

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

FINANCIAL STATEMENTS
June 30, 2024

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

FINANCIAL STATEMENTS
June 30, 2024

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
 BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION (PROPRIETARY FUND)	10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (PROPRIETARY FUND)	12
STATEMENT OF CASH FLOWS (PROPRIETARY FUND)	13
STATEMENT OF FIDUCIARY NET POSITION (FIDUCIARY FUND)	14
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (FIDUCIARY FUND)	15
NOTES TO FINANCIAL STATEMENTS	16
 REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN TARC'S NET PENSION LIABILITY - EMPLOYEES' AMENDED RETIREMENT PLAN	41
SCHEDULE OF TARC'S CONTRIBUTIONS – EMPLOYEES' AMENDED RETIREMENT PLAN	43
SCHEDULE OF MONEY-WEIGHTED RATES OF RETURN – EMPLOYEES' AMENDED RETIREMENT PLAN	45
SCHEDULE OF TARC'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS	46
SCHEDULE OF TARC'S CONTRIBUTIONS - COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS	48
SCHEDULE OF TARC'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS	49
SCHEDULE OF TARC'S OPEB CONTRIBUTIONS - COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS	51
 SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION – BUDGET TO ACTUAL	52
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	53
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	54
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	55
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	60

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Transit Authority of River City
Louisville, Kentucky

Report on the Financial Statements***Opinions***

We have audited the financial statements of the business-type activities of Transit Authority of River City (TARC), a component unit of Louisville/Jefferson County Metro Government, as of and for the year ended June 30, 2024, and the fiduciary activities as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the TARC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of TARC as of June 30, 2024, and the fiduciary activities as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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 is presented for purposes of additional analysis 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures and changes in net position – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024 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 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 TARC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TARC's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Louisville, Kentucky
September 25, 2024

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2024

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

The management of the Transit Authority of River City (TARC) presents this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2024.

TARC ended FY 2024 in a fairly stable position, but long-term structural issues mean that over the next few years the agency and region will need to make decisions about what the scope and scale of Louisville transit service should be. On the positive side, the Jefferson County Occupational License Fee, or Mass Transit Trust Fund – the major source of TARC operating funds – was budgeted at \$69.6 million for FY 2024. The actual receipts for FY 2024 was \$74.8 million, a 7.5% increase over budget.

Other high points for the fiscal year included securing over \$4.5 million in funding for the replacement of zero-emission buses, the implementation of mobile ticketing and an experimental on-demand mobility pilot, and the start of a network redesign process - TARC 2025 – that will deliver proposals for an updated TARC network within the reality of available funding by Spring 2025.

TARC continued to benefit from the 2021 Bipartisan Infrastructure Law (BIL), which made additional funding available to public transit agencies for capital purchases including fleet replacement, preventative maintenance, and purchased transportation. The Commonwealth of Kentucky also included \$3.78 million in general fund dollars to match federal formula funding.

But despite these positive notes, TARC continues to face strong financial headwinds, with insufficient local operations revenue available to support the current level of service demand. As of early 2024 TARC predicted a budget deficit of up to \$30 million for FY 2027. That projected deficit is the result of rising costs of fixed-route and paratransit services, maintenance needs, health insurance, and pensions combined with the draw-down of pandemic-era emergency funding and relatively flat funding and fare revenue.

To buy time, TARC has already implemented a 20 percent reduction in fixed-route service at the beginning of FY 2025. For now, TARC has been able to push off any potential layoffs by pairing the service reductions with a contractual agreement with Jefferson County Public Schools (JCPS) to loan TARC drivers to cover expected gaps in available JCPS bus operators. That deal allows TARC drivers to continue working under the TARC umbrella, while still allowing TARC to reduce significant costs without resorting to layoffs.

But that deal is only guaranteed for one year with a mutual option for a second year. To more permanently address the fiscal cliff, TARC has started the TARC 2025 network redesign referenced above.

The TARC 2025 process will result in two Spring 2025 proposals for an updated TARC network. One will assume no additional TARC operations funding, effectively “right-sizing” TARC to a transit network that the existing occupational tax and local revenue can support – at an estimated 50 percent reduction of service levels from January 2024. The other proposal will present a new TARC network that would significantly improve transit riders’ access to economic opportunity – but that would take additional revenue to implement. If no additional revenue is identified to support the expanded network proposal or a portion of it, TARC will likely need to implement the constrained network proposal.

2025 will be an important milestone for TARC as the TARC 2025 project continues to help define how TARC operates for the foreseeable future. Transit has been a part of the Louisville region for over 150 years – from the City Railway Company and the Louisville and Nashville Railroad to the Louisville Transit Company, to TARC today. The TARC team will continue efforts to increase revenue and funding, to ensure the highest efficiency in our routes and schedules, and to live up to our mission – to make Your Journey Our Priority.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2024

Overview of the Financial Statements

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

Required Financial Statements

Statement of Net Position

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

Statement of Revenues, Expenses and Changes in Net Position

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

Statement of Cash Flows

The statement of cash flows provides information relating to TARC's cash receipts and cash expenditures during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash, resulting from operating, non-capital, capital and financing activities, and provides answers to such questions as where 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, 2024

Financial

Table 1
Condensed Statements of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
ASSETS AND DEFERRED OUTFLOWS			
Current assets	\$ 22,051,022	\$ 21,169,054	\$ 881,968
Long term assets, net OPEB assets	1,608,034	-	1,608,034
Capital assets, net	<u>81,664,430</u>	<u>79,709,248</u>	<u>1,955,182</u>
Total assets	105,323,486	100,878,302	4,445,184
Deferred outflows of resources	<u>17,102,270</u>	<u>19,255,056</u>	<u>(2,152,786)</u>
Total assets and deferred outflows of resources	<u>\$ 122,425,756</u>	<u>\$ 120,133,358</u>	<u>\$ 2,292,398</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
Current liabilities	\$ 16,613,600	\$ 18,726,678	\$ (2,113,078)
Long-term liabilities	<u>81,118,073</u>	<u>111,159,786</u>	<u>(30,041,713)</u>
Total liabilities	97,731,673	129,886,464	(32,154,791)
Deferred inflows of resources	<u>36,916,105</u>	<u>14,918,124</u>	<u>21,997,981</u>
Total liabilities and deferred inflows of resources	<u>134,647,778</u>	<u>144,804,588</u>	<u>(10,156,810)</u>
Net Position:			
Net investment in capital assets	81,664,430	78,886,678	2,777,752
Unrestricted net position	<u>(93,886,425)</u>	<u>(103,557,908)</u>	<u>9,671,483</u>
Total net position	<u>(12,221,995)</u>	<u>(24,671,230)</u>	<u>12,449,235</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 122,425,783</u>	<u>\$ 120,133,358</u>	<u>\$ 2,292,425</u>

Assets and Deferred Outflows of Resources

TARC's assets increased approximately \$4.4 million from FY 2023. The most significant changes for assets was an increase in property and equipment balances (approximately \$1.9 million) due to bus purchases and a net OPEB Asset.

Deferred outflows of resources are comprised of deferred amounts related to the TARC pension plan and the CERS pension and Other Post-Employment Benefits (OPEB) plans. Deferred outflows, which include employer pension and OPEB contributions subsequent to the measurement date of the net pension and net OPEB liabilities, decreased approximately \$2.1 million from FY 2023 due to changes in valuation assumptions.

Liabilities and Deferred Inflows of Resources

TARC's total liabilities decreased by approximately \$32.1 million due primarily to decreases in CERS pension and OPEB liabilities (approximately \$32.9 million), an increase in accounts payable (approximately \$475 thousand) and increase in unearned revenues (approximately \$750 thousand).

