


**NEIGHBORHOOD DEVELOPMENT FUND
Not-for-Profit Transmittal and Approval Form**

Applicant/Program: Transit Authority of River City / Trash Collection on Dixie Highway
Applicant Requested Amount: \$4,732.00
Appropriation Request Amount: \$4,732.00

Executive Summary of Request
Councilman David Yates and Councilwoman Cindi Fowler have requested TARC contract on their behalf to have the trash receptacles collected along Dixie Highway in Districts 25 & 14. Hometown Hauling's charges \$14 per week, per location with 13 total locations (9 in District 25 & 4 in District 14) and 26 weeks remaining for FY19 = a total of \$4,732.00.

Is this program/project a fundraiser? Yes No
Is this applicant a faith based organization? Yes No
Does this application include funding for sub-grantee(s)? Yes No

I have reviewed the attached Neighborhood Development Fund Application and have found it complete and within Metro Council guidelines and request approval of funding in the following amount(s). I have read the organization's statement of public purpose to be furthered by the funds requested and I agree that the public purpose is legitimate. I have also completed the disclosure section below, if required.

25 District #  Primary Sponsor Signature \$3,276 Amount 2/11/19 Date

Primary Sponsor Disclosure
List below any personal or business relationship you, your family or your legislative assistant have with this organization, its volunteers, its employees or members of its board of directors.

Approved by:

Appropriations Committee Chairman Date
Final Appropriations Amount: _____

FEB 4 2019 6:11:00


Boles, Brian

From: Yates, David
Sent: Friday, February 1, 2019 2:07 PM
To: Boles, Brian
Subject: TARC NDF Signature

Brian,

Please sign the TARC NDF for me for \$3,276.00.

Thank you,



David Yates

Councilman

District 25

601 West Jefferson St, 3rd floor

Louisville, KY 40202

Email: david.yates@louisvilleky.gov

Office: (502) 574-1125

Click [HERE](#) to sign up for the weekly District 25 eNews!

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Applicant/Program:

Transit Authority of River City / Trash Collection on Dixie Highway

Additional Disclosure and Signatures

Additional Council Office Disclosure

List below any personal or business relationship you, your family or your legislative assistant have with this organization, its volunteers, its employees or members of its board of directors.

Council Member Signature and Amount

District 1	_____	\$ _____
District 2	_____	\$ _____
District 3	_____	\$ _____
District 4	_____	\$ _____
District 5	_____	\$ _____
District 6	_____	\$ _____
District 7	_____	\$ _____
District 8	_____	\$ _____
District 9	_____	\$ _____
District 10	_____	\$ _____
District 11	_____	\$ _____
District 12	_____	\$ _____
District 13	_____	\$ _____
District 14	<i>Cindi Fowler</i>	\$ 1,456
District 15	_____	\$ _____

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

Legal Name of Applicant Organization Transit Authority of River City	
Program Name and Request Amount Trash Collection on Dixie Highway / \$4,732	
	Yes/No/NA
Is the NDF Transmittal Sheet Signed by all Council Member(s) Appropriating Funding?	<input type="text" value="Yes"/>
Is the funding proposed by Council Member(s) less than or equal to the request amount?	<input type="text" value="Yes"/>
Is the proposed public purpose of the program viable and well-documented?	<input type="text" value="Yes"/>
Will all of the funding go to programs specific to Louisville/Jefferson County?	<input type="text" value="Yes"/>
Has Council or Staff relationship to the Agency been adequately disclosed on the cover sheet?	<input type="text" value="N/A"/>
Has prior Metro Funds committed/granted been disclosed?	<input type="text" value="N/A"/>
Is the application properly signed and dated by authorized signatory?	<input type="text" value="Yes"/>
Is proof of Tax Exempt status of 501(c) 3, 4, 6, 19, 1120-H included?	<input type="text" value="N/A"/>
If Metro funding is for a separate taxing district is the funding appropriated for a program outside the legal responsibility of that taxing district?	<input type="text" value="N/A"/>
Is the entity in good standing with: <ul style="list-style-type: none"> ▶ Kentucky Secretary of State? ▶ Louisville Metro Revenue Commission? ▶ Louisville Metro Government? ▶ Internal Revenue Service? ▶ Louisville Metro Human Relations Commission? 	<input type="text" value="Yes"/>
Is the current Fiscal Year Budget included?	<input type="text" value="Yes"/>
Is the entity's board member list (with term length/term limits) included?	<input type="text" value="Yes"/>
Is recommended funding less than 33% of total agency operating budget?	<input type="text" value="Yes"/>
Does the application budget reflect only the revenue and expenses of the project/program?	<input type="text" value="Yes"/>
Is the cost estimate(s) from proposed vendor (if request is for capital expense) included?	<input type="text" value="Yes"/>
Is the most recent annual audit (if required by organization) included?	<input type="text" value="Yes"/>
Is a copy of Signed Lease (if rent costs are requested) included?	<input type="text" value="N/A"/>
Is the Supplemental Questionnaire for churches/religious organizations (if requesting organization is faith-based) included?	<input type="text" value="N/A"/>
Are the Articles of Incorporation of the Agency included?	<input type="text" value="Yes"/>
Is the IRS Form W-9 included?	<input type="text" value="Yes"/>
Is the IRS Form 990 included?	<input type="text" value="N/A"/>
Are the evaluation forms (if program participants are given evaluation forms) included?	<input type="text" value="N/A"/>
Affirmative Action/Equal Employment Opportunity plan and/or policy statement included (if required to do so)?	<input type="text" value="N/A"/>
Has the Agency agreed to participate in the BBB Charity review program? If so, has the applicant met the BBB Charity Review Standards?	<input type="text" value="N/A"/>
Prepared by: Brian Boles	Date: Jan 28, 2019

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

SECTION 1 – APPLICANT INFORMATION			
Legal Name of Applicant Organization: Transit Authority of River City (TARC) <i>(as listed on: http://www.sos.ky.gov/business/records)</i>			
Main Office Street & Mailing Address: 1000 W. Broadway			
Website: www.ridetarc.org			
Applicant Contact:	Mark Adams	Title:	On Street Facilities Coordinator
Phone:	502-561-5109	Email:	madams@ridetarc.org
Financial Contact:	Tonya Carter	Title:	Finance Director
Phone:	502-561-5139	Email:	tcarter@ridetarc.org
Organization's Representative who attended NDF Training: <i>N/A Tonya Carter</i>			
GEOGRAPHICAL AREA(S) WHERE PROGRAM ACTIVITIES ARE (WILL BE) PROVIDED			
Program Facility Location(s):	Dixie Highway		
Council District(s):	District 14 and District 25	Zip Code(s):	40258 & 40272
SECTION 2 – PROGRAM REQUEST & FINANCIAL INFORMATION			
PROGRAM/PROJECT NAME: Trash Collection on Dixie Highway			
Total Request: (\$)	4,732	Total Metro Award (this program) in previous year: (\$)	0
Purpose of Request (check all that apply):			
<input checked="" type="checkbox"/> Operating Funds (generally cannot exceed 33% of agency's total operating budget) <input type="checkbox"/> Programming/services/events for direct benefit to community or qualified individuals <input type="checkbox"/> Capital Project of the organization (equipment, furnishing, building, etc)			
The Following are Required Attachments: <i>N/A</i>			
<input checked="" type="checkbox"/> IRS Exempt Status Determination Letter <input checked="" type="checkbox"/> Current year projected budget <input checked="" type="checkbox"/> Current financial statement Most recent IRS Form 990 or 1120-H <input checked="" type="checkbox"/> Articles of Incorporation (current & signed) <input checked="" type="checkbox"/> Cost estimates from proposed vendor if request is for capital expense		Signed lease if rent costs are being requested <input checked="" type="checkbox"/> IRS Form W9 Evaluation forms if used in the proposed program Annual audit (if required by organization) Faith Based Organization Certification Form, if applicable	
For the current fiscal year ending June 30, list all funds appropriated and/or received from Louisville Metro Government for this or any other program or expense, including funds received through Metro Federal Grants, from any department or Metro Council Appropriation (Neighborhood Development Funds). Attach additional sheet if necessary.			
Source	N/A	Amount (\$)	
Source		Amount (\$)	
Source		Amount (\$)	
Has the applicant contacted the BBB Charity Review for participation? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Has the applicant met the BBB Charity Review Standards? <input type="checkbox"/> Yes <input type="checkbox"/> No			

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

SECTION 3 – AGENCY DETAILS

Describe Agency's Vision, Mission and Services:

TARC MISSION STATEMENT:

To explore and implement transportation opportunities that enhance the social, economic and environmental well-being of the Greater Louisville Community.

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

SECTION 4 - BOARD OF DIRECTORS AND PAID STAFF

Board Member	Term End Date
Chairman Cedric Merlin Powell	Aug 31, 2019
Alice K. Houston	Mar 27, 2021
John Clay Stites	Jun 30, 2020
Mary Morrow	Jun 30, 2019
Mary Margaret Mulvihill	Jun 30, 2020
Charles "Chuck" Rogers	Mar 31, 2021
Michael Shackelford	Jun 30, 2020
Dr. Joseph Wise III	Jul 31, 2020

Describe the Board term limit policy:
 N/A

Three Highest Paid Staff Names	Annual Salary	<i>Interim Exec.</i>
These salaries do not seem pertinent since TARC is just helping Districts 14 and 25. If they are needed, the salaries are listed on line as government employees.	<i>Ferdinand Risco Jr - \$162,843.00</i>	<i>Director.</i>
	<i>John Nelson - \$133,896.00</i>	<i>Director</i>
	<i>Tonya Carter - \$108,212.00</i>	<i>Finance Director</i>

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

SECTION 5 – PROGRAM/PROJECT NARRATIVE

A: Describe the program/project start and end dates, a description of the program/project and applicable data with regards to specific client population the program will address (attach related flyers, planning minutes, designs, event permits, proposals for services/goods, etc.):

The purpose of this funding is to empty trash receptacles along Dixie Highway @ 13 locations on a weekly basis within District 14 and 25.

B: Describe specifically how the funding will be spent including identification of funding to sub grantee(s):

This funding will reimburse TARC's franchisee Outfront for trash collection service provided by Hometown Hauling for 2019.

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

C: If this request is a fundraiser, please detail how the proceeds will be spent:

N/A

D: For Expenditure Reimbursement Only – The grant award period begins with the Metro Council approval date and ends on June 30 of Metro fiscal year in which the grant is approved. If any part of this funding request is for funds to be spent before the grant award period, identify the applicable circumstances:

- The funding request is a reimbursement of the following expenditures that will probably be incurred after the application date, but prior to the execution of the grant agreement:
- ✓ If selecting this option, the invoice, receipt and payment documentation should not be available as of the date of this application.
- The Grantee will be required to submit financial reporting in accordance with the reporting schedule provided in the grant agreement.

This reimbursement will only cover the period from 1/1/19 to 6/30/19.

- Reimbursements should not be made before application date unless an emergency can be demonstrated by the primary council sponsor. The funding request is a reimbursement of the following expenditures (attach invoices or proof of payment):
- ✓ Attach a copy of invoices and/or receipts to provide proof of purchase of activities associated with the work plan identified in this application.
 - ✓ Attach a copy of cancelled checks to provide proof of payment of the invoices or receipts associated with the work plan identified in this application.

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

E: Describe the program's benefits to those being served (measurable outcomes). Include the program's process for collecting data and the indicators that will be tracked to measure the benefits to those being served:

The residents of District 14 and 25 will benefit immensely by keeping trash receptacles emptied on a weekly basis.

F: Briefly describe any existing collaborative relationships the organization has with other community organizations. Describe what those partners are bringing to the relationship in general and to this program/project specifically.

TARC is the Public Transit for Louisville
Louisville Metro to TARC are linked in
Public Service. We are working together to
keep Dixie Highway's right-of-way clear
of litter and trash.

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

SECTION 6 – PROGRAM/PROJECT BUDGET SUMMARY

THE PROGRAM/PROJECT BUDGET SHOULD REALISTICALLY ESTIMATE WHAT AMOUNT IS NEEDED FROM METRO GOVERNMENT AND WHAT IS EXPECTED FROM OTHER SOURCES.

Program/Project Expenses	Column 1	Column 2	Column (1+2)=3
	Proposed Metro Funds	Non-Metro Funds	Total Funds
A: Personnel Costs Including Benefits			
B: Rent/Utilities			
C: Office Supplies			
D: Telephone			
E: In-town Travel			
F: Client Assistance (See Detailed List on Page 8)			
G: Professional Service Contracts	\$4,732		\$4,732
H: Program Materials			
I: Community Events & Festivals (See Detailed List on Page 8)			
J: Machinery & Equipment			
K: Capital Project			
L: Other Expenses (See Detailed List on Page 8)			
*TOTAL PROGRAM/PROJECT FUNDS	\$4,732		\$4,732
	100 %	0 %	100%

List funding sources for total program/project costs in Column 2, Non-Metro Funds:

Other State, Federal or Local Government	
United Way	
Private Contributions (do not include individual donor names)	
Fees Collected from Program Participants	
Other (please specify)	

*Total of Column 1 MUST match "Total Request on Page 1, Section 2"

**Must equal or exceed total in column 2.

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

Detail of In-Kind Contributions for this PROGRAM only: Includes Volunteers, Space, Utilities, etc. (Include anything not bought with cash revenues of the agency).

Donor*/Type of Contribution	Value of Contribution	Method of Valuation
<p align="center"><i>Total Value of In-Kind</i> (to match Program Budget Line Item. Volunteer Contribution & Other In Kind)</p>		

*** DONOR INFORMATION REFERS TO WHO MADE THE IN KIND CONTRIBUTION. VOLUNTEERS NEED NOT BE LISTED INDIVIDUALLY, BUT GROUPED TOGETHER ON ONE LINE AS A TOTAL NOTING HOW MANY HOURS PER PERSON PER WEEK**

Agency Fiscal Year Start Date: 7-1-19

Does your Agency anticipate a significant increase or decrease in your budget from the current fiscal year to the budget projected for next fiscal year? NO YES

If YES, please explain:

LOUISVILLE METRO COUNCIL NEIGHBORHOOD DEVELOPMENT FUND APPLICATION

SECTION 7 – CERTIFICATIONS & ASSURANCES

By signing Section 7 of the Grant Application, the authorized official signing for the applicant organization certifies and assures to the best of his or her knowledge and/or belief the following Assurances and Certifications. If there is any reason why one or more of the assurances or certifications listed cannot be certified or assured, please explain in writing and attach to this application.

