TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT)
Louisville, Kentucky

FINANCIAL STATEMENTS
June 30, 2019

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/JEFFERSON
COUNTY METRO GOVERNMENT)

FINANCIAL STATEMENTS
June 30, 2019

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Transit Authority of River City
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Transit Authority of River City (TARC), a component unit of Louisville/Jefferson County Metro Government, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise TARC'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 TARC as of June 30, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in TARC's net pension liability and schedule of TARC's contributions for the Employees' Amended Retirement Plan, the schedule of TARC's proportionate share of the net pension liability and schedule of TARC's contributions for the County Employees' Retirement System – Non-hazardous, and the schedule of TARC's proportionate share of the net OPEB liability and schedule of TARC's OPEB contributions for the County Employees' Retirement System – Non-hazardous as listed in the table of contents 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TARC's basic financial statements. The schedule of revenues, expenditures and changes in net position – budget to actual as listed in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues, expenditures and changes in net position – budget to actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 revenues, expenditures and changes in net position – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019, on our consideration of TARC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TARC's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Louisville, Kentucky
September 16, 2019

Financial Highlights and Current Known Facts, Decisions and Conditions Impacting Future Periods

The management of the Transit Authority of River City ("TARC") presents this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2019.

In FY2019, TARC continued to face significant operating revenue challenges. While FY2020 promises to be a year of significant positive developments with the completion of our Comprehensive Operations Analysis (COA), as well as continued promotion of the new MyTARC electronic fare collection system, and our Mobility as a Service (MaaS) platform, limited operating revenue threatens the ability of TARC to maintain current levels of service.

Federal funding remains important; in order to receive federal grants 20 percent is usually required in local/state matching funds. In April of FY2019 TARC Received $2.7 million in funding for Electric Buses and workforce development from the Congestion Mitigation and Air Quality (CMAQ) program. However, without help in covering the local match, TARC is forced to find funds from within its limited operating budget, which negatively impacts service. At times, improvements with grant funding can be delayed pending availability of local matching funds.

Current levels of operations funding is not keeping pace with expenses to cover the local share of federal grants and increasing costs for paratransit, maintenance, health insurance and pensions. The budget is further strained because the amount of federal funding for the capital costs of operations relating to maintenance, tire leasing and contracting service, is also falling short of covering expenses. In FY2018 TARC advocated for state officials to allocate Volkswagen Mitigation Settlement Funds toward the purchase of replacement public transportation buses. The appropriation of these funds, have been held up by legislature.

TARC continues to focus on securing increased operating and capital funding at the local, state and federal levels. Upgrades, including the region's first Bus Rapid Transit line set to debut in early 2020, are made possible primarily through federal funding for capital upgrades, which do not include additional revenue for operations.

Total occupational tax revenue, the major source of TARC operating funds, was estimated at $59 million for FY2019. It is estimated at $60.8 million for FY2020, an increase of 3 percent.

Regardless of financial challenges, TARC, for the sixth fiscal year in row, did not raise fares in FY2019 and service levels were, overall, maintained. But given financial constraints, fare increases and/or service adjustments could be considered for FY2020.

TARC remains focused on its mission to explore and implement transportation opportunities that enhance the social, economic and environmental well-being of the Greater Louisville community. TARC selected HDR as consultant for a COA and Long-Range Plan— branded LINC—which began in FY2019. Multiple successful open-house events were held to gather public and stakeholder feedback to help create a 5 to 20 year mobility plan for the region. Goals of the LINC analysis are to balance service and community needs, maximize efficiency with existing resources, and determine a vision and plan for a more modern and sustainable public transportation system. The results of the analysis will be presented at a public meeting scheduled for late 2019.

TARC's MyTARC electronic fare collection system went live in January of FY2019. The new system replaced the 20-year-old fare box that only accepted cash and paper tickets. While cash is still accepted, the ability to no longer utilize paper tickets and transfers have negated previous operations and maintenance costs, as well as freed up Coach Operators to focus more on customer service.

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Financial Highlights and Current Known Facts, Decisions and Conditions Impacting Future Periods (continued)

In an effort to further achieve TARC's mission, remain viable, and provide the best level of service and mobility for customers, TARC pioneered the release of the nation's first MaaS platform, available at RideTARC.org and through a new TARC mobile app. Mobility as a Service enables customers to seamlessly plan their full trip across multiple modes of travel (currently TARC, Uber, Lyft, Bird Scooters and LouVelo Bike Share). Rather than having to schedule each leg of their trip from A to Z separately through multiple sites, the TARC app lets customers plan and book their trip (door-to-door), from start to finish all in one place. Additional phases of the platform scheduled to rollout in FY2020 will include real-time parking availability, and an integrated payment solution allowing customers to pay for their full trip across all platforms, from within the TARC app.

With funding challenges limiting the ability to provide existing service, to secure capital improvements in FY2020 TARC will continue to explore innovative opportunities and solutions, work to identify additional funding sources, and focus on ways to increase operating revenue. TARC remains engaged with partners and Congressional representatives to continue to advocate for the increased funding of public transportation.

TARC's partnerships have been a significant source of support and allowed additional opportunities to provide and improve service for residents of our community. Among the most important partnerships are the University of Louisville, UofL Hospital, Humana, UPS, Jefferson Community and Technical College, Amazon, and Louisville Metro. All continue to be active supporters of TARC, working to adopt new technologies and helping to improve our ability to provide the best customer service.

With a dedicated focus and responsibility to the critical role transportation plays in workforce development and economic growth for the region, in FY2020 TARC will continue efforts to expand investment from new and current partnerships. Through advocating the benefits of the TARC Corporate Connection Program, local businesses will find an easier and more streamlined opportunity to offer Mobility Benefit Programs that improve the convenience and reliability of their employees—our customers—and help to build a more connected, safe, and growing regional community.

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Overview of the Financial Statements

This annual report consists of three parts: Management Discussion and Analysis (this section), Financial Statements and Supplementary Information. The Financial Statements include notes that provide additional information relating to TARC's financial condition. Readers are encouraged to read the notes to better understand the financial statements.

Required Financial Statements

Statement of Net Position

The statement of net position includes all of TARC's assets, deferred outflows, liabilities, deferred inflows and the resulting net position, and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The statement of net position also provides the basis for evaluating the capital structure of TARC and assessing the liquidity and financial flexibility of the organization.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position identifies the revenues generated and the expenses incurred and the resulting change in net position during the fiscal year. This statement helps the user to assess TARC's financial performance during the fiscal years covered by the Statement.

Statement of Cash Flows

The statement of cash flows provides information relating to TARC's cash receipts and cash expenditures during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash, resulting from operating, non-capital, capital 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.

Budgetary Controls

TARC operates its general activities in accordance with a budget adopted by the Board and approved by the Metro Louisville Council.

