</u>	<u>(539,588)</u>	<u>58,897</u>	<u>23,345,828</u>
Less accumulated depreciation	(12,319,276)	(1,481,114)	539,588	-	(13,260,802)
Total capital assets, being depreciated, net	<u>9,316,372</u>	<u>709,757</u>	<u>-</u>	<u>58,897</u>	<u>10,085,026</u>
Total capital assets, net	<u>\$ 11,218,622</u>	<u>\$ 949,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,168,297</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLANS

Florida Retirement System (FRS)

General Information: Substantially all of the District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating town or special district within the state of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, *Florida Administrative Code*. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website:

www.dms.myflorida.com/workforce_operations/retirement/publications.

Plan Description: The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

Benefits Provided: Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided (Continued): Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions: Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2019 through June 30, 2020, and from July 1, 2020 through September 30, 2020, respectively, were as follows: Regular—8.47% and 6.75%; Special Risk Administrative Support—38.59% and 36.87%; Special Risk—25.48% and 23.76%; Senior Management Service—25.41% and 23.69%; Elected Officers'—48.82% and 47.10%; and DROP participants—14.60% and 12.94%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods July 1, 2019 through June 30, 2020, and from July 1, 2020 through September 30, 2020.

The District's contributions, including employee contributions, to the Pension Plan totaled \$456,888 for the fiscal year ended September 30, 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At September 30, 2020, the District reported a liability of \$5,549,510 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's September 30, 2020, proportionate share of the net pension liability was based on the District's 2019-2020 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.012804%, which was an decrease of .000301% from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$1,462,687. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	212,391	-
Change of assumptions	1,004,638	-
Net difference between projected and actual earnings on Pension Plan investments	330,423	-
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	656,748	63,692
District Pension Plan contributions subsequent to the measurement date	128,903	-
Total	\$ 2,333,103	\$ 63,692

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The deferred outflows of resources related to the Pension Plan, totaling \$128,903 resulting from District contributions to the Pension Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2021	\$ 441,107
2022	686,998
2023	583,945
2024	349,085
2025	79,373

Actuarial Assumptions: The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.8%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation ⁽¹⁾	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate	10.3%	6.4%	5.8%	11.7%
Private equity	11.1%	10.8%	8.1%	25.7%
Strategic investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.7%

⁽¹⁾ As outlined in the Pension Plan's investment policy

Discount Rate: The discount rate used to measure the total pension liability was 6.80%. 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 discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
District's proportionate share of the net pension liability	\$ 8,861,635	\$ 5,549,510	\$ 2,783,209

Pension Plan Fiduciary Net Position: Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan: At September 30, 2020, the District reported a payable in the amount of \$0 for outstanding contributions to the Pension Plan.

HIS Plan

Plan Description: The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided: For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions: The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the HIS contribution for the period October 1, 2018 through September 30, 2020, was 1.66%. The District contributed 100% of its statutorily required contributions for the current and preceding three years. The District's contributions, including employee contributions, to the Pension Plan totaled \$135,819 for the fiscal year ended September 30, 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At September 30, 2020, the District reported a liability of \$2,860,273 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-2020 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.023426% which was an increase of .000629% from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$547,795. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 117,003	\$ 2,207
Change of assumptions	307,561	166,314
Net difference between projected and actual earnings on HIS Plan investments	2,284	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	918,530	57,884
District HIS Plan contributions subsequent to the measurement date	31,354	-
Total	<u>\$ 1,376,732</u>	<u>\$ 226,405</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The deferred outflows of resources related to the HIS Plan, totaling \$31,354 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
September 30:	
2021	\$ 309,683
2022	229,716
2023	62,771
2024	145,758
2025	198,476
Thereafter	172,569

Actuarial Assumptions: The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.21%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate: The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
 The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 2.21%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
District's proportionate share of the net pension liability	\$ 3,306,348	\$ 2,860,273	\$ 2,495,162

Pension Plan Fiduciary Net Position: Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan: At September 30, 2020, the District reported a payable in the amount of \$0 for outstanding contributions to the HIS Plan.