Standard Assurances

1. Applicant understands this application and its attachments as well as any resulting grant agreement, reports and proof of expenditure is subject to Kentucky's open records law.
2. Applicant understands if the grant agreement is not returned to Louisville Metro within 90 days of its mailing to the applicant, the approval is automatically revoked and the funds will not be disbursed to our organization.
3. Applicant and any sub grantee will give Louisville Metro Government access to and the right to examine all paper or electronic records related to the awarded grant for up to five years of the grant agreement date.
4. Applicant assures compliance with the grant requirements and will monitor the performance of any third party (sub-grantee).
5. The Agency is in good standing with the Kentucky Secretary of State, Louisville Metro Government, the Jefferson County Revenue Commission, the Internal Revenue Service, and the Louisville Metro Human Relations Commission.
6. Applicant understands failure to provide the services, programs, or projects included in the agreement will result in funds being withheld or requested to be returned if previously disbursed.
7. Applicant understands they must return to Louisville Metro any unexpended funds by July 31 following the Metro Louisville's fiscal year end.
8. Applicant understands they must provide proof of all expenditures (canceled checks, receipts, paid invoices). The Applicant understands the failure to provide proof of expenditures as required in the grant agreement could result in funding being withheld or request to be returned if previously disbursed.
9. Applicant understands if this application is approved, the grant agreement will identify an award period that begins with the Metro Council approval date, and will end with June 30 of the fiscal year in which the grant is approved. Expenditures associated with this award expected to occur prior to the award period (approval date) must be disclosed in this application in order to be considered compliant with the grant agreement.
10. Applicant understands if we choose to incur expenditures prior to the approval of the application by the Metro Council, there is no guarantee that funding will be reimbursed, as the Council may choose not to award the application.
11. Applicant will establish safeguards to prohibit employees or any person that receives compensation from awarded funds from using their position for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.


Standard Certifications

1. The Agency certifies it will not use Louisville Metro Government funds for any religious, political or fraternal Activities.
2. The Agency has a written Affirmative Action/Equal Opportunity Policy.
3. The Agency does not discriminate in employment or in provision of any service/program/activity/event based on age, color, disabled status, national origin, race, religion, sex, gender identity or sexual orientation, or Vietnam era veteran status.
4. The Agency certifies it will not require clients, recipients, or beneficiaries to participate in religious, political, fraternal or like activities in order to receive services/benefits provided with Louisville Metro Government funds.
5. The Agency understands the Americans with Disabilities Act (ADA) and makes reasonable accommodations.

Relationship Disclosure: List below any relationship you or any member of your Board of Directors or employees has with any Councilperson, Councilperson's family, Councilperson's staff or any Louisville Metro Government employee.

SECTION 8 – CERTIFICATIONS & ASSURANCES

I certify under the penalty of law the information in this application (including, without limitation, "Certifications and Assurances") is accurate to the best of my knowledge. I am aware my organization will not be eligible for funding if investigation at any time shows falsification. If falsification is shown after funding has been approved, any allocations already received and expended are subject to be repaid. I further certify that I am legally authorized to sign this application for the applying organization and have initialed each page of the application.

Signature of Legal Signatory:		Date:	1/3/19
Legal Signatory: (please print):	Ferdinand L. Frisco Jr.	Title:	Interim Exec Director
Phone:	502-561-5104	Extension:	
Email:	frisco@cidetarc.org		

51B129
7-75

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF REVENUE
FRANKFORT
40601

TO: Transit Authority of Louisville & Jefferson Permit Number: CT-56-143
County, DBA, Transit Authority of River City
302 Speed Building
Louisville, Kentucky 40202

DATE: August 18, 1975

SUBJECT: Tax Free Purchases

Based on the information submitted in your "Application for Classification as an Exempt Unit of Local Government," you are hereby authorized to make tax free purchases as provided by Regulation 103 KAR 30:225E. A copy of this letter should be presented to the vendor to be retained by him as authorization to make such sales.

Every vendor making such sales must require an official or an employee exercising comparable authority of the local governmental unit to sign and acknowledge in writing on a copy of the invoice that the sale and delivery of the property was actually made to a unit of local government. The invoice shall be retained by the vendor as documentary evidence in support of his deduction of the sale from gross receipts on his sales tax return. For proper reporting, the vendor must deduct receipts from these sales on line 22 of his return.

If any of the property or service is not used for an exempt purpose, the purchaser will be required to pay any tax due on purchases made tax free under this exemption.

In the event there is a change in your operations from the information submitted in your application, you must notify the department immediately.

Claude B. Slone

Claude B. Slone
Director
Sales and Severance Tax Division



BOEHL STOPHER & GRAVES LLP

AEGON CENTER · SUITE 2300
400 WEST MARKET STREET · LOUISVILLE, KENTUCKY 40202-3354

TELEPHONE: 502-589-5980
FACSIMILE: 502-561-9400

EARL L. MARTIN III
PARTNER
EXTENSION 224
EMARTIN@BSG-LAW.COM

RECEIVED NOV 23 2015

November 20, 2015

Mr. J. Barry Barker
TRANSIT AUTHORITY OF RIVER CITY
1000 West Broadway
Louisville, KY 40203

RE: Occupational Tax Exemptions and Documents Relating to Establishment of TARC

Dear Barry:

You had asked us to try to determine whether there was ever any provision of the law that provided any exemption of payment of the portion of the Metro Government's occupational tax attributable to funding for TARC. In short, I find no support for any exemption specific to the transit tax portion of the Louisville Metro occupational tax.

The Louisville Metro Government assesses an occupational license tax on income earned through the transaction of business within Jefferson County, pursuant to Chapter 110 of the Louisville/Jefferson County Metro Government Code of Ordinances. The total tax is 1.45%, consisting of a base tax of 1.25% and a 0.2% transit tax. The transit tax is authorized by KRS 96A.320(3), as originally approved by the public and levied by adoption of the ordinances of the City of Louisville and Jefferson County, and now the ordinances of Louisville Metro. The Revenue Commission is charged with enforcement and promulgation of regulations pertaining to the occupational tax. §110.11. An additional 0.75% is assessed pursuant to state-granted school district tax-levying authority for the Jefferson County Public School district. KRS 160.607. Nonresidents of Jefferson County are exempt by state statute from the portion of the occupational license tax assessed for JCPS. KRS 160.611; 160.483(6).

444 WEST SECOND STREET
LEXINGTON, KENTUCKY 40507-1040
TELEPHONE: 859-252-6721
FACSIMILE: 859-253-1445

410 BROADWAY
PADUCAH, KENTUCKY 42001
TELEPHONE: 270-442-4369
FACSIMILE: 270-442-4689

137 MAIN STREET, SUITE 200
PIKEVILLE, KENTUCKY 41502
TELEPHONE: 606-432-9670
FACSIMILE: 606-432-9680

ELSBY EAST · SUITE 204, 400 PEARL STREET
NEW ALBANY, INDIANA 47150
TELEPHONE: 812-948-5053
FACSIMILE: 812-948-9233

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As it pertains to individuals, in relevant part, §110.02(A) of the ordinances levies the base occupation tax on “[e]very natural person and business entity engaged in any business, trade, occupation, profession, or other activity for profit in Louisville Metro” in the amount of “[o]ne and one-fourth percent of all wages and compensation paid or payable to every resident or non-resident employee for work done or services performed or rendered in Louisville Metro.”

In addition to the base tax, §110.02(B) levies a transit tax upon “every person and business entity engaged in any business, trade, occupation, profession, or other activity for profit in Louisville Metro” in the amount of “[o]ne fifth of one percent of all wages and compensation paid or payable to every resident or non-resident employee for work done or services performed or rendered in Louisville Metro.” Relevant to TARC, §110(C) provides:

(C) All occupational license taxes, plus any applicable interest and penalties, received by the Commission pursuant to subsection (B) above, less a fixed charge for services rendered in the amount of 1.35% of the net receipts thereof, shall be paid over monthly into, and pending disbursement be held in, a separate and special trust fund identified as the Mass Transit Trust Fund to be used solely for purposes of the Mass Transportation Program approved by the electorate of Jefferson County, November 5, 1974, and as provided in KRS Chapter 96A.

§110.05(A) directs that “[e]very employer making payment of compensation to an employee shall deduct and withhold upon the payment of the compensation the license tax imposed under §110.02 of this chapter.” §110.05(B) provides that employers file quarterly returns for withholdings, but §110.05(C) provides that if quarterly withholdings are more than \$3,000, then the tax shall be paid monthly.

There are some exemptions applicable to the occupational tax. First is for income earned for work performed outside of the county, as such income is not subject to the tax by its terms. For example, “[a]n employee who has compensation attributable to activities performed outside the Louisville Metro area, based on time spent outside the Louisville Metro area” may file for a refund of taxes withheld for such compensation. §110.05(I). In addition, the ordinances provide that certain activities are exempt from the tax (most dictated by state law). §110.03. These include public service corporations that pay an ad valorem tax, banks, telecommunications, investment funds, election-work income, National Guard training income, insurance companies, alcoholic beverage manufacturing or trafficking, de minimis yard sales, Derby parking income, ministers, venture capital funds, and family-owned investment income. In addition to these, boards of trade, chambers of commerce, unions, foundations and charitable entities are exempt entities not subject to tax.

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As noted, the JCPS tax does not apply to non-residents of Jefferson County by statutory exemption. I find no parallel exemption for the base occupational tax or the transit tax based on residency. Indeed, on this point, the Revenue Commission's instructions to the Occupational License Tax Return (Form OL-3), specifically states:

The following persons are subject to the Louisville Metro, Kentucky, and Transit Authority of River City occupational tax rate of (.0145), but are not subject to the School Boards' occupational tax rate of (.0075):

1. An employee whose legal residence is not within Louisville Metro, Kentucky.
2. A sole proprietor whose legal residence is not within Louisville Metro, Kentucky.

And the Revenue Commission's Regulations provide "[The] Boards of Education license fee, unlike the other wage/net profit license fees, is not imposed on individuals working in Jefferson County who are not residents of Jefferson County." The Regulations further provide some background as to the history of the transit tax (emphasis added):

In 1970 the General Assembly adopted legislation, codified at KRS Chapter 96A, authorizing the formation of Mass Transit Authorities, and providing as one alternate method of funding such Authorities, a wage/net profit license fee, but only if such a license fee were approved by referendum. In 1974 the voters of Jefferson County did approve a referendum enacting an additional wage/net profit license fees to support the Transit Authority.

The Transit Authority license fee was imposed by Jefferson County Fiscal Court Ordinance 6, Series 1974. Currently, the tax is imposed by Jefferson County Ordinance 13, Series 1989 on all persons who are employed in Jefferson County, **whether or not they are residents of Jefferson County.**

I have not been able to locate copies of those specific ordinances, but as noted above the current codification of the Louisville Metro ordinances directing the levy of the occupational tax contain no exemption contradicting the above-emphasized residency characterization.

In addition to the applicable ordinances, statutes, and regulations, I've gone back and reviewed relevant documents relating to the establishment of TARC. These include the original

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ordinances and resolutions of the Jefferson County Fiscal Court and the City of Louisville Board of Aldermen, and amendments thereto, the former Louisville and Jefferson County Cooperative Compact, and the current Metro ordinance with respect to the establishment of TARC. Also, as you requested, I have reviewed our prior research relating to the merger of the city and county for any discussion regarding the occupational tax.

In short, they do not have any provisions which provide for any exemption with respect to the transit tax. The only reference I find to the occupational tax is in the city's 1979 ordinance regarding the enlargement of the service area to adjoining counties, in which Section 1 provides that "the deficit expenditures resulting from service within each such [adjacent] county served shall not exceed two-thirds of the amount of the mass transportation program occupational license tax fee revenue estimated to be received from the residents of the particular county served."

I attach copies of the aforesaid documents, although for brevity I have left out copies of the various merger legislation bills which was also part of the research file.

Should you have any further questions, please let me know,

Very Truly Yours,



Earl L. Martin III

Enclosures

ORDINANCE NO. 18 SERIES, 1971.

AN ORDINANCE RELATING TO THE ESTABLISHMENT OF THE "TRANSIT AUTHORITY OF LOUISVILLE AND JEFFERSON COUNTY"

PREAMBLE

WHEREAS, the General Assembly of the Commonwealth of Kentucky has enacted the Kentucky Transit Authority Act (KRS Chapter 96A), and

WHEREAS, under the provisions of said Kentucky Transit Authority Act, any city or county, or one or more cities or counties acting in concert, are authorized to create and establish a mass transit authority to promote and develop mass transportation in its transit area, and

WHEREAS, said Kentucky Transit Authority Act provides that the business, activities and affairs of such transit authority shall be managed, controlled and conducted by a Board consisting of members appointed by the appointing authorities of any public body creating such a mass transit authority, and

WHEREAS, the Mayor is designated by Statute (KRS 96A.040) as the "appointing authority" of any city creating, individually or jointly with another body, such a mass transit authority, and as such "appointing authority" is authorized to appoint certain members of said Board which is empowered to manage, control and conduct the business and affairs of such mass transit authority, and

WHEREAS, the Board of Aldermen and the Mayor of the City of Louisville find that the creation and establishment of such a mass transit authority for the purposes aforesaid will be beneficial to the citizens of the City of Louisville;

NOW, THEREFORE, in order to create and establish such a joint mass transit authority as authorized by the Kentucky Transit Authority Act:

BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF LOUISVILLE:

Section 1. That there is hereby created and established, in conjunction with Jefferson County, Kentucky, a joint mass transit authority to be entitled "Transit Authority of Louisville and Jefferson County," under the authority granted

by Chapter 96A (The Kentucky Transit Authority Act) of the Kentucky Revised Statutes, for the purpose of promoting and developing mass transportation in this transit area, and said Transit Authority shall act pursuant to and under the provisions of the Kentucky Transit Authority Act.