Financial

Table 1
Condensed Statements of Net Position

	2019	2018	Change
ASSETS			
Current assets	$ 23,772,717	$ 22,474,594	$ 1,298,123
Capital assets, net	84,709,304	79,996,104	4,713,200
Other investments	31,000	31,000	-
Total assets	108,513,021	102,501,698	6,011,323
Deferred outflows of resources	23,183,253	28,140,250	(4,956,997)
Total assets and deferred outflows of resources	$ 131,696,274	$ 130,641,948	$ 1,054,326
LIABILITIES			
Current liabilities	$ 22,527,476	$ 19,873,221	2,654,255
Long-term liabilities	106,960,159	107,749,278	(789,119)
Total liabilities	129,487,635	127,622,499	1,865,136
Deferred inflows of resources	6,705,913	3,332,453	3,373,460
Total liabilities and deferred inflows of resources	136,193,548	130,954,952	5,238,596
Net investment in capital assets	79,574,031	78,528,269	1,045,762
Unrestricted net position	(84,071,305)	(78,841,273)	(5,230,032)
Total net position	(4,497,274)	(313,004)	(4,184,270)
Total liabilities, deferred inflow of resources and net position	$ 131,696,274	$ 130,641,948	$ 1,054,326

(Continued)

Assets and Deferred Outflows of Resources

TARC's total assets and deferred outflows of resources increased $1,054,326 from fiscal year 2018. The statement of net position indicates the most significant changes were in capital assets and deferred outflows. Current assets increased due to TARC having a receivable from the Federal Department of Transportation totaling $8,065,072. Deferred outflows of resources are comprised of deferred outflows for both pension and Other Post-Employment Benefits (OPEB). Deferred amounts, which are employer pension and OPEB contributions subsequent to the measurement date of the net pension and OPEB liability decreased $4,956,997 from fiscal year 2018.

Liabilities and Deferred Inflows of Resources

TARC's total liabilities and deferred inflows of resources increased $5,238,596 from fiscal year 2018 due primarily to an increase in accounts payable and other liabilities, as well as an increase in deferred inflows of resources related to the CERS pension and OPEB liabilities.

Net Position

TARC's liabilities and deferred inflows exceeded its assets and deferred outflows by $4,497,274 at the end of fiscal year 2019. This represents a decrease of $4,184,270 from net position at the end of fiscal year 2018.

Capital Assets

Table 2
Summary of changes in capital assets

	Balance at July 1, 2018	Additions	Retirements (Adjustments)	Balance at June 30, 2019
Land	$ 3,177,782	$ -	$ -	$ 3,177,782
Buildings	45,534,967	3,481,043	-	49,016,010
Coaches	108,795,507	8,672,809	(2,235,754)	115,232,562
Office and computer equipment	8,386,897	540,216	(397)	8,926,716
Other equipment	18,544,037	2,183,181	(235,175)	20,492,043
	184,439,190	14,877,249	(2,471,326)	196,845,113
Accumulated deprecation	104,443,086	10,164,049	(2,471,326)	112,135,809
Capital assets, net	$ 79,996,104	$ 4,713,200	$ -	$ 84,709,304

TARC's investment in capital assets, net of depreciation, increased by $4,713,200. The increase is primarily due to the purchase of new coaches and buildings. Depreciation expense for FY 2019 was $10,164,049. Generally, capital asset purchases are completed with federal, state and/or local funding.

(Continued)

Revenues

Table 3
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2019	2018	Dollar Change	Percent Change
Passenger transportation	$ 8,539,905	$ 9,761,482	$ (1,221,577)	(12.51%)
Special fares	1,939,701	1,834,204	105,497	5.75%
Interest, advertising, and other income	1,276,357	1,340,847	(64,490)	(4.81%)
Total operating revenues	11,755,963	12,936,533	(1,180,570)	(9.13%)
Labor, pension and OPEB	64,032,905	63,409,425	623,480	0.98%
Depreciation	10,164,049	9,459,574	704,475	7.45%
Other operating expenses	34,713,791	31,943,332	2,770,459	8.67%
Total operating expenses	108,910,745	104,812,331	4,098,414	3.91%
Mass Transit Trust Fund resources	59,903,913	54,251,975	5,651,938	10.42%
Federal Transit Administration	30,919,209	29,101,134	1,818,075	6.25%
Indiana Department of Transportation	1,209,541	1,218,222	(8,681)	(0.71%)
Kentucky Transportation Cabinet	465,500	538,000	(72,500)	(13.48%)
Louisville Metro	121,379	121,379	-	0.00%
Kentucky Regional Planning and Development Agency/Other	350,970	339,980	10,990	3.23%
Total non-operating revenues and capital contributions	92,970,512	85,570,690	7,399,822	8.65%
Change in net position	(4,184,270)	(6,305,108)	$ 2,120,838	(33.64%)
Net position, beginning of year	(313,004)	24,948,627		
Restatement for GASB 75 implementation	-	(18,956,523)		
Net position, beginning of year as restated	(313,004)	5,992,104		
Net position, end of year	$ (4,497,274)	$ (313,004)		

TARC's operating revenues decreased 9.13% from FY 2018. TARC receives funding from sources other than operating revenue. TARC has a dedicated funding source through the Mass Transit Trust Fund ("MTTF") and also receives federal and state funding (Kentucky and Indiana). The MTTF contributed $54,345,975 for FY 2019 and $48,788,670 for FY 2018 for TARC's operating expenses and $5,557,938 for FY 2019 and $5,346,615 for FY 2018 for capital related purchases. The federal funding included funding for operations and capital purchases of $30,919,209 for FY 2019 and $29,101,134 for FY2018.

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Expenses

Expenses excluding depreciation were $98,746,696 for FY2019 and $95,352,757 for FY2018. This change represents an increase of 3.56%.

TARC is a labor-intensive industry and the cost of labor and benefits comprise the bulk of TARC's expenses. Labor and fringe benefits costs were $64,032,905 for FY 2019 and $63,409,425 for FY 2018. TARC experienced increases in both labor and health care costs. Materials and supplies expenses increased 25.19% in FY 2019 compared to FY 2018. Casualty and insurance expenses decreased by 16.27% in FY 2019 compared to FY 2018. Purchased Transportation increased 3.58%, $16,504,033 for FY 2019 from $15,933,906 for FY 2018. The bulk of purchased transportation is utilized to supply TARC 3 service, a service required by the Americans with Disabilities Act.

Results of Operations

TARC has made a commitment to taxpayers of this community to provide reliable and safe transportation. The economy has a direct effect on TARC's funding sources. TARC has made every effort to streamline its administrative staff. Also, the hiring and training of bus drivers is paramount in keeping operating costs at a manageable level. While there are no government-imposed limits on the balance of the MTTF, TARC's Board of Directors passed a motion that requires Board approval for the balance to go below $10,000,000. Currently, the MTTF balance, including accruals, is $14,205,454.