Deferred Compensation Plan

The District offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan was created, and may be amended by the Board of Directors. The plan is available to all employees and permits employees to defer part of their wages. All contributions under this plan are discretionary. The District provides no matching employer contribution. Payments from the deferred compensation plan are not available to employees until after termination, retirement, death or unforeseeable emergency.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM LIABILITIES

Long-term liability activity for the fiscal years ended September 30, 2020 and 2019, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Fiscal year ended September 30, 2020					
Capital lease payable	\$ 1,754,791	\$ -	\$ (260,114)	\$ 1,494,677	\$ 266,925
Net pension liability	7,204,809	2,720,510	(1,515,536)	8,409,783	-
Compensated absences	499,263	715,126	(682,444)	531,945	62,833
	<u>\$ 9,458,863</u>	<u>\$ 3,435,636</u>	<u>\$ (2,458,094)</u>	<u>\$ 10,436,405</u>	<u>\$ 329,758</u>
Fiscal year ended September 30, 2019					
Capital lease payable	\$ 1,109,080	\$ 800,000	\$ (154,289)	\$ 1,754,791	\$ 260,116
Net pension liability	5,942,142	3,136,046	(1,873,379)	7,204,809	-
Compensated absences	476,598	665,138	(642,473)	499,263	50,246
	<u>\$ 7,527,820</u>	<u>\$ 4,601,184</u>	<u>\$ (2,670,141)</u>	<u>\$ 9,458,863</u>	<u>\$ 310,362</u>

The District's long-term liabilities consist of the non-current portion of accumulated unpaid vacation and sick pay and, a capital lease obligation and net pension liability.

Capital Lease: In fiscal year 2016, the District (as Lessee) entered into a lease agreement with Banc of America Public Capital Acquisition (BAPCC), a subsidiary of Bank of America for financing the acquisition of three heavy duty buses. The amount financed was \$1,357,500 with an interest rate of 2.6482% for twelve years. In fiscal year 2019, the District entered into a lease agreement for the partial financing of new heavy duty buses. The amount financed was \$800,000 with an interest rate of 2.54% for five years.

The future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of September 30, 2020, are as follows:

Fiscal year ending	
2021	\$ 302,735
2022	302,735
2023	302,735
2024	245,881
2025	132,174
2026 - 2028	330,434
Total minimum lease payments	<u>1,616,694</u>
Less amounts representing interest	(122,017)
Present value of future minimum lease payments	<u>1,494,677</u>
Less current maturities	(266,925)
	<u>\$ 1,227,752</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The following is an analysis of capital assets leased under capital leases as of September 30, 2020:

Vehicles	\$ 1,357,500
Less accumulated depreciation	(380,834)
Carrying value	<u>\$ 976,666</u>

The District reported \$114,975 in depreciation expense on the above leased assets as of September 30, 2020.

NOTE 7. GOVERNMENT COMBINATIONS AND DISPOSALS

Lakeland Area Mass Transit District is a separate Independent Special Service District created by Polk County and City of Lakeland Ordinances with a Taxing Authority approved through voter referendum. Under an intergovernmental agreement between the District and the Polk County Government, the District combined its Transit Services Operations with Polk County for the purpose of providing public transit services to the Polk County citizens. On October 1, 2015, the Polk County Government transferred its public transit services operations to the District.

The District has evaluated the impact of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and determined that there is no measurable and tangible financial impact on the District finances.

NOTE 8. FEDERAL AWARDS, STATE, AND LOCAL FINANCIAL ASSISTANCE

The Polk County Government has agreed under an agreement dated October 17, 2017, to pay the District \$6,780,020 for the third year under the interlocal agreement for providing transit services. At the end of fiscal year September 30, 2020, and the completion of the District annual audited financial statements, the District will rebate to Polk County Government any remaining funds over and above the cost of providing the transit services. In the event the cost of the transit services exceeds the amount paid to the District, the Polk County Government will reimburse the District the additional costs of providing the services. There are no deferred outflow of resources or deferred inflow of resources associated with the District's transit service operations. The current interlocal agreement expired on September 30, 2020, with a new agreement in place for the next two years. At September 30, 2020, Polk County owed the District \$558,131. These amounts are the net effect of amounts due to Polk County by the District, which are included in due to other governments in the accompanying Statements of Net Position and capital asset purchases made by the District for Polk County.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. FEDERAL AWARDS, STATE, AND LOCAL FINANCIAL ASSISTANCE (CONTINUED)