Section 2. That said Transit Authority of Louisville and Jefferson shall be a political subdivision and a public body corporate whose business activities and affairs shall be managed, controlled and conducted by a Board consisting of eight members appointed by the Mayor of the City of Louisville and the County Judge of Jefferson County, Kentucky as provided by said Kentucky Transit ~~Transit~~ Authority Act.

Section 3. That the Mayor of the City of Louisville, Kentucky is hereby authorized to appoint four of such members of said managing Board at such times, and in such form and manner as is specified in KRS 96A.040.

Section 4. That the provisions of this Ordinance are severable. If any sentence, clause or Section or part of this Ordinance or the application thereof to any particular state of case is for any reason found to be unconstitutional or invlaid, such unconstitutionality or invalidity shall not affect or repeal any of the remaining provislons, sentences, clauses or Sections or parts of this Ordinance.

Edna A. Bivens
APPROVED Dec 25 1971

C.B.A. Joseph M. Kather P.B.A.
Pro-Tem
Frank W. Bunk MAYOR

APPROVED AS TO FORM
Herbert Van Arsdale II
HERBERT VAN ARSDALE II
Assistant Director of Law

ORDINANCE NO. 146 SERIES 1977

AN ORDINANCE AMENDING CHAPTER 269 OF THE CODIFIED GENERAL ORDINANCES WHICH CHAPTER IS ENTITLED "TRANSIT AUTHORITY OF RIVER CITY".

BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF LOUISVILLE:

SECTION 1. That Section 269.01 and 269.02 of Chapter 269 of the Codified General Ordinances which sections are entitled respectfully "Establishments" and "Establishment of Board; and Appointing of Members", be and the same are hereby amended so that the joint mass transit authority of Louisville and Jefferson County shall hereinafter be entitled "Transit Authority of River City".

SECTION 2. This Ordinance shall take effect upon its passage and approval.

Carolyn Denning C.B.A. W.J. Hodge P.B.A.

APPROVED: Dec 29, 1977 William Bottsberry MAYOR



**LOUISVILLE AND JEFFERSON COUNTY COMPACT
AS PASSED BY THE BOARD OF ALDERMEN AND
FISCAL COURT ON JUNE 24, 1986.**

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LOUISVILLE AND JEFFERSON COUNTY COMPACT
AS PASSED BY THE BOARD OF ALDERMEN AND
FISCAL COURT ON JUNE 24, 1986.

This is a Cooperative Compact as provided for in 1986 Kentucky Acts Chapter 77 between the CITY OF LOUISVILLE, KENTUCKY (hereinafter called "City") and JEFFERSON COUNTY, KENTUCKY (hereinafter called "County").

SECTION I - OCCUPATIONAL LICENSE FEES

(A) Occupational license fees collected by the City and the County shall be divided between the City and the County in accordance with the formula established in 1986 Kentucky Acts Chapter 77 and as set forth in Section I(C) herein.

(B) As used in Section I of this Cooperative Compact, the following words are defined as follows unless the context otherwise requires:

(1) "Base year collections" means the amount of combined collections received by the City and the County in calendar year 1985;

(2) "Collections" means the sums received (excluding penalties and interest) by the City and the County in a calendar year from its occupational license fee levy.

(3) "Combined inflation-adjusted base" means the base year collections of the City and the County adjusted by the increase or decrease in the consumer price index by using 1985 as the base year. Each year the combined inflation-adjusted base shall be computed by multiplying the consumer price index in December of that year by base year collections and dividing the product by the December 1985 consumer price index;

(4) "Consumer price index" means the index for all urban consumers as published by the United States Department of Labor, Bureau of Labor Statistics;

(5) "Occupational license fees" means license fees levied upon wages and net profits by the City pursuant to KRS 91.200 and by the County pursuant to KRS 68.180, but shall not include occupational license fees imposed for educational purposes pursuant to KRS Chapter 160, for mass transportation programs pursuant to KRS 96A.310 through 96A.370 or license fees or taxes on insurance premiums for the privilege of engaging in the business of insurance.

(C) Effective in 1986, the Sinking Fund of the City shall calculate the distribution of the combined collections from the occupational license fees in accordance with the formula established by this subsection (C) instead of in accordance within which jurisdiction the situs of the person or business subject to the tax is located. This section shall not change the manner in which such license fees are levied or collected by the City and County and the fees therefore, but merely directs that the combined collections from such license fees be apportioned between the City and the County to reflect the sharing of responsibilities and obligations agreed to by the City and the County in this Cooperative Compact.

(1) If combined collections from occupational license fees in any calendar year are less than or equal to the base year collections, fifty-eight and seven hundred and thirty-five thousandths percent (58.735%) of such combined collections shall be apportioned to the City and forty-one and two hundred and sixty-five thousandths percent (41.265%) of such combined collections shall be apportioned to the County.

(2) If combined collections are greater than the base year collections but less than the combined inflation-adjusted base, the amount equal to the base year collections shall be divided between the City and County in accordance with paragraph (1) of this subsection, and the remainder of combined collections shall be divided so that the City shall be apportioned fifty-nine and seven tenths percent (59.7%) of such remainder and the County shall be apportioned forty and three tenths percent (40.3%) of such remainder.

(3) If combined collections in any calendar year exceed the combined inflation-adjusted base, the amount of combined collections equal to the combined inflation-adjusted base shall be divided between the City and the County in accordance with paragraph (2) of this subsection, ten percent (10%) of the combined collections in excess of the combined inflation-adjusted base shall be apportioned in accordance with paragraph (4) of this subsection, and the remaining ninety percent (90%) shall be apportioned so that fifty-seven and two tenths percent (57.2%) of the remainder shall be apportioned to the City and forty-two and eight tenths percent (42.8%) of the remainder shall be apportioned to the County.

(4) Ten percent (10%) of the combined collections in excess of the combined inflation-adjusted base shall be apportioned to the City or the County in accordance with which jurisdiction the growth in combined collections occurred. If the increase in combined collections is attributable to increased collections in both jurisdictions, the City and the County shall each be apportioned a percentage of the ten percent (10%) equal to the percentage of the increase in combined collections that is attributable to the increase in collections in its jurisdiction.

(5) The Sinking Fund may establish administrative regulations to be used to apportion collections. Such administrative regulations must be approved by the Board of Aldermen and Fiscal Court prior to their implementation.

(6) Penalties and interest will be distributed to the City and County for the duration of this Cooperative Compact in the same manner as such receipts were distributed prior to the effective date of this Cooperative Compact.

(D) The City and County recognize the basis for this Cooperative Compact is the sharing of current and future occupational tax revenue for the purpose of providing county-wide services to the citizens of the City and County. The City and County further recognize that any unilateral, voluntary reduction of such occupational tax revenue violates the spirit of this Cooperative Compact. -
Therefore, if:

(1) Either the City or the County lowers its occupational tax rate or changes the occupational tax base without the concurrence of the other entity;
or

(2) The County contracts with a city of the second through sixth class to credit such a city's license fee against the County's license fee as provided for in KRS 68.190 without concurrence of the City on such a contract;
or

(3) Either the City or the County contracts with an agency pursuant to 1986 Kentucky Acts Chapter 13, which authorizes tax increment financing, for the release of occupational tax without the concurrence of the other entity;
during the term of this Cooperative Compact, then the entity that reduces such occupational tax revenues shall compensate the other entity for such reduction.
Concurrence required by this Section shall be by formal action of the Mayor and

Board of Aldermen on behalf of the City and Fiscal Court on behalf of the County.

SECTION II - ANNEXATION

The Board of Aldermen of the City of Louisville and Jefferson County Fiscal Court, each having independently considered the complex issues involving annexations by cities of all classes in Jefferson County, and each body having examined the problems which exist as a result of the City's commitment not to annex during the term of this Cooperative Compact, do find, as matters of legislative fact, that:

(A) Government reorganization has been twice considered and rejected by the voters of Jefferson County. It is thus apparent that long and careful study of the entire question of how best to provide the services of local government in Jefferson County is necessary. This Cooperative Compact, which is to remain in effect for the next twelve years, will facilitate this consideration by stabilizing the boundaries of the City and the unincorporated area of the County during the time public officials of both the City and County are examining the best way to provide local government services as we approach the twenty-first century.

(B) During this twelve year period, the County realizes that the City will continue to have under consideration as one alternative the continuation of the annexations now being proposed by the City. The City, however, agrees simultaneously to consider other alternatives to annexation and as a result the twelve year term of this Cooperative Compact is not intended to and shall not in any way adversely impact the City's annexation priorities. Therefore, the City and the County agree as follows:

(1) Once an ordinance stating the intention of the City to annex an area has been given its first reading or enacted by the Board of Aldermen, no part of such area may be incorporated or be annexed by another city, unless such incorporation or annexation is pending at the time the ordinance is given its first reading, until the annexation proposal by the City is defeated pursuant to subsections (E) and (F) of this Section or until the ordinance is withdrawn or repealed or amended as to the area to be annexed.

(2) This subsection shall apply to any proposing ordinance which has had a first reading or has been enacted as of January 1, 1986.

(3) Notwithstanding anything to the contrary in this subsection, any annexation by a city other than Louisville, or incorporation prior to January 1, 1986, shall not be nullified by the application of 1986 Kentucky Acts Chapter 77; provided, however, the City shall retain its legal annexation priorities which existed on January 1, 1986 to the territory so annexed or incorporated. In fact, the City and County, having fully reviewed and examined the City's proposing ordinances previously of record, and having determined that the City has priority with respect to the remaining unincorporated territory in the County to which it is contiguous, do hereby recognize that this priority shall remain in effect throughout the term of this Cooperative Compact without the need for the City to take any further steps to insure the maintaining of said priority.

(4) The boundaries of the City shall remain as established by law unless changed pursuant to the procedures set forth in Section II of this Cooperative Compact.

(5) Upon the termination of this Cooperative Compact, boundary changes shall be governed by the provisions of KRS 81A.010 et seq.

(C) The City and County have found that it is necessary to maintain the status quo of the boundaries in Jefferson County in order to insure further efficient governmental services by the City and County. Therefore, recognizing that less proliferation of municipalities may make it easier and less costly to provide services in the City and County, the City and County do hereby agree to fully cooperate in blocking any incorporated City's attempt to annex unincorporated territory within the County and any unincorporated territory's attempt to incorporate as a municipality. In so doing, the City and County recognize that further proliferation in Jefferson County through incorporations or annexations would constitute an unreasonable way of providing public services and would unreasonably prejudice them.

(D) Any annexation of unincorporated territory by the City during the term of this Cooperative Compact shall be pursuant to the procedures established by 1986 Kentucky Acts Chapter 77 and as set forth in Section II of this Cooperative Compact.

(E) When the City desires to annex unincorporated territory, the Board of Aldermen of the City shall enact an ordinance stating the intention of the City to annex. If an ordinance proposing to annex unincorporated territory has been enacted prior to the effective date of this Cooperative Compact and the ordinance annexing the territory to the City has not been enacted, then in order for the City to annex the territory during the time this Cooperative Compact is in effect, the Board of Aldermen shall re-enact the ordinance only including the same territory as the original ordinance and stating the intention of the City to annex. Such ordinances shall accurately define the boundary of the unincorporated territory proposed to be annexed, and declare it desirable to annex the unincorporated territory.

(F) The Mayor of the City shall deliver a certified copy of the ordinance to the County Clerk of the County in which the territory proposed to be annexed is located, who shall have prepared to be placed before the voters in each precinct embraced in whole or in part within the territory proposed to be annexed the question: "Are you in favor of being annexed to the City of Louisville?" If only a part of any precinct is embraced within the territory proposed to be annexed only persons who reside within the territory proposed to be annexed shall be permitted to vote. The County Clerk shall cause the sheriff or sheriffs to deliver to the election officers in each precinct in the appropriate counties copies of the ordinance proposing to annex:

(1) If more than fifty percent (50%) of those voting on the question approve of the annexation, the Board of Aldermen may proceed to annex the territory. Within sixty (60) days of the certification of the election results in which more than fifty percent (50%) of those voting in the election approved the annexation, the Board of Aldermen may enact an ordinance annexing the territory. Upon enactment of the ordinance the territory shall become part of the City for all purposes; or

(2) If fifty percent (50%) or less of those voting on the question approve the annexation, the ordinance proposing annexation shall become ineffectual for any purpose subject to the provisions of KRS 81A.460.

SECTION III - BOARDS, COMMISSIONS AND AGENCIES

This Cooperative Compact represents the beginning of an effort by the City and County and their citizens to provide professional, efficient, equitable representative and accountable services for all residents of the City and County.

Joint boards, commissions and agencies altered by this Cooperative Compact will be part of an organizational chart with clear lines of authority to either the City or the County. The result will be clear policy and fiscal accountability to local government as well as an opportunity for increased coordination of services among the joint boards, commissions, agencies and local governmental departments. The participation and input by citizens through the advisory entities insures that the boards, commissions and agencies are invested in, owned by and are an integral part of the community.

(A) The specific boards, commissions and agencies hereinafter contained in this Cooperative Compact shall be altered as each specific section details so that the control and responsibility for such board, commission or agency will hereinafter lie with either the City or the County, or the City and County jointly. Unless amended by this Cooperative Compact, all ordinances or resolutions presently in effect which govern the powers, duties and responsibilities of the boards, commissions or agencies hereinafter contained, shall remain in full force and effect.

(B) Pursuant to KRS 65.210 et seq., the City and County specifically provide by the provisions of this Cooperative Compact that the powers, privileges and authorities exercised or capable of being exercised by either the City or the County through the boards, commissions or agencies hereinafter amended, are to be exercised by the board, commission or agency, or jointly by the City and County, or by either the City or the County acting as agent for the other public body anywhere within the territorial limits of Jefferson County.

(C) In addition to complying with any specific qualification requirements established by statute, ordinance or resolution, the Mayor and County Judge/Executive, to the extent practicable, when making appointments to joint

entities hereinafter contained shall take into account the demographic characteristics of the City and the County, including, but not limited to, race, sex, geographic location, expertise and diversity appropriate and relevant to the purpose of the specific entity.