Requests for Additional Information

This report is intended to provide readers with a general overview of TARC's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in the report or need additional information, please contact the Transit Authority of River City, Attention: Finance Department, 1000 West Broadway, Louisville, Kentucky 40203.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
STATEMENT OF NET POSITION
June 30, 2019

ASSETS	
Current assets:	
Cash	$ 15,415,246
Accounts and grants receivable, net	
Trade receivables	1,646,885
Grant receivables	4,620,553
Materials and supplies inventory, net	1,289,715
Prepaid expenses	800,318
Total current assets	23,772,717
Noncurrent assets:	
Capital assets not being depreciated	3,177,782
Depreciable capital assets, net	81,531,522
Total capital assets	84,709,304
Other investments	31,000
Total noncurrent assets	84,740,304
Total assets	108,513,021
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	16,418,689
OPEB related	6,764,564
Total deferred outflows or resources	23,183,253
Total assets and deferred outflows of resources	$ 131,696,274

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
STATEMENT OF NET POSITION
June 30, 2019

LIABILITIES	
Current liabilities:	
Current portion of capital lease obligation	$ 129,706
Due to Louisville Metro Government – Mass Transit Trust Fund	6,051,496
Accounts payable and other liabilities	9,664,430
Compensated absences	2,970,000
Estimated liability for uninsured liability claims	468,144
Estimated liability for uninsured workers' compensation claims	2,259,237
Unearned revenue	984,463
Total current liabilities	22,527,476
Noncurrent liabilities:	
Capital lease, less current portion	398,347
Compensated absences	676,490
Estimated liability for uninsured liability claims	589,156
Estimated liability for uninsured workers' compensation claims	398,689
Net pension liability:	
County Employee Retirement System	79,592,001
TARC Pension Plan	2,103,200
Net OPEB liability	23,202,276
Total net pension liability and net OPEB liability	104,897,477
Total noncurrent liabilities	106,960,159
Total liabilities	129,487,635
Deferred inflows of resources	
Pension related	2,182,021
OPEB related	4,523,892
Total deferred inflows of resources	6,705,913
Total liabilities and deferred inflows of resources	136,193,548
NET POSITION	
Net investment in capital assets	79,574,031
Unrestricted	(84,071,305)
Total net position	(4,497,274)
Total liabilities, deferred inflows of resources and net position	**$ 131,696,274**

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019

Operating revenues	
Passenger fares	$ 8,539,905
Special transit fares	1,939,701
Advertising	614,168
Interest	88,673
Charter services	288,000
Other revenue	208,489
Recoveries	77,027
Total operating revenues	11,755,963
Operating expenses	
Labor	29,931,188
Fringe benefits, budget basis	26,265,620
Plus: annual pension adjustments	6,986,137
Plus: annual OPEB adjustments	849,960
Total labor, pension and OPEB	34,101,717
Services	4,784,633
Development costs	1,470,101
Materials and supplies	7,952,654
Utilities	912,131
Casualty and insurance	2,169,152
Miscellaneous	737,268
Rentals and purchased transportation	16,504,033
Interest	23,610
Depreciation	10,164,049
Loss on disposal	160,209
Total operating expenses	108,910,745
Loss from operations	(97,154,782)
Non-operating revenues	
Mass Transit Trust Fund and interest	54,345,975
Mass Transit Trust Fund capital assistance for operating	4,172,175
Federal Transit Administration	16,952,933
Indiana Department of Transportation	1,209,541
Kentucky Regional Planning and Development Agency/Other	43,125
Kentucky Regional Planning and Development Agency -Federal	307,845
Total non-operating revenues	77,031,594
Loss before capital contributions	(20,123,188)
Capital contributions:	
Mass Transit Trust Fund and interest	1,385,763
Louisville Metro	121,379
Kentucky Transportation Cabinet - State	465,500
Federal Transit Administration and Pass-Through Entities	13,966,276
Total capital contributions	15,938,918
Change in net position	(4,184,270)
Net position, beginning of year	(313,004)
Net position, end of year	$ (4,497,274)

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

Cash flows from operating activities	
Receipts from passengers and service contracts	$ 13,705,389
Payments to suppliers	(32,052,897)
Payments to employees	(56,443,079)
Net cash used by operating activities	(74,790,587)
Cash flows from non-capital financing activities	
Federal assistance	22,594,164
State assistance	3,051,780
Mass transit trust fund operational receipts	55,235,353
Net cash provided from non-capital financing activities	80,881,297
Cash flows from capital and related financing activities	
Payments on capital lease obligation	(125,089)
Government Federal subsidies	15,181,418
Mass transit trust fund capital subsidies	2,616,122
Proceeds from disposal of capital assets	105,854
Purchases of capital assets	(12,851,666)
Net cash provided by capital financing activities	4,926,639
Cash flows from investing activities	
Interest activity	88,673
Net increase in cash and cash equivalents	11,106,022
Cash and cash equivalents, beginning of year	4,309,224
Cash and cash equivalents, end of year	$ 15,415,246
Reconciliation of loss from operations to cash used by operations:	
Loss from operations	$ (97,154,783)
Adjustments to reconcile change in net position to net cash used by operating activities	
Depreciation and development costs	11,634,150
Net pension liability, deferred outflows and deferred inflows	6,986,137
Net OPEB liability, deferred outflows and deferred inflows	849,960
(Increase) decrease in:	
Trade accounts receivable	1,265,249
Inventories	(44,558)
Prepaid expenses	768,551
Accounts payable and other liabilities	823,926
Accrued compensated absences	(114,408)
Estimated liability for uninsured liability claims	(265,500)
Estimated liability for uninsured workers' compensation claims	(223,488)
Unearned revenue	684,177
Net cash used by operating activities	$ (74,790,587)

Noncash investing, capital and related financing activities

TARC financed the purchase of capital assets through accounts payable of approximately $4,607,219 in 2019.

See accompanying notes to financial statements.

NOTE 1 - NATURE OF ORGANIZATION

The Transit Authority of River City ("TARC" or the "Authority") is a public corporation created by joint proceedings of the City of Louisville and Jefferson County Fiscal Court pursuant to KRS Chapter 96A of the Commonwealth of Kentucky to provide public transportation for Louisville, Kentucky and its metro areas. TARC is considered a discretely presented component unit of Louisville/Jefferson County Metro Government for financial statement reporting purposes. In order to measure the costs of providing mass transportation services, the revenues from those services and required subsidies, TARC has adopted the accounting methods appropriate for a governmental enterprise fund. TARC is a government entity and exempt from federal and state income taxes.

Budgetary Controls: Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except that the budget omits depreciation expense and accounts for the principal portion of the capitalized lease payments as an expense. Appropriated budgets are adopted on an annual basis. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects. Legal budgetary control is established at the fund level (i.e. expenditures for a fund may not exceed the total appropriation amount). TARC is authorized to transfer budgeted amounts within the fund; however, any revisions that alter the total expenditures must be approved by Louisville/Jefferson County Metro Government Council. TARC's management prepares the annual budget and submits it to the Board of Directors (the "Board") for approval. This has historically been performed in April or May of each year. The Board-approved budgets for the 2019 fiscal year were submitted to and approved by Louisville/Jefferson County Metro Government Council in June 2018.