Deferred inflows of resources are comprised of deferred amounts related to the TARC pension plan and the CERS pension and OPEB plans. Deferred inflows decreased approximately \$8.5 million from FY 2023 due to changes in actuarial valuations for pension and OPEB.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2024

Net Position

TARC's liabilities and deferred inflows exceeded its assets and deferred outflows by approximately \$12.2 million at the end of FY 2024. Net position increased approximately \$12.4 million from FY 2023.

Capital Assets

Table 2
Summary of changes in capital assets

	Balance at <u>June 30, 2023</u>	<u>Additions</u>	Retirements <u>(Adjustments)</u>	Balance at <u>June 30, 2024</u>
Land	\$ 3,187,624	\$ 585,625	\$ -	\$ 3,773,249
Buildings	50,696,335	2,187,886	(851,632)	52,032,589
Coaches	135,885,139	7,304,281	(2,000,538)	141,188,882
Office and computer equipment	10,804,524	3,509,210	(11,812)	14,301,922
Other equipment	<u>21,099,571</u>	<u>1,697,002</u>	<u>(71,862)</u>	<u>22,724,711</u>
	221,673,193	15,284,004	(2,935,844)	234,021,353
Accumulated depreciation	<u>(141,963,945)</u>	<u>12,403,558</u>	<u>(2,010,580)</u>	<u>152,356,923</u>
Capital assets, net	<u>\$ 79,709,248</u>	<u>\$ 2,880,446</u>	<u>\$ (925,264)</u>	<u>\$ 81,664,430</u>

TARC's capital assets, net of depreciation, increased by approximately \$2.8 million. This increase is the result of current year purchases of capital acquisitions. Acquisitions of capital assets were primarily purchases of coaches. Depreciation expense for FY 2024 was approximately \$12.7 million. 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, 2024

Revenues

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

	<u>2024</u>	<u>2023</u>	<u>Dollar Change</u>	<u>Percent Change</u>
OPERATING REVENUES				
Passenger transportation	\$ 6,273,354	\$ 5,927,630	\$ 345,724	5.83%
Special fares	1,570,776	1,626,012	(55,236)	-3.40
Interest, advertising, and other income	<u>1,990,440</u>	<u>1,332,324</u>	<u>658,116</u>	<u>49.40</u>
Total operating revenues	9,834,570	8,885,966	948,604	10.68
OPERATING EXPENSES				
Labor, pension and OPEB	52,527,135	59,314,073	(6,786,938)	-11.45
Depreciation	12,622,393	11,786,495	835,898	7.09
Other operating expenses	<u>37,620,732</u>	<u>33,264,069</u>	<u>4,356,663</u>	<u>13.09</u>
Total operating expenses	102,770,260	104,364,637	(1,594,377)	1.53
NONOPERATING REVENUES AND CAPITAL CONTRIBUTIONS				
Mass Transit Trust Fund resources	63,971,036	62,740,051	1,230,985	1.96
Federal Transit Administration	36,630,681	34,127,467	2,503,214	7.33
Indiana Department of Transportation	1,246,760	1,240,139	6,621	0.53
KIPDA, KYTC, and Other	<u>3,530,461</u>	<u>848,771</u>	<u>2,681,690</u>	<u>315.95</u>
Total non-operating revenues and capital contributions	<u>105,378,938</u>	<u>98,956,428</u>	<u>6,422,510</u>	<u>6.49</u>
Change in net position	<u>12,449,208</u>	<u>3,477,757</u>	<u>8,971,451</u>	<u>257.99%</u>
Net position, beginning of year	<u>(24,671,230)</u>	<u>(28,148,987)</u>	<u>3,477,757</u>	
Net position, end of year	<u>\$ (12,222,022)</u>	<u>\$ (24,671,230)</u>	<u>\$ 12,449,208</u>	

TARC's operating revenues increased 10.68% from FY 2023. TARC receives significant 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 approximately \$62.6 million for FY 2024 and approximately \$59.7 million for FY 2023 for TARC's operating expenses and approximately \$1.4 million for FY 2024 and approximately \$3 million for FY 2023 for capital related purchases. The federal funding included funding for operations and capital purchases of approximately \$36.7 million for FY 2024 and approximately \$34.1 million for FY 2023.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2024

Expenses

Operating expenses, excluding depreciation, were approximately \$90.1 million for FY 2024 and approximately \$92.6 million for FY 2023. This change represents a decrease of 2.63%.

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, including pension and OPEB valuation expenses, were approximately \$52.5 million in FY 2024 and approximately \$59.3 million in FY 2023.

Purchased Transportation increased 8.39%, from approximately \$17.4 million in FY 2024 and approximately \$16.1 million in FY 2023. 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 two months of operating reserves. Currently, the MTTF balance, including accruals, is \$70.1 million. MTTF dollars are also required to leverage the use of reimbursement for Federal funds.

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
PROPRIETARY FUND
June 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,926,599
Accounts and grants receivable, net	
Trade receivables	7,272,736
Grant receivables	6,160,320
Materials and supplies inventory, net	2,599,286
Prepaid expenses	92,081
Total current assets	22,051,022

Noncurrent assets:

Capital assets not being depreciated	3,773,249
Depreciable capital assets, net	77,891,181
Total capital assets	81,664,430
Net OPEB assets	1,608,034
Total non-earned	83,272,464

Total assets	105,323,486
--------------	-------------

DEFERRED OUTFLOWS OF RESOURCES

Pension related	12,263,646
OPEB related	4,838,624
Total deferred outflows of resources	17,102,270

Total assets and deferred outflows of resources	\$ 122,425,756
--	-----------------------

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2024

LIABILITIES

Current liabilities:

Accounts payable and other liabilities	\$ 11,272,329
Compensated absences	1,267,615
Estimated liability for uninsured liability claims	387,754
Estimated liability for uninsured workers' compensation claims	1,268,192
Unearned revenue	<u>2,417,710</u>
Total current liabilities	<u>16,613,600</u>

Noncurrent liabilities:

Compensated absences	2,830,341
Estimated liability for uninsured liability claims	608,646
Estimated liability for uninsured workers' compensation claims	2,822,749
Net pension liability:	
County Employee Retirement System	74,733,972
TARC Pension Plan	<u>122,365</u>
Total net pension liability and net OPEB liability	<u>74,856,337</u>
Total noncurrent liabilities	<u>81,118,073</u>
Total liabilities	<u>97,731,673</u>

DEFERRED INFLOWS OF RESOURCES

Pension related	10,077,426
OPEB related	<u>26,838,679</u>
Total deferred inflows of resources	<u>36,916,105</u>

Total liabilities and deferred inflows of resources 136,647,723

NET POSITION

Net investment in capital assets	81,664,430
Unrestricted	<u>(93,886,452)</u>
Total net position	<u>(12,222,022)</u>

Total liabilities, deferred inflows of resources and net position \$ 122,425,756

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
PROPRIETARY FUND
Year ended June 30, 2024

Operating revenues	
Passenger fares	\$ 6,273,354
Special transit fares	1,570,776
Advertising	788,942
Interest	347,472
Other revenue	431,208
Recoveries	<u>422,818</u>
Total operating revenues	9,834,570
Operating expenses	
Labor	33,878,360
Fringe benefits, budget basis	29,015,624
Annual pension valuation adjustments	(6,302,890)
Annual OPEB valuation adjustments	<u>(4,069,919)</u>
Total labor, fringe benefits, pension and OPEB	52,521,175
Services	6,318,337
Development costs	475,391
Materials and supplies	8,497,126
Utilities	994,331
Casualty and insurance	3,297,272
Miscellaneous	552,535
Rentals and purchased transportation	17,485,740
Depreciation	<u>12,622,393</u>
Total operating expenses	<u>102,764,300</u>
Loss from operations	(92,929,730)
Non-operating revenues	
Mass Transit Trust Fund and interest	62,616,384
Mass Transit Trust Fund capital assistance for operating	772,988
Federal Transit Administration	24,208,092
Indiana Department of Transportation	1,246,760
Kentucky Regional Planning and Development Agency/Other	<u>1,360,532</u>
Total non-operating revenues	<u>90,204,756</u>
Loss before capital contributions	(2,724,974)
Capital contributions:	
Mass Transit Trust Fund and interest	581,664
Federal Transit Administration and Pass-Through Entities	12,422,589
KIPDA and other	<u>2,169,929</u>
Total capital contributions	<u>15,174,182</u>
Change in net position	12,449,808
Net position, beginning of year	<u>(24,671,230)</u>
Net position, end of year	<u>\$ (12,222,022)</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
PROPRIETARY FUND
Year Ended June 30, 2024