SECTION IV - PROVISIONS AFFECTING TRANSITION

(A) All employees transferred by this Cooperative Compact from employment by the City, the County or a board, commission or agency to employment with a different entity shall carry over all accumulated benefits into the new employment. This includes, and is limited to, the carry over of accumulated sick leave, vacation, compensatory time, seniority or any other accumulated benefit regardless of whether the employment to which the employee is transferred allows such accumulation. The use of such accumulated benefit shall be in accordance with the regulations of the entity to which the employee is transferred. After such transfer employees shall be entitled to receive only those benefits provided by the employing entity to its employees.

(B) Notwithstanding the provisions hereinafter exempting the employees of certain transitioned entities from the City's residency ordinance, (specifically the Sections concerning Human Relations, Zoo, Disaster and Emergency Services, Library, Parks and Economic Development Office), an individual employee who, because of a change in status, is no longer an officer, employee or on the staff devoted solely to the support of that exempted entity, shall be subject to the City's residency ordinance.

(C) Any cause of action which arose during the operation of a board, commission, agency or department as a joint City/County entity changed by this Cooperative Compact to either a City or County board, commission, agency or

department which results in an adverse judgment shall be deemed the joint and several liability of both the City and the County regardless of which government is transferred the fiscal responsibility of the former joint entity by this Cooperative Compact. Representation of all legal actions pending at the effective date of this Cooperative Compact will continue to be the responsibility of the governing entity presently providing representation.

(D) Assets being used by a board, commission or agency affected by this Cooperative Compact, regardless of ownership, shall continue to be used for the benefit of the board, commission or agency unless this Compact specifically provides otherwise. During the term of this Cooperative Compact if any assets are no longer needed by a board, commission or agency, then such assets shall be returned to the parties according to the contribution of the parties toward the asset. Transfer of ownership of such assets when necessary for such purposes as insurance coverage, repair or replacement, etc. shall be negotiated by the City and County on a case-by-case basis. Such assets include, but are not limited to, self-insurance trust funds, reserve accounts, lapsed funds, personal property and real property.

(E) The City and County by the actions taken under this Cooperative Compact do not abrogate any governmental immunities which are established by operation of law.

SECTION V - GUIDELINES FOR EXECUTIVE DIRECTORS

(A) All Directors of departments, boards, commissions or agencies in this Cooperative Compact which are to be appointed either jointly or separately by the Mayor, and the County Judge/Executive with the approval of Fiscal Court, shall be selected on the basis of professional personnel policies in the areas of

recruitment, screening and the setting of minimum qualifications which are currently in use by the City and County.

(B) Realistic minimum requirements that are predictive of success in the performance of the job shall be established and followed. Qualifications commonly required of employees or directors in all places of employment shall be understood to be implied. The qualifications include, but are not limited to, professional experience and accepted professional standards in the field or a related field.

(C) The Mayor and the County Judge/Executive when appointing an executive director either jointly or separately shall seek the advice of or consult with the board, commission, agency or authority affected thereby.

SECTION VI - AIR POLLUTION CONTROL DISTRICT
(Organized and governed by KRS Chapter 77)

(A) Pursuant to KRS 77.065, as amended by 1986 Kentucky Acts Chapter 77, the County shall provide all staff support, including a secretary-treasurer and an air pollution control officer, to the Air Pollution Control Board through County officers, assistants, clerks, deputies and employees. The staff of the Air Pollution Control Board, including the secretary-treasurer and the air pollution control officer, shall be deemed County employees and shall be subject to the control of Fiscal Court. Effective August 1, 1986, the employees of the Air Pollution Control District shall be transferred to the service of the County government; provided that all such employees who are in the classified service at such time shall be continued in a classified service administered by County Government.

(B) Pursuant to KRS 77.070, as amended by 1986 Kentucky Acts Chapter 77, the Air Pollution Control Board shall consist of seven (7) members, four (4) of

(S) Section XIII of this Cooperative Compact supersedes and replaces the Interlocal Agreement entered into by the City and County on July 5, 1984, and recorded in Miscellaneous Records Book 120, Page Number 282 of the County Clerk of Jefferson County and any other agreement or enactment of the City and County that created a Disaster and Emergency Service. (County Resolution No. 24, Series 1984; City Codified General Ordinance Sections 35.075 - 35.094).

SECTION XIV - TRANSIT AUTHORITY OF RIVER CITY
(Organized and governed by KRS Chapter 96A)

(A) Pursuant to KRS 96A.040, as amended by 1986 Kentucky Acts Chapter 77, and subject to the initial adjustment of the terms of sitting members provided for in 1986 Kentucky Acts Chapter 77, the terms of the members on the Transit Authority of River City Board shall be for three (3) years and until their successors are appointed and qualified. Upon the effective date of 1986 Kentucky Acts Chapter 77, the terms of the members sitting on the Board shall be adjusted by separate action of the Mayor, and the County Judge/Executive with the approval of Fiscal Court.

(B) Pursuant to KRS 96A.070, as amended by 1986 Kentucky Acts Chapter 77, during the term of this Cooperative Compact, the executive director and a secretary-treasurer or any individual, corporation or partnership, either by contract or employment, who serves as executive director or secretary-treasurer in the management of the affairs of the Board, shall be appointed by and serve at the joint pleasure of the Mayor, and the County Judge/Executive with the approval of Fiscal Court pursuant to KRS 67.040.

(C) All provisions of KRS Chapter 96A which direct the operation of a mass transit system shall continue to govern the operation of the Transit

Authority of River City unless a change as allowed by law is specifically enumerated within this Cooperative Compact or by subsequent ordinance or resolution of the City or County.

SECTION XV - METROPOLITAN SEWER DISTRICT
(Organized and governed by KRS Chapter 76)

(A) Pursuant to KRS 76.030, as amended by 1986 Kentucky Acts Chapter 77, during the term of this Cooperative Compact, the terms of the members of the Metropolitan Sewer District Board shall be for three (3) years and until their successors are appointed and qualified. Upon the effective date of 1986 Kentucky Acts Chapter 77, the terms of the members sitting on the Board shall be adjusted by separate action of the Mayor, and the County Judge/Executive with the approval of Fiscal Court.

(B) Pursuant to KRS 76.060, as amended by 1986 Kentucky Acts Chapter 77, during the term of this Cooperative Compact, the executive director, secretary-treasurer and chief engineer of the Metropolitan Sewer District shall be appointed by and serve at the joint pleasure of the Mayor, and the County Judge/Executive with the approval of the Fiscal Court pursuant to KRS 67.040.

(C) Pursuant to KRS 76.030(1), no more than three (3) of the Mayor's appointments and two (2) of the County Judge/Executive's appointments to terms beginning after July 15, 1986, shall be of the same political party affiliation.

(D) All provisions of KRS Chapter 76 which direct the operation of the Metropolitan Sewer District shall continue to govern the operation of Metropolitan Sewer District unless a change as allowed by law is specifically enumerated within this Cooperative Compact or by subsequent ordinance or resolution of the City or the County.

(J) In the event of the dissolution of the office, the unused funds appropriated to the account and any assets not otherwise disposed of the Office shall be returned to the parties according to the percentages in which the sums had been appropriated to the Office.

(K) Section XVIII of this Cooperative Compact supersedes and replaces City Ordinance No 70, Series 1986, which created a Department of Economic Development.

SECTION XIX - QUALITY AND CHARITY TRUST FUND

The Quality and Charity Care Trust Agreement entered into on January 27, 1983, by and among the County, the City, the University of Louisville, the Commonwealth of Kentucky and Humana of Virginia, Inc. set forth the joint obligations of the City and the County. The City and County by separate action of the Board of Aldermen and Fiscal Court have amended the joint funding responsibilities between the City and County.

SECTION XX - DURATION

This Cooperative Compact shall be for a period of twelve (12) years and shall terminate on June 30, 1998, except that if any mandatory provision of 1986 Kentucky Acts Chapter 77, is adjudicated invalid or if any provision of 1986 Kentucky Acts Chapter 77, is amended or repealed by subsequent act of the General Assembly, this Cooperative Compact shall immediately terminate.

SECTION XXI - EFFECTIVE DATE

This Cooperative Compact shall take effect on July 1, 1986. Provided, however, any provision authorized only by 1986 Kentucky Acts Chapter 77 will take effect on the effective date of 1986 Kentucky Acts Chapter 77.

SECTION XXII - AMENDMENT OF COOPERATIVE COMPACT

This Cooperative Compact may be amended by the City and the County, provided that no such amendment shall conflict with the provisions of 1986 Kentucky Acts Chapter 77.

SECTION XXIII - SEVERABILITY

If any part of this Cooperative Compact is held unconstitutional or invalid the remaining parts shall remain in force, unless 1986 Kentucky Acts Chapter 77 provides otherwise, or unless the remaining parts are so essentially and inseparably connected with and dependent upon the unconstitutional or invalid part that it is apparent that the City and County would not have enacted the remaining parts without the unconstitutional or invalid part, or unless the remaining parts, standing alone, are incomplete and incapable of being executed in accordance with the intent of the City and County.

SECTION XXIV - TITLES

Titles, headings and notes, and explanatory notes and cross references, within this Cooperative Compact, do not constitute any part of this Cooperative Compact and are inserted for the convenience of reference only and are not to be considered in the construction of the provisions and shall not in any way limit the scope or modify the substance or context of this Cooperative Compact.

SECTION XXV - ENTIRETY OF AGREEMENT

This Cooperative Compact constitutes the entire agreement of the City and County with respect to the provisions of this Cooperative Compact and supersedes all prior agreements and understandings of the City and County in connection with the subject matter of this Cooperative Compact.

In testimony whereof, the Mayor of the City and the County Judge/Executive of the County subscribe their signatures in their official capacities pursuant to enabling legislation passed by the Board of Aldermen and Fiscal Court.

CITY OF LOUISVILLE

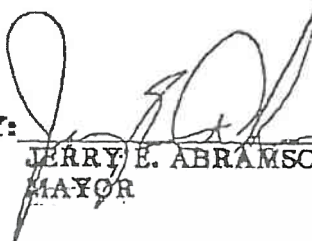
COUNTY OF JEFFERSON

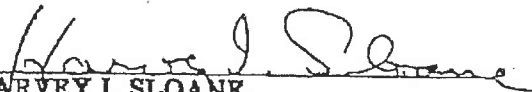
Ordinance No. 192, Series 1986

Resolution No. 36, Series 1986

Enacted June 24, 1986

Enacted June 24, 1986

BY: 
JERRY E. ABRAMSON,
MAYOR

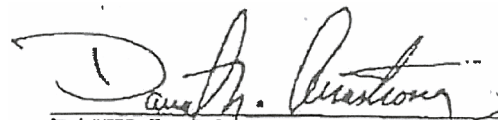
BY: 
HARVEY L. SLOANE,
COUNTY JUDGE/EXECUTIVE

APPROVED AS TO FORM:


FRANK X. QUICKERT, JR.
DIRECTOR OF LAW


MIKE CONLIFFE
COUNTY ATTORNEY

Insofar as sections of this Cooperative Compact comply with the Interlocal Agreement Act, this Compact is in proper form and is compatible with the laws of the Commonwealth; therefore, it is approved this 10th day of July, 1986.


DAVID L. ARMSTRONG
ATTORNEY GENERAL
COMMONWEALTH OF KENTUCKY

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

The Metro Code is current through Ordinances passed by the Council and approved by the Mayor as of September 28, 2015



§ 32.720 ESTABLISHMENT.

(A) Appointments by the Mayor to the Transit Authority shall require approval of the Metro Council. Pursuant to KRS 96A.040, the terms of the members on the Transit Authority of River City Boards shall be for three years and until their successors are appointed and qualified.

(B) Pursuant to KRS 96A.070, the Executive Director and a Secretary-Treasurer or any individual, corporation, or partnership, either by contract or employment, who serves as Executive Director or Secretary-Treasurer in the management of the affairs of the Board, shall be appointed by and serve at the pleasure of the Mayor.

(C) All provisions of KRS Ch. 96A which direct the operation of a mass transit system shall continue to govern the operation of the Transit Authority of River City unless a change as allowed by law is specifically enumerated within the Cooperative Compact or by subsequent ordinance or resolution of the Metro Government.

(Lou. Metro Am. Ord. No. 44-2003, approved 3-17-2003)

Editor's Note:

This section is derived from the Louisville and Jefferson County Cooperative Compact, § 14.

*** TX REPORT ***

TRANSMISSION OK

TX/RX NO	2981	
CONNECTION TEL		2#820
SUBADDRESS		
CONNECTION ID		
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RESULT	OK	

820

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FAX COVER SHEET

DATE: December 8, 2000

TO: J. Barry Barker

File #: 752601

TELEFAX NO.: 561-5244

FROM: Jefferson K. Streepey
BOEHL STOPHER & GRAVES, LLP

TOTAL NO. OF PAGES: 5 (including cover page)

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BY TELECOPIER

Mr. J. Barry Barker
TRANSIT AUTHORITY OF RIVER CITY
1000 West Broadway
Louisville, KY 40203

RE: City-County Merger

Dear Barry:

We have undertaken a first review of the possible effect of the city-county merger on TARC. Obviously much cannot yet be determined, since the details have not been worked out.

The 2000 legislature enacted Chapter 67C of the Kentucky Revised Statutes to provide a framework for Louisville-Jefferson County merger. A number of the provisions of the new statute are fairly straightforward and may be applicable to TARC. These provisions include the following:

1. The statute provides that the new government has the powers and authorities of both city and the county.
2. For purposes of applying for or receiving grants from the state or

BOEHL STOPHER & GRAVES

Mr. J. Barry Barker
December 8, 2000
Page 2

the federal government, the consolidated local government is considered both a county and a city of the first class.

3. The existing ordinances and regulations of the city and the county remain in effect for five years from the date the new government takes effect. Thereafter they expire, unless reenacted by the new consolidated government.

One technical issue could affect the very existence of TARC. The creation of TARC is authorized by the state legislature through KRS Chapter 96A. However, TARC was actually created by ordinance and resolution adopted by the Board of Alderman and the Fiscal Court. As noted above, existing ordinances, resolutions, and regulations of the city and county remain in effect for only five years unless reenacted. Arguably, someone could argue that, absent re-authorization, TARC's existence expires after five years. On the other hand one could argue that TARC, having been established as a separate corporation, now has its own independent legal existence, even if the initial authorizing resolutions expire. Further, KRS Chapter 67C provides that all taxing districts and any other service districts of any kind are to continue in existence. I do not, however, see any definition in the chapter of the term "service districts." I do not think the term necessarily includes TARC, but may well include only divisions of the city and county themselves. The safe route probably is to have the new merged government confirm TARC sometime during the next five years.