Concentration of Funding: TARC relied on local funding from the Mass Transit Trust Fund ("MTTF" or the "Fund") for 57.20% of total revenue in 2019. The Fund administers the proceeds of the Louisville-Jefferson County Metro Government ("Metro Government") occupational license tax authorized by the electorate to finance a mass transportation program in Metro Louisville. The assets of the Fund are restricted to finance the operating deficits and capital expenditures approved in the Annual Budget by the Metro Government Council for TARC.

TARC also relies on federal assistance for operations and capital acquisitions. Federal revenues represented approximately 29.52% of total revenues in 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of TARC have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units by the Governmental Accounting Standards Board ("GASB"). TARC operates as an enterprise fund and all activities are accounted for using the economic resources measurement focus and the accrual basis of accounting.

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Accounting Standards: The Authority adopted the following accounting standards during the year:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement,* issued April 2018

Adoption of these statements did not have a significant impact on the Authority's financial position or results of operations.

Recent Accounting Pronouncements: The GASB has issued the following statements not yet required to be adopted by the Board that management will evaluate for future year implementation.

- GASB Statement No. 84, *Fiduciary Activities*, issued January 2017. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 87, *Leases*, issued June 2017. The provisions of this Statement are effective for periods beginning after December 15, 2019.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61).* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019. The provisions of this Statement are effective for reporting periods beginning after December 15, 2020.

The Authority's management has not yet determined the effect, if any, these statements will have on the Authority's financial statements.

Cash and Cash Equivalents: TARC considers all highly liquid investments (including restricted investments) purchased with an original maturity of three months or less to be cash equivalents.

Prepaid Expenses: Prepaid expenses consist of normal operating expenses for which payment is due in advance such as insurance and are expensed when the benefit is received.

Accounts Receivable: TARC uses the allowance for bad debts method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. Management has recorded an allowance for doubtful accounts of $7,749 at June 30, 2019.

Materials and Supplies Inventory: Inventory consists of fuel, tires, repair parts and supplies. No general administrative expenses are included in the inventory valuation. Expenses are recorded as the materials are consumed. Inventory is valued at the lower of cost or market using the first-in, first-out method.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are stated at cost and depreciated over their estimated useful lives using the straight-line method. TARC's depreciation policy requires that all qualifying assets with costs in excess of $500 to be capitalized. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are five to forty years for land improvements, forty years for buildings, twelve years for coaches and capitalized vehicles, five years for other equipment, and five years for office equipment. TARC has acquired certain assets with funding provided by federal assistance from the FTA grant programs. TARC holds title to these assets; however, the federal government retains an interest in these assets should TARC no longer use the assets for mass transit purposes. TARC periodically reviews the carrying values of property and equipment for impairment whenever adverse events or changes in circumstances indicate the carrying value of the asset may not be recoverable.

Net Position: GASB requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These net position classifications are defined as follows:

- Net investment in capital assets - This component consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – This component consists of any externally restricted funds or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Self-Insurance: TARC is self-insured for workers' compensation and liability claims up to varying deductible amounts per occurrence for workers' compensation and liability claims. Other liability claims incurred prior to January 1, 1987 and workers' compensation claims in excess of the self-insured amounts are covered by varying amounts of insurance.

TARC is self-insured for cyber property and liability claims per occurrence for third party liability coverages and data breach crisis management, first party network business interruption and extra expenses property coverages, and first party data breach crisis management property coverages to replace, recreate, restore or repair damaged programs, software or electronic data. Excess coverage can be purchased through Louisville Area Governmental Self-Insurance Trust.

TARC participates in the Louisville Area Governmental Self Insurance Trust (the "Trust"). The Trust provides insurance coverage on liability claims made in excess of each member's deductible amount. The amount of coverage available to TARC could be limited by the total assets of the Trust. At June 30, 2019, TARC had no significant claims that are payable from the Trust's assets. Changes in TARC's liability for uninsured workers' compensation and uninsured liability claims for the year ended June 30, 2019 are as follows:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance	Due Within One Year
Uninsured worker's compensation	$ 2,881,414	$ 1,993,076	$ 2,216,564	$ 2,657,926	$ 2,259,237
Uninsured liability claims	$ 1,322,800	$ 2,169,152	$ 2,434,652	$ 1,057,300	$ 468,144

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

There have been no significant reductions in insurance coverage from the previous year. Settlement amounts have not exceeded insurance coverage in any of the past three fiscal years.

Compensated Absences: Accrued compensated absences represent vested or accumulated sick time and vacation leave that is expected to be liquidated with expendable available financial resources. Full-time employees who have a continuous service record of one year or longer are entitled to an annual vacation from one to six weeks, based on a predetermined schedule. TARC's policy permits employees to accumulate earned but unused vacation. Employees can receive payment for earned but unused vacation leave up to 240 hours. For bargaining employees, if the employee's predetermined schedule is changed by TARC's management, TARC is required to reschedule the employee's vacation time, which may carry the time over to the following year. In the event the non-bargaining employee has not taken his or her vacation by the end of the calendar year then his or her vacation time can be taken, paid or lost as deemed prudent by TARC's management. All full-time active employees earn sick days at the rate of 5/6 of a day per month, 10 days per year, up to a maximum of 145 days. Upon retirement, the following two options are available for the unused sick day accumulation:

a. TARC will buy back all accumulated sick days at 100% of the employee's current pay rate, or
b. If the employee is a member of TARC's retirement plan, the unused sick days can be considered as time worked to either advance a normal retirement date or to increase service credits.

Changes in compensated absences are summarized as follows for the year ended:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
At June 30, 2019:					
Compensated absences	$ 3,760,898	$ 4,501,936	$ 4,616,344	$ 3,646,490	$ 2,970,000

Unearned Revenue: Advance tickets sales or fare media that have not been redeemed through the fare box are shown as unearned revenue. Unearned revenue at June 30, 2019 was $984,463.

Net Pension Liability: TARC has recorded a net pension liability reflecting the difference between the total pension liabilities and the fiduciary net positions of the single employer defined benefit plan and the County Employees Retirement System plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the single employer defined benefit plan and the County Employees Retirement System plan and additions to deductions from the single employer defined benefit plan and the County Employees Retirement System plan fiduciary net position have been determined on the same basis as they are reported by the single employer defined benefit plan and the County Employees Retirement System plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

	Beginning Balance	Net Change	Ending Balance
At June 30, 2019:			
TARC	$ 2,464,293	$ (361,093)	$ 2,103,200
CERS	76,614,117	2,977,884	79,592,001
Net pension liability	$ 79,078,410	$ 2,616,791	$ 81,695,201

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net OPEB Liability: TARC has recorded a net OPEB liability reflecting the difference between the total OPEB liability and the fiduciary net positions of the County Employees Retirement System plan. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System plan and additions to deductions from the County Employees Retirement System plan fiduciary net position have been determined on the same basis as they are reported by the County Employees Retirement System plan. For this purpose, benefit payments recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

	Beginning Balance	Net Change	Ending Balance
At June 30, 2019:			
Net OPEB liability	$ 26,313,427	$ (3,111,151)	$ 23,202,276

Deferred Outflows of Resources and Deferred Inflows of Resources: These deferred amounts represent a consumption (outflow) or acquisition (inflow) of net position that applies to a future period(s). TARC's activities are related to recognition of changes in its defined benefit plans' net pension liability and net OPEB liability totaling $8,468,561 that will be amortized to expense in future periods.

