Meeting of the

Utah Transit Authority Audit Committee

Monday, June 10, 2019, 3:00 p.m.
Utah Transit Authority Headquarters
669 West 200 South, Salt Lake City, Utah
Golden Spike Conference Rooms

1.	**Call to Order & Opening Remarks**	**Chair Carlton Christensen**
2.	**Safety First Minute**	**Sheldon Shaw**
3.	**Consent Agenda** a. Approval of April 29, 2019 Audit Committee Meeting Minutes b. Approval of Audit Committee Charter c. Approval of Internal Audit Charter d. Approval of Peer Review Memorandum of Understanding (UDOT)	**Chair Carlton Christensen**
4.	**2018 Comprehensive Annual Financial Report (CAFR) Presentation**	**Bob Biles, Steven Rowley (Keddington & Christensen)**
6.	**Internal Audit Update**	**Riana De Villiers**
7.	**Internal Audit Report Review** a. National Transit Database (NTD) Report b. Treasury Management Report c. Accounts Payable Preliminary Report	**Riana De Villiers** **Brian Ledbetter**
8.	**Other Business** a. Next meeting: August 12, 2019, 3:00 p.m.	**Chair Carlton Christensen**
9.	**Adjourn**	**Chair Carlton Christensen**

Website: https://www.rideuta.com/Board-of-Trustees

Public Comment: Members of the public are invited to provide comment during the general comment period at UTA's Board of Trustee meetings. Comment may be provided in person or online through www.rideuta.com. Additionally, public comment may be taken at committee meetings at the discretion of the committee chair. In order to be considerate of time and the agenda, comments are limited to 2 minutes per individual, or 5 minutes for a spokesperson designated to represent a group.

Special Accommodation: Information related to this meeting is available in alternate format upon request by contacting calldredge@rideuta.com or (801) 287-3536. Request for accommodations should be made at least two business days in advance of the scheduled meeting.

You don't have eyes on the back of your head, be aware of your surroundings.

UTA SAFETY & SECURITY

June 2019

Minutes of the Meeting
of the
Utah Transit Authority Audit Committee
held at UTA FrontLines Headquarters located at
669 West 200 South, Salt Lake City, Utah
April 29, 2019

Audit Committee Members Present:
Carlton Christensen, Chair
Beth Holbrook
Kent Millington
Jeff Acerson

Audit Committee Members Excused/Not in Attendance: Troy Walker

Also attending were members of UTA staff, interested citizens, and members of the media.

Call to Order and Opening Remarks. Chair Christensen welcomed attendees and called the meeting to order at 11:06 a.m.

Safety Minute. Chair Christensen yielded the floor to Sheldon Shaw, UTA Acting Manager of Safety and Security, for a brief safety message.

Approval of February 13, 2019 Audit Committee Meeting Minutes. A motion to approve the February 13, 2019 Audit Committee Meeting Minutes was made by Member Millington and seconded by Member Holbrook. The motion carried unanimously.

Approval of 2019 Audit Committee Schedule. A motion to approve the 2019 Audit Committee Schedule with an amendment to reflect the June date as June 10, was made by Member Holbrook and seconded by Member Millington. The motion carried unanimously.

Discussion Items.

Internal Audit Peer Review. Riana de Villiers, UTA Chief Internal Auditor was joined by Jim Holfeltz and Shane Young with the Utah Department of Transportation (UDOT). Ms. de Villiers indicated that the UDOT team is prepared to perform a peer review of UTA's audit function at no charge other than incidental expenses. She recommended a full external assessment, which would include a report generated by the UDOT evaluation team. Ms. de Villiers requested guidance from the committee on the scope of the review and noted the scope will be detailed in an agreement between UTA and UDOT.

Mr. Young remarked that peer reviews are standard practice and proposed an approach to performing the work. He then summarized his and Mr. Holfeltz's credentials.

Discussion ensued. Questions regarding external party review of the UDOT audit function and UDOT audit team participation in peer audits of other entities were posed by the committee and answered by the UDOT team. Chair Christensen asked Ms. de Villiers to prepare appropriate documentation for committee approval.

Audit Committee Charter. Ms. de Villiers explained that establishing an Audit Committee Charter is a best practice recommended by the State Auditor. The purpose of the charter is to govern and define the relationship between the Audit Committee and the Board of Trustees. Discussion ensued. Questions on the annual review process, alignment with bylaws, revision process, difference between the Audit Committee Charter and the Internal Audit Charter, and approval timelines were posed by the committee and answered by Ms. de Villiers.

Internal Audit Charter. Ms. de Villiers indicated that the Internal Audit Charter defines the relationship between the internal audit function and the Board of Trustees. Periodic review of the charter is required to meet best practice standards.

Internal Audit Update. Ms. de Villiers provided information on the progress of the 2019 internal audit plan. She explained that the scope of the maintenance of way audit will be modified due to internal restructuring. Discussion ensued. A question on the ability to meet the timelines outlined in the 2019 audit plan was posed by the committee and answered by Ms. de Villiers.

Ms. de Villiers summarized management compliance to internal audit recommendations. Discussion ensued. Questions on document retention standards and grants and asset management reconciliation practices were posed by the committee and answered by Ms. de Villiers.

Ms. de Villiers spoke about performing a survey to inform a quality assurance and improvement program assessment. The survey would include questions related to people, audit management and governance, audit process, overall effectiveness, and other general topics. Discussion ensued. A question on the commonality of this practice was posed by the committee and answered by Ms. de Villiers.

Ms. de Villiers explained that the international standards for internal audit require an assurance provider framework. She outlined the first lines of defense within an organization: 1) operational management, 2) risk management, 3) compliance functions, and 4) internal audit. An additional line of defense includes an external assurance provider. Aligning these functions assists in identifying redundancy and gaps. Ms. de Villiers indicated that Steve Meyer, UTA Interim Executive Director, has asked her to perform a risk assessment of the agency.

Internal Audit Report Review. Ms. de Villiers introduced Brenda Nelson, UTA Senior Internal Auditor.

> **Vanpool Report.** Ms. de Villiers and Ms. Nelson were joined by Cherryl Beveridge, UTA Special Services General Manager; Michael Goldman, UTA Special Services Program Manager; Ben Adams, UTA Manager of Vehicle Performance and Maintenance; and Troy Bingham, UTA Comptroller. Ms. de Villiers then summarized the audit scope. Ms. Nelson discussed several recommendations included in the audit. Mr. Goldman spoke about processes that are being implemented to conform with the internal audit recommendations. Ms. Beveridge provided background information on the vanpool program. Discussion occurred throughout the presentation. Questions on the growth of the vanpool function, the number of vendors involved in the program, accident rates, driver training, vehicle tracking, vehicle life expectancy, receivables associated with vanpool, waivers, number of contracts, motor vehicle infraction tracking, driver profile, number of gas cards issued, availability of GPS units on vehicles, and speed management were posed by the committee and answered by staff.

Chair Christensen called for a short break at 12:25 p.m.

The meeting resumed at 12:40 p.m.

> **Inventory Management Report.** Ms. de Villiers and Ms. Nelson were joined by Todd Mills, UTA Senior Supply Chain Manager. Mr. Mills provided an overview of the inventory facilities within the agency. Ms. de Villiers summarized the audit scope. Ms. Nelson discussed several recommendations included in the audit. Mr. Mills spoke about efforts to comply with the audit recommendations. Discussion occurred throughout the presentation. Questions on use of economies of scale, parts sharing process, and third party checks on inventory counts were posed by the committee and answered by Mr. Mills.

> **Payroll Preliminary Report.** Ms. de Villiers and Ms. Nelson were joined by Mr. Bingham; Ms. Beveridge; Jacob Gomez, UTA Manager of Total Rewards; and Bruce Cardon, UTA Commuter Rail General Manager. Ms. de Villiers summarized the audit scope. Mr. Bingham explained the complexity of the payroll function at the agency. Ms. Nelson discussed several recommendations included in the audit. Mr. Bingham, Mr. Gomez, and Mr. Cardon spoke about actions taken to comply with the audit recommendations. Discussion occurred throughout the presentation. Questions on timekeeping procedures and bargaining unit input in the payroll system were posed by the board and answered by staff.

Other Business.

Next Meeting. The next audit committee meeting is tentatively scheduled for June 10, 2019 at 3:00 p.m.

Closed Session. Chair Christensen indicated there were matters to be discussed in closed session regarding the deployment of security personnel, devices, or systems. A motion for a closed session was made by Member Millington and seconded by Member Holbrook. The motion carried unanimously and the audit committee moved into closed session at 1:18 p.m.

Open Session. A motion to return to open session was made by Member Millington and seconded by Member Holbrook. The motion carried unanimously and the audit committee returned to open session at 1:38 p.m.

Adjournment. The meeting was adjourned at 1:39 p.m. by motion.

Transcribed by Cathie Griffiths
Executive Assistant to the Board Chair
Utah Transit Authority
cgriffiths@rideuta.com
801.237.1945

This document is not intended to serve as a full transcript as additional discussion may have taken place; please refer to the meeting materials, audio, or video located at https://www.utah.gov/pmn/sitemap/notice/529869.html for entire content.

This document along with the digital recording constitute the official minutes of this meeting.

AUDIT COMMITTEE CHARTER

FOR THE UTAH TRANSIT AUTHORITY

Pursuant to the Utah Transit Authority's ("UTA") Bylaws, the Board of Trustees ("Board") has established an Audit Committee to provide oversight of both the internal and external audit functions.

The components of this Audit Committee Charter include:
- Mission Statement
- Composition and Requisite Skills
- Duties and Responsibilities
- Membership
- Meetings and notification
- Decision-Making Process
- Reporting Requirements
- Charter Review

MISSION STATEMENT
The Audit Committee is established to assist the Board in fulfilling its responsibilities for overseeing UTA's accounting and financial reporting processes, the integrity of their financial statements, and responsibilities related to systems of internal controls.

COMPOSITION AND REQUISITE SKILLS
As set forth in UTA's Bylaws, the Audit Committee is comprised of the Board of Trustees and the Chair and Vice-Chair of the Advisory Council.

The Committee will review accounting, auditing, and financial reports and evaluate UTA's financial statements, the external audit, and internal audit activities. Accordingly, the Audit Committee has a collective responsibility to insure they:
1) Possess the requisite knowledge necessary to understand technical and complex financial reporting issues.
2) Have the ability to communicate with auditors, public finance officers and governing officials.
3) Are informed about internal controls, financial statement audits and management/operational audits.