You specifically inquired as to the effect of merger on composition of TARC's board, and whether TARC could have board members from Bullitt and Oldham Counties in Kentucky and Floyd and Clark Counties in Indiana. These are really three separate issues.

KRS 96A.040 governs the managing boards of transit authorities. The board's composition is determined based upon whether the transit authority was "created and established" by single or multiple government entities. While the statute contemplates and provides for the subsequent joining of additional public bodies, it does not address the possible merger of bodies who are part of the joint proceedings establishing the authority or

BOEHL STOPHER & GRAVES

Mr. J. Barry Barker
December 8, 2000
Page 3

even the possibility that an establishing body might "drop out" of the transit authority.

The statute provides that a single city or county "establishing" a transit authority may name the eight members for the authority's board. A joint transit authority established by two bodies is also to have eight board members, four named by each. KRS 96A.040(1)(b). I believe the most logical interpretation would be that the merged government will be the successor to each of its constituent parts and may thereby exercise its inherited authority to name all eight members. This idea is reinforced by KRS 67C.115 mentioned above, which provides that ordinances, resolutions and regulations will continue in effect for the merged entity for five years. I do not believe that the act of merger of the city and county by itself frees up seats on the board for other counties. We of course are sailing into uncharted waters on this point, because there is no case law giving guidance on the issue.

In any event, even without consideration of the merger, KRS 96A.040(d) would not allow a board member from another county unless that county formally becomes a part of the transit authority. That requires the approval of the current constituent governmental members. In this case Louisville and Jefferson County would have to approve, or the merged government would have to approve. Thus, for example, if Oldham and Bullitt Counties were approved for membership in the authority, they could each have one director, and the board would increase to ten.

The question of additional members from Indiana counties seems somewhat more complicated. KRS 96A.210 authorizes cities and counties of this state which abut the boundaries of another state "jointly with another county, municipality, or political subdivision of such abutting state . . . to become a part of the existing transit authority as authorized by this chapter." Thus it seems clear that Clark and Floyd counties may join the authority, if approved by Louisville and Jefferson County, or the new merged government, and it would seem logical that such counties could have a board member just as a joining Kentucky county. This, however, seems to require interpreting the intent of the legislature rather than accepting its actual words. KRS 96A.040(d) states that a joining "public body" may select a director. "Public body," however, is defined in KRS 96A.010 as "any city or county of the Commonwealth." The definition of public body does not include an Indiana city or county. Thus it is possible to argue that although an Indiana county can be a part of the authority, it may not have

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December 8, 2000
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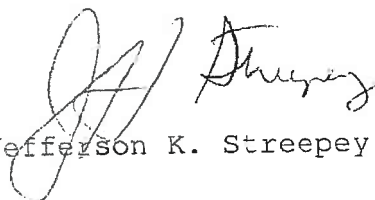
any authority to name a director. I would assume the legislature did not intend such results; however, I do not know that we can be sure. I suppose we could either request an Attorney General's opinion on the point, or seek to have the statutes amended. There is also the possibility of having Indiana counties send representatives to participate in board meetings without a right to vote.

I note that the Fiscal Court and Board of Aldermen have previously passed a resolution and ordinance expressing consent to permitting counties adjacent to Jefferson County to join the transit authority. This occurred in the late 1970s. Both make reference to the enlargement of the authority to include adjacent counties, and neither restricts such enlargement to Kentucky counties.

You also specifically requested our views on funding issues resulting from the merger. KRS 67C.123 provides that current taxes of the city and county shall remain unaltered until changed by the merged entity. It does not seem to me at this point that TARC's funding will be affected by the merger. There is nothing in the Jefferson County budget indicating that the county has allotted funds to TARC, and the financial impact report concerning merger lists budgeted expenditures from all sources of revenue as being allocated to TARC by the city alone. Obviously, the merged entity could change this in the future, but the act of merger itself without further action would not seem to change TARC's funding circumstances.

Please be sure to call if you have any questions and as other questions arise.

Very truly yours,



Jefferson K. Streepey

JKS:mk

File

MEMO

TO: Jeff Streepey
FROM: Earl Martin
DATE: December 7, 2000
RE: TARC; Merger Implications

The only issues that merger would appear to give rise to are (1) board composition and appointment and (2) funding. After reviewing all the materials I can find on the establishment and operation of TARC, I see no other areas that involve any kind of disparate treatment between the city and county. The only other possibility I can think of would be contracts by which TARC benefits, such as labor agreements perhaps, that might involve the county or city as a party.

Board Issues

There were two questions posed with regard to the board. First, what effect will the merger have on board composition, and second, do Indiana counties served by TARC have a right to have members on the board? These questions are addressed in turn.

Board Composition

First, KRS 96A.040 governs the managing boards of transit authorities. The board's composition is determined based upon whether the transit authority was "created and established" by single or multiple government entities. While the statute contemplates and provides for the subsequent joining of additional public bodies, it does not address the possible merger of bodies who were part of the joint proceedings establishing the authority or even the possibility that an establishing body might "drop out" of transit authority membership. Thus it is unclear what effect such a decrease in membership would have upon the transit authority.

The statute provides that a single city or county "establishing" a transit authority may name the eight members for the authority's board. A joint authority established by two bodies

will also have eight board members, four named by each authority. KRS 96A.040(1)(b). There are no statutes or cases that give guidance on the issue of merging joint governmental bodies. I think the most logical interpretation would be that Greater Louisville will be the successor to each of its constituent parts and thereby may exercise its inherited authority to name the eight members. This idea is reinforced by the fact that KRS 67C.115 provides that ordinances, regulations, and orders will continue in effect for the merged entity for five years unless amended or reenacted.

The alternative would be to re-establish the transit authority under the new entity (and whatever other counties would participate), and this may be necessary anyway given that the prior ordinances cease to have effect in five years. This would require the formalities of enabling ordinances and compliance with Chapter 96A (including such minor elements as changing the name of the transit authority to conform with KRS 96A.020(1) if the merged entity were the only one establishing the authority).

Indiana Counties

Second, it would appear that the Indiana counties can have representatives on the board. As already alluded to, KRS 96A.040(d) contemplates the possibility that governmental bodies may join an authority after the authority has been created. That statute provides that "with the concurrence and approval" of the current governmental members, a joining public body may name no more than one additional member to the board. KRS 96A.210 authorizes cities and counties of this state which abut the boundaries of another state "jointly with another county, municipality or political subdivision of any such abutting state... to become a part of an existing transit authority as authorized by this chapter." Thus the Indiana counties may join the authority and each have their own board member if Greater Louisville agrees, and the board will be composed of Greater Louisville's eight

members plus one additional member for each county that thereafter joins the authority.

I note that the Fiscal Court and Board of Aldermen have previously passed a resolution and ordinance expressing assent to permitting counties adjacent to Jefferson County to join in the transit authority (both bear the date of February 28, but one is dated 1978 while the other is dated 1979). Both merely make reference to the enlargement of the authority pursuant to Chapter 96A to adjacent counties, and neither restricts such enlargement to Kentucky counties only. It is possible that this resolution and ordinance continues in effect for the purpose of allowing adjacent Indiana counties to join the authority. The one obstacle to this interpretation, however, is the fact that KRS 96A.010 defines "County" to mean "any county in the Commonwealth." Thus it is possible that the resolution and ordinance do not extend to Indiana counties because they incorporate this restricted definition by reference and because they do not explicitly allow for counties of other states. If that is the case, then new action will be required expressing assent to the addition of adjacent non-Kentucky counties.

Funding Issues

KRS 67C.123 provides that current taxes shall continue unaltered until changed by the merged entity. The concern is clearly whether TARC obtains financing from multiple sources that will be considered redundant upon merger and therefore be eliminated. I was able to locate no information in the Jefferson County budget indicating that the county has allotted funds to TARC, and the financial impact report regarding merger lists budgeted expenditures from all sources of revenue as being allocated to TARC by the city alone. Thus, it is not clear from the information available that merger would have any funding impact upon TARC absent unforeseen future action on the part of the merged entity.

February 7, 2001

BY TELECOPIER

Mr. J. Barry Barker
TRANSIT AUTHORITY OF RIVER CITY
1000 West Broadway
Louisville, KY 40203

Dear Barry:

You left a voice mail message last week related to tax issues in the event the Transit Authority is expanded to include additional counties. I believe the import of your question was whether a single, joint proposal for funding by the imposition of a tax could be submitted to the voters of all the counties in the Authority, or whether taxation must be approved county by county. If your question is something else, please be sure to call.

KRS 96A.320 provides that the public bodies which constitute the membership of the Transit Authority may "acting either individually or jointly" submit to either the electorates of such public bodies or the electorates of the whole transit area proposal for additional property taxes, occupational license taxes, or sales taxes to support the Transit Authority.

This statute does not oblige the member counties to act jointly; however, it does authorize them to do so if they wish.

Since this is a Kentucky statute, it would not have application to Indiana counties which are members of TARC. Indiana

COPY

Mr. J. Barry Barker
February 7, 2001
Page 2

counties, however, are permitted to enter into agreements with counties of other states for the joint exercise of county power. Indiana Code 36-1-7-2. Such an agreement must be in writing, and since it is between bodies of different states, must be approved by the Indiana Attorney General. Although the Indiana statute is not specific, presumably Indiana counties could agree with Kentucky counties to also submit taxing proposals. Obviously the fact that Indiana's tax structure is different from Kentucky's would make identical proposals more difficult.

In any event the law would permit TARC's member counties to act in concert on tax issues, but would not require it.

Call me if you have questions, or if I have misunderstood your inquiry.

Very truly yours,

Jefferson K. Streepey

JKS:mk

file

MEMO

TO: Jeff Streepey
FROM: Earl Martin
DATE: February 7, 2001
RE: TARC; Joint proposal for funding

TARC wants to make a single joint proposal for funding by imposition of a tax, binding upon all counties serviced by the authority.

As already noted, there is no Constitutional or statutory obstacle to the imposition of a license tax by each of the counties that are members of TARC. Furthermore, KRS 96A.320(3) permits the Kentucky members of TARC to jointly submit a single proposal for financing a mass transportation program by license tax to the entire electorate of the transit area.

In addition, 96A.210 permits interstate transit authorities, and 96A.370 empowers Kentucky counties to enter into joint agreements with "all other units of government, both federal and state, for the... operation of mass transportation facilities." The term "facilities" is not defined by the statutes.

Indiana permits its counties to enter into agreements with counties of other states for the joint exercise of a county power. IC 36-1-7-2. Such an agreement must be in writing, satisfy certain requirements, and since it is between bodies of different states, be approved by the Indiana attorney general. 36-1-7-3; 36-1-7-4.

MEMO

TO: Jeff Streepey
FROM: Earl Martin
DATE: February 6, 2001
RE: TARC; Funding by other counties

Some question has been raised about the possibility of TARC obtaining funding from cities and counties other than Greater Louisville after the merger. As I understand it, the concern involves (1) whether there are statutory restrictions on the types of funding available to TARC, and (2) whether counties may impose a license or occupational tax to fund TARC.

It would appear that there are no evident statutory restrictions on the funding of a transit authority, and counties may impose license or occupational taxes for such a purpose.

First, KRS 96A.090(2) states that

The governing body of any public body participating in the creation and establishment of an authority, or in the subsequent enlargement thereof, may, in the proceedings or joint proceedings, or by subsequent action, appropriate and pay over to an authority from its general funds or from other resources not required by law to be appropriated for other purposes, any sum or sums of money, or any property which such public body shall determine to be necessary or advisable in furtherance of the public purposes of the authority as set forth in this chapter.

In addition, 96A.120 provides

For the purposes of... adding to, extending, operating, or improving one (1) or more mass transportation systems... an authority may, in addition to other methods permitted by law, resort to financing according to any of the following financing methods, or any combination thereof, to the extent not inconsistent, one with another:

(1) Upon determination of its financing needs, an authority, by resolution of its board, may request the public body responsible for its creation and establishment, or any one (1) or more of the public bodies if there be more than one (1):

(a) To appropriate and pay over to the authority all or any part of the amount determined to be necessary...

Thus, there would appear to be no restriction on the funding of TARC by the imposition of a tax by its public body members, assuming that tax is permissible under the law.

It would also appear that cities and counties do have the authority to impose license or occupational taxes. 92.280(2) provides that "[t]he legislative body of each city of the second to sixth class may impose license fees... on franchises, trades, occupations and professions, and may provide for the collection of such fees." 92.281(1) states "[c]ities of all classes are authorized to levy and collect any and all taxes provided for in Section 181 of the Constitution... and to use the revenue therefrom for such purposes as may be provided by the legislative body of the city." 92.281(5) does restrict the taxing power of cities of the sixth class, however, limiting the means of assessment:

License fees on businesses, trades, occupations, or professions may not be imposed by a city of the sixth class at a percentage rate on salaries, wages, commissions, or other compensation earned by persons for work done or services performed within said city of the sixth class nor the net profits of businesses, professions, or occupations from activities conducted in said city of the sixth class.

The purpose of a tax or license fee imposed by a city of the second to sixth class must be specified by ordinance and applied solely for that purpose. 92.330.

Counties similarly may impose a license or occupational tax upon their residents in addition to a property tax. OAG 85-84 (a fiscal court may levy only two taxes: (a) ad valorem and (b) occupational or license taxes); 68.180 (counties having a population of 300,000 may impose a license tax of 1.25%); 68.197(1) (counties having a population of 30,000 may impose a license fee of 1%). Such taxes or fees may be credited against similar taxes paid

to a city. 68.190; 68.197(3). Furthermore, it would appear that population is irrelevant in determining whether counties may impose a license or occupational tax. Casey County Fiscal Couty v. Burke, Ky., 743 S.W.2d 26 (1988). Section 181 of the Constitution authorizes the General Assembly to delegate the power to tax to all counties. 67.083 allows any county to impose an occupational license tax. In particular, 67.083(m) gives counties the power to "levy taxes" and "appropriate funds" in the provision and operation of public transportation systems. The limitations that statutes place upon taxing power can only apply to those counties governed by the statute given this general conferral of taxing authority. Casey, 743 S.W.2d at 27-28.