Operating Grants: For each fiscal year, the District applies for an operating assistance grant from the Federal Transit Administration and the Florida Department of Transportation to assist in defraying the operating costs of the transit system. The maximum amount receivable under these grants is 50% of the operating deficit incurred during the respective fiscal year. For purposes of determining the amount of these deficits, proceeds from other federal awards and state financial assistance, expenditures reimbursable under the other federal awards and state financial assistance, property tax revenues, and depreciation expense are not considered. The District has recognized non-operating revenue of \$8,466,137 and \$8,248,043 in fiscal years 2020 and 2019, respectively, under these grants.

Capital Grants and Contributions: The District has recognized \$1,185,087 and \$2,085,668 as capital grants and contributions for fiscal years 2020 and 2019, respectively, relating to the reimbursed portion of eligible costs that are capitalized as property and equipment.

NOTE 9. COMMITMENTS AND CONTINGENCIES

The District had no active construction projects as of September 30, 2020, and one as of September 30, 2019. The amounts committed to these projects are \$0 and \$181,021 as of September 30, 2020 and 2019, respectively.

During March 2020, the World Health Organization declared the Coronavirus outbreak a global pandemic. Actions taken around the world to help mitigate the spread of the Coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The Coronavirus and actions taken to mitigate it have had, and are expected to continue to have an adverse impact on the local economies. The ultimate impact of the pandemic on the District's results of operations, financial position, and liquidity cannot be reasonably estimated at this time.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and workers' compensation claims. These risks are covered by property and casualty insurance purchased from an independent third party. Settled claims from these risks have not exceeded the District's property and casualty coverage for the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

The District administers a single-employer OPEB plan. The purpose of this plan is to account for the implicit rate subsidy the District provides to its retirees. Florida Statutes require that governments provide their retirees access to the same health insurance programs as their current employees at the same rates. Since the inclusion of retirees results in higher overall health insurance costs to the District which cannot be passed on to the retirees, it in effect results in what is called the implicit rate subsidy. This is the only post-employment benefit the District provides its retirees other than its pension plan.

As of and for the year ended September 30, 2020, and for several years prior, the participation rate for retirees in the plan have been 0%. As such, no liability has been recorded in the District's financial statements pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*.

NOTE 12. RELATED PARTIES

The District has one related party with which transactions occurred during fiscal years 2020 and 2019; the Polk Transit Authority (the "Authority"). The transactions consist of the reimbursement of expenses incurred by the District on behalf of the Authority. The reimbursed costs include office expenses and labor costs associated with shared employee responsibilities. The reimbursement was authorized by both Boards of Directors and is pursuant to an interlocal agreement between the entities. The amount of reimbursable costs for fiscal years 2020 and 2019, respectively, was \$8,190 and \$7,883.

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REQUIRED SUPPLEMENTARY INFORMATION

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LAKELAND AREA MASS TRANSIT DISTRICT

**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.012804%	0.013105%	0.012132%	0.011228%	0.007919%
District's proportionate share of the net pension liability	\$ 5,549,510	\$ 4,513,242	\$ 3,654,081	\$ 3,321,280	\$ 1,999,537
District's covered payroll	\$ 8,158,724	\$ 7,781,852	\$ 7,353,045	\$ 6,691,593	\$ 6,195,524
District's proportionate share of the net pension liability as a percentage of its covered payroll	68.0%	58.0%	49.7%	49.6%	32.3%
Plan fiduciary net position as a percentage of the total pension liability	78.9%	82.6%	84.3%	83.9%	84.9%

Note: This schedule will present 10 years of information once it is accumulated.

LAKELAND AREA MASS TRANSIT DISTRICT
SCHEDULES OF DISTRICT CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 456,888	\$ 406,355	\$ 362,663	\$ 292,302	\$ 193,116
Contributions in relation to the contractually required contribution	<u>(456,888)</u>	<u>(406,355)</u>	<u>(362,663)</u>	<u>(292,302)</u>	<u>(193,116)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,158,801	\$ 7,781,852	\$ 7,353,045	\$ 6,691,593	\$ 6,195,524
Contributions as a percentage of covered payroll	5.6%	5.2%	4.9%	4.4%	3.1%

Note: This schedule will present 10 years of information once it is accumulated. The District joined the plan in fiscal year 2016.