DUTIES AND RESPONSIBILITIES
The duties and responsibilities of the Audit Committee include the following:
1) External Audit Focus
    a. Provide recommendations regarding the selection of the external auditor.
    b. Meet with the external auditor prior to commencement of the audit to, among other things, review the engagement letter.
    c. Review and discuss with the external auditor any risk assessment of the entity's fiscal operations developed as part of the auditor's responsibilities under governmental auditing standards for a financial statement audit and federal single audit standards, if applicable.
    d. Receive and review the draft annual audit report and accompanying draft management letter, including the external auditor's assessment of the entity's system of internal controls.

e. Make a recommendation to the Board of Trustees on accepting the annual audit report.
f. Review corrective action plans developed by UTA's management.

2) Internal Audit Focus
   a. Assist in the oversight of the internal audit function, including reviewing the annual internal audit plan to ensure that high risk areas and key control activities are periodically evaluated and tested, and reviewing the results of internal audit activities.
   b. Review significant recommendations and findings of the Internal Auditor.
   c. Receive updates on management's implementation of the Internal Auditor's recommendations.
   d. Participate in the evaluation of the performance of the Internal Audit function.
3) Administrative Matters
   a. Hold regularly scheduled meetings.
   b. Review and revise the Audit Committee Charter, as necessary

MEMBERSHIP

The membership duties of the Audit Committee include the following:

1) Good Faith – Members of the Audit Committee shall perform their duties in good faith, in a manner they reasonably believe to be in the best interests of the Committee and UTA with such care as a generally prudent person in a similar position would use under similar circumstances.
2) Independence – An individual may not serve on the Audit Committee if he or she:
   a. Is employed by the entity (other than governing board members).
   b. Currently provides, or within the prior two years, has provided, goods or services to the entity.
   c. Is a family member of an employee or officer.
   d. Is the owner of or has a direct and material interest in a company providing goods or services to the entity.

MEETINGS AND NOTIFICATIONS

The Audit Committee shall meet a minimum of four times each year. An agenda of each meeting should be clearly determined in advance and the Audit Committee should receive supporting documents in advance, for reasonable review and consideration.

The Audit Committee shall create meeting minutes which include the meeting:

1) Agenda
2) Time, date, and location
3) Attendance
4) Findings requiring further investigation
5) Items to report to the Board of Trustees

DECISION-MAKING PROCESS

All decisions shall be reached by vote of a simple majority of the total membership of the Committee. A quorum constitutes a simple majority of the total membership and meetings will not be conducted unless a quorum is present.

REPORTING REQUIREMENTS

The Audit Committee has the duty and responsibility to report its activities to the Board for their action as needed. The Audit Committee's reporting requirements are to:

1) Provide minutes or a summary of minutes of meetings which clearly record the actions and recommendations of the Committee.
2) Report on its review of UTA's draft annual audit report and accompanying management letter and its review of significant findings.
3) Report on suspected fraud, waste or abuse, or significant internal control findings and activities of the internal control function.
4) Report on indications of material or significant non-compliances with laws or UTA policies and procedures.
5) Report on any other matters that the Committee believes should be disclosed and referred to the Board for their action.

CHARTER REVIEW

The UTA Audit Committee shall assess the adequacy of this Charter no less than an annual basis or as necessary. Charter modifications, as recommended by the Audit Committee, should be presented to the Board in writing for their review and action.

INTERNAL AUDIT CHARTER

FOR THE UTAH TRANSIT AUTHORITY

The Board of Trustees (“Board”) has established the Internal Audit Department (“Internal Audit”) as a key component of the Utah Transit Authority’s ("UTA") governance framework.

This Internal Audit Charter serves as a framework for Internal Audit in the performance of its duties and is intended to provide a basis for the Board to evaluate the Internal Audit function.

The components of this Internal Audit Charter include:

- Mission Statement
- Scope of Work
- Responsibilities
- Audit Plan
- Reporting
- Independence and Authority
- Standards of Audit Practice

MISSION STATEMENT

The mission of Internal Audit is to improve UTA's operations and systems of internal controls and add value through independent, objective assurance, and consultative support. Internal Audit helps UTA accomplish its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance activities and processes.

SCOPE OF WORK

The scope of audit coverage is agency-wide including all departments and business units of UTA.

In order to fulfill its mission, Internal Audit assesses whether UTA's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in areas such as:

- Risk identification and management
- Operational control
- Accurate, reliable, and timely financial, managerial and operating information
- Compliance with policies, standards and procedures
- Adherence to applicable laws and regulations
- Management’s achievement of goals and objectives
- Economic acquisition, efficient use, and adequate protection of resources
- Support of management in their interaction with the various internal organizations and external regulatory authorities as needed.

RESPONSIBILITIES

The Chief Internal Auditor and the Internal Audit staff have responsibility to:

- Facilitate UTA's annual risk assessment
- Develop an annual Audit Plan using appropriate risk-based methodology (including risks or control concerns identified by management, the Audit Committee and external audits) and submit that plan to the Audit Committee for review and approval
- Perform a preliminary assessment of the key processes and related internal controls supporting operations and financial reporting as part of the audit process
- Communicate preliminary assessment results and recommendations to management and the Audit Committee as part of the audit process
- Complete internal audits to assess the key processes and related internal controls by testing the adequacy of design and operational effectiveness of the key controls supporting operations and financial reporting
- Communicate audit findings, recommendations and management action plans to management, the Audit Committee, and any other relevant parties through an audit report at the finalization of each audit
- Follow-up with management to assess whether action plans are completed by management within the mutually agreed timeframe to address the risks and deficiencies identified
- Prepare and present reports to the Audit Committee summarizing the status of Internal Audit's work at least quarterly but could be more frequently as directed by the Audit Committee
- Design and roll-out programs and practices around ethics, with support from the Compliance Officer
- Assist in the investigations of suspected misconduct or fraudulent activities within the organization and notify management and, in the event of significant ethical violations, the Audit Committee of the results
- Support UTA management in their interaction with the external financial auditors
- Assist UTA management to facilitate other external compliance audits generally managed through other departments within UTA
- Assist UTA in identifying the characteristics of adequate systems of control
- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the requirements of this Charter
- Keep the Audit Committee informed of emerging trends and best practices in internal auditing
- Assist the Audit Committee in any other way in connection with the discharge of its duties and responsibilities

AUDIT PLAN

The annual Audit Plan is developed each year based upon input from UTA leadership and the Audit Committee.

The annual Audit Plan may include a combination of the following:

- Assessments of compliance with UTA's policies and procedures
- Reviews of internal controls related to significant processes and IT systems to determine whether or not they are properly designed and functioning as intended
- Reviews of financial and operating information

- Assessing whether corporate assets are properly safeguarded
- Reviews of computer-based systems focusing on data security, disaster recovery, and effective use of resources
- Reviews of internal controls designed to ensure compliance with external laws and regulations, including accounting rules and applicable regulations
- Operational audits focusing on improving efficiencies or effectiveness with a goal of contributing to cost reduction efforts
- Strategic audits, such as reviews of due diligence activities and the execution of UTA's strategic objectives

To develop the annual Audit Plan, an overall risk-based approach is used to ensure that the Internal Audit function provides the greatest possible benefit to UTA. On an ongoing basis, matters considered in developing the annual Audit Plan include the following:

- Strategic and operational plans of UTA;
- Risk for potential loss to UTA;
- Opportunities to achieve operating benefits;
- Existence of known errors, irregularities or control weaknesses;
- Results of previous audits;
- Changes in operations, systems or controls;
- Changes in regulatory or other requirements; and
- Requests from management, Audit Committee and External Auditor.

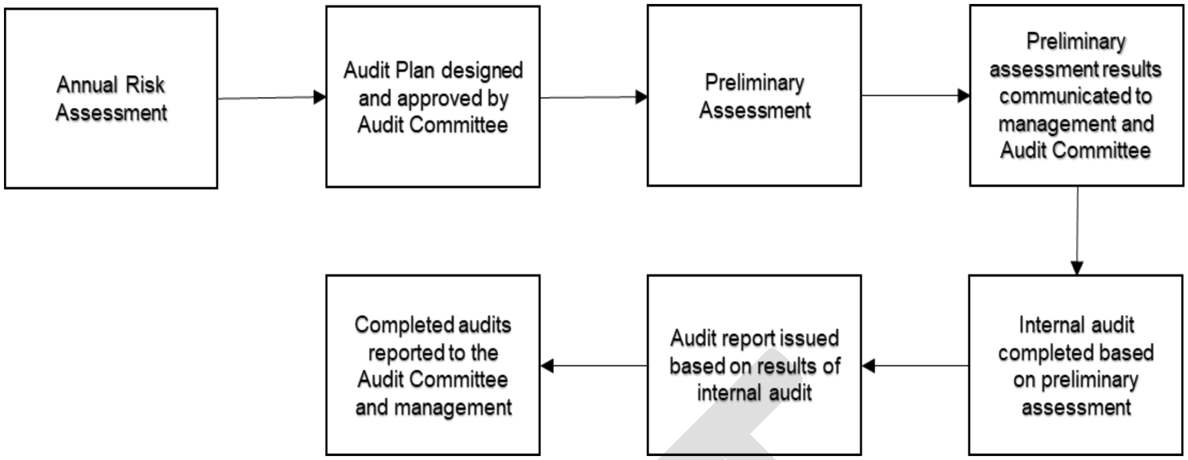
Each year, Internal Audit will work with UTA's leadership to perform risk assessment activities designed to identify and prioritize UTA's key risks. This information will be used to identify priorities to be addressed by the annual Audit Plan.

Based on the risk assessment performed, the Chief Internal Auditor will present a proposed annual Audit Plan to the Audit Committee for approval. Any significant deviation from the formally approved Audit Plan will be communicated to the Audit Committee.

The Internal Audit Plan will be developed in a manner that allows for the coverage of UTA's highest risk areas in a 3 year period. The Chief Internal Auditor, in consultation with the Audit Committee, will determine when certain critical risks and controls require more frequent coverage.