Cash flows from operating activities	
Receipts from passengers and service contracts	\$ 4,305,854
Payments to suppliers	(37,751,739)
Payments to employees	<u>(62,953,679)</u>
Net cash used in operating activities	<u>(96,399,564)</u>
Cash flows from non-capital financing activities	
Federal assistance	22,979,111
State assistance	2,607,292
Mass Transit Trust Fund operational receipts	<u>62,616,384</u>
Net cash provided by non-capital financing activities	<u>88,202,787</u>
Cash flows from capital and related financing activities	
Payments on notes payable	(148,699)
Government Federal subsidies	14,592,518
Mass transit trust fund capital subsidies	1,735,450
Proceeds from disposal of capital assets	60,087
Purchases of capital assets	<u>(14,836,435)</u>
Net cash provided by capital and related financing activities	<u>1,402,921</u>
Cash flows from investing activities	
Interest activity	<u>347,472</u>
Net cash provided by investing activities	<u>347,472</u>
Net decrease in cash and cash equivalents	(6,446,384)
Cash and cash equivalents, beginning of year	<u>12,372,983</u>
Cash and cash equivalents, end of year	<u>\$ 5,926,599</u>
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (92,929,730)
Adjustments to reconcile loss from operations to net cash used in operating activities	
Depreciation	12,622,393
Net pension liability	(9,885,724)
Pension related deferred outflows of resources	(1,855,600)
Pension related deferred inflows of resources	5,438,434
Net OPEB asset	(24,637,852)
OPEB related deferred outflows of resources	4,008,386
OPEB related deferred inflows of resources	16,559,547
(Increase) decrease in:	
Trade accounts receivable	(6,279,302)
Inventories	(331,357)
Prepaid expenses	130,490
Accounts payable and other liabilities	475,658
Accrued compensated absences	495,554
Estimated liability for uninsured liability claims	(159,000)
Estimated liability for uninsured workers' compensation claims	(802,047)
Unearned revenue	<u>750,586</u>
Net cash used in operating activities	<u>\$ (96,399,564)</u>

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND – PENSION TRUST FUND
Year ended December 31, 2023

ASSETS

Investments, at fair value	
Mutual funds	\$ 854,000
Money market funds	<u>5,000</u>
Total investments, at fair value	859,000

Other receivables	816
Employer contributions receivable	<u>161,590</u>
Total assets	<u>1,021,406</u>

LIABILITIES

Administrative expenses payable	<u>5,551</u>
Total liabilities	<u>5,551</u>

NET POSITION

Net position restricted for pensions	<u>\$ 1,015,855</u>
--------------------------------------	---------------------

See accompanying notes to financial statements.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND – PENSION TRUST FUND
Year ended December 31, 2023

Additions

Investment income:

Net appreciation (depreciation) in fair value of investments	\$ 124,839
Interest and dividends	<u>18,664</u>
	143,503

Employer contributions	<u>242,385</u>
Total additions	<u>385,888</u>

Deductions

Benefit paid to participants	230,825
Administrative expenses	<u>23,147</u>
Total deductions	<u>253,972</u>

Net increase in net position	131,916
-------------------------------------	---------

Plan fiduciary net position, beginning of year	<u>883,939</u>
--	----------------

Plan fiduciary net position, end of year	<u>\$ 1,015,855</u>
---	---------------------

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, 2024

NOTE 1 – NATURE OF ORGANIZATION

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

Budgetary Controls: Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except that the budget omits depreciation expense and accounts for the principal portion of the capitalized lease payments as an expense. Appropriated budgets are adopted on an annual basis. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects. Legal budgetary control is established at the fund level (i.e., expenditures for a fund may not exceed the total appropriation amount). TARC is authorized to transfer budgeted amounts within the fund; however, any revisions that alter the total expenditures must be approved by Louisville/Jefferson County Metro Government Council. TARC's management prepares the annual budget and submits it to the Board of Directors (the "Board") for approval. This has historically been performed in April of each year and submitted to Metro Office of Management and Budget by May 1st. The Board-approved budgets for the 2025 fiscal year were submitted to and approved by Louisville/Jefferson County Metro Government Council in June 2024.

Concentration of Funding: TARC relied on local funding from the Mass Transit Trust Fund ("MTTF" or the "Fund") for 55% of all 2024 revenues. The Fund administers the proceeds of the Louisville-Jefferson County Metro Government ("Metro Government") occupational license tax authorized by the electorate to finance a mass transportation program in Metro Louisville. The assets of the Fund are restricted to finance the operating deficits and capital expenditures approved in the Annual Budget by the Metro Government Council for TARC. TARC also relies on federal reimbursement assistance for operations and capital acquisitions. In 2024, federal revenues represented approximately 32% of all revenues due to the use of CARES fund, which were available to use at 100% or no non-federal (i.e., local match) share. For other federal formula or discretionary funds, the split between federal and local or state is 80 federal / 20 non-federal, which means that local or state funds must be kept in reserve in order to leverage federal funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of TARC have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units by the Governmental Accounting Standards Board ("GASB"). TARC operates as an enterprise fund and fiduciary 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, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund: The Authority is a single-enterprise proprietary fund and uses the accrual basis of accounting. Proprietary funds are used to account for operations that are financed in a manner similar to a private business enterprise and that a periodic determination of revenues earned, expenses incurred and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Authority activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recognized as soon as they result in liabilities for the benefits provided. Proprietary funds distinguish operating revenues and expenses from non-operating items:

- Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Authority are charges to customers in the form of bus fares and reimbursement by sponsors of subsidized routes.
- Operating expenses include the cost of providing transit service, administrative expenses and depreciation and amortization on capital assets.
- Property taxes, federal, state, and local assistance used to finance operations and expenses not related to the provision of transit service are reported as non-operating revenues and expenses.

It is the Authority's policy to apply restricted resources first when an obligation is incurred for which both restricted and unrestricted net position are available for use.

Component Unit/Fiduciary Fund: The Authority's defined benefit pension trust fund is presented as a pension trust fiduciary fund in the accompanying financial statements. The defined benefit plan is considered a pension plan under GASB 67 and it meets the GASB 14, as amended, and GASB 84 requirements for presentation as a fiduciary component unit. The plan's trust document authorizes a Board of Trustees consisting of three members appointed by the Authority's Board of Directors and three members of the Local Union, with one member being the person holding the office of Local Union President, as elected by Union membership, and the second and third member being selected by the Union President. The Authority reserves the right to amend, in whole or in part, any or all of the provisions of the plan. The Authority has assumed the obligation to make contributions to the plan. The plan's assets are being held exclusively for the benefit of pension participants and cannot be used for the activities or obligations of the Authority. The Fiduciary Fund has been presented as of its fiscal year end December 31, 2023.

Implementation of Accounting Standards: The Authority adopted the following accounting standards during the year, which were determined to have no impact on the Authority's financial position or results of operations:

- *The Governmental Accounting Standards Board has issued GASB Statement No. 99, Omnibus 2022.* The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34 are effective upon issuance. These requirements will be implemented in fiscal year ending June 30, 2024. Adoption of this Statement did not have any impact on the Authority's financial position or results of operations.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *GASB Statement No. 100, Accounting Changes and Error Corrections*, an amendment of GASB Statement No. 62, effective for fiscal years beginning after June 15, 2023. This pronouncement will be implemented in fiscal year ending June 30, 2024. Adoption of this Statement did not have any impact on the Authority's financial position or results of operations.