Operating Revenues and Expenses: Operating revenues and expenses generally result from providing services in connection with ongoing operations. Revenues are recorded as income in a manner consistent with the timing of the provided service. Operating expenses include the cost of delivering services, administrative expenses and depreciation expenses on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fare Revenues: Passenger fares are recorded as revenue at the time such services are performed and revenues pass through the fare box. Sales of 10 ride tickets and 10 ride special tickets are recorded initially as unredeemed fares and recognized as income upon passage through the fare box. All other fare products are considered revenue when purchased.

Capital and Operating Grants: Certain expenditures for capital acquisitions, improvements and development of an urban mass transportation system have received significant federal funding through the Federal Transit Administration (FTA). The balance of such expenditures is funded through various grants and receipts from MTTF. Funds provided by governmental authorities for capital and operating assistance are recorded when earned.

(Continued)

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

A summary of cash, certificate of deposit and investments at June 30, 2019 is as follows:

	Cash and Cash Equivalents
Operating accounts:	
Cash in bank	$ 13,560,440
U.S. Government money market	1,854,806
Total cash and cash equivalents	15,415,246
Certificate of deposit	31,000
Total	$ 15,446,246

The bank balance of cash and cash equivalents and certificate of deposit as of June 30, 2019 was $16,963,293. The difference represents outstanding checks and deposits.

Custodial Credit Risk: Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, TARC may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. TARC's investment policy dictates that all cash and investments maintained in any financial institution named as a depository be collateralized and the collateral held in the name of TARC. TARC's cash deposits at June 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by TARC's agent bank in TARC's name.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. TARC's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are made based upon prevailing market conditions at the time of the transaction. TARC reviews its cash and investment needs in order to maintain adequate liquidity to meet its cash flow needs. Assets categorized as short-term operating funds will be invested in investments maturing in 12 months or less.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely and (c) reasonable action is taken to control any adverse developments. TARC's investment policy requires investment in instruments authorized in KRS 66.480(a)-(d).

Concentration of Credit Risk: TARC's investment policy requires diversification of the overall portfolio to eliminate the risk of loss from an over-concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. TARC is not exposed to this risk and its investment policy does not provide for investments in foreign currency denominated securities.

(Continued)

NOTE 4 - CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2019 are summarized as follows:

	Balance at July 1, 2018	Additions	Retirements (Adjustments)	Balance at June 30, 2019
Land	$ 3,177,782	$ -	$ -	$ 3,177,782
Buildings	45,534,967	3,481,043	-	49,016,010
Coaches	108,795,507	8,672,809	(2,235,754)	115,232,562
Office and computer equipment	8,386,897	540,216	(397)	8,926,716
Other equipment	18,544,037	2,183,181	(235,175)	20,492,043
	184,439,190	14,877,249	(2,471,326)	196,845,113
Accumulated depreciation for:				
Buildings	23,220,834	1,486,928	-	24,707,762
Coaches	60,722,200	6,689,698	(2,235,754)	65,176,144
Office and computer equipment	5,853,556	801,632	(397)	6,654,791
Other equipment	14,646,496	1,185,791	(235,175)	15,597,112
	104,443,086	10,164,049	(2,471,326)	112,135,809
Capital assets, net	$ 79,996,104	$ 4,713,200	$ -	$ 84,709,304

NOTE 5 – LINE OF CREDIT BORROWINGS

TARC entered into a borrowing agreement with Fifth Third Bank that established an unsecured line-of-credit whereby TARC can borrow up to $6,000,000. The interest rate is Libor plus 1.80% (4.28% at June 30, 2019) and expires in November 2019. There were no draws or payments on the line of credit during the fiscal year. There was no outstanding balance for this line of credit as of June 30, 2019.

NOTE 6 - CAPITAL LEASE

TARC entered into an agreement with Fifth Third Bank to lease twenty paratransit vehicles under a capital lease. The lease agreement contains a bargain purchase option at the end of the lease term. Amortization of assets held under capital leases is included in depreciation expense. Total assets under capital lease net of accumulated amortization were $528,395 at June 30, 2019. Future minimum payments required under the lease together with their present value as of June 30, 2019 are as follows:

Year ending June 30	
2020	$ 129,706
2021	134,936
2022	140,378
2023	123,375
Total minimum lease payments	$ 528,395

(Continued)

NOTE 7 - LOUISVILLE METRO GOVERNMENT - MASS TRANSIT TRUST FUND

The majority of TARC's funding is from an occupational tax levied on residents of Jefferson County, Kentucky. A tax of 0.2% of taxable income is levied annually. The taxes are collected by the Revenue Commission of the Louisville Metro Government and deposited into MTTF. TARC is authorized to draw MTTF funds for operating and capital expenditures.

For the year ended June 30, 2019, TARC recorded revenues of $54,345,975 and $5,557,938 for capital contributions and capital assistance for operating from MTTF. TARC may receive authorization to draw amounts in excess of originally authorized amounts in order to manage cash flow during the year. Any such excess (or under) draws are recorded as a payable/receivable back to the MTTF. At June 30, 2019, TARC owed $6,051,496 to the MTTF held at Louisville Metro Government.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

TARC has entered into a contract for purchased transportation service which expires September 30, 2019. Purchased transportation services expense for the year ended June 30, 2019 was $16,504,033. TARC has a contract that expires March 2023 with a vendor for the use of bus tires. The monthly charge to operations is based on mileage placed on the tires. Tire usage expense for the year ended June 30, 2019 was $622,725.

TARC is dependent upon the availability of diesel fuel. Increases in the cost of fuel may, in the future, adversely affect the profitability of TARC. There is no assurance that diesel fuel prices will not increase. To alleviate possible fuel cost increases, TARC periodically enters into fixed unit cost fuel contracts with fuel suppliers to purchase fuel at or below current market prices. In August 2017, TARC entered into an agreement with a fuel supplier to provide diesel fuel at a fixed price up to 2,000,000 gallons. The price for purchases in excess of 2,000,000 gallons is based on the Oil Price Information Service's (OPIS) spot prices. OPIS is an independent third-party that provides daily spot price assessments for refined oil products.

Expenditures financed by federal and state grants are subject to audit by the granting agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although TARC expects such amounts, if any, to be immaterial.

TARC is subject to various legal actions and general asserted and unasserted claims arising in the ordinary course of its business. Litigation is subject to many uncertainties; the outcome of individual litigated matters is not predictable with assurance. While it is reasonably possible that some of these foregoing matters may be decided unfavorably to TARC within the next year, it is the opinion of management that the ultimate liability, if any, with respect to these matters will not materially affect the financial position of TARC.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS

General Information About the Pension and OPEB Plan: All full-time and eligible part-time employees of TARC participate in County Employee Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the Board) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs.