BACKGROUND INFORMATION ON AUDIT PROCESS

The following process flow depicts the audit process at a high-level:



REPORTING

- A preliminary assessment report will be prepared by the Chief Internal Auditor following the assessment of a process or department to provide an initial view on the governance and control environment as part of the audit process. The preliminary assessment will be discussed with the Audit Committee.
- A final written report will be prepared and issued by the Chief Internal Auditor following the finalization of each audit and will be distributed as appropriate. The report will include findings and recommendations along with the audited business unit or department's action plans. The audit report will be discussed with the Audit Committee.

INDEPENDENCE AND AUTHORITY

To provide for Internal Audit's independence, the Chief Internal Auditor reports directly to the Board of Trustees. All Internal Audit personnel will report to the Chief Internal Auditor. The Chief Internal Auditor will meet at least once every quarter but more frequently, if necessary, with the Audit Committee. The Audit Committee may choose to meet with the Chief Internal Auditor in private and apart from UTA management, if the meeting satisfies the criteria for a closed session under Utah's Open and Public Meeting Act.

To maintain its independence, Internal Audit will have no direct operational responsibility or authority over any of the activities under scope of its review. Accordingly, Internal Audit will not be responsible to develop or install systems or procedures, prepare records, or engage in any other activity that would normally be audited but may perform a consulting role without any decision making authority.

Internal Audit is authorized to have unrestricted access to all company activities, records, property and personnel. Restriction to these accesses imposed by any employee or management of UTA, which prevents Internal Audit from performing its duties, will be reported immediately to the Executive Director, Board Chair, or directly to the Audit Committee, based on circumstances as determined by the Chief Internal Auditor.

STANDARDS OF AUDIT PRACTICE

The Internal Audit will adhere to the Code of Ethics and International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors in the execution of its duties.

UTA

CONTRACT ROUTING SHEET

CONTRACT SECTION

1) Contract/P.O. No. **19-03063** *(Assigned by Purchasing)* Contract Administrator: **Riana de Villiers**

Project Manager:

2) Contract Type ☐ A. A&E/Design ☐ B. Blanket PO ☐ C. Construction ☐ D. Goods ☐ E. Modification ☐ E. Option ☑ F. Other ☐ G. Renewal ☐ H. Services ☐ I. Task Orders

3) Procurement Method ☐ RFQ (Quote) ☐ IFB (Low Bid) ☐ RFQU (Qualification) ☐ RFP (Best-value) ☐ Sole source ☑ Other: Incidental cost only

4) Contract Title **A PEER REVIEW OF UTA'S INTERNAL AUDIT DEPARTMENT**

5) Description / Purpose *(of contract or project)* **Defines the scope, approach, and terms of the peer review by UDOT**

6) Contractor Name **UDOT**

7) Effective Dates Beginning: **06/11/19** Ending: **12/31/19**

8) Option to renew? ☐ Yes ☑ No Renewal terms

FINANCIAL SECTION

9a) Current Contract Value:

9b) Amendment Amount:

9d) New Contract Value (including all amendments) $ 250

9e) Is the amount an estimate? ☑ Yes ☐ No

(Estimate if per transaction cost)

9f) *If estimated, how was the estimate calculated?* UDOT communicated approximate value of cost to procure Institute of Internal Audit guidebook on peer reviews

10) Is the amount a one-time purchase or annual recurring purchase? ☑ One-time ☐ Recurring

11) Account Code **1300-50353** Capital Project Code

12) Budgeted? ☑ Yes ☐ No Budget amount: **$250**

13) Will this contract require support from another department? ☐ Yes ☑ No

14) If so, is the other department(s) aware of this contract and the required support? ☐ Yes ☑ No

15) If box 2a or 2c is checked, has the Qualified Heath Insurance Certificate been verified? ☐ Yes ☐ No

SIGNATURE SECTION

		Route to?		Initials	
	Contract Compliance	☑ Yes	☐ No	By KF	Lisa Bohman
	AAG Legal Review	☐ Yes	☑ No		
	Accounting Review	☐ Yes	☑ No		
	IT Review (IT software or hardware)	☐ Yes	☑ No		
Up to $10K	Manager/Program Manager	☐ Yes	☑ No		
Up to $50K	Dir, Sr. Mgr, RGM, or Chief/VP	☐ Yes	☑ No		
Up to $100K	Chief, or Dir, Sr. Mgr, RGM (Capital, Maint., Ops. only)	☑ Yes	☐ No	RdV	Riana de Villiers
Over $100K	Executive Director	☐ Yes	☑ No		
Over $200K	Board Approval	☑ Yes	☐ No		Carlton Christensen

If Yes, route to the Sr. Supply Chain Manager for board meeting agenda and approval

UTA Contract # 19-03063____________

MEMORANDUM OF UNDERSTANDING
BETWEEN
UTAH TRANSIT AUTHORITY

AND

UTAH DEPARTMENT OF TRANSPORTATION

FOR

A PEER REVIEW OF THE UTAH TRANSIT AUTHORITY'S INTERNAL AUDIT DEPARTMENT

I. Parties.

This Memorandum of Understanding ("MOU") is entered into effective the 11th day of June, 2019 between Utah Department of Transportation ("UDOT") and Utah Transit Authority ("UTA"), a public transit district organized under the laws of the State of Utah (collectively the "Parties").

II. Purpose.

The purpose of this MOU is to describe the responsibilities of UDOT and UTA for the execution of a peer review by UDOT of UTA's Internal Audit Department.

III. MOU Term.

The term of this MOU shall commence on June 11, 2019 and end on December 31, 2019, unless terminated earlier or extended by either party as provided herein.

IV. Utah Transit Authority Responsibilities.

UTA shall cooperate and assist UDOT and provide all the necessary information and documentation to UDOT to allow for UDOT to complete an effective peer review.

V. UDOT Responsibilities.

UDOT shall perform a full external assessment of the UTA's Internal Audit department for the period January 1, 2019 onwards, which will be based on the following scope:

1. Assessing conformance with the International Professional Practices Framework guidance on the Definition of Internal Auditing and the Standards and evaluating whether the Internal Audit Department applies the Code of Ethics.
2. Assessing conformance with the Internal Audit Department's charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements.
3. Assessing expectations of the Internal Audit Department expressed by the Board of Trustees, senior management, and operational managers.
4. Assessing integration of the Internal Audit Department into the organization's governance process, including the relationships between and among the key groups involved in the process.

5. Assessing tools and techniques employed by the Internal Audit Department.
6. Assessing the mix of knowledge, experience, and disciplines within the staff, including staff focus on process improvement.
7. Determining whether the Internal Audit Department adds value and improves the organization's operations.
8. UDOT shall provide a report to the UTA Audit Committee on UTA's conformance with the International Standards for the Professional Practice of Internal Auditing

VI. Payments.

UTA will pay the incidental costs associated with the peer review but will not pay UDOT for the labor costs of conducting the peer review. UDOT will submit an invoice to UTA for all incidental costs, which UTA shall pay within thirty days.

VII. Contact Information.

The designated primary contacts for the Parties are:

For UDOT

Name(s)	Shane Young
Address	4501 Constitution Blvd, Taylorsville UT 84129
Phone	801-965-4012
Email	Styoung@utah.gov

For UTA

Names(s)	Riana de Villiers
Address	669 West 200 South, Salt Lake City UT 84101
Phone	801-237-1922
Email	Rdevillier@rideuta.com

VIII. Modification and Termination.

1. This MOU may be terminated by either party at any time by providing written notice of its intent to terminate by giving not less than thirty (30) calendar days advance written notice to the other party. Such notification shall state the effective date of termination and include any final performance requirements.
2. Any and all amendments must be made in writing and must be agreed to and executed by the parties before becoming effective.

IX. Indemnification.

The parties acknowledge that each party is a governmental entity subject to the Utah Governmental Immunity Act ("the Act"). Nothing contained in this MOU is intended by the parties to reduce or relinquish any defense, claim or right the party may have under the Act. The parties further acknowledge and agree that this MOU is for the benefit solely of the parties and that no third party beneficiaries are intended or created by it.

IN WITNESS WHEREOF, the undersigned have duly executed this Memorandum of Understanding as dated below.

____ ________________________________

Jimmy Holfeltz, Director of Fiscal Audit Date
Utah Department Of Transportation

____ ______________________________

Riana de Villiers, Chief Internal Auditor Date
Utah Transit Authority

____ ______________________________

Carlton J. Christensen, Trustee – Board Chair Date
Utah Transit Authority

Approved as to form:

____
UTA Compliance Officer

Comprehensive Annual Financial Report

For Fiscal Years Ended
December 31, 2018 and 2017

UTA

UTAH TRANSIT AUTHORITY

Our Mission

Provide integrated mobility solutions to service life's connections,
improve public health
and enhance quality of life.

Comprehensive Annual Financial Report

For Fiscal Years Ended
December 31, 2018 and 2017

Finance Department

Robert K. Biles
Chief Financial Officer

Troy Bingham
Comptroller

UTA

UTAH TRANSIT AUTHORITY

UTAH TRANSIT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Years Ended December 31, 2018 and 2017

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

Introductory

For Fiscal Years Ended
December 31, 2018 and 2017

UTA
UTAH TRANSIT AUTHORITY

UTAH TRANSIT AUTHORITY

UTA

669 West 200 South
Salt Lake City, Utah 84101
1-888-RIDE-UTA
www.rideuta.com

June 10, 2019

To the Board of Trustees
Utah Transit Authority and
Citizens within the UTA Service Area

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Utah Transit Authority (the Authority) for the fiscal years ended December 31, 2018 and 2017. This document has been prepared by the Authority's Finance Department using the guidelines recommended by the Government Finance Officers Association of the United States and Canada and conforms to accounting principles generally accepted in the United States of America and promulgated by the Governmental Accounting Standards Board.

This report contains financial statements and statistical data which provide full disclosure of all the material financial operations of the Authority. The financial statement and statistical information are the representation of the Authority's management which bears the responsibility for their accuracy, completeness and fairness.

The financial statements have been prepared on the accrual basis of accounting in conformance with generally accepted accounting principles. The Authority is accounted for as a single enterprise fund. This CAFR is indicative of the Authority's commitment to provide accurate, concise and high-quality financial information to the residents of its service area and to all other interested parties.

The Authority

The Utah Transit Authority was incorporated on March 3, 1970 under authority of the Utah Public Transit District Act of 1969 for the purpose of providing a public mass transportation system for Utah communities.