MEMO

TO: Jeff Streepey
FROM: Earl Martin
DATE: May 15, 2002
RE: TARC; City-County merger legislation

House Bill 659 intersects TARC's organization and operations in the following items:

- The appointive authority of the city and county executives is vested in the mayor of the consolidated local government pursuant to a new section of KRS 67C. HB 659 §1. Such appointments "should reflect the diversity of the population within the jurisdiction of the consolidated local government." HB 659 §1(1). The particular implementation with regard to TARC appears below.

- The following language is appended to KRS 96A.040(6), pertaining to board member appointment and terms:

Upon the establishment of a consolidated local government in a county where a city of the first class and a county containing such city have had in effect a cooperative compact pursuant to KRS 79.310 to 79.330, all members of the board shall be appointed by the mayor of the consolidated local government pursuant to the provisions of Section 1 of this Act for a term of three (3) years. Incumbent members upon the establishment of the consolidated local government shall continue to serve as members of the board for the time remaining of their current term of appointment.

HB 659 §117.

• The following language is appended to KRS 96A.070(9), pertaining to the appointment of the executive director or secretary-treasurer:

Upon the establishment of a consolidated local government in a county in which a city of the first class and a county containing the city have had in effect a cooperative compact under KRS 79.310 to 79.330, an executive director or secretary-treasurer shall be appointed by and shall serve at the pleasure of the mayor.

HB 659 §118.

The first five sections of the bill are the meat of the legislation, providing for new statutes assigning powers to the mayor and the metro council. The remaining 295 pages of the bill are clean-up, inserting "consolidated local government" and similar terms where appropriate in current statutes, as well as explicitly clarifying the mayor's assumption of the county judge/executive's powers, as for example in the Chapter 96A sections above.

HB 659 contains no provisions regarding assumption of contracts previously with the city or county. KRS 67C.010 provides consolidated local government with the power to contract and states that they "replace and supersede" the city and county governments. KRS 67C.107(4) provides that all labor contracts with cities or counties shall continue in effect against the consolidated local government. KRS 67C.115 provides that "ordinances, regulations, and orders" of the city and county will continue to govern the consolidated local government.

MEMO

TO: Jeff Streepey
FROM: Earl Martin
DATE: May 29, 2002
RE: TARC; City-County merger legislation

House Bill 659 provides parallel amendments of the sewer district implementing statutes in Sec. 77, amending KRS 76.030 to provide that in a merged government the mayor appoints all board members, and in Sec. 78, amending KRS 76.060 to add the following language: "Upon the establishment of a consolidated local government in a county where a city of the first class and a county containing such city have had in effect a cooperative compact pursuant to KRS 79.310 to 79.330, the executive director, secretary-treasurer, and chief engineer shall be appointed by and serve at the pleasure of the mayor."

Similar amendments are made with respect to the riverport authority (board members appointed by mayor and executive director to serve at the pleasure of the mayor), correctional services (the executive director is to serve at the pleasure of the mayor), the air pollution control district (the board members are appointed by the mayor), the housing authority (executive director is to serve at the pleasure of the mayor), regional park and recreational system (members of advisory board are to serve at the pleasure of the mayor), and library advisory board (members of the advisory board are to serve at the pleasure of the mayor).

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

FINANCIAL STATEMENTS
June 30, 2018

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

FINANCIAL STATEMENTS
June 30, 2018

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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, 2018, 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, 2018, 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)

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2018, TARC adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, which resulted in a restatement of the TARC's July 1, 2017 net position in the amount of (\$18,956,523). Our opinion is not modified with respect to this matter.

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 contributions for the Employee's Amended Retirement Plan, the schedule of TARC's proportionate share of the net pension liability and schedule of TARC contributions for the County Employees' Retirement System – Non-hazardous, the schedule of TARC's proportionate share of the net OPEB liability, and the schedule of TARC's OPEB contributions 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 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 October 2, 2018, 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
October 2, 2018

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2018

Financial Highlights and Current Known Facts, Decisions and Conditions

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, 2018.

In FY2018, TARC continued to face significant operating revenue challenges. While FY2019 promises to be a year of significant positive developments with continued focus on a new electronic fare collection system, limited operating revenue threatens TARC's ability to maintain and improve service.

Service upgrades, including the region's first Bus Rapid Transit line under development on Dixie Highway, are made possible primarily through federal funding for capital upgrades, and do not include additional operating revenue.

TARC continues to focus on securing increased operating and capital funding at the local, state and federal levels. Efforts include participation in a statewide Kentucky Infrastructure Coalition which is seeking to secure dedicated state funding including for public transportation during an anticipated legislative tax reform effort.

Operating funding is not keeping pace with expenses to cover the local share of federal grants and increasing costs for items such as 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. Another development on the horizon which also could impact operations is the discontinuance of state toll credits which have been used at times to help cover the local funding match required for federal grants awarded to TARC for such necessities as replacement buses. TARC has advocated for state officials to allocate Volkswagen Mitigation Settlement Funds toward the purchase of replacement public transportation buses and looks forward to decisions on the funding in FY2019.

Total occupational tax revenue, the major source of TARC operating funds, was estimated at \$56.9 million for FY2018. It is estimated at \$59.1 million for FY2019, an increase of 4 percent.

Regardless of financial challenges, TARC, for the fifth fiscal year in row, did not raise fares in FY2018 and service levels were, overall, maintained. But given financial considerations, fare increases and/or service adjustments could be considerations in FY2019.

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 partnered with Louisville Tourism (former the Louisville Convention and Visitors Bureau) to rename and expand the all-electric downtown bus circulator service, now known as LouLift. As part of a focus on connecting more tourists to major attractions, LouLift service was expanded south to Churchill Downs, and operators received customer service training through a partnership with Louisville Tourism to become Certified Tourism Ambassadors. Looking to the future, TARC selected a consultant and began initial work on a short and long-term plan for the future. The plans will determine how TARC should operate in the next few years, balancing service and community needs to maximize efficiency with existing resources, as well as determining a vision and plan for a more modern public transportation system in the future.

Federal funding remains important for TARC to maintain and improve services, and usually federal grants require only 20 percent in local/state matching funds. 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.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2018

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

With funding challenges limiting the ability to provide needed service, to continue capital improvements in FY2019 TARC will explore innovative, workable solutions, additional funding sources and focus on ways to increase operating revenue.

TARC is engaged with partners and Congressional representatives to continue to advocate for increased funding for public transportation. TARC's partners make it possible to provide and improve service through new strategies and technologies.

Among the most important partnerships are with the University of Louisville, Humana, UPS, Jefferson Community and Technical College and Louisville Metro which continue to be active supporters of TARC while positioning public transportation as an environmental initiative.

TARC will continue to focus efforts on the expansion of these types of partnerships which underscore the importance of a strong public transportation system for a successful, competitive regional city.

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, and deferred inflows 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 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 operations 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.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2018

Financial

Table 1
Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
ASSETS			
Current assets	\$ 22,474,594	\$ 11,474,657	\$ 10,999,937
Capital assets, net	79,996,104	79,318,996	677,108
Other investments	<u>31,000</u>	<u>31,000</u>	<u>-</u>
Total assets	102,501,698	90,824,653	11,677,045
Deferred outflows of resources	<u>28,140,250</u>	<u>17,344,052</u>	<u>10,796,198</u>
Total assets and deferred outflows of resources	<u>\$ 130,641,948</u>	<u>\$ 108,168,705</u>	<u>\$ 22,473,243</u>
LIABILITIES			
Current liabilities	\$ 19,873,221	\$ 11,746,872	\$ 8,126,349
Long-term liabilities	<u>107,749,278</u>	<u>90,429,729</u>	<u>17,319,549</u>
Total liabilities	127,622,499	102,176,601	25,445,898
Deferred inflows of resources	<u>3,332,453</u>	<u>-</u>	<u>3,332,453</u>
Total liabilities and deferred inflows of resources	<u>130,954,952</u>	<u>102,176,601</u>	<u>28,778,351</u>
Net investment in capital assets	78,528,269	79,267,161	(738,892)
Unrestricted net position	<u>(78,841,273)</u>	<u>(73,275,057)</u>	<u>(5,566,216)</u>
Total net position	<u>(313,004)</u>	<u>5,992,104</u>	<u>(6,305,108)</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 130,641,948</u>	<u>\$ 108,168,705</u>	<u>\$ 22,473,243</u>

Assets and Deferred Outflows of Resources

TARC's total assets and deferred outflows of resources increased \$22,473,243 from fiscal year 2017. The statement of net position indicates the most significant changes were in current assets and deferred outflows. Current assets increased due to TARC having a receivable from the Federal Department of Transportation totaling \$10,913,732. 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 increased \$10,796,198 from fiscal year 2017. This was the first year TARC implemented Government Accounting Standards Board (GASB) 75.

Liabilities and Deferred Inflows of Resources

TARC's total liabilities and deferred inflows of resources increased \$28,778,351 from fiscal year 2017 due to pension and OPEB liabilities that were booked in accordance with GASB 68 and GASB 75. TARC's net pension and OPEB liabilities increased \$17,747,373 from the prior year. See Note 9 for more information on the change to the net pension and OPEB liabilities.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2018

Net Position

TARC's liabilities and deferred inflows exceeded its assets and deferred outflows by \$313,004 at the end of fiscal year 2018. This represents a decrease of \$6,305,108 from the restated net position at the end of fiscal year 2017.

Capital Assets

Table 2
Summary of changes in capital assets

	<u>Balance at</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u> <u>(Adjustments)</u>	<u>Balance at</u> <u>June 30, 2018</u>
Land	\$ 3,177,782	\$ -	\$ -	\$ 3,177,782
Buildings	40,740,233	4,942,971	(148,237)	45,534,967
Coaches	110,982,594	4,674,856	(6,861,943)	108,795,507
Office and computer equipment	6,651,041	1,819,413	(83,557)	8,386,897
Other equipment	<u>17,291,686</u>	<u>1,434,163</u>	<u>(181,812)</u>	<u>18,544,037</u>
	178,843,336	12,871,403	(7,275,549)	184,439,190
Accumulated depreciation	<u>99,524,370</u>	<u>9,459,574</u>	<u>(4,540,858)</u>	<u>104,443,086</u>
Capital assets, net	<u>\$ 79,318,966</u>	<u>\$ 3,411,829</u>	<u>\$ (2,734,691)</u>	<u>\$ 79,996,104</u>

TARC's investment in capital assets, net of depreciation, increased by \$677,108. The increase is primarily due to the purchase of new coaches and buildings. Depreciation expense for FY 2018 was \$9,459,574. Generally, capital asset purchases are completed with federal, state and/or local funding.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2018

Revenues

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

	<u>2018</u>	<u>2017</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Passenger transportation	\$ 9,761,482	\$ 10,545,044	\$ (783,562)	(7.43%)
Special fares	1,834,204	1,718,913	115,291	6.71%
Interest, advertising, and other income	<u>1,340,847</u>	<u>924,800</u>	<u>416,047</u>	<u>44.99%</u>
Total operating revenues	12,936,533	13,188,757	(252,224)	(1.91%)
Labor and pension	63,409,425	58,619,855	4,789,570	8.17%
Depreciation	9,459,574	9,786,448	(326,874)	(3.34%)
Other operating expenses	<u>31,943,332</u>	<u>27,457,322</u>	<u>4,486,010</u>	<u>16.34%</u>
Total operating expenses	104,812,331	95,863,625	8,948,706	9.33%
Mass Transit Trust Fund and interest	54,373,354	55,879,015	(1,505,661)	(2.69%)
Federal Transit Administration	29,101,134	22,581,896	6,519,238	28.87%
Indiana Department of Revenue	1,218,222	1,178,679	39,543	3.35%
Kentucky Transportation Cabinet	538,000	500,000	38,000	7.60%
Kentucky Regional Planning and Development Agency/Other	<u>339,980</u>	<u>27,000</u>	<u>312,980</u>	<u>1,159.19%</u>
Total non-operating revenues and capital contributions	<u>85,570,690</u>	<u>80,166,590</u>	<u>5,404,100</u>	<u>6.74%</u>
Change in net position	(6,305,108)	(2,508,278)	<u>\$ (3,796,830)</u>	<u>151.37%</u>
Net position, beginning of year	<u>24,948,627</u>	<u>27,456,905</u>		
Restatement for GASB 75 implementation	(18,956,523)	-		
Net position, beginning of year as restated	<u>5,992,104</u>	<u>27,456,905</u>		
Net position, end of year	<u>\$ (313,004)</u>	<u>\$ 24,948,627</u>		

TARC's operating revenues decreased 1.91% from FY2017. 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 \$48,788,670 for FY 2018 and \$51,077,933 for FY2017 for TARC's operating expenses and \$5,463,305 for FY 2018 and \$4,801,082 for FY2017 for capital related purchases. The federal funding included funding for operations and capital purchases of \$29,101,134 for FY 2018 and \$22,581,896 for FY2017.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2018

Expenses

Expenses excluding depreciation were \$93,352,757 for FY2018 and \$86,077,177 for FY2017. This change represents an increase of 10.82%.

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 \$63,409,425 for FY2018 and \$58,619,855 for FY2017. TARC experienced increases in both labor and health care costs. Materials and supplies expenses increased 7.03% in FY 2018 compared to FY2017. Casualty and insurance expenses increased by 154.16% in FY 2018 compared to FY2017. Purchased Transportation increased 6.09%, \$15,933,906 for FY2018 from \$15,018,800 for FY2017. 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 \$14,837,470.