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. Allowance for doubtful accounts as of June 30, 2024 was \$50,467.

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, ten to twenty years for building repairs and improvements, twelve years for coaches and capitalized vehicles, five years for other equipment, and five years for office equipment. TARC has acquired certain assets with funding provided by federal assistance from the FTA grant programs. TARC holds title to these assets; however, the federal government retains an interest in these assets should TARC no longer use the assets for mass transit purposes. TARC periodically reviews the carrying values of property and equipment for impairment whenever adverse events or changes in circumstances indicate the carrying value of the asset may not be recoverable.

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

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

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Changes in TARC's liability for uninsured workers' compensation and uninsured liability claims for the year ended June 30, 2024 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>
Uninsured worker's compensation	<u>\$ 4,892,988</u>	<u>\$ 2,151,407</u>	<u>\$ 2,953,454</u>	<u>\$ 4,090,941</u>	<u>\$ 1,268,192</u>
Uninsured liability claims	<u>\$ 1,155,400</u>	<u>\$ 1,514,966</u>	<u>\$ 1,673,966</u>	<u>\$ 996,400</u>	<u>\$ 387,754</u>

Changes in TARC's liability for uninsured workers' compensation and uninsured liability claims for the year ended June 30, 2023 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>
Uninsured worker's compensation	<u>\$ 3,731,273</u>	<u>\$ 3,431,889</u>	<u>\$(2,270,174)</u>	<u>\$ 4,892,988</u>	<u>\$ 3,361,500</u>
Uninsured liability claims	<u>\$ 1,279,400</u>	<u>\$ 1,105,652</u>	<u>\$(1,229,652)</u>	<u>\$ 1,155,400</u>	<u>\$ 1,045,500</u>

Excess coverage for liability claims can be purchased through Louisville Area Governmental Self-Insurance Trust when available. 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.

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 for uninsured worker's compensation and uninsured liability claims at the TARC level.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and increase service credits.

Changes in TARC's liability for compensated absences for the year ended June 30, 2024 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 3,602,402	\$ 1,083,822	\$ 588,268	\$ 4,097,956	\$ 1,267,615

Changes in TARC's liability for compensated absences for the year ended June 30, 2023 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 3,397,458	\$ 4,721,573	\$ (4,516,629)	\$ 3,602,402	\$ 1,855,883

Unearned Revenue: Advance fare media that have not been redeemed through the fare box are shown as unearned revenue. Unearned revenue at June 30, 2024 was \$2,417,710.

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 (CERS) plan and additions to deductions from the single employer defined benefit plan and the CERS plan fiduciary net position have been determined on the same basis as they are reported by the single employer defined benefit plan and the CERS 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, 2024:			
TARC Pension Plan	\$ 369,136	\$ (246,771)	\$ 122,365
CERS	<u>84,372,925</u>	<u>(9,638,953)</u>	<u>74,733,972</u>
Net pension liability	<u>\$ 84,742,061</u>	<u>\$ (9,885,724)</u>	<u>\$ 74,856,337</u>

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net OPEB Liability: TARC has recorded a net OPEB liability reflecting the difference between the total OPEB liability and the fiduciary net positions of the County Employees Retirement System plan. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CERS plan and additions to deductions from the CERS plan fiduciary net position have been determined on the same basis as they are reported by the CERS 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, 2024:			
Net OPEB liability (asset)	\$ 23,029,818	\$ 24,637,852	\$ (1,608,034)

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 future periods. TARC's activities are related to recognition of changes in its defined benefit plans' net pension liability and net OPEB liability totaling \$36,916,105 of deferred inflows of resources and \$17,102,270 of deferred outflows of resources that will be amortized to expense in future periods.

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

Fare Revenues: Passenger fares are recorded as revenue at the time such services are performed, and revenues pass through the fare box. Sales of Stored Rides, Period Passes, and Pay as you go are recorded initially as unredeemed fares and recognized as income upon passage through the fare box. All other fare products are considered revenue when purchased.

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

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A summary of cash, cash equivalents and investments at June 30, 2024 is as follows:

	<u>Cash and Cash Equivalents</u>
Operating accounts:	
Cash in bank and on hand	\$ 2,441,601
U.S. Government money market	<u>3,484,998</u>
Total	<u>\$ 5,926,599</u>

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

The bank balance of cash, cash equivalents and investments as of June 30, 2024 was \$7,501,057. The difference represents outstanding checks and deposits in transit.

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, 2024, were entirely covered by FDIC insurance or by pledged collateral held by TARC's agent bank in TARC's name.

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

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

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

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

NOTE 4 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2024 are summarized as follows:

	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Retirements (Adjustments)</u>	<u>Balance at June 30, 2024</u>
Capital Assets, Not Being				
Depreciated				
Land	\$ 3,187,624	\$ 585,625	\$ -	\$ 3,773,249
Depreciable Capital Assets, Net				
Capital Assets				
Buildings	50,696,335	2,187,886	(851,632)	52,032,589
Coaches	135,885,139	7,304,281	(2,000,538)	141,188,882
Office and computer equipment	10,804,524	3,509,210	(11,812)	14,301,922
Other equipment	<u>21,099,571</u>	<u>1,697,002</u>	<u>(71,862)</u>	<u>22,724,711</u>
	218,485,569	14,698,379	(2,935,844)	230,248,104

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance at July 1, 2023	Additions	Retirements (Adjustments)	Balance at June 30, 2024
Accumulated Depreciation:				
Buildings	(30,940,137)	(1,554,879)	-	(32,495,016)
Coaches	(85,418,849)	(8,604,995)	2,000,538	(92,023,306)
Office and computer equipment	(9,284,101)	(674,264)	10,042	(9,948,323)
Other equipment	(16,320,858)	(1,569,420)	-	(17,890,278)
	<u>(141,963,945)</u>	<u>(12,403,558)</u>	<u>2,010,580</u>	<u>(152,356,923)</u>
Net Depreciable Capital Assets	<u>76,521,624</u>	<u>2,294,821</u>	<u>(925,264)</u>	<u>77,891,181</u>
Total Capital Assets, net	<u>\$ 79,709,248</u>	<u>\$ 2,880,446</u>	<u>\$ (925,264)</u>	<u>\$ 81,664,430</u>

NOTE 5 – LINE OF CREDIT BORROWINGS

TARC entered into a direct borrowing agreement with Fifth Third Bank that established an unsecured line-of-credit whereby TARC has available borrowings up to \$4,000,000 through its maturity date on November 30, 2024. The interest rate is the SOFR rate plus 1.50% (6.85% at June 30, 2024). There was no outstanding balance on the line of credit as of June 30, 2024.

NOTE 6 – LOUISVILLE METRO GOVERNMENT - MASS TRANSIT TRUST FUND

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

For the year ended June 30, 2024, TARC recorded nonoperating revenues of \$62,616,384 and \$772,988 for capital assistance for operations and capital contributions 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) to MTTF. At June 30, 2024, TARC recorded a receivable due from MTTF for \$1,225,693 for capital match.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

TARC entered into a contract for purchased transportation service which expires on December 10, 2024. Purchased transportation services expense for the year ended June 30, 2024 was \$17,485,740. TARC has a contract that expires March 2024 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, 2024 was \$747,993.