The Authority is governed by a three-member full-time board of trustees. The Governor appoints nominees from the three appointing districts within the UTA service territory to serve as trustees. The names of the nominees are then forwarded to the Senate for confirmation. Once confirmed, an appointee is sworn in as a trustee.

Utah Transit Authority also has a nine-member local advisory council. The local advisory council representation includes: three members appointed by the Salt Lake County council of governments; one member appointed by the Mayor of Salt Lake City; two members appointed by the Utah County council of governments; one member appointed by the Davis County council of governments; one member appointed by the Weber County council of governments; and one member appointed by the councils of governments of Tooele and Box Elder counties. Terms for local advisory council members are indefinite.

The responsibility for the operation of the Authority is held by the board of trustees that hires, sets the salaries, and develops performance targets and evaluations for the Executive Director, Internal Auditor, and any chief level officer. The Executive Director is charged with certain responsibilities, some of which require coordination with, or providing advice to, the board of trustees. Legal counsel is provided by the Utah Attorney General's Office. An organizational chart which illustrates the reporting relationships follows in the introductory section.

The executive staff meets weekly to coordinate management of the affairs of the organization. The executive staff and various other department officials meet as needed in a policy forum to review management policies and strategic direction and objectives for the organization.

The Authority serves the largest segment of population in the State of Utah known as the Wasatch Front. Its service area includes Salt Lake, Davis, Utah, and Weber Counties, the cities of Tooele and Grantsville in Tooele County and that part of Tooele County comprising the unincorporated areas of Erda, Lakepoint, Stansbury Park and Lincoln, and the cities of Brigham City, Perry and Willard in Box Elder County.

According to the U.S. Census Bureau population estimates of July 1, 2017, the population of the Authority's service area is approximately 2,463,000 and represents 79.4% of the state's total population.

Current Year Review

Besides building upon its strong legacy of providing service, continuous achievement, and transit leadership, the year also brought about significant changes to UTA's governance. The information below reviews the governance changes as well as providing a glimpse of the year's accomplishments.

Governance. In November 2018, following statutory changes, oversight of UTA transitioned from a 16-member voluntary Board of Trustees to a three-member full-time Board of Trustees. The Governor appoints nominees from the three appointing districts within the UTA service territory to serve as Trustees. The appointments are then forwarded to the Senate for confirmation. Once confirmed, an appointee is sworn in as a Trustee.

The Governor appointed and the Senate confirmed Trustees representing Salt Lake County (four year term), the district comprised of Davis, Weber, and Box Elder counties (three-year term), and the district comprised of Utah and Tooele counties (two-year term). After these initial staggered terms are completed, Board members will serve four-year terms. There are no limits relative to the number of terms a Trustee can serve. The Governor appointed the Salt Lake County Trustee to serve as Chair of the Board of Trustees.

A nine-member Local Advisory Council ("LAC") was also created. LAC representation includes: three members appointed by the Salt Lake County council of governments; one member appointed by the Mayor of Salt Lake City; two members appointed by the Utah County council of governments; one member appointed by the Davis County council of governments; one member appointed by the Weber County council of governments; and one member appointed by the councils of governments of Tooele and Box Elder counties. Terms for LAC members are indefinite.

LAC duties include reviewing, approving, and recommending final adoption by the Board of Trustees of UTA's service plans, project development plans and funding for all new capital development projects, and any plan for a transit-oriented development where UTA is involved, engaging with the safety and security team of UTA to ensure coordination with local municipalities and counties, assisting with coordinated mobility and constituent services provided by UTA, representing and advocating the concerns of citizens with the public transit district to the Board of Trustees, consulting with the Board of Trustees on certain duties given to the Board of Trustees, and setting the compensation packages of the Board of Trustees.


UVX Bus

Under the direction of the Board of Trustees, the Executive Director is charged with certain responsibilities, some of which require coordination with, or providing advice to, the Board of Trustees.

Transit Service. In August 2018 UTA began operations on the new Utah Valley Express (UVX) Bus Rapid Transit Line in Provo and Orem. UVX serves two major universities, BYU and UVU; Historic Downtown Provo; two regional malls, University Place and Provo Towne Centre, and the Provo and Orem FrontRunner stations. This line represented a significant increase in service for the area, with peak-hour headways

Current Year Review (continued)

improving from every 15 minutes to every 6 minutes. In conjunction with the increase in service and an expanded pass program with BYU and UVU, ridership on the corridor increased from 2,373 average weekday boardings to 9,440.

Other improvements to service during this time include replacing MAX limited-stop service on 3500 South with local service on routes 33 and 35 to increase coverage. A new flex route, F605 was added in Bountiful and Centerville in December, to serve areas that were not previously covered by fixed-route service. UTA also extended service to the new IHC hospital in Layton and provided additional service to industrial areas on the west side of Salt Lake City.

In 2018 UTA made multiple adjustments to train and bus schedules due to the implementation of Positive Train Control on FrontRunner. These schedule adjustments have helped improve the on-time performance of FrontRunner, even as PTC impacted the end to end running time of the alignment. UTA also discontinued unproductive service on FrontRunner between Ogden and Pleasant View Stations. This service was replaced by additional bus service on Route 616.

UTA's on-time reliability results by mode are shown below. They are near the highest results within the transit industry.

Mode	2018	2017	2016	2015
Bus	91.41%	92.51%	91.07%	92.19%
TRAX	93.60%	91.91%	94.49%	93.98%
FrontRunner	85.92%	90.92%	89.96%	86.63%
Paratransit	94.74%	96.80%	97.85%	97.92%
Streetcar	99.41%	99.49%	99.50%	98.68%

System Enhancements. Keeping the transit system in a state of good repair is a high priority. During 2018, UTA continued the light rail vehicles overhaul program, inspected all rail bridges, installed new positive train control hardware at all remaining locations and installed positive train control software on the FrontRunner North alignment. UTA participated with Dominion Energy in stray current monitoring and completed an overhead catenary isolation project to help in its stray current mitigation efforts. UTA also completed curved rail replacements at three locations.

Last year, UTA replaced 24 transit buses, 36 paratransit and FLEX vehicles, and 50 rideshare vans and also purchased 4 new trolley buses for service expansion. And in conjunction with local government and transit rider input, over 80 bus stops were upgraded with shelters and other amenities.

As part of the first/last mile connection initiative, 60 ADA ramps, 7 bike lanes, and 2 sidewalk projects were constructed in 2018 with funding from a federal grant. Another bike lane and a multi-use trail were started last year and will be completed in the spring of 2019. Additional first/last mile projects to be constructed in 2019 under this program include bike lanes, pedestrian bridges, trails, sidewalks, and bike share facilities.

Current Year Review (continued)

Environmental work was completed last year for a BRT line in Ogden. This 6-mile line will connect from our Ogden FrontRunner station to Weber State University and McKay Dee Hospital. The design phase of the Ogden BRT project will begin in 2019.

Ridership and Passenger Revenues. System ridership declined from 45.1 million in 2017 to 44.2 million in 2018. Passenger revenues declined by $107,311 to $52.1 million, a 0.21% decrease from 2017 passenger revenues.

Transit-Oriented Development. Four apartment buildings at the Sandy East Village TOD ("EV"), including 336 residential units, were sold at a record price for the area. A single-tenant office building at EV was also sold for a considerable profit. At the South Jordan TOD, work was completed on a 192-room full-service hotel, and ground was broken on a second 180,000 square foot, preleased office building. UTA also finalized a ground lease agreement for property at the 3900 South Meadowbrook TRAX Station, allowing for a 152-unit, mixed-use, mixed-income project.

Financial Stewardship. In March 2018, UTA retired $121 million of its 2017 subordinate bonds and refunded $3.4 million of its 2007A subordinate bonds through a $116 million bond issue. Net present value savings from these transactions totaled $5.6 million.

For the year, operating expenses were 0.2% below budget. Variances of budget to actual by expense category, in millions, are shown below.

Expense Category	Favorable (Unfavorable)
Parts and Warranty Recovery	$2.43
Utilities	1.98
Services	1.67
Wages & Benefits	1.15
All Other Operating	(1.89)
Fuel	(2.28)
Capitalized Costs	(2.50)
Total	$0.56

Current Year Review (continued)

For a more complete review of the Authority's current year financial activities, please refer to section two which contains the Auditor's Report, Management's Discussion and Analysis, the Financial Statements and accompanying notes.

Utah Transit Authority at Dusk

Future Plans

UTA will continue its partnerships with federal, state, and local governments and stakeholders to identify and provide innovative, cost-effective, and successful transit solutions for the Wasatch Front community.

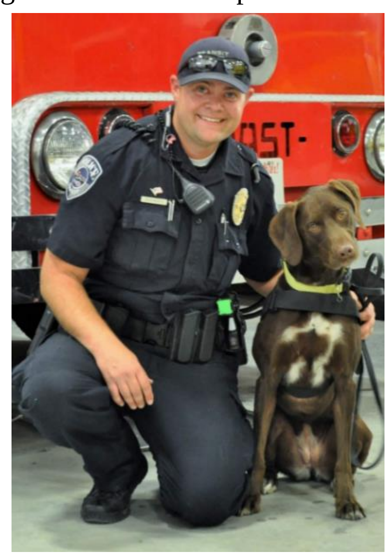
Future plans include the following:

UTA Service Choices.
UTA is initiating an update to its Five-Year Mobility Plan with a robust community engagement process called UTA Service Choices. Through a survey, community leader workshops, public open houses and more, UTA is soliciting input from the community on how they would like to see UTA prioritize bus network resources. This process will result in a new bus network plan and vision that will guide future service changes and investments.

Transit Oriented Development (TOD) projects.
As noted in the Current Year section, there are three active TODs with phases completed or under construction. Additional projects and development phases in Sandy, West Jordan, South Jordan, South Salt Lake, and Provo are in various stages of planning and approvals. UTA will continue to work on these and other TOD projects to ensure that UTA's TOD goals and standards are met.

State of Good Repair (SOGR).
Recent transportation infrastructure failures in various parts of the United States increased the emphasis to ensure that future long-term infrastructure maintenance and replacement needs were identified, funded, and completed in a timely manner. In the next year, UTA will continue to refine its long-term SOGR work plan with an emphasis on development and approval of a detailed five-year work plan.