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, 2018

ASSETS

Current assets:

Cash	\$ 4,309,224
Accounts and grants receivable	
Trade	2,912,134
Louisville Metro Government - other	34,209
Department of Transportation – federal	10,913,732
Department of Transportation – state	1,491,269
Materials and supplies inventory, net	1,245,157
Prepaid expenses	<u>1,568,869</u>
Total current assets	22,474,594

Noncurrent assets:

Capital assets not being depreciated	3,177,782
Depreciable capital assets, net	<u>76,818,322</u>
Total capital assets	79,996,104
Other investments	<u>31,000</u>
Total noncurrent assets	<u>80,027,104</u>
Total assets	102,501,698

DEFERRED OUTFLOWS OF RESOURCES

Pension related	20,560,770
OPEB related	<u>7,579,480</u>
Total deferred outflows or resources	<u>28,140,250</u>

Total assets and deferred outflows of resources \$ 130,641,948

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, 2018

LIABILITIES

Current liabilities:

Current portion of capital lease obligation	\$ 114,474
Due to Louisville Metro Government – Mass Transit Trust Fund	8,103,934
Accounts payable and other liabilities	5,208,188
Compensated absences	3,084,000
Estimated liability for uninsured liability claims	613,339
Estimated liability for uninsured workers' compensation claims	2,449,000
Unearned revenue	<u>300,286</u>
Total current liabilities	19,873,221

Noncurrent liabilities:

Capital lease, less current portion	538,668
Compensated absences	676,898
Estimated liability for uninsured liability claims	709,461
Estimated liability for uninsured workers' compensation claims	432,414
Net pension liability:	
County Employee Retirement System	76,614,117
TARC Pension Plan	2,464,293
Net OPEB liability	<u>26,313,427</u>
Total net pension liability and net OPEB liability	<u>105,391,837</u>
Total noncurrent liabilities	<u>107,749,278</u>

Total liabilities 127,622,499

Deferred inflows of resources

Pension related	1,954,756
OPEB related	<u>1,377,697</u>
Total deferred inflows of resources	3,332,453

Total liabilities and deferred inflows of resources 130,954,952

NET POSITION

Net investment in capital assets	78,528,269
Unrestricted	<u>(78,841,273)</u>
Total net position	<u>(313,004)</u>

Total liabilities, deferred inflows of resources and net position \$ 130,641,948

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, 2018

Operating revenues	
Passenger fares	\$ 9,761,482
Special transit fares	1,834,204
Advertising	604,165
Interest	36,573
Charter services	280,800
Other revenue	267,974
Recoveries	<u>151,335</u>
Total operating revenues	12,936,533
Operating expenses	
Labor	28,942,463
Fringe benefits, budget basis	24,453,273
Plus: annual pension adjustments	8,858,568
Plus: annual OPEB adjustments	<u>1,155,121</u>
Total fringe benefits	34,466,962
Services	4,003,776
Development costs	1,450,504
Materials and supplies	6,352,676
Utilities	924,186
Casualty and insurance	2,590,534
Miscellaneous	682,800
Rentals and purchased transportation	15,933,906
Interest	4,605
Depreciation	9,459,574
Loss on disposal	<u>345</u>
Total operating expenses	<u>104,812,331</u>
Loss from operations	(91,875,798)
Non-operating revenues	
Mass Transit Trust Fund and interest	48,788,670
Mass Transit Trust Fund capital assistance for operating	3,981,272
Federal Transit Administration	16,304,282
Indiana Department of Revenue	1,218,222
Kentucky Regional Planning and Development Agency/Other	<u>339,980</u>
Total non-operating revenues	<u>70,632,426</u>
Loss before capital contributions	(21,243,372)
Capital contributions:	
Mass Transit Trust Fund and interest	1,482,033
Other local match	121,379
Kentucky Transportation Cabinet	538,000
Federal Transit Administration and Pass-Through Entities	<u>12,796,852</u>
Total capital contributions	<u>14,938,264</u>
Change in net position	(6,305,108)
Net position, beginning of year	24,948,627
Restatement for GASB 75 implementation	<u>(18,956,523)</u>
Net position, beginning of year, as restated	<u>5,992,104</u>
Net position, end of year	<u>\$ (313,004)</u>

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, 2018

Cash flows from operating activities	
Receipts from passengers and service contracts	\$ 10,908,021
Payments to suppliers	(30,551,490)
Payments to employees	<u>(53,152,089)</u>
Net cash used by operating activities	(72,795,558)
Cash flows from non-capital financing activities	
Federal assistance	6,042,498
State assistance	1,243,363
Mass transit trust fund operational receipts	<u>52,382,069</u>
Net cash provided from non-capital financing activities	59,667,930
Cash flows from capital and related financing activities	
Payments on capital lease obligation	(51,804)
Government Federal subsidies	12,682,904
Government other local subsidies	8,605,533
Mass transit trust fund capital subsidies	(14,171)
Purchases of capital assets	<u>(9,824,333)</u>
Net cash provided by capital financing activities	11,389,129
Cash flows from investing activities	
Interest activity	<u>(36,573)</u>
Net decrease in cash and cash equivalents	(1,766,072)
Cash and cash equivalents, beginning of year	<u>6,075,296</u>
Cash and cash equivalents, end of year	<u>\$ 4,309,224</u>
Reconciliation of loss from operations to cash used by operations:	
Loss from operations	\$ (91,875,798)
Adjustments to reconcile change in net position to net cash used by operating activities	
Depreciation and development costs	10,910,423
Net pension liability, deferred outflows and deferred inflows	8,858,568
Net OPEB liability, deferred outflows and deferred inflows	1,155,121
(Increase) decrease in:	
Trade accounts receivable	(2,103,518)
Inventories	(29,765)
Prepaid expenses	(893,841)
Accounts payable and other liabilities	972,535
Accrued compensated absences	92,030
Estimated liability for uninsured liability claims	(37,800)
Estimated liability for uninsured workers' compensation claims	81,481
Unearned revenue	<u>75,006</u>
Net cash used by operating activities	<u>\$ (72,795,558)</u>

Noncash investing, capital and related financing activities

TARC financed the purchase of capital assets through accounts payable of approximately \$815,000 in 2018.

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - NATURE OF ORGANIZATION

The Transit Authority of River City ("TARC") 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 2018 fiscal year was submitted to and approved by Louisville/Jefferson County Metro Government Council in June 2017.

Concentration of Funding: TARC relies on local funding from the Mass Transit Trust Fund for 55.20% of total revenue in 2018. The Mass Transit Trust 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 29.54% of total revenues in 2018.

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 operated 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)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued on June 2015.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016.
- GASB Statement No. 85, *Omnibus 2017*, issued March 2017.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017.

Adoption of these statements did not have a significant impact on the Authority's financial position or results of operations, other than the implementation of GASB Statement No. 75 which required an adjustment to opening net position in the amount of (\$18,956,523) and the establishment of a net OPEB liability and related deferral of resources as outlined below:

	<u>Beginning Balance</u>	<u>As Restated</u>	<u>GASB 75 Adjustment</u>
Statement of net position			
Net OPEB liability	\$ -	\$(20,639,468)	\$(20,639,468)
Deferred outflows	-	1,682,945	1,682,945
Statement of revenues, expenses and changes in net position			
Net position	\$ 24,948,627	\$ 5,992,104	\$(18,956,523)

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 years.

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.
- 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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, issued April 2018. The provisions of this Statement are effective for periods beginning after June 15, 2018.
- 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. 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.

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

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$25,000 at June 30, 2018.

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.

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.

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, 2018, TARC had no significant claims that are payable from the Trust's assets.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in TARC's liability for uninsured workers' compensation and uninsured liability claims for the year ended June 30, 2018 are as follows:

	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
At June 30, 2018:					
Uninsured worker's compensation	<u>\$ 2,799,933</u>	<u>\$ 2,339,359</u>	<u>\$ 2,257,878</u>	<u>\$ 2,881,414</u>	<u>\$ 2,449,000</u>
At June 30, 2018:					
Uninsured liability claims	<u>\$ 1,360,600</u>	<u>\$ 2,590,534</u>	<u>\$ 2,628,334</u>	<u>\$ 1,322,800</u>	<u>\$ 613,339</u>

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.

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.
- 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."

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:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
At June 30, 2018:					
Compensated absences	<u>\$ 3,668,868</u>	<u>\$ 4,467,517</u>	<u>\$ 4,375,487</u>	<u>\$ 3,760,898</u>	<u>\$ 3,084,000</u>

(Continued)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue: Advance tickets sales that have not been redeemed through the fare box are shown as unearned revenue. Unearned revenue at June 30, 2018 was \$300,286.

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.

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
At June 30, 2018:			
TARC	\$ 2,734,263	\$ (269,970)	\$ 2,464,293
CERS	<u>64,540,703</u>	<u>12,073,414</u>	<u>76,614,117</u>
Net pension liability	<u>\$ 67,274,966</u>	<u>\$ 11,803,444</u>	<u>\$ 79,078,410</u>

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.

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
At June 30, 2018:			
Net OPEB liability	\$ 20,639,468	\$ 5,673,959	\$ 26,313,427

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 \$24,807,797 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Mass Transit Trust Fund ("MTTF"). Funds provided by governmental authorities for capital and operating assistance are recorded when earned.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

A summary of cash, certificate of deposit and investments at June 30, 2018 is as follows:

	<u>Cash and Cash Equivalents</u>
Operating accounts:	
Cash in bank	\$ 2,819,283
U.S. Government money market	<u>1,489,941</u>
Total cash and cash equivalents	4,309,224
Certificate of deposit	<u>31,000</u>
Total	<u>\$ 4,340,224</u>

The bank balance of cash and cash equivalents and certificate of deposit as of June 30, 2018 was \$5,641,908. The difference representing 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, 2018, 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).

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NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

NOTE 4 - CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2018 are summarized as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Retirements (Adjustments)</u>	<u>Balance at June 30, 2018</u>
Land	\$ 3,177,782	\$ -	\$ -	\$ 3,177,782
Buildings	40,740,233	4,942,971	(148,237)	45,534,967
Coaches	110,982,594	4,674,856	(6,861,943)	108,795,507
Office and computer equipment	6,651,041	1,819,413	(83,557)	8,386,897
Other equipment	<u>17,291,686</u>	<u>1,434,163</u>	<u>(181,812)</u>	<u>18,544,037</u>
	178,843,336	12,871,403	(7,275,549)	184,439,190
Accumulated depreciation for:				
Buildings	21,946,003	1,274,831	-	23,220,834
Coaches	58,788,209	6,366,810	(4,432,819)	60,722,200
Office and computer equipment	5,245,659	616,995	(9,098)	5,853,556
Other equipment	<u>13,544,499</u>	<u>1,200,938</u>	<u>(98,941)</u>	<u>14,646,496</u>
	<u>99,524,370</u>	<u>9,459,574</u>	<u>(4,540,858)</u>	<u>104,443,086</u>
Capital assets, net	<u>\$ 79,318,966</u>	<u>\$ 3,411,829</u>	<u>\$ (2,734,691)</u>	<u>\$ 79,996,104</u>

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% (3.55% at June 30, 2018) and expires in November 2018. 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, 2018.

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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 with depreciation expense. Total assets under capital lease net of accumulated amortization were \$663,345 at June 30, 2018. Future minimum payments required under the lease together with their present value as of June 30, 2018 are as follows:

Year ending June 30	
2019	\$ 114,474
2020	129,706
2021	134,936
2022	140,378
2023	<u>133,648</u>
Total minimum lease payments	<u>\$ 653,142</u>

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 the Mass Transit Trust Fund (MTTF). TARC is authorized to draw MTTF funds for operating and capital expenditures.

For the year ended June 30, 2018, TARC recorded revenues of \$48,788,670 and \$5,463,305 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, 2018, TARC owed \$8,103,934 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, 2018 was \$15,933,906. 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, 2018 was \$690,996.

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.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

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.

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 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)

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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.

<u>Service Credit</u>	<u>Benefit Factor</u>
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.

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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.

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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 years ended June 30, 2018 and 2017, participating employers contributed 19.18% (14.48% allocated to pension and 4.70% allocated to OPEB) and 18.68% (13.95% allocated to pension and 4.73% 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 years ended June 30, 2018 and 2017. Total current year contributions recognized by the Plan were \$6,252,877 (\$4,720,629 related to pension and \$1,532,248 related to OPEB) for the year ended June 30, 2018. The OPEB contributions amount does not include the implicit subsidy reported in the amount of \$321,596.

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)

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NOTES TO FINANCIAL STATEMENTS
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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, 2017, 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, 2017 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%, which was reduced from the 7.50% 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 statutorily determined contribution rate of projected compensation over the remaining 26-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)

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	<u>2.00%</u>	<u>1.88%</u>
Total	<u>100.00%</u>	<u>6.56%</u>

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	\$ 96,626,961	\$ 76,614,117	\$ 59,873,523

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 \$76,614,117, or approximately 1.31%. The net pension liability was distributed based on 2017 actual employer contributions to the plan.

Measurement Date: June 30, 2017 is the actuarial valuation date and measurement date upon which the total pension liability is based.

(Continued)

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

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 \$13,750,795 related to the CERS for the year ending June 30, 2018.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 95,026	\$ 1,944,795
Change of assumptions	14,137,380	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	660,107	794
Differences between expected and actual investment earning on plan investments	<u>947,628</u>	<u>-</u>
	15,840,141	1,945,589
Contributions subsequent to the measurement date	<u>4,720,629</u>	<u>-</u>
Total	<u>\$ 20,560,770</u>	<u>\$ 1,945,589</u>

(Continued)

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NOTES TO FINANCIAL STATEMENTS
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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 \$4,720,629 will be recognized as a reduction of net pension 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:	
2019	\$ 6,377,179
2020	5,931,185
2021	2,569,955
2022	<u>(983,767)</u>
	<u>\$ 13,894,552</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued 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, 2017, 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 7.25 percent at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 years.
Post-65	Initial trend starting at 5.10 percent at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 11 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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NOTES TO FINANCIAL STATEMENTS
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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 5.84%, which was reduced from the 6.89% 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 26-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 3.56% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2017.
- (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)

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	<u>2.00%</u>	<u>1.88%</u>
Total	<u>100.00%</u>	<u>6.56%</u>

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 5.84% 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 (4.84 percent) or 1-percentage-point higher (6.84 percent) than the current rate for non-hazardous:

	<u>1% Decrease (4.84%)</u>	<u>Current Discount Rate (5.84%)</u>	<u>1% Increase (6.84%)</u>
Net OPEB liability	33,482,377	26,313,427	20,347,734

(Continued)

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**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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	20,183,753	26,313,423	34,281,644

Employer's Portion of the Collective OPEB Liability: TARC's proportionate share of the net OPEB liability, as indicated in the prior table, is \$26,313,427, or approximately 1.31%. The net OPEB liability was distributed based on 2017 actual employer contributions to the plan.