LAKELAND AREA MASS TRANSIT DISTRICT

**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.023426%	0.024055%	0.021618%	0.020818%	0.014761%
District's proportionate share of the net pension liability	\$ 2,860,273	\$ 2,691,567	\$ 2,288,061	\$ 2,225,954	\$ 1,720,377
District's covered payroll	\$ 8,158,724	\$ 7,781,852	\$ 7,353,045	\$ 6,691,593	\$ 6,195,524
District's proportionate share of the net pension liability as a percentage of its covered payroll	35.1%	34.6%	31.1%	33.3%	27.8%
Plan fiduciary net position as a percentage of the total pension liability	3.0%	2.6%	2.2%	1.6%	1.0%

Note: This schedule will present 10 years of information once it is accumulated.

LAKELAND AREA MASS TRANSIT DISTRICT

SCHEDULES OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 135,819	\$ 133,578	\$ 117,234	\$ 110,175	\$ 75,661
Contributions in relation to the contractually required contribution	<u>(135,819)</u>	<u>(133,578)</u>	<u>(117,234)</u>	<u>(110,175)</u>	<u>(75,661)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,158,801	\$ 7,781,852	\$ 7,353,045	\$ 6,691,593	\$ 6,195,524
Contributions as a percentage of covered payroll	1.7%	1.7%	1.6%	1.6%	1.2%

Note: This schedule will present 10 years of information once it is accumulated. The District joined the plan in fiscal year 2016.

SUPPLEMENTARY INFORMATION

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LAKELAND AREA MASS TRANSIT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES
POLK COUNTY TRANSIT SERVICES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Operating revenues	
FTA operating grant	\$ 2,029,500
FDOT operating grants	1,743,400
City contribution	477,883
Fares	85,997
PCTS	2,583,896
Total operating revenues	<u>6,920,676</u>
 Operating expenses	
Labor expenses	4,012,271
Contract expenses	1,022,943
Operating expenses	2,376,854
Total operating expenses	<u>7,412,068</u>
Total operating loss	(491,392)
Capital expenses	<u>66,739</u>
Deficit of revenues under expenses	<u>\$ (558,131)</u>

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COMPLIANCE SECTION

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LAKELAND AREA MASS TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Agency/Program	Federal CFDA or State CSFA Number	Agency Grant Number	Expenditures	Passed through to Subrecipients
U.S. Department of Transportation:				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Formula Grant	20.507	FL-2017-114	\$ 59,061	\$ -
Federal Transit Formula Grant	20.507	FL-2016-010	319,757	-
Federal Transit Formula Grant	20.507	FL-2017-028	44,040	-
Federal Transit Formula Grant	20.507	FL-2017-029	158,727	-
Federal Transit Formula Grant	20.507	FL-2017-030	106,520	-
Federal Transit Formula Grant	20.507	FL-2017-052	202,121	-
Federal Transit Formula Grant	20.507	FL-2018-020	1,420,506	-
Federal Transit Formula Grant	20.507	FL-2018-068	430,318	-
Federal Transit Formula Grant	20.507	FL-2019-035	608,910	-
Federal Transit Formula Grant	20.507	FL-2020-017	1,464,203	-
Federal Transit Capital Investment Grant	20.507	FL-2019-036	133,616	-
Federal Transit Capital Investment Grant	20.526	FY19 - 5339	53,128	-
Total Federal Transit Cluster			5,000,907	-
Transit Services Program Cluster				
<i>Passed through the State of Florida Department of Transportation:</i>				
FTA Enhanced Mobility of				
Senior & ADA - Capital	20.513	G1458	45,911	-
Senior & ADA - Capital	20.513	FL-16-0044 (WH)	11,799	-
Senior & ADA - Capital	20.513	FL-16-X011-02	37,999	-
FTA Enhanced Mobility of				
Senior & ADA - Operating	20.513	G0B06	39,290	-
FTA Enhanced Mobility of				
Senior & ADA - Operating	20.513	G1732	20,994	-
Total Transit Services Programs Cluster			155,993	-
FTA Rural Formula Grant				
FTA Rural Formula Grant	20.509	G0i79	389,988	-
FTA Rural Formula Grant	20.509	G1733	727,592	-
FTA Rural Formula Grant - COVID-19	20.509 - COVID-19	G1M50	6,748	-
Total U.S. Department of Transportation			6,281,228	-
Total Federal Expenditures			\$ 6,281,228	\$ -
State Commission for Transit Disadvantaged (CTD)				
Transportation Disadvantaged Trips and Equipment Program				
Transportation Disadvantaged Program	55.001	G1A58	\$ 864,604	\$ -
Transportation Disadvantaged Program	55.001	G1B04	13,392	-
Transportation Disadvantaged Program	55.001	G1025	263,082	-
Total Transportation Disadvantaged Trips and Equipment Program			1,141,078	-