Several SOGR infrastructure projects are scheduled for 2019, including: $11.1 million for information technology software and equipment replacement, $10.3 million for the overhaul of our oldest TRAX light rail vehicles, $6.6 million for TRAX track work at the Delta interlocking, 150 South Main switches and 400 South Main half grand union replacement, $5 million for vehicle replacements, $4.0 million for FrontRunner engine rebuilds, $2.5 million for facility and safety equipment, and $1.8 million for rail replacement. All other state of good repair infrastructure projects are estimated to cost $5.3 million.



UTA PD Officer Southworth & K9 Kaiya
Winners of the 2018 UPOA Canine Trials

Anticipated Capital Projects.

- In conjunction with six counties, two metropolitan planning agencies, and dozens of Utah cities, UTA was notified in late 2016 that it had been awarded a $20 million TIGER grant which will be matched with local funding to improve ***transit access*** as well as trails and bikeways feeding into the transit system over the next five years. Projects in 2019 are estimated at almost $15 million with all projects being completed by 2022.
- Salt Lake City International Airport is undergoing a $3.6 billion renovation, including the relocation of its terminal building. The relocation of the terminal requires the realignment of UTA's light rail green line, the ***Airport Line Project***, to a more central, transit-friendly location by 2020 at an estimated cost of $25 million. The project is currently in design with construction scheduled to start in 2019.

Future Plans (continued)

- The ***Depot District Service Facility*** will replace the existing aging and undersized Central bus facility, allowing for growth of bus service, housing up to 150 alternative and standard fuel buses with the ability to expand to 250 buses in the future. The initial phase of the project constructed the compressed natural gas fueling and fare collection buildings on the site. Construction is expected to begin in late 2019 with the facility opening in 2021. The 2019 budget is $27.3 million. Estimated cost for the facility is $75.6 million.
- Funded by a grant from Salt Lake County worth $5.9 million, two blocks of the ***S-Line*** in South Salt Lake will be double tracked. This will allow the S-Line to operate at 15-minute headways between the Sugar House area in Salt Lake City and the City of South Salt Lake. Work on these two blocks will be completed in 2019.
- Rapid growth within the Sandy TOD is accelerating the need to construct a 300-stall parking structure. Funded by a $2 million STP grant from FHWA and $3.4 million of proceeds from the sale of adjacent property, the parking structure is anticipated to be completed in 2019.

Depot District Clean Fuels Technology Center Drawings

New funding.

Salt Lake City and UTA entered into an interlocal agreement in early 2019 for additional purchased service in certain routes within Salt Lake City. This purchased service, in the amount of $5.4 million, provides for15-minute headways and expanded hours of operation on three bus routes as well as the purchase of ten additional buses. This new service begins in August 2019.

Salt Lake County Commissioners approved implementation of the 4th quarter sales tax effective January 1, 2019. Beginning July 1, 2019, UTA will begin receiving its 40% share of this sales tax. Sales tax revenue of $11.4 million was included in the 2019 budget for the last half of 2019 collections. Specific service and capital uses will be jointly developed by Salt Lake County and UTA in 2019.

Future Plans (continued)

Utah County Commissioners approved implementation of the 4th quarter sales tax effective January 1, 2019. Beginning July 1, 2019, UTA will begin receiving its 40% share of this sales tax. Utah County and UTA entered into an interlocal agreement in October 2018 which specifies the use of this sales tax. UTA revenues from this sales tax shall be used in the following priority order:

- Make principal and interest payments on Utah County's 2016 Bonds for the Utah Valley Express.
- Pay for the additional operating and maintenance costs of Utah Valley Express with the annual amount limited to $2.5 million in 2019 with a 2.4% annual growth factor applied thereafter.
- Reimbursement to Utah County for principal and interest previously paid on the Utah County 2016 Bonds.
- Reimbursement to Utah County for operations and maintenance costs for the Utah Valley Express previously paid to UTA.
- Reimbursement to Utah County for $2.8 million previously paid to UTA pursuant to a September 2013 Design Funding Agreement.
- Reimbursement to Utah County for interest accrued on amounts paid to UTA for Utah Valley Express operations and maintenance costs.
- Deposit into a reserve account to provide for early redemption of the Utah County 2016 Bonds.
- Once the Utah County 2016 bonds are redeemed, UTA's revenues may be used for new transit service and any major transit projects within Utah County. The new transit service and major transit projects are subject to various consultation and approval requirements under state law and a service level agreement with Utah County.

Over the next few years, UTA will seek to build upon its reputation as a successful and innovative transit organization by increasing service reliability, strategically adding cost-effective service, and improving passenger amenities while maintaining strong financial management.

S-Line Train

The Economic Condition and Outlook

The Utah Governor's Office of Management and Budget in collaboration with the David Eccles School of Business at the University of Utah, prepared the 2019 Economic Report to the Governor. The Economic Report focuses on an estimated summary of the previous year and a forecast for the forthcoming year. The primary goal of the report is to improve the reader's understanding of the Utah economy. The report is a collaborative effort of both public and private entities which devote a significant amount of time to this report ensuring that it contains the latest economic and demographic information. Below are several excerpts from the Economic Report. For more detailed information, the entire report is available on the Gardner Policy Institute's website at http://gardner.utah.edu.

2018 Overview

Employment, Wages, and Labor Force

Continued strong labor market statistics in 2018 were a welcome surprise for an economy that seemed stretched to its limit at the close of 2017. Anticipated labor supply shortages were expected to cause some slowing for 2018, yet the year continued as a solid extension of 2017 trends.

The state's labor force grew by roughly 2.8 percent over the year, stretching its ranks to over 1.6 million in order to meet the growing demands of Utah's employers. Prime economic conditions drew new entrants to the labor force but did not raise the rate at which adults in the state participated in the labor market. Labor force participation remained unchanged from last year at 69.4 percent and still below the state's pre-Great Recession rate of 72.1 percent. Given that 2017 saw a small surge in the participation rate, it was anticipated that the acceleration would continue through 2018.

As expected with a growing economy, the unemployment rate remained low throughout the year, ending at an average of 3.1 percent which equates to fewer than 50,000 unemployed individuals per month throughout the year. Demand for skilled workers was especially high. Utahans with a Bachelor's degree or higher experienced an unemployment rate well under 2.0 percent in 2018.

Changes to federal tax policy appear to have had a positive effect on workers' paychecks. The average annual wage for payroll employees in the state was $47,441, a $1,715 increase from the prior year and a full percentage point higher than the prior year's increase.

Due to the challenges of spreading the economic boom throughout all corners of our state, executive leadership called for economic development attention to be given to state's rural counties with the specific goal of creating 25,000 jobs therein by 2020. At the close of 2018 the state remained ahead of the pace necessary to reach the goal, with over 18,000 jobs having been created since the goal's inception in 2017. While the larger rural counties naturally have led the way in creating the jobs, key shoulder counties such as Wasatch have outperformed, contributing more than their relative share, mainly as the result of spillover from the booming neighboring urban counties.

The Economic Condition and Outlook (continued)

Personal Income

Utah's total personal income in 2018 was an estimated $143.1 billion, a 6.1 percent increase from $134.8 billion in 2017. Utah's estimated 2018 per capita income was $45,174, up 3.9 percent from $43,459 in 2017. Both measures of estimated personal income growth in Utah were higher in 2018 than in 2017. In 2017, total personal income grew by 5.0 percent and per capita income grew by 3.0 percent. Additionally, Utah's 2018 estimated personal income growth and per capita personal income growth were higher than national averages.

Taxable Sales

In 2018, total taxable sales in Utah increased by approximately 6.9 percent to an estimated $65.2 billion. A labor market that is among the best in the nation and solid gains in wages and personal income were among the primary drivers of growth. High levels of both consumer and business confidence and a strong tourism industry were also factors propelling the economy. Each major component of Utah taxable sales increased in 2018. Business investment increased the most at 9.8 percent, followed by retail sales at 6.0 percent and taxable services at 5.2 percent.

2019 Outlook

Employment, Wages, and Labor Force

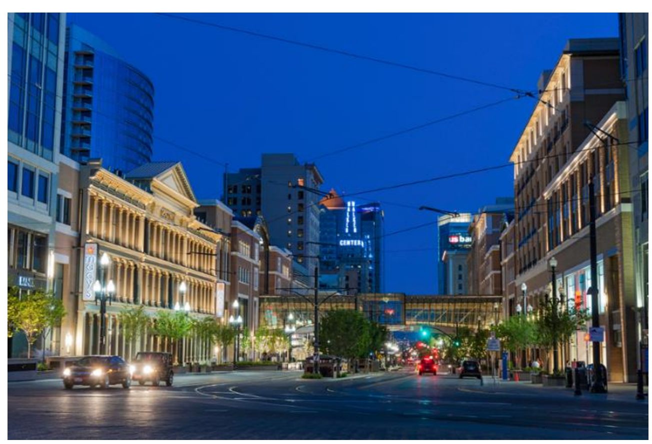
Lack of labor supply will continue as a point of concern in 2019 and may likely cause job growth to slow unless labor force participation is stimulated or population in migration increases. Housing affordability could influence both but in dissimilar ways. The need to increase household income to afford the purchase of a home could draw more individuals into the labor market. In migration, on the other hand, could put more upward pressure on housing prices, eventually making further in-migration a costly trend. Wages should further rise as employers continue to struggle filling positions, although 2019 should not be as strong as 2018 which was stimulated by federal tax cuts.

Policy decisions at the national level will continue to be a significant, yet unknown factor in predicting the economic trajectory for Utah in 2019. Trade policy is in flux, with tariffs now an emerging tool for shaping relationships between the United States and our trade partners. How that plays out economically is a question yet to be answered.

Personal Income

Utah's total personal income in 2018 is estimated to have grown 6.1 percent; this is up from 5.0 percent in 2017, and higher than the estimated national average of 4.6 percent. The state's estimated 2018 per capita personal income growth of 3.9 percent is also higher than the state's growth in 2017, and higher than the estimated 2018 per capita income growth nationwide of 3.5 percent.

In 2019, Utah looks to remain one of the top labor markets and centers for growth in the nation. The state



Downtown Salt Lake City

The Economic Condition and Outlook (continued)

has consistently experienced some of the fastest employment growth in the country since 2015, and this trend is likely to continue into 2019. With the unemployment rate hovering around 3.0 percent, and likely to fall further, businesses will face increased competition for a qualified workforce. This dynamic should lead to higher wages and put upward pressure on personal income.