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 February 2021, TARC entered into an agreement with a fuel supplier to provide diesel fuel to support the fleet operation for twenty-four (24) months at a fixed price of \$1.7887 per gallon of up to 2,000,000 gallons. The base amount of this contract is for \$7,152,800, which is based on the estimated annual fuel usage of TARC of 2,000,000 gallons multiplied by the contractor's bid excluding taxes. The contract not to exceed amount is \$7,512,000, which allows for a 5% increase, if needed, to support any potential increase in the last year of the term.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 – 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 8 – 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 Public Pensions Authority (KPPA), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the Board) of KPPA 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 KPPA 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 KPPA. The assets of the insurance fund are invested as a whole. KPPA and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

KPPA 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 KPPA website at www.kyret.ky.gov.

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

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
 (A COMPONENT UNIT OF LOUISVILLE/
 JEFFERSON COUNTY METRO GOVERNMENT)
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

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:

Members whose participation began before 8/1/2004:

Age and Service Requirement: Age 65 with at least one month of non-hazardous 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 non-hazardous 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 non-hazardous 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.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

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

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

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

Benefit Eligibility: Recipient of a retirement allowance

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

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

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

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

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

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

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

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – 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 KPPA Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KPPA 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 KPPA Board.

For the fiscal year ended June 30, 2024, participating employers contributed 23.34% (23.34% allocated to pension and 0% allocated to OPEB) as set by KPPA, respectively, of each Non-hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KPPA are financed through employer contributions and investments earnings.

TARC has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2024. Total current year contributions recognized by the Plan were \$8,357,698 (\$8,357,698 related to pension and \$0 related to OPEB) for the year ended June 30, 2024. The OPEB contributions amount does not include the implicit subsidy reported in the amount of \$524,196.

Members whose participation began before 9/1/2008:

Non-hazardous 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:

Non-hazardous member contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KPPA 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:

Non-hazardous member contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KPPA 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)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – 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, 2021. An expected TPL was determined at June 30, 2023 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation:	2.30%
Salary increases:	3.30% to 10.30%, varying by service years, including inflation
Investment rate of return:	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the PUB-2010 General Mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019 (set back 3 years for males). For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

- (a) **Discount Rate:** The discount rate used to measure the total pension liability was 6.5%, which did not change from the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) 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 2013 through 2018 is outlined in a report dated April 12, 2019. However, the Board of KPPA 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. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

- (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.
- (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>
Equity:		
Public	50.00%	5.90%
Private equity	10.00	11.73%
Fixed Income:		
Core bonds	10.00	2.45%
Specialty Credit/High Yield	10.00	3.65%
Cash	0.00	1.39%
Inflation Protected:		
Real estate	7.00	4.99%
Real return	<u>13.00</u>	5.15%
Total	<u>100.00%</u>	

The long-term expected rate of return on pension plan assets was established by the KPPA 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 6.50%, 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 (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
TARC's net position liability - Non-hazardous	\$ 94,356,155	\$ 74,733,972	\$ 58,427,201

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 \$74,733,972, or approximately 1.17%. The net pension liability was distributed based on 2023 actual employer contributions to the plan. TARC's prior year proportionate share of the net pension liability was \$84,372,925, or approximately 1.17%.

Measurement Date: The total pension liability, net pension liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023 using generally accepted actuarial principles.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there were no changes in assumptions and benefit terms.

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 benefit of \$6,131,673 related to the CERS for the year ended June 30, 2024.

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:	\$ 3,868,834	\$ 203,074
Change of assumptions:	-	6,849,420
Changes in proportion and differences between employer contributions and proportionate shares of contributions:	4,757	2,005,520
Differences between expected and actual investment earning on plan investments:	<u>-</u>	<u>1,019,412</u>
Contributions subsequent to the measurement date:	<u>8,357,698</u>	<u>-</u>
Total	<u>\$ 12,231,289</u>	<u>\$ 10,077,426</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$8,357,698 will be recognized as a reduction of net pension liability in the year ending June 30, 2025. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

Year ending June 30:	
2025	\$ (4,232,730)
2026	(2,915,975)
2027	1,668,365
2028	<u>(723,496)</u>
	<u>\$ (6,203,836)</u>

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

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

OPEB INFORMATION

Total OPEB Liability: The total other postemployment benefits plan (“OPEB”) liability was determined by an actuarial valuation as of June 30, 2021. An expected total OPEB liability was determined at June 30, 2023 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation:	2.30%
Payroll growth rate:	2.00%
Salary increases:	3.30% to 10.30%, varying by service years, including inflation
Investment rate of return:	6.25%, net of pension plan investment expense, including inflation
Healthcare trend rates:	
Pre-65:	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65:	Initial trend starting at 6.30% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

The mortality table used for active members is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the PUB-2010 General Mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019 (set back 3 years for males). For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.93%, which increased from the 5.70% 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 for each future year calculated in accordance with the current funding policy.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

- (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 2013 through 2018 is outlined in a report dated April 12, 2019. However, the Board of KPPA 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 1.92% as reported in Fidelity Index’s “20 – Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan’s actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (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.
- (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>
Equity:		
Public	50.00%	5.90%
Private equity	10.00	11.73%
Fixed Income:		
Core bonds	10.00	2.45%
Specialty Credit/High Yield	10.00	3.65%
Cash	0.00	1.39%
Inflation Protected:		
Real estate	7.00	4.99%
Real return	<u>13.00</u>	5.15%
Total	<u>100.00%</u>	

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

The long-term expected rate of return on pension plan assets was established by the KPPA 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 (asset) 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 (asset) of the System, calculated using the discount rate of 5.93%, 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 (4.93%) or 1-percentage-point higher (6.93%) than the current rate for non-hazardous:

	1% Decrease (4.93%)	Current Discount Rate (5.93%)	1% Increase (6.93%)
Net OPEB liability (asset)	<u>\$ 3,017,664</u>	<u>\$ (1,608,034)</u>	<u>\$ (5,481,491)</u>

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability (asset)	<u>\$ (5,154,028)</u>	<u>\$ (1,608,034)</u>	<u>\$ 2,747,887</u>

Employer's Portion of the Collective OPEB Liability: TARC's proportionate share of the net OPEB liability (asset), as indicated in the prior table, is \$1,608,034 or approximately 1.167%. The net OPEB liability (asset) was distributed based on 2022 actual employer contributions to the plan. TARC's prior year proportionate share of the net OPEB liability (asset) was \$23,029,818, or approximately 1.165%.

Measurement Date: The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

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 discount rate used to calculate the total OPEB liability increased from 5.70% to 5.93%.
- The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e., increased) to better reflect more current expectations relating to anticipated future increases in the medical costs.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

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

OPEB Expense: TARC was allocated OPEB expense of \$853,851 related to the CERS for the year ended June 30, 2024.

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:	\$ 1,121,043	\$ 22,832,474
Change of assumptions:	3,164,498	2,205,338
Changes in proportion and differences between employer contributions and proportionate shares of contributions:	-	373,195
Differences between expected and actual investment earnings on plan investments:	<u>28,887</u>	<u>1,427,672</u>
	<u>4,314,428</u>	<u>26,838,679</u>
Contributions subsequent to the measurement date:	<u>524,196</u>	<u>-</u>
Total:	<u>\$ 4,838,624</u>	<u>\$ 26,838,679</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$8,357,698, which includes the implicit subsidy reported of \$524,196 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2024. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

Year ending June 30:	
2025	\$ (5,865,207)
2026	(6,898,270)
2027	(5,337,878)
2028	<u>(4,422,896)</u>
Total:	<u>\$ (22,524,251)</u>

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

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 9 – DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER

Benefits Provided: At June 30, 2024, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	26
---	----

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, 2019, the Plan elected no annual cost-of-living increases in monthly benefit payments for the Plan's calendar years 2022 and 2023, and no cost-of-living adjustments are expected for the Plan's calendar years 2024 through 2025 and a 2% per annum for calendar years 2026 through 2027.

