

KENTUCKY PUBLIC TRANSPORTATION INFRASTRUCTURE AUTHORITY

FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED DECMEBER 31, 2016 AND 2015

**KENTUCKY PUBLIC TRANSPORTATION INFRASTRUCTURE
AUTHORITY**

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Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

To the Members
Kentucky Public Transportation Infrastructure Authority
Frankfort, Kentucky

Management is responsible for the accompanying interim financial statements of the Kentucky Public Transportation Infrastructure Authority (the "Authority"), a component unit of the Commonwealth of Kentucky, which comprise the statements of net position as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the three and six months then ended in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the interim financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these interim financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the interim financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these interim financial statements are not designed for those who are not informed about such matters.

Additionally, management has omitted Management Discussion and Analysis and supplemental information related to the modified approach of accounting for infrastructure assets that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 and for placing the basic financial statements into an appropriate operational, economic, or historic context.

Blue & Co., LLC
Lexington, Kentucky
October 11, 2017

KENTUCKY PUBLIC TRANSPORTATION INFRASTRUCTURE AUTHORITY

STATEMENTS OF NET POSITION DECEMBER 31, 2016 AND 2015

	2016	2015
Assets:		
Current assets:		
Cash and cash equivalents-restricted	\$ -0-	\$ 53,230,223
Investments-restricted	72,289,797	83,441,266
Accrued interest receivable	140,041	196,874
Total current assets	72,429,838	136,868,363
Noncurrent assets:		
Investments-restricted	15,650,755	93,110,311
Capital assets:		
Right-of-way easements	7,087,960	11,723,211
Infrastructure	44,263,171	124,191,640
Construction in progress	1,037,877,510	841,304,703
Net capital assets	1,089,228,641	977,219,554
Total noncurrent assets	1,104,879,396	1,070,329,865
Total assets	\$ 1,177,309,234	\$ 1,207,198,228
Liabilities:		
Current liabilities:		
Payable from restricted assets:		
Accounts payable	\$ -0-	\$ 17,497,346
Accrued interest payable	16,174,952	16,174,952
Total current liabilities	16,174,952	33,672,298
Noncurrent liabilities:		
Long term debt, including unamortized net discounts of \$60,065,830 and \$57,366,675, respectively	756,659,170	759,358,325
Total liabilities	772,834,122	793,030,623
Net position:		
Net investment in capital assets	474,245,873	433,599,905
Unrestricted (deficit)	(69,770,761)	(19,432,300)
Total net position	\$ 404,475,112	\$ 414,167,605

See accompanying compilation report of independent accountants.

KENTUCKY PUBLIC TRANSPORTATION INFRASTRUCTURE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE THREE MONTHS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating expenses:		
Maintenance	\$ 6,211,138	\$ 10,486,602
General administration	-0-	355,995
Total operating expenses	6,211,138	10,842,597
Operating loss	(6,211,138)	(10,842,597)
Nonoperating revenues (expenses):		
Intergovernmental revenues	6,207,738	355,995
Contributed capital from KYTC	25,857,671	6,669,754
Change in net position	25,854,271	(3,816,848)
Net position, beginning of period	378,620,841	417,984,453
Net position, end of period	\$ 404,475,112	\$ 414,167,605

See accompanying compilation report of independent accountants.

KENTUCKY PUBLIC TRANSPORTATION INFRASTRUCTURE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE SIX MONTHS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating expenses:		
Maintenance	\$ 33,058,281	\$ 22,587,723
General administration	1,689	536,367
Total operating expenses	33,059,970	23,124,090
Operating loss	(33,059,970)	(23,124,090)
Nonoperating revenues (expenses):		
Interest earned on investments	-0-	48
Intergovernmental revenues	31,951,641	536,367
Total nonoperating revenues (expenses)	31,951,641	536,415
Contributed capital from KYTC	36,411,074	15,941,283
Change in net position	35,302,745	(6,646,392)
Net position, beginning of period	369,172,367	420,813,997
Net position, end of period	\$ 404,475,112	\$ 414,167,605

See accompanying compilation report of independent accountants.

KENTUCKY PUBLIC TRANSPORTATION INFRASTRUCTURE AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating activities:		
Payments to service providers	\$ (3,400)	\$ (10,486,601)
Capital and related financing activities:		
Acquisition and construction of capital assets	-0-	(62,109,741)
Investing activities:		
Purchase of investments	(26,001)	213,706
Proceeds from sales and maturities of investments	-0-	2,059,886
Interest received	26,003	(261,057)
Net cash flows from investing activities	2	2,012,535
Net change in cash and cash equivalents	(3,398)	(70,583,807)
Cash and cash equivalents, beginning of period	3,398	123,814,030
Cash and cash equivalents, end of period	\$ -0-	\$ 53,230,223
Reconciliation of cash presentation to cash and cash equivalents:		
Cash and cash equivalents - restricted	\$ -0-	\$ 53,230,223
Total cash and cash equivalents	\$ -0-	\$ 53,230,223
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ (6,211,138)	\$ (10,842,596)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Intergovernmental revenue for operating expenses	6,207,738	355,995
Net cash flows from operating activities	\$ (3,400)	\$ (10,486,601)
Supplemental schedule of noncash capital and related financing activities:		
Construction in progress contributed as capital from KYTC	\$ 25,857,671	\$ 6,669,754
Interest costs capitalized and accrued	\$ 7,394,424	\$ 7,445,789

See accompanying compilation report of independent accountants.

KENTUCKY PUBLIC TRANSPORTATION INFRASTRUCTURE AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating activities:		
Payments to service providers	\$ (1,108,329)	\$ (22,587,723)
Capital and related financing activities:		
Interest paid on long-term debt outstanding	(16,174,952)	(16,174,952)
Acquisition and construction of capital assets	(13,617,635)	(88,258,616)
Net cash flows from capital and related financing activities	(29,792,587)	(104,433,568)
Investing activities:		
Purchase of investments	(220,944)	(1,353)
Proceeds from sales and maturities of investments	28,034,307	55,397,807
Interest received	224,344	204,551
Net cash flows from investing activities	28,037,707	55,601,005
Net change in cash and cash equivalents	(2,863,209)	(71,420,286)
Cash and cash equivalents, beginning of period	2,863,209	124,650,509
Cash and cash equivalents, end of period	\$ -0-	\$ 53,230,223
Reconciliation of cash presentation to cash and cash equivalents:		
Cash and cash equivalents - restricted	\$ -0-	\$ 53,230,223
Total cash and cash equivalents	\$ -0-	\$ 53,230,223
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ (33,059,970)	\$ (23,124,090)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Intergovernmental revenue for operating expenses	31,951,641	536,367
Net cash flows from operating activities	\$ (1,108,329)	\$ (22,587,723)
Supplemental schedule of noncash capital and related financing activities:		
Construction in progress contributed as capital from KYTC	\$ 36,411,074	\$ 15,941,283
Interest costs capitalized and accrued	\$ 14,620,211	\$ 14,631,572
Capital assets included in accounts payable	\$ -0-	\$ 17,747,444

See accompanying compilation report of independent accountants.