While personal income should continue to expand in Utah in 2019, some headwinds may emerge. If the state's already tight labor market is unable to draw more individuals into the labor force, the lack of workers could act as a constraint on growth.

At the national level, worries over an economic slowdown are growing, and faster-than-anticipated interest rate hikes by the Federal Reserve could cool investment and overall economic activity in the state. With headwinds in mind, preliminary forecasts for Utah in 2019 predict strong total personal income growth above the national average; though growth will likely be slower than in 2018.

Taxable Sales

Utah's strong labor economy should drive another year of solid growth in Utah taxable sales. Total taxable sales are forecasted to increase by 6.0 percent to $69.1 billion in 2019. However, given that we are late in the business cycle, the likelihood of a slowdown or downturn is increasing. The slowing in the rate of growth for total taxable sales from 6.9 percent in 2018 to 6.0 percent in 2019 communicates this potential risk.

Senate Bill 2001, passed in the 2018 Second Special Session, will significantly affect taxable sales in 2019. This legislation, which followed the South Dakota v. Wayfair Supreme Court decision, requires remote sellers without physical nexus in the state to remit sales tax beginning January 1, 2019. The forecasted increase in retail sales of 9.2 percent in 2019 includes the increase in taxable sales expected from this legislative change. Senate Bill 2001 also created a sales tax exemption for purchases of manufacturing and mining equipment with an economic life of less than three years. Exempting purchases of these items from sales and use tax is expected to significantly reduce taxable business investment purchases in 2019. As a result, taxable business investment purchases is forecasted to decline by 6.4 percent in 2019. Overall impacts to total taxable sales due to Senate Bill 2001 are expected to be minimal as these two changes approximately offset each other. Taxable services is expected to have another year of consistent growth, increasing by an estimated 5.4 percent.

Forecasted growth in 2019 is barring any significant changes in the broader macroeconomic environment. Taxable sales forecasts are sensitive to changes in economic and political conditions. Specific conditions with the potential to impact 2019 taxable sales are primarily external in nature and include, but are not limited to, monetary and tax policy decisions, national political climate, commodity prices, and geopolitical instability. Any significant changes in these and other economic or political conditions could result in changes to employment, disposable income, and consumer confidence, which will in turn affect Utah taxable sales.

Debt Administration

The Authority has sold Sales Tax Revenue Bonds to partially finance the purchase and construction of various capital assets, and to refund other outstanding bond issues. Payment of debt service on the outstanding bonds is secured by a pledge of sales tax revenues and other revenues of the Authority

In February 2018, the Authority issued its $83,765,000 Sales Tax Revenue Bonds, Series 2018 to fund the construction or replacement of transit capital assets including positive train control, relocation of the Airport TRAX station, the Utah Valley Express bus rapid transit system, Phase 1 of the Depot District maintenance facility, a bus maintenance facility in Tooele County, and replacement of two TRAX interlocking systems. True interest cost for the bonds was 3.597%.

In February 2018, the Authority issued its $115,540,000 Subordinated Sales Tax Revenue Refunding Bonds, Series 2018. These bonds were issued to refund the then outstanding balance of its $132,329,109 Series 2007A Subordinate Lien Capital Appreciation Bond in the amount to $3,415,000 and to retire the then outstanding balance of its $120,575,000 Sales Tax Revenue Refunding Bonds, Series 2017 in the amount of $120,575,000. True interest cost for the bonds was 3.694%.

As of December 31, 2018, the Authority had $2,127,656,498 in outstanding bonds.

For a more complete review of the Authority's financing activities please refer to Section Two which contains the Auditors Report, Management's Discussion and Analysis, the Financial Statements and accompanying notes.

Independent Audit

State law requires that the Authority cause an independent audit to be performed on an annual basis. The Authority's independent auditors, Keddington and Christensen, LLC, have rendered an unqualified audit report on the Authority's financial statements. The auditor's report on the financial statements with accompanying notes is included in the Financial Section of the Comprehensive Annual Financial Report.

The Authority also has a single audit of all federally funded programs administered by this agency as a requirement for continued funding eligibility. The Single Audit is mandatory for most local government including the Utah Transit Authority.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Utah Transit Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both general accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report on a timely basis requires dedicated extra efforts of the staff of several departments. I wish to express my appreciation to all department staff and managers who contributed to this report with special recognition to Teri Black, Executive Assistant; Troy Bingham, Comptroller; the Accounting Department Employees of UTA; Blair Lewis, Graphic Artist; and Eric Vance, Photographer.

Sincerely,

Robert K. Biles
Chief Financial Officer
Utah Transit Authority

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Utah Transit Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

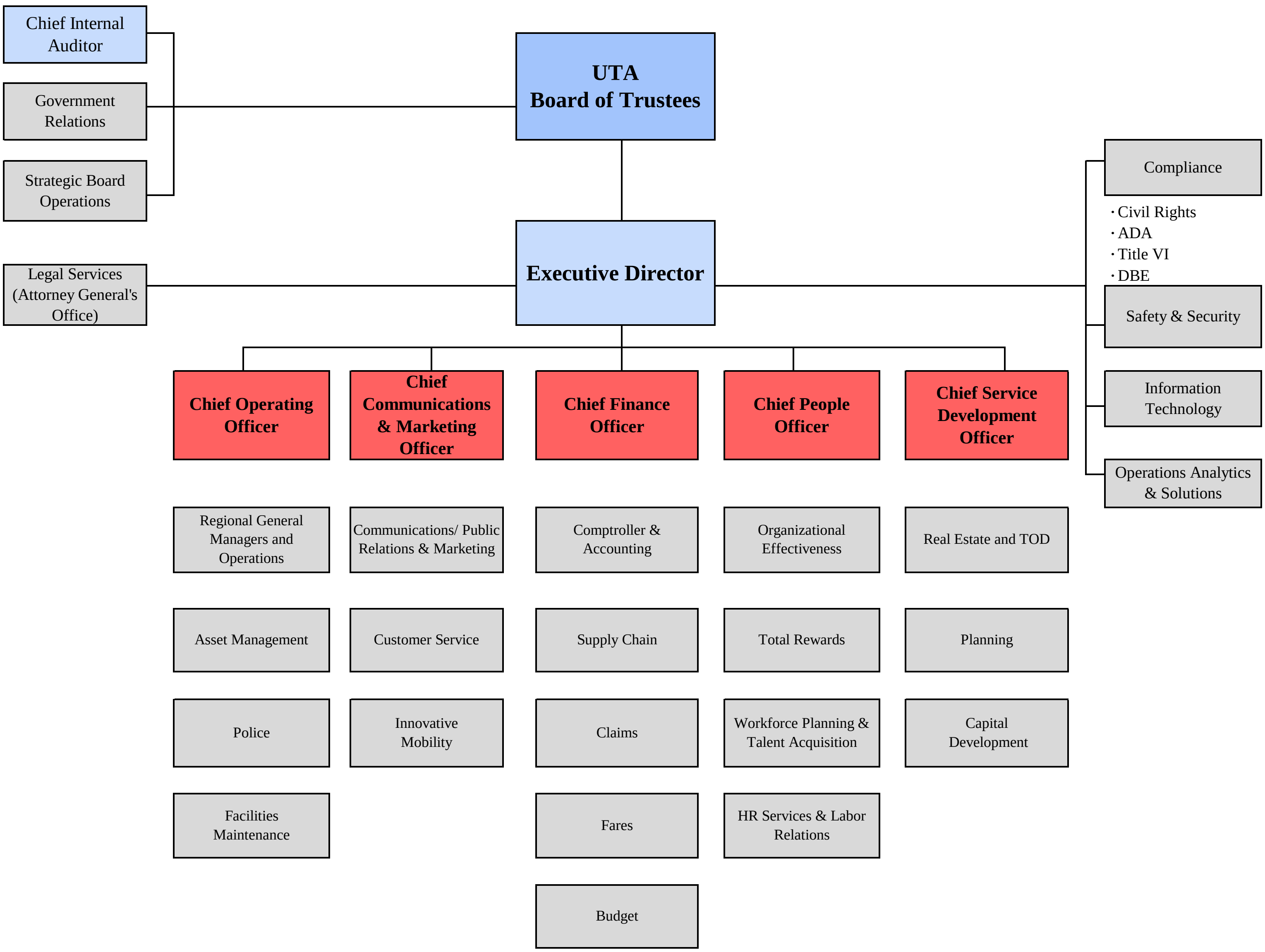
December 31, 2017

Christopher P. Morrill

Executive Director/CEO

Organizational Chart

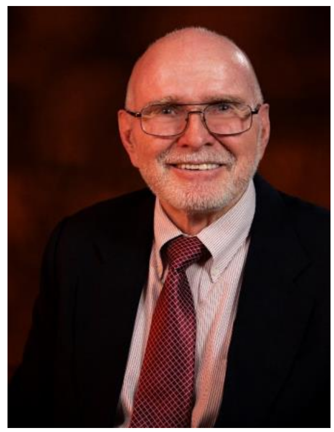
Revised 4/10/2019



UTA Board of Trustees

Carlton Christensen
Board Chair

Beth Holbrook



Kent Millington

Board of Trustees and Administration

Board of Trustees

BOARD CHAIR …………………………………………… Carlton Christensen
BOARD TRUSTEE …………………………………………… Beth Holbrook
BOARD TRUSTEE …………………………………………… Kent Millington

Officers of the Authority

BOARD CHAIR …………………………………………… Carlton Christensen
INTERIM EXECUTIVE DIRECTOR …………………………………………… Steve Meyer
SECRETARY/TREASURER AND CHIEF FINANCIAL OFFICER …………………………………………… Robert K. Biles
COMPTROLLER …………………………………………… Troy Bingham

Administration of the Authority

INTERIM EXECUTIVE DIRECTOR …………………………………………… Steve Meyer
CHIEF OF INTERNAL AUDIT …………………………………………… Riana de Villiers
CHIEF COMMUNICATIONS AND MARKETING OFFICER …………………………………………… Nichol Bourdeaux
CHIEF FINANCIAL OFFICER …………………………………………… Robert K. Biles
CHIEF OPERATING OFFICER …………………………………………… Eddie Cumins
CHIEF PEOPLE OFFICER …………………………………………… Kim Ulibarri
CHIEF SERVICE DEVELOPMENT OFFICER …………………………………………… Michael DeMers