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 for the 2023 Plan year was \$229,837. The Plan recognized \$242,385 of employer contributions as of December 31, 2023. TARC recognized \$229,837 of employer contributions during their fiscal year ending June 30, 2024. 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:	\$ 0.3754
September 1991 to December 2004:	\$ 0.4254

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, 2024 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, 2024 actuarial valuation was determined used the following actuarial assumptions, applied to all periods included in the measurement:

Cost of living adjustment:	0.0%
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-2021 (male and female scales).

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 9 – DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER (Continued)

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

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

- The mortality table changed from the RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2020 (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-2021 (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%	4.2%
Fixed income:	<u>40</u>	2.8%
Total:	<u>100%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. 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)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 9 – DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER (Continued)

Changes in the Net Pension Liability:

	<u>Increase (Decrease)</u>		
	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) – (b)</u>
Balances at January 1, 2023	\$ 1,253,075	\$ 883,939	\$ 369,136
Changes for the year:			
Interest	80,310	-	80,310
Differences between expected and actual experience	35,659	-	35,659
Contributions – employer		242,385	(242,385)
Net investment income		143,502	(143,502)
Benefit payments, including refunds of employee contributions	(230,824)	(230,824)	-
Assumption changes	-	-	-
Administrative expenses	-	(23,147)	23,147
Net changes	<u>(114,855)</u>	<u>131,916</u>	<u>(246,771)</u>
Balances at December 31, 2023	<u>\$ 1,138,220</u>	<u>\$ 1,015,855</u>	<u>\$ 122,365</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 7.00%, 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
TARC's net pension liability:	<u>\$ 169,729</u>	<u>\$ 122,365</u>	<u>\$ 78,754</u>

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2024, TARC recognized a pension benefit of \$171,217 related to the Plan.

At June 30, 2024, TARC reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual investment earnings on plan investments:	<u>\$ 150,609</u>	<u>\$ 118,252</u>
Total	<u>\$ 150,609</u>	<u>\$ 118,252</u>

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 9 – DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER (Continued)

The deferred outflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5-year period with remaining amortization as follows:

Year ending June 30:	
2023	\$ (12,010)
2024	4,288
2025	12,891
2026	32,690
2027	<u>(5,502)</u>
Total:	<u>\$ 32,357</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 Chief Financial Officer, 1000 W. Broadway, Louisville, KY 40203.

NOTE 10 – FIDUCIARY FUND INVESTMENTS

TARC's defined benefit pension plan (Plan) is presented as a fiduciary fund. The Plan is audited separately. Information regarding the Plan is included in Note 9. The following disclosures relate to the Plan's investments.

Investment Policy: The Plan's policy concerning the allocation of invested assets is established and may be amended by the Pension Board. The Pension Board's policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across collective trust funds and money market funds. The Plan has reported compliance with this policy, which states that equity type investments are permitted but are not to exceed 65% of the total fair value of investments. The policy prohibits the Plan from holding unsecured investments in any public company exceeding 5% of the total market value of the Plan's investments. The policy also prohibits the Plan from holding investments in any one specific industry exceeding 15% of the total market value of the Plan's investments. The Plan's target asset mix is currently 60% equity and 40% fixed income.

The following table presents the fair values of investments of the Plan's fiduciary net position:

	<u>2023</u>
Vanguard Total Bond Market Index Fund	\$ 268,123
Vanguard 500 Index Fund	585,877
Federated Government Obligations Money Market Mutual Fund	<u>5,000</u>
Total:	<u>\$ 859,000</u>

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$124,839 in 2023.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 – FIDUCIARY FUND INVESTMENTS (Continued)

Rate of Return: For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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. There were no deposits with financial institutions at December 31, 2023.

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. The investment policy allows the Plan to invest in fixed income type securities to assure an appropriate balance in quality and maturity consistent with current money market and economic conditions managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2023, the Federated Government Obligations Money Market Mutual Fund had a weighted-average maturity of 28 days, and the Vanguard Total Bond Market Index Fund's portfolio had a weighted-average maturity of 7.4 years. The Vanguard 500 Index Fund's underlying investments have no maturity date.

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). The Federated Government Obligations Money Market Mutual Fund received a rating of AAAM by Standard & Poor's. The Vanguard Total Bond Market Index Fund and the Vanguard 500 Index Fund did not receive ratings as they are mutual funds.

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.

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

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 – FIDUCIARY FUND INVESTMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Plan has the following recurring fair value measurements as of December 31, 2023:

- Publicly traded mutual funds of \$854,000 are valued using prices quoted for identical assets in active markets (Level 1 inputs);
- Money market mutual funds of \$5,000 are valued using a matrix pricing model (Level 2 inputs).

REQUIRED SUPPLEMENTARY INFORMATION

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TARC'S NET PENSION LIABILITY –
EMPLOYEES' AMENDED RETIREMENT PLAN
Plan year ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability								
Interest	\$ 80,310	\$ 103,831	\$ 126,942	\$ 148,006	\$ 193,057	\$ 226,086	\$ 250,828	\$ 270,473
Differences between expected and actual experience	35,659	(181,301)	(157,801)	(55,835)	(189,015)	(170,890)	30,844	9,170
Changes of assumptions	-	-	5,218	(20,055)	(201,128)	(7,517)	(48,849)	87,324
Benefit payments	<u>(230,824)</u>	<u>(282,007)</u>	<u>(323,551)</u>	<u>(414,905)</u>	<u>(473,229)</u>	<u>(558,697)</u>	<u>(609,620)</u>	<u>(679,756)</u>
Net change in total pension liability	(114,855)	(359,477)	(349,192)	(342,789)	(670,315)	(511,018)	(376,797)	(312,789)
Total pension liability, beginning	<u>1,253,075</u>	<u>1,612,552</u>	<u>1,961,744</u>	<u>2,304,533</u>	<u>2,974,848</u>	<u>3,485,866</u>	<u>3,862,663</u>	<u>4,175,452</u>
Total pension liability, ending	<u>\$ 1,138,220</u>	<u>\$ 1,253,075</u>	<u>\$ 1,612,552</u>	<u>\$ 1,961,744</u>	<u>\$ 2,304,533</u>	<u>\$ 2,974,848</u>	<u>\$ 3,485,866</u>	<u>\$ 3,862,663</u>
Plan fiduciary net position								
Employer contributions	\$ 242,385	\$ 232,990	\$ 276,040	\$ 289,128	\$ 595,256	\$ 461,850	\$ 438,954	\$ 438,660
Net investment income	143,503	(178,987)	165,433	109,159	132,004	3,683	127,536	77,165
Benefit payments	(230,825)	(282,007)	(323,551)	(414,905)	(473,229)	(558,697)	(609,620)	(679,756)
Administrative expense	<u>(23,147)</u>	<u>(25,586)</u>	<u>(35,090)</u>	<u>(32,762)</u>	<u>(21,602)</u>	<u>(56,761)</u>	<u>(63,697)</u>	<u>(45,405)</u>
Net change in plan fiduciary net position	131,916	(253,590)	82,832	(49,380)	232,429	(149,925)	(106,827)	(209,336)
Plan fiduciary net position, beginning	<u>883,939</u>	<u>1,137,529</u>	<u>1,054,697</u>	<u>1,104,077</u>	<u>871,648</u>	<u>1,021,573</u>	<u>1,128,400</u>	<u>1,337,736</u>
Plan fiduciary net position, ending	<u>1,015,855</u>	<u>883,939</u>	<u>1,137,529</u>	<u>1,054,697</u>	<u>1,104,077</u>	<u>871,648</u>	<u>1,021,573</u>	<u>1,128,400</u>
TARC's net pension liability, ending	<u>\$ 122,365</u>	<u>\$ 369,136</u>	<u>\$ 475,023</u>	<u>\$ 907,047</u>	<u>\$ 1,200,456</u>	<u>\$ 2,103,200</u>	<u>\$ 2,464,293</u>	<u>\$ 2,734,263</u>
Plan fiduciary net position as a percentage of the total pension liability	89.25%	70.54%	70.54%	53.76%	47.91%	29.30%	29.31%	29.21%

Notes to Schedule

The amounts presented for each plan year were reported by the employer in the subsequent year's June 30 reporting period.