The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. KRS and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Basis of Accounting: For purposes of measuring the net pension and other post-employment benefits plan (OPEB) liabilities, deferred outflow of resources and deferred inflow of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS-Non-Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

***Members whose participation began before 8/1/2004*:**
Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 8/1/2004, but before 9/1/2008:
Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008 but before 1/1/2014:
Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
26+ - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014:
Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

Benefit: Each year that a member is an active contributing member to the System, the member contributes 5.00% of creditable compensation, and the member's employer contributes 4.00% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If the System's geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75.00% of the amount of the return which exceeds 4.00%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

OPEB Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS-Non-Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Insurance Tier 1: Participation began before 7/1/2003

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The system provides a monthly contribution subsidy of $10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 180 months of service at retirement

Benefit: The system provides a monthly contribution subsidy of $10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

Contributions: TARC was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal year ended June 30, 2019, participating employers contributed 21.48% (16.22% allocated to pension and 5.26% allocated to OPEB) as set by KRS, respectively, of each Nonhazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investments earnings.

TARC has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2019. Total current year contributions recognized by the Plan were $7,172,629 ($5,416,203 related to pension and $1,756,426 related to OPEB) for the year ended June 30, 2019. The OPEB contributions amount does not include the implicit subsidy reported in the amount of $374,300.

Members whose participation began before 9/1/2008:

Nonhazardous member contributions equal 5% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Members are entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Nonhazardous member contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Members are entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation on or after 1/1/2014

Nonhazardous member contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Members are entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

PENSION INFORMATION

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013. Discount rate assumptions:

(a) **Discount Rate**: The discount rate used to measure the total pension liability was 6.25.

(b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

(c) **Long-Term Rate of Return**: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(d) **Municipal Bond Rate**: The discount rate determination does not use a municipal bond rate.

(e) **Periods of Projected Benefit Payments**: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

(f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap	5.00%	4.50%
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Global Credit	2.00	3.75
High Yield	7.00	5.50
Emerging Market Debt	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	100.00%	6.09%

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

(g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents TARC's allocated portion of the net pension liability ("NPL") of the System, calculated using the discount rate of 6.25 percent, as well as what TARC's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25 percent) or 1 percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
TARC's net position liability - Nonhazardous	$ 100,198,086	$ 79,592,001	$ 62,327,710

Employer's Portion of the Collective Net Pension Liability: TARC's proportionate share of the net pension liability, as indicated in the prior table, is $79,592,001, or approximately 1.31%. The net pension liability was distributed based on 2018 actual employer contributions to the plan.

Measurement Date: June 30, 2018 is the actuarial valuation date and measurement date upon which the total pension liability is based.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 was determined using these updated benefit provisions.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension Expense: TARC was allocated pension expense of $13,231,501 related to the CERS for the year ended June 30, 2019.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,596,068	$ 1,165,059
Change of assumptions	7,778,454	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	138,575	62,609
Differences between expected and actual investment earning on plan investments	-	954,353
	10,513,097	2,182,021
Contributions subsequent to the measurement date	5,416,203	-
Total	$ 15,929,300	$ 2,182,021

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $5,416,203 will be recognized as a reduction of net pension liability in the year ending June 30, 2020. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2020	$ 6,525,031
2021	3,168,823
2022	(935,593)
2023	(427,185)
	$ 8,331,076

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued CERS pension plan financial reports.

OPEB INFORMATION

Total OPEB Liability: The total other postemployment benefits plan ("OPEB") liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.05 percent, average
Investment rate of return	6.25 percent
Healthcare trend rates:	
Pre-65	Initial trend starting at 7.00 percent at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 12 years.
Post-65	Initial trend starting at 5.00 percent at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

Discount rate assumptions:

(a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.85%, which increased from the 5.84% discount rate used in the prior year.

(b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability.

(c) **Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(d) **Municipal Bond Rate**: The discount rate determination used a municipal bond rate of 3.62% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018.

(e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

(f) **Assumed Asset Allocations**: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap	5.00%	4.50%
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Global Credit	2.00	3.75
High Yield	7.00	5.50
Emerging Market Debt	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	100.00%	6.09%

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

(g) **Sensitivity Analysis**: This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

The following presents TARC's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.85% percent, as well as what TARC's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate for non-hazardous:

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
Net OPEB liability	$ 30,136,037	$ 23,202,276	$ 17,295,979

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

The following presents TARC's allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the TARC's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for non-hazardous:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	$ 17,274,324	$ 23,202,276	$ 30,189,624

Employer's Portion of the Collective OPEB Liability: TARC's proportionate share of the net OPEB liability, as indicated in the prior table, is $23,202,276, or approximately 1.31%. The net OPEB liability was distributed based on 2018 actual employer contributions to the plan.

Measurement Date: June 30, 2018 is the actuarial valuation date and measurement date upon which the total pension liability is based.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who dies in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense: TARC was allocated OPEB expense of $2,926,111 related to the CERS for the year ended June 30, 2019.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (continued)

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 2,703,917
Change of assumptions	4,633,838	53,607
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	168,186
Differences between expected and actual investment earnings on plan investments	-	1,598,182
	4,633,838	4,523,892
Contributions subsequent to the measurement date	2,130,726	-
Total	$ 6,764,564	$ 4,523,892

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $2,130,726, which includes the implicit subsidy reported of $374,300, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2020	$ 48,622
2021	48,622
2022	48,622
2023	359,016
2024	(235,480)
Thereafter	(159,456)
	$ 109,946

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued CERS OPEB plan financial reports.

(Continued)

NOTE 10 – DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER

Benefits Provided: At June 30, 2019, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	57

All full-time employees, who were employed by TARC prior to September 1, 1991, were eligible to participate in the Plan beginning with the first full month of service. Benefits vested after five years of service and are based on a monthly rate per year of service with monthly maximum benefits ranging from $710 to $890 based on retirement or termination date. Benefit payments are established or may be amended by the TARC Pension Board. The Plan also provides death and disability benefits. Effective September 1, 2010, the Plan elected an annual 2% increase, at March 1 each year, in monthly benefit payments for the years 2011-2017, 0% increase for year 2018, annual 2% increase at March 1 each year, in monthly benefit payments for years 2019-2020.

Contributions: TARC contributes to the Plan an amount needed to maintain the Plan in a sound condition as determined periodically on the basis of an actuarial valuation. Contribution requirements are established or may be amended by the TARC Pension Board. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution amount is based upon the sum of gross normal cost plus funding of past service costs over 10 years, less anticipated employee contributions. The actuarially determined contribution amount as of June 30, 2019 was $423,330. The Plan recognized $461,850 of employer contributions as of June 30, 2019. During their employment with TARC, eligible employees were required to contribute an amount per hour that was agreed to in the bargaining agreement.

Employee contributions were determined using the following amounts per hour:

March 1990 to August 1991	$ 0.375
September 1991 to December 2004	$ 0.425

The final employee eligible to contribute into this Plan retired in 2004; therefore, there were no employee contributions to the Plan after that time.