Advisory Council Committee Members

Board of Trustees

Name……………………………………………………………………………..Appointing Authority

Jeff Acerson ……………………………………………………………………..Utah County COG

Jacqueline Biskupski …………………………………………………………...…Salt Lake City

Leonard Call ………………………………………………………………..………Davis COG

Erik Craythorne ……………………………………………………………..……..Weber COG

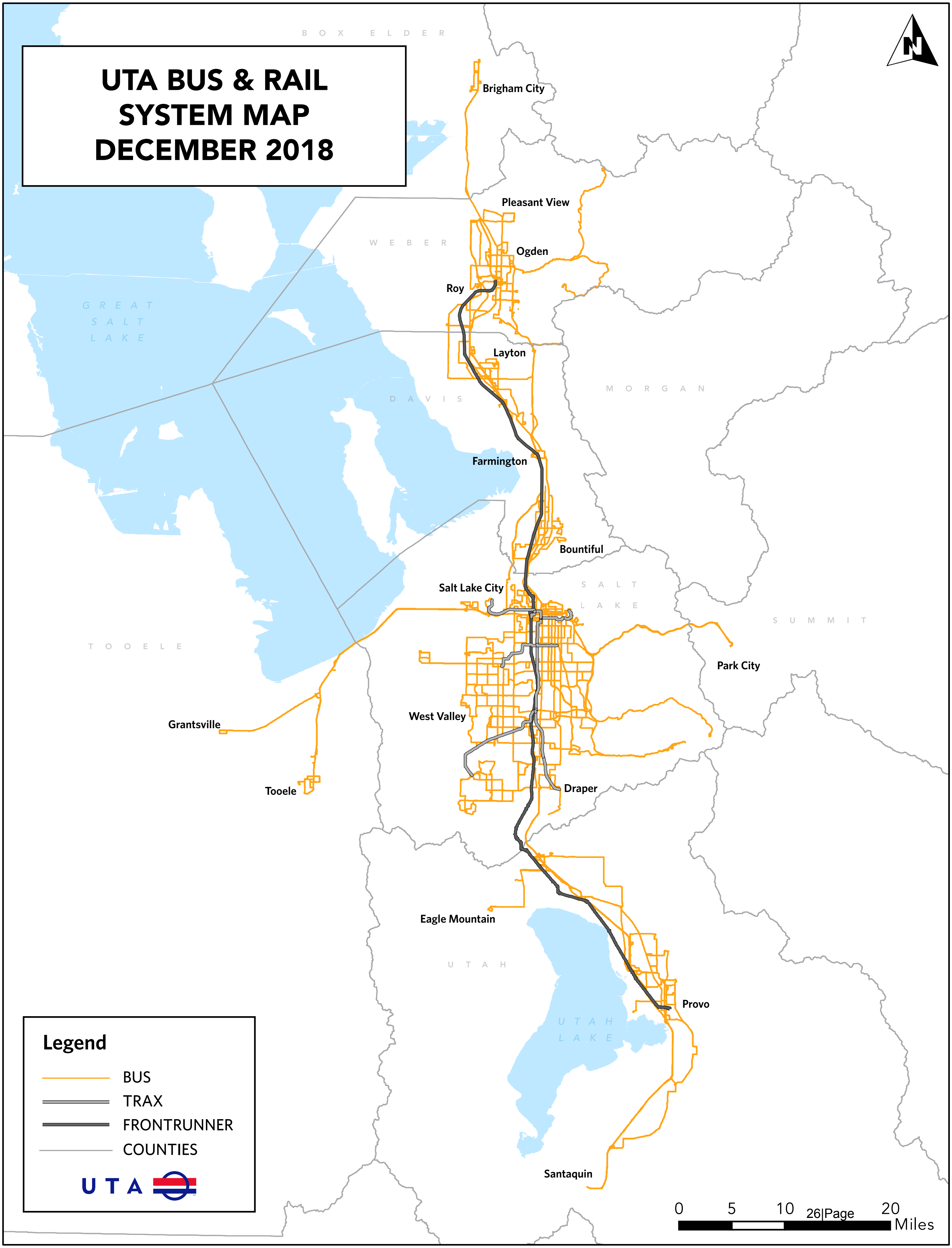
Karen Cronin …………………………………………………………...…Box Elder/Tooele COGs

Julie Fullmer ………………………………………………………….………Utah County COG

Robert Hale…………………………………………………………..…Salt Lake County COG

Clint Smith……………………………………………………………..…………Salt Lake COG

Troy Walker …………………………………………………………...……Salt Lake COG



UTA BUS & RAIL
SYSTEM MAP
DECEMBER 2018
BOX ELDER
WEBER
GREAT SALT LAKE
DAVIS
MORGAN
SALT LAKE
SUMMIT
TOOELE
UTAH
UTAH LAKE
Brigham City
Pleasant View
Ogden
Roy
Layton
Farmington
Bountiful
Salt Lake City
Park City
West Valley
Grantsville
Tooele
Draper
Eagle Mountain
Provo
Santaquin
Legend
BUS
TRAX
FRONTRUNNER
COUNTIES
UTA
0
5
10
20
Miles

Financial

For Fiscal Years Ended
December 31, 2018 and 2017

UTA
UTAH TRANSIT AUTHORITY

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Utah Transit Authority
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit, and the remaining fund information of Utah Transit Authority (the "Authority"), component unit of the State of Utah, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Telephone (801) 590-2600
Fax (801) 265-9405

1455 West 2200 South, Suite 201
Salt Lake City, Utah 84119

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit, and the remaining fund information of Utah Transit Authority, as of December 31, 2018 and 2017, and the respective changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Utah Transit Authority's basic financial statements. The introductory section and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental budget to actual schedule, and schedule of expenditures of federal awards as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the supplemental budget to actual schedule, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City
June 4, 2019

This section of Utah Transit Authority's (UTA) annual financial report presents our discussion and analysis of UTA's financial performance during the fiscal years ended on December 31, 2018 and December 31, 2017.

Following this Management Discussion and Analysis are the basic financial statements of UTA, together with the notes thereto, which are essential to a full understanding of the information contained in the financial statements.

FINANCIAL STATEMENTS

UTA's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Governmental Accounting Standards Board. UTA reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of UTA's significant accounting policies.

CONDENSED STATEMENTS OF NET POSITION

	2018	2017	*Difference*	*Percent difference*	2016
Assets					
Current and other assets	$ 395,157,482	$ 350,629,354	*$ 44,528,128*	*13%*	$ 305,969,763
Capital assets, net	3,089,897,011	3,068,709,875	*21,187,136*	*1%*	3,104,597,334
Total assets	3,485,054,493	3,419,339,229	*65,715,264*	*2%*	3,410,567,097
Deferred outflows of resources	120,421,199	109,761,191	*10,660,008*	*10%*	116,778,163
Liabilities					
Current liabilities	100,621,113	101,099,455	*(478,342)*	*0%*	71,620,455
Long-term liabilities	2,522,176,260	2,422,375,239	*99,801,021*	*4%*	2,387,091,356
Total liabilities	2,622,797,373	2,523,474,694	*99,322,679*	*4%*	2,458,711,811
Deferred inflows of resources	3,383,699	11,948,307	*(8,564,608)*	*-72%*	5,489,735
Net position					
Net investment in capital assets	827,646,243	894,275,843	*(66,629,600)*	*-7%*	924,260,135
Restricted	132,734,222	89,153,732	*43,580,490*	*49%*	67,415,969
Unrestricted	18,914,155	10,247,844	*8,666,311*	*85%*	71,467,610
Total net position	**$ 979,294,620**	**$ 993,677,419**	***$ (14,382,799)***	***-1%***	**$ 1,063,143,714**

2018 Results

In May 2018, the Utah Transit Authority sold $83,765,000 of Senior Sales Tax Revenue bonds, Series 2018 (the "Series 2018 Bonds"). This bond transaction increased the amount held in escrow and the corresponding restricted net position of UTA. The remaining amount at the end of 2018 in escrow and restricted for future capital project expenses was $51.7 million.

Every year the pension is evaluated by an actuary that determines the future cost in the pension based on the plan described in Footnote 7 of these financial statements. Due to an aging workforce that is growing closer to retirement and the increased year over year salaries increases of these employees, the assumption of the pension have increased $19.0 million. Advance refunding gains from previous refunding continue to be amortize, so the net increase in the deferred outflow of resources only reflects a $10.7 million increase.

The pension's investment rate of return decreased significantly from an 18.0% rate of return for 2017 to -7.8% for 2018. This resulted in $8.6 million decrease in deferred inflow of resources in 2018.

CONDENSED STATEMENTS OF NET POSITION (continued)

2018 Results (continued)

An increase in unrestricted net position over time may serve as a useful indicator of a government entity's financial position. As of December 31, 2018, UTA's unrestricted net position increased $8.7 million from the December 31, 2017 net position.

2017 Results

On December 29, 2017, Utah Transit Authority direct placed $120,575,000 Sales Tax Revenue Refunding Bonds, Series 2017 (the "2017 Subordinate Bonds"). This bond transaction involved the refunding of parts of the 2012 UTA Subordinate Bonds. The primary purpose for issuing the 2017 Refunding, was to take advantage of advance refunding some of UTA's bond portfolio before the tax law changed in 2018. It should be noted that the true interest cost of the 2017 Bonds was 2.41%, while the true interest cost on the refunded issues were 4.048%. UTA's intention is to refund the 2017 bonds in March 2018 for an overall net present value savings.