There was no covered employee payroll during the ten-year period, so the net pension liability as a percentage of covered employee payroll is not applicable.

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TARC'S NET PENSION LIABILITY –
EMPLOYEES' AMENDED RETIREMENT PLAN
Plan year ended December 31, 2023

	<u>2015</u>	<u>2014</u>
Total pension liability		
Interest	\$ 286,547	\$ 322,907
Changes in benefit terms		
Differences between expected and actual experience	(192,112)	(116,612)
Changes in assumptions	356,697	9,687
Benefit payments	<u>(738,404)</u>	<u>(799,005)</u>
Net change in total pension liability	(287,272)	(583,023)
Total pension liability, beginning	<u>4,462,724</u>	<u>5,045,747</u>
Total pension liability, ending	<u>\$ 4,175,452</u>	<u>\$ 4,462,724</u>
Plan fiduciary net position		
Employer contributions	\$ 419,912	\$ 468,338
Net investment income	(19,825)	171,041
Benefit payments	(738,404)	(799,005)
Administrative expense	<u>(44,274)</u>	<u>(59,466)</u>
Net change in plan fiduciary net position	(382,591)	(219,092)
Plan fiduciary net position, beginning	<u>1,720,327</u>	<u>1,939,419</u>
Plan fiduciary net position, ending	<u>1,337,736</u>	<u>1,720,327</u>
TARC's net pension liability, ending	<u>\$ 2,837,716</u>	<u>\$ 2,742,397</u>
Plan fiduciary net position as a percentage of total pension liability	32.04%	38.55%

Notes to Schedule

The amounts presented for each plan year were reported by the employer in the subsequent year's June 30 reporting period.

There was no covered employee payroll during the ten-year period, so the net pension liability as a percentage of covered employee payroll is not applicable.

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
 Plan year ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 229,837	\$ 220,928	\$ 261,750	\$ 274,110	\$ 423,330	\$ 437,941	\$ 438,954	\$ 426,241
Contributions in relation to the actuarially determined contribution	<u>242,385</u>	<u>232,990</u>	<u>276,040</u>	<u>289,128</u>	<u>595,256</u>	<u>461,850</u>	<u>438,954</u>	<u>438,660</u>
Annual contribution deficiency (excess)	<u>\$ (12,548)</u>	<u>\$ (12,062)</u>	<u>\$ (14,290)</u>	<u>\$ (15,018)</u>	<u>\$ (171,926)</u>	<u>\$ (23,909)</u>	<u>\$ _____</u>	<u>\$ (12,419)</u>

(Continued)

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
Plan year ended December 31, 2023

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	419,912	\$ 468,337
Contributions in relation to the actuarially determined contribution	<u>419,912</u>	<u>239,000</u>
Annual Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 120,326</u>

Notes to Schedule

There was no covered employee payroll during the ten-year period, so amounts of contributions recognized by the pension plan in relation to the actuarially determined contribution as a percentage of covered-employee payroll is not applicable.

TARC's fiscal year contributions agree to the pension plan's calendar year contributions, as all contributions to the pension plan are only made during the last six months of the pension plan's calendar year, which is the first six months of TARC's fiscal year.

Valuation Date:	January 1, 2024
Actuarial Cost Method:	Entry age normal cost method
Amortization Method:	Level Dollar
Remaining Amortization Period:	4 years
Asset Valuation Method:	Market value less accrued expenses
Inflation:	0.00%
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-2021 (male and female scales)

TRANSIT AUTHORITY OF RIVER CITY
 (A COMPONENT UNIT OF LOUISVILLE/
 JEFFERSON COUNTY METRO GOVERNMENT)
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF MONEY-WEIGHTED RATES OF RETURN –
 EMPLOYEES' AMENDED RETIREMENT PLAN
 Plan year ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	17.54%	(17.58%)	16.89%	11.54%	18.20%	(0.44%)	13.45%	7.03%	(3.66%)	9.71%

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, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
TARC's proportion of the net pension liability	1.165%	1.167%	1.250%	1.251%	1.320%	1.307%	1.309%	1.311%	1.280%
TARC's proportionate share of the net pension	\$ 74,733,972	\$ 84,372,925	\$ 79,711,204	\$ 95,946,369	\$ 92,870,861	\$ 79,592,001	\$ 76,614,117	\$ 64,540,703	\$ 55,052,957
TARC's covered payroll	\$ 33,034,069	\$ 32,256,226	\$ 31,768,572	\$ 32,008,931	\$ 33,820,338	\$ 32,758,156	\$ 32,089,620	\$ 31,443,315	\$ 30,004,788
TARC's proportion of the net pension liability as a percentage on its covered payroll	226.233%	261.571%	250.912%	299.749%	274.601%	242.969%	238.750%	205.260%	183.481%
Plan fiduciary net position as a percentage of the total pension liability	57.476%	52.418%	57.328%	47.814%	50.447%	53.542%	53.325%	55.503%	59.968%

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.

Note: There were no changes from 2022 to 2024.

Changes in Assumptions and Benefit Terms from 2020 to 2021: Since the prior measurement date, there were no changes in assumptions, however benefit terms were updated, which did not have a material impact on the total pension liability. The monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse was reduced. Benefits were increased for a small number of beneficiaries.

Changes in Assumptions and Benefit Terms from 2019 to 2020: Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for non-Medicare retirees who became participants prior to July 1, 2003

Changes in Assumptions and Benefit Terms from 2018 to 2019: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

(Continued)

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, 2024

Changes in Assumptions and Benefit Terms from 2017 to 2018: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.50% to 6.25%, (ii) the assumed rate of inflation was reduced from 3.25% to 2.30%, and (iii) payroll growth assumption was reduced from 4.00% to 2.00%.

Note: There were no changes from 2016 to 2017.

Changes in Assumptions and Benefit Terms from 2015 to 2016: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.75% to 7.50%, (ii) the assumed rate of inflation was reduced from 3.50% to 3.25%, (iii) the assumed rate of wage inflation was reduced from 1.00% to 0.75%, (iv) payroll growth assumption was reduced from 4.50% to 4.00%, (v) 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 (setback 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, and (vi) the assumed rates of retirement, withdrawal and disability were updated to reflect experience more accurately.

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, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 8,357,698	\$ 7,974,205	\$ 6,867,675	\$ 6,151,942	\$ 6,192,956	\$ 5,416,203	\$ 4,720,629	\$ 4,476,502	\$ 3,905,260
Contributions in relation to the statutorily required contribution	<u>8,357,698</u>	<u>7,974,205</u>	<u>6,867,675</u>	<u>6,151,942</u>	<u>(6,192,956)</u>	<u>(5,416,203)</u>	<u>(4,720,629)</u>	<u>(4,476,502)</u>	<u>(3,905,260)</u>
Annual contribution deficiency (excess)	\$ _____ =	\$ _____ =	\$ _____ =	\$ _____ =	\$ _____ =	\$ _____ =	\$ _____ =	\$ _____ =	\$ _____ =
TARC's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%	100%	100%	100%
TARC's covered payroll	\$ 34,185,568	\$ 33,034,069	\$ 32,256,226	\$ 31,768,572	\$ 32,008,931	\$ 33,820,338	\$ 32,758,156	\$ 32,089,620	\$ 31,443,315
Contributions as a percentage of its covered payroll	24.448%	24.139%	21.291%	19.365%	19.348%	16.015%	14.411%	13.950%	12.420%

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

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TARC'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
TARC's proportion of the net OPEB liability (asset) Non-hazardous	1.165%	1.167%	1.250%	1.251%	1.320%	1.307%
TARC's proportionate share of the net OPEB liability (asset)	\$ (1,608,034)	\$ 23,029,818	\$ 23,929,189	\$ 30,198,452	\$ 22,204,681	\$ 23,202,276
TARC's covered payroll	\$ 33,034,069	\$ 32,256,226	\$ 31,768,572	\$ 32,008,931	\$ 33,820,338	\$ 32,758,156
TARC's proportion of the net OPEB liability as a percentage of its covered payroll	4.868%	71.397%	75.323%	94.344%	65.655%	70.829%
Plan fiduciary net position as a percentage of the total OPEB liability	104.235%	60.948%	62.907%	51.670%	60.438%	57.622%

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.