Net Pension Liability: TARC's net pension liability was measured as of January 1, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the January 1, 2019 actuarial valuation was determined used the following actuarial assumptions, applied to all periods included in the measurement:

Cost of living adjustment	2.0%
Investment rate of return	7.0%

- Mortality rates were based on RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected improvements after year 2006 under Projection Scale MP-2018 (male and female scales).

(Continued)

NOTE 10 – DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER (Continued)

- The actuarial valuation method was based on the Entry Age Normal Cost Method, with the unfunded actuarial liability amortized over 10 years and a future liability changes amortized over average expected future lifetime.
- The asset valuation method based on the market value adjusted for accruals.
- The provision for expenses based on the replacement of prior year's expenses paid from the trust.

Changes in Assumptions: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described in the summary of actuarial assumptions. The changes are noted below:

- The mortality table changed from the RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2017 (male and female scales) to the RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2018 (male and female scales).

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

Assumed Asset Allocations: The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	60%	4.2
Fixed income	40	4.8
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.0 percent. Based on projected future contributions, benefit payments and investment returns, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine the discount rate assumed that TARC would contribute the actuarially determined contribution rate of projected compensation over the remaining 10-year amortization period of the unfunded actuarial accrued liability.

(Continued)

NOTE 10 – DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER (Continued)

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at January 1, 2018	$ 3,485,866	$ 1,021,573	$ 2,464,293
Changes for the year:			
Interest	226,086	-	226,086
Differences between expected and actual experience	(170,890)	-	(170,890)
Contributions – employer	-	461,850	(461,850)
Net investment income	-	3,683	(3,683)
Benefit payments, including refunds of employee contributions	(558,697)	(558,697)	-
Assumption changes	(7,517)	-	(7,517)
Administrative expenses	-	(56,761)	56,761
Net changes	(511,018)	(149,925)	(361,093)
Balances at December 31, 2018	$ 2,974,848	$ 871,648	$ 2,103,200

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of TARC, calculated using the discount rate of 7.0 percent, as well as what TARC's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
TARC's net pension liability	$ 2,248,560	$ 2,103,200	$ 1,971,041

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2019, TARC recognized pension expense of $64,050 related to the Plan.

(Continued)

NOTE 10 – DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER (Continued)

At June 30, 2019, TARC reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual investment earnings on plan investments	$ 27,539	$ -
Contributions subsequent to the measurement date	461,850	-
Total	$ 489,390	$ -

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $461,850 will be recognized as a reduction of net pension liability in the year ending June 30, 2020. The deferred outflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5-year period with remaining amortization as follows:

Year ending December 31:	
2019	$ 12,586
2020	22,830
2021	(2,026)
2022	(3,115)
2023	(2,736)
Total	$ 27,539

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued audited pension plan financial reports. A copy of the separately issued audit report may be requested from the Director of Finance, 1000 W. Broadway, Louisville, KY 40203.

REQUIRED SUPPLEMENTARY INFORMATION

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TARC'S NET PENSION LIABILITY -
EMPLOYEES' AMENDED RETIREMENT PLAN
June 30, 2019

	2019	2018	2017	2016	2015
Total pension liability					
Interest	$ 226,086	$ 250,828	$ 270,473	$ 286,547	$ 322,907
Differences between expected and actual experience	(170,890)	30,844	9,170	(192,112)	(116,612)
Changes of assumptions	(7,517)	(48,849)	87,324	356,697	9,687
Benefit payments, including refunds	(558,697)	(609,620)	(679,756)	(738,404)	(799,005)
Net change in total pension liability	(511,018)	(376,797)	(312,789)	(287,272)	(583,023)
Total pension liability, beginning	3,485,866	3,862,663	4,175,452	4,462,724	5,045,747
Total pension liability, ending	$ 2,974,848	$ 3,485,866	$ 3,862,663	$ 4,175,452	$ 4,462,724
Plan fiduciary net position					
Contributions – employee	$ 461,850	$ 438,954	$ 438,660	$ 419,912	$ 468,338
Net investment income	3,683	127,536	77,165	(19,825)	171,041
Benefit payments, including refunds of employee	(558,697)	(609,620)	(679,756)	(738,404)	(799,005)
Administrative expense	(56,761)	(63,697)	(45,405)	(44,274)	(59,466)
Net change in plan fiduciary net position	(149,925)	(106,827)	(209,336)	(382,591)	(219,092)
Plan fiduciary net position, beginning	1,021,573	1,128,400	1,337,736	1,720,327	1,939,419
Plan fiduciary net position, ending	$ 871,648	$ 1,021,573	$ 1,128,400	$ 1,337,736	$ 1,720,327
TARC's net pension liability, ending	$ 2,103,200	$ 2,464,293	$ 2,837,716	$ 2,837,716	$ 2,742,397
Plan fiduciary net position as a percentage of the total pension liability	29.30%	29.31%	29.21%	32.04%	38.55%
Covered payroll	$ -	$ -	$ -	$ -	$ -
Authority's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

The amounts presented for each fiscal year were determined as of the December 31 year-end that occurred within the fiscal year.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, TARC is presenting information for those years for which information is available.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TARC'S CONTRIBUTIONS
EMPLOYEES' AMENDED RETIREMENT PLAN
June 30, 2019

	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 423,330	$ 437,080	$ 423,077	$ 444,125	$ 444,125
Contributions in relation to the actuarially determined contribution	461,850	438,954	426,241	419,912	468,338
Annual contribution deficiency (excess)	$ (38,520)	$ (1,874)	$ (3,164)	$ 24,213	$ (24,213)
TARC's covered payroll	$ -	$ -	$ -	$ -	$ -
TARC's contributions as a percentage of its covered employee payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation Date:	January 1, 2019
Actuarial Cost Method:	Entry age normal cost method
Amortization Method:	Level Dollar
Remaining Amortization Period:	10 years
Asset Valuation Method:	Market value less accrued expenses
Inflation:	2.0%
Salary Increases:	Not applicable, as all beneficiaries are retired and the plan is closed to new entrants.
Investment Rate of Return:	7.00%
Retirement Age:	Not applicable, as all beneficiaries are retired and the plan is closed to new entrants.
Mortality:	RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with protected mortality improvements after year 2006 under protection scale MP-2018

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, TARC is presenting information for those years for which information is available.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TARC'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
COUNTY EMPLOYEES RETIREMENT SYSTEM - NON-HAZARDOUS
June 30, 2019

	2019	2018	2017	2016	2015
TARC's proportion of the net pension liability	1.307%	1.309%	1.311%	1.280%	1.250%
TARC's proportionate share of the net pension	$ 79,592,001	$ 76,614,117	$ 64,540,703	$ 55,052,957	$ 40,406,000
TARC's covered payroll	$ 32,758,156	$ 32,089,620	$ 31,443,815	$ 30,004,788	$ 30,655,572
TARC's proportion of the net pension liability as a percentage on its on its covered payroll	242.969%	238.750%	205.257%	183.481%	131.806%
Plan fiduciary net position as a percentage of the total pension liability	53.542%	53.325%	55.503%	59.968%	66.801%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, TARC is presenting information for those years for which information is available.