LAKELAND AREA MASS TRANSIT DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Agency/Program	Federal CFDA or State CSFA Number	Agency Grant Number	Expenditures	Passed through to Subrecipients
Florida Department of Transportation				
Public Transit Block Grant Program	55.010	G1H17	1,371,971	-
Public Transit Block Grant Program	55.011	G1591	19,240	-
Public Transit Block Grant Program	55.012	G1C51	21,797	-
State Public Transit Corridor Program	55.013	GOV99	288,133	-
State Public Transit Corridor Program	55.013	G1436	330,163	-
Total Florida Department of Transportation			<u>2,031,304</u>	<u>-</u>
Total State Financial Assistance			<u>\$ 3,172,382</u>	<u>\$ -</u>

LAKELAND AREA MASS TRANSIT DISTRICT

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards and State Financial Assistance is prepared using the accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of \$750,000 or 3% of total federal expenditures. The threshold of \$750,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The District qualified as a low-risk auditee for the fiscal year ended September 30, 2020.

De-Minimis Indirect Cost Rate

During the year ended September 30, 2020, the District used the the de-minimis indirect cost rate from January 1, 2020 through September 30, 2020.

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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

To the Board of Directors of the
Lakeland Area Mass Transit District
Lakeland, Florida

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 Lakeland Area Mass Transit District (the "District") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 8, 2021.

Internal Control Over Financial Reporting

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

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

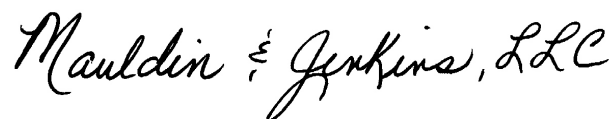
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida
March 8, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

**To the Board of Directors of the
Lakeland Area Mass Transit District
Lakeland, Florida**

Report on Compliance For Each Major Federal Program and State Project

We have audited the Lakeland Area Mass Transit District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs and state projects for the year ended September 30, 2020. The District's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Bradenton, Florida
March 8, 2021

Mauldin & Jenkins, LLC

LAKELAND AREA MASS TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? Yes No

Significant deficiency identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs:

CFDA Number
 20.507 and 20.526

Name of Federal Program or Cluster
 U.S. Department of Transportation; Federal Transit Administration; Federal Transit Cluster

CSFA Number
 55.013
 55.010

Name of State Program
 Transit Corridor Development Program
 Public Transit Block Grant Program

LAKELAND AREA MASS TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION I
SUMMARY OF AUDIT RESULTS

Dollar threshold used to distinguish between Federal Type A and Type B programs:	\$750,000
State Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV
STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors of the
Lakeland Area Mass Transit District
Lakeland, Florida

Report on the Financial Statements

We have audited the financial statements of the Lakeland Area Mass Transit District (the "District") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 8, 2021.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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); and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 8, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report requiring correction.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1 in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2020, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2020. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39 (3)(b), *Florida Statutes*. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Commissioners and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Bradenton, Florida
March 8, 2021

Mauldin & Jenkins, LLC



INDEPENDENT ACCOUNTANT'S REPORT

**To the Board of Directors of the
Lakeland Area Mass Transit District
Lakeland, Florida**

We have examined the Lakeland Area Mass Transit District's (the "District") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2020. Management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2020.

This report is intended solely for the information and use of the District and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 8, 2021

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