Changes in Assumptions and Benefit Terms from 2022 to 2023: Since the prior measurement date, the discount rate used to calculate the total OPEB liability increased from 5.20% to 10.93%; and the assumed increase in future health care costs, or trend assumption, was updated (i.e., increased) to better reflect more current expectations relating to anticipated future increases in the medical costs.

Changes in Assumptions and Benefit Terms from 2021 to 2022: Since the prior measurement date, the discount rate used to calculate the total OPEB liability decreased from 5.34% to 5.20%; and the assumed increase in future health care costs, or trend assumption, was updated (i.e., increased) to better reflect more current expectations relating to anticipated future increases in the medical costs.

Changes in Assumptions and Benefit Terms from 2020 to 2021: Since the prior measurement date, the discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34%, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs, and the actuarial information has been updated to reflect anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December 2019

Changes in Assumptions and Benefit Terms from 2019 to 2020: Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for non-Medicare retirees who became participants prior to July 1, 2003

(Continued)

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/
JEFFERSON COUNTY METRO GOVERNMENT)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TARC'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2024

Changes in Assumptions and Benefit Terms from 2018 to 2019: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

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, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ -	\$ 1,155,237	\$ 1,875,067	\$ 1,517,267	\$ 1,527,382	\$ 1,756,426
Contributions in relation to the statutorily required contribution	<u>-</u>	<u>(1,155,237)</u>	<u>(1,875,067)</u>	<u>(1,517,267)</u>	<u>(1,527,382)</u>	<u>(1,756,426)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TARC's contributions as a percentage of statutorily required contribution for pension	0%	100%	100%	100%	100%	100%
TARC's covered payroll	\$ 35,539,591	\$ 33,034,069	\$ 32,256,226	\$ 31,768,572	\$ 32,008,931	\$ 33,820,338
Contributions as a percentage of its covered payroll	0.000%	3.497%	5.813%	4.776%	4.772%	5.193%

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.

Note: The retirement system did not require an employer contributions for OPEB insurance in 2024.

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, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Actual to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>
Operating revenues				
Passenger transportation	\$ 5,819,906	\$ 6,273,354	\$ -	\$ 6,273,354
Special transit fares	1,535,890	1,570,776	-	1,570,776
Advertising	650,000	788,942	-	788,942
Other Agency Revenues	363,300	431,208	-	431,208
Interest	-	347,472	-	347,472
Recoveries	50,000	422,818	-	422,818
Total operating revenues	<u>8,419,096</u>	<u>9,834,570</u>	-	<u>9,834,570</u>
Operating expenses				
Labor	33,240,842	33,878,360	-	33,878,360
Fringe benefits, budget basis	30,712,129	29,015,624	-	29,015,624
Plus: pension adjustments	-	-	(6,302,890)	(6,302,890)
Plus: OPEB adjustments	-	-	(4,069,919)	(4,069,919)
Total labor, fringe benefits, pension and OPEB	<u>63,952,971</u>	<u>62,893,984</u>	<u>(10,372,809)</u>	<u>52,521,175</u>
Services	7,737,546	6,318,337	-	6,318,337
Development costs	-	475,391	-	475,391
Materials and supplies	9,035,040	8,497,126	-	8,497,126
Utilities	1,205,000	994,331	-	994,331
Casualty and insurance	3,827,100	3,297,272	-	3,297,272
Miscellaneous	961,020	552,535	-	552,535
Rentals and purchased transportation	23,507,410	17,485,740	-	17,485,740
Depreciation	-	12,622,393	-	12,622,393
Total operating expenses	<u>110,226,087</u>	<u>113,137,109</u>	<u>(10,372,809)</u>	<u>102,764,300</u>
Operating loss before capital outlay and Subsidies	(101,806,991)	(103,302,539)	10,372,809	(92,929,730)
Capital outlay				
Subsidies				
Mass Transit Trust Fund and interest	67,696,852	63,971,036	-	63,971,036
Federal Transit Administration and Pass-Through Entities	61,523,721	36,630,681	-	36,630,681
KIPDA and other	<u>1,273,642</u>	<u>4,777,221</u>	-	<u>4,777,221</u>
Total subsidies	<u>130,494,215</u>	<u>105,378,938</u>	-	<u>105,378,938</u>
Change in net position	\$ 29,687,224	\$ 2,076,399	\$ 10,372,809	\$ 12,449,208

The operating budget for 2024, as shown above, represents the originally adopted budget for TARC. No amendments were made to the budget during the year ended June 30, 2024. Pension and OPEB actuarial valuation changes are not budgeted. Depreciation expense is not budgeted.

TRANSIT AUTHORITY OF RIVER CITY
(A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2024

<u>Federal Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number for Pass-Through</u>	<u>Federal Expenditures</u>
Department of Transportations			
Federal Transit Administration			
Direct Programs:			
<i>Federal Transit Cluster:</i>			
Capital and Operating Assistance			
Formula Grants	20.507		\$ 14,378,752
COVID 19 – Formula Grants – ARP Act	20.507		19,996,619
Bus and Bus Facilities Formula Program	20.526		<u>507,944</u>
Total Federal Transit Cluster			<u>34,883,315</u>
 <i>Transit Services Cluster:</i>			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		1,525,079
JARC	20.516		<u>211,622</u>
Total Transit Services Cluster			<u>1,736,701</u>
 Public Transportation Research, Technical Assistance and Training	 20.514		 <u>10,665</u>
 Total Expenditures of Federal Awards			 <u>\$ 36,630,681</u>

The following shows subrecipient activity for the year:

<u>Assistance Listing Number</u>	<u>Amount</u>
20.507	\$ 989,966
20.513	<u>62,011</u>
 Total subrecipient activity	 <u>\$ 1,051,977</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, 2024

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, 2024. 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). 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.

TARC has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the 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 business-type activities of Transit Authority of River City (TARC), a component unit of Louisville/Jefferson County Metro Government, as of and for the year ended June 30, 2024 and the fiduciary activities as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise TARC's basic financial statements, and have issued our report thereon dated September 25, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Louisville, Kentucky
September 25, 2024

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

Board of Directors
Transit Authority of River City
Louisville, Kentucky

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Transit Authority of River City's (TARC) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of TARC's major federal programs for the year ended June 30, 2024. TARC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, TARC complied, in all material respects, with the 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, 2024.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding TARC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of TARC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of TARC's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

(Continued)

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

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

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

We have audited the financial statements of the business-type activities of TARC as of and for the year ended June 30, 2024, the fiduciary activities of TARC as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise TARC's basic financial statements. We issued our report thereon dated September 25, 2024 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

Louisville, Kentucky
September 25, 2024

TRANSIT AUTHORITY OF RIVER CITY
 (A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2024

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Identification of major programs:
Assistance Listing Numbers

Name of Federal Program or Cluster Number

20.507	Total Federal Transit Cluster consisting of: Formula Grants Bus and Bus Facilities Formula Program
20.526	

Dollar threshold used to distinguish between Type A and Type B programs	\$ <u>1,098,920</u>
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

There were no findings for the year ended June 30, 2024.

SECTION 3 – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended June 30, 2024.