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of total pension liability have not been updated.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TARC'S CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2019

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 5,416,203	$ 4,720,629	$ 4,476,502	$ 3,905,260	$ 3,825,610
Contributions in relation to the statutorily required contribution	(5,416,203)	(4,720,629)	(4,476,502)	(3,905,260)	(3,825,610)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
TARC's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%
TARC's covered payroll	$ 33,820,338	$ 32,758,156	$ 32,089,620	$ 31,443,315	$ 30,004,788
Contributions as a percentage of its covered payroll	16.015%	14.411%	13.95%	12.42%	12.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, TARC is presenting information for those years for which information is available.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TARC'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2019

	2019	2018
TARC's proportion of the net OPEB liability Non-hazardous	1.307%	1.309%
TARC's proportionate share of the net OPEB liability	$ 23,202,276	$ 26,313,427
TARC's covered payroll	$ 32,758,156	$ 32,089,620
TARC's proportion of the net OPEB liability as a percentage of its covered payroll	70.829%	82.000%
Plan fiduciary net position as a percentage of the total OPEB liability	57.622%	52.400%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TARC'S OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2019

	2019	2018
Statutorily required contribution	$ 1,756,426	$ 1,532,248
Contributions in relation to the statutorily required contribution	(1,756,426)	(1,532,248)
Annual contribution deficiency (excess)	$ -	$ -
TARC's contributions as a percentage of statutorily required contribution for pension	100%	100%
TARC's covered payroll	$ 33,820,338	$ 32,758,156
Contributions as a percentage of its covered payroll	5.19%	4.86 %

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, TARC is presenting information for those years for which information is available.

SUPPLEMENTARY INFORMATION

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
Year ended June 30, 2019

	Budget	Actual	Actual to GAAP Differences	Actual Amounts GAAP Basis
Operating revenues				
Passenger transportation	$ 10,243,780	$ 8,539,905	$ -	$ 8,539,905
Special fares	1,560,824	1,939,701	-	1,939,701
Advertising	634,165	614,168	-	614,168
Interest	1,563	88,673	-	88,673
Charter Service	-	288,000	-	288,000
Other revenue	150,437	208,489	-	208,489
Recoveries	70,000	77,027	-	77,027
Total operating revenues	12,660,769	11,755,963	-	11,755,963
Operating expenditures				
Labor	29,546,755	29,931,188	-	29,931,188
Fringe benefits	25,484,499	26,265,620	-	26,265,620
Plus: pension adjustments	-	-	6,986,137	6,986,137
Plus: OPEB adjustments	-	-	849,960	849,960
Total labor, pension and OPEB	55,031,254	56,196,808	7,836,097	64,032,905
Services	3,592,130	4,784,633	-	4,784,633
Development costs	2,166,060	1,470,101	-	1,470,101
Materials and supplies	6,666,916	7,952,654	-	7,952,654
Utilities	1,023,000	912,131	-	912,131
Casualty and insurance	2,297,432	2,169,152	-	2,169,152
Miscellaneous	651,320	737,268	-	737,268
Rentals and purchase transportation	15,782,255	16,504,033	-	16,504,033
Interest	290	23,610	-	23,610
Depreciation	9,459,380	10,164,049	-	10,164,049
Loss on disposal	-	160,209	-	160,209
Total operating expenditures	96,670,037	101,074,648	7,836,097	108,910,745
Operating loss before capital outlay and subsidies	(84,009,268)	(89,318,685)	(7,836,097)	(97,154,782)
Subsidies				
Mass Transit Trust Fund resources	57,016,346	59,903,913	-	59,903,913
Federal Transit Administration and Pass-Through entities	29,733,754	30,919,209	-	30,919,209
Kentucky Transportation Cabinet	450,000	465,500	-	465,500
Other	1,205,699	1,681,890	-	1,681,890
Total subsidies	88,405,799	92,970,512	-	92,970,512
Change in net position	$ 4,396,531	$ 3,651,827	$ (7,836,097)	$ (4,184,270)

The operating budget for 2019, as shown above, represents the originally adopted budget for TARC. No amendments were made to the budget during the year ended June 30, 2019.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

Federal Grantor/ Program or Cluster Title	CFDA Number	Grant Number for Pass-Through	Federal Expenditures
Department of Transportation			
Federal Transit Administration			
Direct Programs:			
Federal Transit Cluster: Capital and Operating Assistance			
Formula Grants	20.507		$ 19,069,759
Capital Investment Grants	20.500		-
Bus and Bus Facilities Formula Program	20.526		6,142,916
Total Federal Transit Cluster			25,212,675
Transit Services Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		697,327
Job Access - Reverse Commute Grant (JARC) Grants	20.516		384,967
New Freedom Program	20.521		26,563
Total Transit Services Programs Cluster			1,108,857
Public Transportation Research, Technical Assistance and Training	20.514		1,371
Total Directly Received from the Federal Transit Administration			26,322,903
Commonwealth of Kentucky			
Pass-through programs:			
Highway Planning and Construction Grants:			
Kentucky Transportation Cabinet	20.205	05-03717.00	800,578
Kentuckiana Regional Planning and Development Agency	20.205	Not Available	307,845
Louisville Metro Government			
National Infrastructure Investments	20.933	Not Available	3,795,728
Total Expenditures of Federal Awards			$ 31,227,054

The following shows subrecipient activity for the year:

CFDA #	Amount
20.507	5,574
20.513	$ 401,422
20.516	1,627
	408,623
Total subrecipient activity	$ 408,623

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs received by the Transit Authority of River City (TARC). TARC's reporting entity is defined in Note 1 to the audited financial statements.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of TARC under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). TARC has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of TARC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of TARC.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Transit Authority of River City
Louisville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transit Authority of River City (TARC), a component unit of Louisville/Jefferson County Metro Government, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise TARC's basic financial statements, and have issued our report thereon dated September 16, 2019.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TARC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Louisville, Kentucky
September 16, 2019

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Transit Authority of River City
Louisville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Transit Authority of River City's (TARC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TARC's major federal programs for the year ended June 30, 2019. TARC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, TARC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

(Continued)

Report on Internal Control Over Compliance

Management of TARC 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 TARC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TARC's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of TARC as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise TARC's basic financial statements. We issued our report thereon dated September 16, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

Louisville, Kentucky
September 16, 2019

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified			
Internal control over financial reporting: Material weakness(es) identified?		Yes	X	No
Significant deficiency identified not considered to be material weaknesses?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

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

Identification of major programs:

CFDA Number(s)	**Name of Federal Program or Cluster Number**
	Total Federal Transit Cluster consisting of:
20.500	Capital Investment Grants
20.507	Formula Grants
20.526	Bus and Bus Facilities Formula Program
20.933	National Infrastructure Investments

Dollar threshold used to distinguish between Type A and Type B programs: $ 936,812

Auditee qualified as low-risk auditee?	X	Yes		No

SECTION 2 – FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None reported.

SECTION 3 – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

There were no outstanding findings of questioned costs remaining from prior years.