Measurement Date: June 30, 2017 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, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

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 \$2,998,512 related to the CERS for the year ending June 30, 2018.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

**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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 73,084
Change of assumptions	5,725,636	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	61,054
Differences between expected and actual investment earnings on plan investments	-	<u>1,243,559</u>
	<u>5,725,636</u>	<u>1,377,697</u>
Contributions subsequent to the measurement date	<u>1,853,844</u>	-
Total	<u>\$ 7,579,480</u>	<u>\$ 1,377,697</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$1,853,844, which includes the implicit subsidy reported of \$321,596, 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:	
2019	\$ 748,106
2020	748,106
2021	748,106
2022	748,106
Thereafter	<u>1,355,515</u>
	<u>\$ 4,347,939</u>

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

(Continued)

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NOTE 10 – DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER

Benefits Provided: At June 30, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	64
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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 2011-2016, 0% increase for year 2017, annual 2% increase at March 1 each year, in monthly benefit payments for years 2018-2019.

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, 2018 was \$437,080. The Plan recognized \$438,954 of employer contributions as of June 30, 2018. 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, 2018 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, 2018 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-2017 (male and female scales).

(Continued)

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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.

Asset valuation method based on the market value adjusted for accruals.

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-2016 (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-2017 (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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	60%	3.3
Fixed income	<u>40%</u>	4.8
Total	<u>100%</u>	

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)

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Changes in the Net Pension Liability:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balances at January 1, 2017	<u>\$ 3,862,663</u>	<u>\$ 1,128,400</u>	<u>\$ 2,734,263</u>
Changes for the year:			
Interest	250,828	-	250,828
Differences between expected and actual experience	30,844	-	30,844
Contributions – employer	-	438,954	(438,954)
Net investment income	-	127,536	(127,536)
Benefit payments, including refunds of employee contributions	(609,620)	(609,620)	-
Assumption changes	(48,849)	-	(48,849)
Administrative expenses	-	(63,697)	63,697
Net changes	<u>(376,797)</u>	<u>(106,827)</u>	<u>(269,970)</u>
Balances at December 31, 2017	<u>\$ 3,485,866</u>	<u>\$ 1,021,573</u>	<u>\$ 2,464,293</u>

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:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
TARC's net pension liability	\$ 2,640,795	\$ 2,464,293	\$ 2,304,285

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2018, TARC recognized pension expense of \$236,522 related to the Plan.

At June 30, 2018, TARC reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual investment earnings on plan investments	\$ _____ -	\$ 9,167
Total	<u>\$ _____ -</u>	<u>\$ 9,167</u>

(Continued)

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 10-year period with remaining amortization as follows:

Year ending December 31:	
2018	\$ 2,702
2019	2,703
2020	12,977
2021	(11,879)
2022	<u>(15,670)</u>
Total	<u>\$ (9,167)</u>

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
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TARC'S NET PENSION LIABILITY -
EMPLOYEES' AMENDED RETIREMENT PLAN
June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Interest	\$ 250,828	\$ 270,473	\$ 286,547	\$ 322,907
Differences between expected and actual experience	30,844	9,170	(192,112)	(116,612)
Changes of assumptions	(48,849)	87,324	356,697	9,687
Benefit payments, including refunds	<u>(609,620)</u>	<u>(679,756)</u>	<u>(738,404)</u>	<u>(799,005)</u>
Net change in total pension liability	(376,797)	(312,789)	(287,272)	(583,023)
Total pension liability, beginning	<u>3,862,663</u>	<u>4,175,452</u>	<u>4,462,724</u>	<u>5,045,747</u>
Total pension liability, ending	<u>\$ 3,485,866</u>	<u>\$ 3,862,663</u>	<u>\$ 4,175,452</u>	<u>\$ 4,462,724</u>
Plan fiduciary net position				
Contributions – employee	\$ 438,954	\$ 438,660	\$ 419,912	\$ 468,338
Net investment income	127,536	77,165	(19,825)	171,041
Benefit payments, including refunds of employee	(609,620)	(679,756)	(738,404)	(799,005)
Administrative expense	<u>(63,697)</u>	<u>(45,405)</u>	<u>(44,274)</u>	<u>(59,466)</u>
Net change in plan fiduciary net position	(106,827)	(209,336)	(382,591)	(219,092)
Plan fiduciary net position, beginning	<u>1,128,400</u>	<u>1,337,736</u>	<u>1,720,327</u>	<u>1,939,419</u>
Plan fiduciary net position, ending	<u>1,021,573</u>	<u>\$ 1,128,400</u>	<u>\$ 1,337,736</u>	<u>\$ 1,720,327</u>
TARC's net pension liability, ending	<u>\$ 2,464,293</u>	<u>\$ 2,734,263</u>	<u>\$ 2,837,716</u>	<u>\$ 2,742,397</u>
Plan fiduciary net position as a percentage of the total pension liability	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

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, 2018

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

Notes to Schedule

Valuation Date:	January 1, 2018
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-2016

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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TARC's proportion of the net pension liability	1.309%	1.311%	1.280%	1.250%
TARC's proportionate share of the net pension	\$ 76,614,117	\$ 64,540,703	\$ 55,052,957	\$ 40,406,000
TARC's covered payroll	\$ 32,089,620	\$ 31,443,815	\$ 30,004,788	\$ 30,655,572
TARC's proportion of the net pension liability as a percentage of its covered payroll	238.750%	205.257%	183.481%	131.806%
Plan fiduciary net position as a percentage of the total pension liability	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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 4,720,629	\$ 4,476,502	\$ 3,905,260	\$ 3,825,610
Contributions in relation to the statutorily required contribution	<u>(4,720,629)</u>	<u>(4,476,502)</u>	<u>(3,905,260)</u>	<u>(3,825,610)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TARC's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%
TARC's covered payroll	\$ 32,758,156	\$ 32,089,620	\$ 31,443,315	\$ 30,004,788
Contributions as a percentage of its covered payroll	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 OPEB PROPOROTINATE SCHEDULE OF THE NET OPEB LIABILITY
 COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
 June 30, 2018

	<u>2018</u>
TARC's proportion of the net OPEB liability Non-hazardous	1.309%
TARC's proportionate share of the net OPEB liability	\$ 26,313,427
TARC's covered payroll	\$ 32,089,620
TARC's proportion of the net OPEB liability as a percentage of its covered payroll	82.00%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

*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, 2018

	<u>2018</u>
Statutorily required contribution	\$ 1,532,248
Contributions in relation to the statutorily required contribution	<u>(1,532,248)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>
TARC's contributions as a percentage of statutorily required contribution for pension	100%
TARC's covered payroll	\$ 32,758,156
Contributions as a percentage of its covered payroll	4.68%

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Actual to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>
Operating revenues				
Passenger transportation	\$ 10,243,780	\$ 9,761,482	\$ -	\$ 9,761,482
Special fares	1,560,824	1,834,204	-	1,834,204
Advertising	634,165	604,165	-	604,165
Interest	1,563	36,573	-	36,573
Charter Service	-	280,800	-	280,800
Other revenue	150,437	267,974	-	267,974
Recoveries	70,000	151,335	-	151,335
Total operating revenues	<u>12,660,769</u>	<u>12,936,533</u>	-	<u>12,936,533</u>
Operating expenditures				
Labor	29,546,755	28,942,463	-	28,942,463
Fringe benefits, budget basis	25,484,499	24,453,273	-	24,453,273
Plus: pension adjustments	-	-	8,858,568	8,858,568
Plus: OPEB adjustments	-	-	1,155,121	1,155,121
Net fringe benefits	<u>25,484,499</u>	<u>24,453,273</u>	<u>10,013,689</u>	<u>34,466,962</u>
Services	3,592,130	4,003,776	-	4,003,776
Development costs	2,166,060	1,450,504	-	1,450,504
Materials and supplies	6,666,916	6,352,676	-	6,352,676
Utilities	1,023,000	924,186	-	924,186
Casualty and insurance	2,297,432	2,590,534	-	2,590,534
Miscellaneous	651,320	682,800	-	682,800
Rentals and purchase transportation	15,782,255	15,933,906	-	15,933,906
Interest	290	4,605	-	4,605
Depreciation	9,459,380	9,459,574	-	9,459,574
Loss on disposal	-	345	-	345
Total operating expenditures	<u>96,670,037</u>	<u>94,798,642</u>	<u>10,013,689</u>	<u>104,812,331</u>
Operating loss before capital outlay and subsidies	(84,009,268)	(81,862,109)	(10,013,689)	(91,875,798)
Subsidies				
Mass Transit Trust Fund and interest	57,016,346	54,373,354	-	54,373,354
Federal Transit Administration and Pass-Through entities	29,733,754	29,101,134	-	29,101,134
Kentucky Transportation Cabinet	450,000	538,000	-	538,000
Other	1,205,699	1,558,202	-	1,558,202
Total subsidies	<u>88,405,799</u>	<u>85,570,690</u>	-	<u>85,570,690</u>
Change in net position	<u>\$ 4,396,531</u>	<u>\$ 3,708,581</u>	<u>\$ (10,013,689)</u>	<u>\$ (6,305,108)</u>

The operating budget for 2018, as shown above, represents the originally adopted budget for TARC. No amendments were made to the budget during the year ended June 30, 2018.

TRANSIT AUTHORITY OF RIVER CITY
 (A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2018

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		KY-90-X207,215,222, 228, 2016-007,021, 2017-008 KY-95-X010, X004, X014, X015, 2016-017	
Formula Grants	20.507		\$ 21,015,817
Capital Investment Grants	20.500	KY-04-0040, 04-0047	2,208,714
Bus and Bus Facilities Formula Program	20.526	KY-34-0008, 2016-0006,015	<u>3,204,340</u>
Total Federal Transit Cluster			<u>26,428,871</u>
Transit Services Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	KY-16-X009, 2016-016 2017-016	1,028,259
Job Access - Reverse Commute Grant (JARC) Grants	20.516	JARC 37-X019, 37-X020	25,182
New Freedom Program	20.521	FDM 57-X015	<u>36,179</u>
Total Transit Services Programs Cluster			<u>1,089,620</u>
Public Transportation Research, Technical Assistance and Training	20.514	KY-26-005	52,935
Capital Assistance Program for Reducing Consumption and Greenhouse Gas Emissions	20.523	KY-88-0001	<u>913,595</u>
Total Directly Received from the Federal Transit Administration			28,485,021
Commonwealth of Kentucky			
Pass-through programs:			
Highway Planning and Construction Grants: Kentucky Transportation Cabinet	20.205		<u>912,968</u>
Total Expenditures of Federal Awards			<u>\$ 29,397,989</u>

The following shows subrecipient activity for the year:

CFDA #	Amount
20.513	\$ 649,058
20.516	<u>18,976</u>
	<u>668,034</u>
Total subrecipient activity	<u>\$ 668,034</u>

See accompanying notes to schedule of expenditures of federal awards.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

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, 2018. 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, 2018, and the related notes to the financial statements, which collectively comprise TARC's basic financial statements, and have issued our report thereon dated October 2, 2018.

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
October 2, 2018



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, 2018. 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, 2018.

(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, 2018, and the related notes to the financial statements, which collectively comprise TARC's basic financial statements. We issued our report thereon dated October 2, 2018, 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
October 2, 2018

TRANSIT AUTHORITY OF RIVER CITY
 (A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2018

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster Number</u>
20.500	Total Federal Transit Cluster consisting of:
20.507	Capital Investment Grants
20.526	Formula Grants
	Bus and Bus Facilities Formula Program

Dollar threshold used to distinguish between
 Type A and Type B programs \$ 881,940

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.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT)
SUMMARY OF PRIOR YEAR FINDINGS
Year ended June 30, 2018

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

Boles, Brian

From: Adams, Mark <madams@ridetarc.org>
Sent: Monday, December 10, 2018 3:06 PM
To: Boles, Brian
Cc: acopic@ridetarc.org
Subject: RE: Garbage cans - Dixie

Hi Brian – I don't see a problem with a contract thru Outfront. The cost is \$14.00 per week per location from Hometown Hauling (9 x \$14 x 52 = \$6,552 per year).

We obtained this price quote recently and I think we can contract thru Outfront because of their Franchise agreement with TARC.

Thanks,
Mark

From: Boles, Brian [mailto:Brian.Boles@louisvilleky.gov]
Sent: Monday, December 10, 2018 1:50 PM
To: Adams, Mark
Cc: Copic, Aida
Subject: RE: Garbage cans - Dixie

Mark,

Trying to follow up to the second part of my previous email. I appreciate you forwarding me the original email I accidentally deleted, however I hope you can help me in identifying:

"Councilman Yates would be very interested in contracting with a company to pick up all D25 receptacles and I believe D14 would be interested in doing so as well if we had an estimate to fund it for a year or two. Is it possible for TARC to contract this out and we fund TARC for this?"

Thank you,



Brian Boles

Legislative Assistant
Councilman David Yates
District 25
601 West Jefferson St, 1st floor
Louisville, KY 40202
Email: brian.boles@louisvilleky.gov
Office: (502) 574-1125

Click [HERE](#) to sign up for the weekly District 25 eNews!

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Request for Taxpayer Identification Number and Certification

**Give Form to the
requester. Do not
send to the IRS.**

▶ Go to www.irs.gov/FormW9 for instructions and the latest information.

Print or type.
See Specific Instructions on page 3.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.
TRANSIT AUTHORITY OF RIVER CITY

2 Business name/disregarded entity name, if different from above
DBA: TARC

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

Individual/sole proprietor or single-member LLC C Corporation S Corporation Partnership Trust/estate

Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

Other (see instructions) ▶ **QUASI GOVERNMENT**

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):
 Exempt payee code (if any) **1**
 Exemption from FATCA reporting code (if any) _____
(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.
1000 WEST BROADWAY

6 City, state, and ZIP code
LOUISVILLE, KY 40203

7 List account number(s) here (optional)

Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Social security number

				-		-			
--	--	--	--	---	--	---	--	--	--

OR

Employer identification number

6	1	-	0	8	6	3	1	6	1
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Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here Signature of U.S. person ▶ *P. Rodriguez* Date ▶ *2/07/2019*

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.