UTA conducted a biennial inventory in fall of 2017. The inventory resulted in 1,553 records ($87.0 million of original asset value) being removed from the books with a net book value of $8.9 million. Sales of land, buildings, and vehicles during the normal course of the year accounted for the remaining $27.9 million in reductions to capital assets in 2017 and $17.9 million reduction to accumulated depreciation. Capital projects at UTA added $134.8 million for 2017 while depreciation decreased remaining assets by $149.4 million. The net effect of these transactions was a decrease in capital asset of $35.9 million.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2018	2017	*Difference*	*Percent difference*	2016
Operating revenues	$ 54,464,392	$ 54,525,870	*$ (61,478)*	*0%*	$ 52,891,021
Operating expenses	401,161,541	$ 427,777,940	*(26,616,399)*	*-6%*	422,543,342
Excess of operating expenses over operating revenues	(346,697,149)	(373,252,070)	*26,554,921*	*7%*	(369,652,321)
Non-operating revenues	359,435,799	$ 334,913,449	*24,522,350*	*7%*	313,184,316
Non-operating expenses	91,000,388	$ 88,190,962	*2,809,426*	*3%*	86,226,784
Income (loss) before contributions	(78,261,738)	(126,529,583)	*48,267,845*	*38%*	(142,694,789)
Capital contributions	63,878,939	$ 57,063,288	*6,815,651*	*12%*	20,164,612
Change in net positon	$ (14,382,799)	$ (69,466,295)	*$ 55,083,496*	*79%*	$ (122,530,177)
Total net position, January 1	$ 993,677,419	$ 1,063,143,714			$ 1,185,673,891
Total net position, December 31	$ 979,294,620	$ 993,677,419			$ 1,063,143,714

SUMMARY OF REVENUES FOR THE YEAR ENDED DECEMBER 31

	2018	2017	Difference	Percent difference	2016
Operating					
Passenger revenue	$ 52,051,892	$ 52,159,203	$ (107,311)	0%	$ 50,624,354
Advertising	2,412,500	2,366,667	45,833	2%	2,266,667
Total operating revenue	54,464,392	54,525,870	(61,478)	0%	52,891,021
Non-operating					
Contributions from other gov'ts (sales tax)	282,933,591	265,770,775	17,162,816	6%	245,008,417
Federal noncapital assistance	61,820,668	62,313,994	(493,326)	-1%	63,334,769
Interest income	6,525,872	2,873,787	3,652,085	127%	1,732,939
Other	8,155,668	3,954,893	4,200,775	106%	3,108,191
Total non-operating revenue	359,435,799	334,913,449	24,522,350	7%	313,184,316
Capital contributions	63,878,939	57,063,288	6,815,651	12%	20,164,612
Total revenues	$ 477,779,130	$ 446,502,607	$ 31,276,523	7%	$ 386,239,949

2018 Results

Since UTA does not have the ability to tax, it relies on contributions dedicated by other governments for the purpose of mass transit in the form of sales tax as supplementary income to operations and development. As Utah's economy continues to improve and unemployment rates continue to decrease, this sales tax amount continues to increase. In 2018, UTA recognized $17.2 million (6%) in increased contributions of sales tax.

Interest income has increased $3.7 million due to a favorable rate of return environment and UTA having more funds to be able to invest at these terms. UTA continues to have positive returns on its current investments at transit oriented developments and those transactions in 2018 represent $1.5 million of the increase from 2017.

Other revenues reflects the final sales and divestitures from other transit-oriented development agreements which vary from year to year. This year's increase can be attributed to sale of the Sandy East Village apartments for $4.7 million at our Sandy Civic Center TRAX station in Sandy.

Capital contributions increased by $7.0 million due to the state and local participation in the construction of the Provo-Orem Bus Rapid Transit line by donating the land under the dedicated lanes to UTA worth $20.1 million at the time of the exchange.

2017 Results

Passenger revenue showed a slight increase of $1.5 million (3%) in 2017. In 2017 UTA released it new mobile application for purchasing fares and continued consumer education campaigns on fare types that were already existing. This campaign has seen significant success in converting cash customers to electronic fare pay cards or the mobile application.

Since UTA does not have the ability to tax, it relies on contributions dedicated by other governments for the purpose of mass transit in the form of sales tax as supplementary income to operations and development. As Utah's economy continues to improve and unemployment rates continue to decrease, this sales tax amount continues to increase. In 2017, UTA recognized $20.8 million (8%) in increased contributions of sales tax.

SUMMARY OF REVENUES FOR THE YEAR ENDED DECEMBER 31 (continued)

2017 Results (continued)

In 2017, the investment market has been favorable. Treasury management made a concerted effort to have more funds available for investment transactions even with declining cash balances in escrow so interest income increased in 2017 by almost $1.1 million (66%).

With the completion of the major rail lines, UTA has continued to assess property and liquidate land no longer needed to support UTA's purpose. In 2017, UTA sold approximately 22.15 acres of land which contributed approximately $2.8 million in other revenue.

SUMMARY OF EXPENSES FOR THE YEAR ENDED DECEMBER 31

	2018	2017	*Difference*	*Percent difference*	2016
Operating expenses					
Bus service	$ 96,719,747	$ 88,928,063	*$ 7,791,684*	*9%*	$ 85,841,973
Rail service	75,157,087	72,895,607	*2,261,480*	*3%*	84,165,069
Paratransit service	21,857,632	19,572,367	*2,285,265*	*12%*	19,341,116
Other services	3,056,191	2,982,176	*74,015*	*2%*	2,949,643
Operations support	45,557,749	41,932,571	*3,625,178*	*9%*	37,831,682
Administration	39,593,947	31,423,844	*8,170,103*	*26%*	37,636,519
Major investment studies	-	-	-		1,204,124
Capital Maintenance Projects	38,654,111	20,602,425	*18,051,686*	*88%*	-
Depreciation	80,565,077	149,440,887	*(68,875,810)*	*-46%*	153,573,216
Total operating expenses	$ 401,161,541	$ 427,777,940	*$ (26,616,399)*	*-6%*	$ 422,543,342

SUMMARY OF EXPENSES FOR THE YEAR ENDED DECEMBER 31

2018 Results

The operational cost for all direct service decreased in 2018 by $26.8 million as a result of a change in accounting estimate for depreciation that created a decrease in the current year depreciation expense (see Note 4 of the financials for more information on the current year impact).

Personnel cost for UTA in 2018 was 65.2% of total operating expense (including capital maintenance projects) less depreciation. Overall, personnel cost rose by $19.4 million (10.3%) in 2018. Operating expense less personnel cost increased by $22.7 million (25.5%), all of which is the result of increased system maintenance costs. Within operating expense, administration expense increased by $8.1 million (26%), due to increased personnel, maintenance of the information systems infrastructure, increased risk management expense, and general pension related expense increases. Capital maintenance projects increased by $18.1 million (88%), due to unreimbursed UDOT charges related to Provo-Orem BRT ($10.3 million), TIGER project for other communities ($5.6 million) that are new in 2018, and Light Rail vehicle damage repairs ($1.8 million).

2017 Results

Overall expenses for 2017 increased $5.2 million or 1% increase from 2016. Most differences within Administration and Operating Support between 2017 and 2016 can be attributed to a reorganization of department personnel that occurred in September 2017 to align department functions and leadership to accomplish UTA's goals and objectives. A significant decrease in rail services can be attributed to no significant reclassification of capital construction in progress back to rail operations and maintenance in 2017.

SUMMARY OF EXPENSES FOR THE YEAR ENDED DECEMBER 31 (continued)

2017 Results (continued)

Those significant but infrequent non-capital expenses are now being captured in newly created category of Capital maintenance projects, instead of directly attributed to each mode of transit.

Like in most service agencies, personnel is the largest expense. Personnel cost for UTA in 2017 was 67.9% of total operating expense less depreciation. Overall, personnel cost rose by $11.4 million (6.4%) in 2017. Operating expense less personnel cost decreased by $1.2 million (1.3%) due changes in spending that can occur from department to department and year to year.

CAPITAL ASSET ACTIVITY

	2018	2017	Difference	Percent difference	2016
Land	$ 440,917,126	$ 425,736,158	$ 15,180,968	4%	$ 444,428,115
Construction in process	109,972,902	205,102,231	(95,129,329)	-46%	98,584,168
Infrastructure	2,515,426,407	2,528,679,092	(13,252,685)	-1%	2,660,455,033
Building and building improvements	302,473,214	132,444,199	170,029,015	128%	-
Revenue vehicles	753,650,299	757,025,778	(3,375,479)	0%	768,632,495
Leased revenue vehicles	60,365,705		60,365,705		-
Equipment	144,817,612	326,289,349	(181,471,737)	-56%	-
Land improvements	79,140,497	12,300,402	66,840,095	543%	-
Leased land improvements	75,804,461		75,804,461		-
Intangibles	9,585,417	22,537,996	(12,952,579)	-57%	-
Other	-	-	-		420,530,145
Accumulated depreciation and amortization	(1,402,256,629)	(1,341,405,330)	(60,851,299)	5%	(1,288,032,621)
Total capital assets, net	$ 3,089,897,011	$ 3,068,709,875	$ 21,187,136	1%	$ 3,104,597,335

Readers wanting additional information should refer to Note 4 in the notes to the financial statements

2018 Results

In 2018, UTA more clearly defined what constituted an asset and relooked at the prior asset category assignments and asset useful lives. This resulted in large transfers of assets between categories and adjusted accumulated depreciation for each category of capital assets (see note 4 for more details).

UTA expended approximately $86.0 million for capital assets in 2018 that increased construction in progress. UTA finished the development and construction of the Provo-Orem Bus Rapid Transit (BRT) route and associated maintenance facilities, Positive Train Control, the relocation of the Airport TRAX Station design, the double tracking of streetcar, the replacement of at TRAX bridge at 7200 South, and several other projects designed to enhance the system and passenger experience which added $181.8 million to various asset categories in 2018.

UTA retired or disposed of $23.9 million in historical asset value through land sales and buses and equipment auctions. The depreciable assets disposed in 2018, removed $19.7 million of accumulated depreciation from the capital asset records.

SUMMARY OF CAPITAL ASSET ACTIVITY (continued)

2017 Results

UTA expended approximately $135.1 million for capital assets in 2017. Approximately $28.3 million was expended for revenue vehicle replacements. This program included forty-three (43) buses, seven (7) ski buses, thirty-six (36) Rideshare vans, and twenty-three (23) paratransit vans. In 2017, UTA expended $118.0 million on major strategic projects. This included the development and construction of the Provo-Orem Bus Rapid Transit (BRT) route, Positive Train Control, the Depot District (fueling and maintenance facility to support bus operations), and several other projects designed to enhance the system and passenger experience.

DEBT ADMINISTRATION

Bond rating agencies have rated UTA based on the types of bonds issued and an analysis of several financial conditions and influencing factors. The following chart summarizes those ratings by bond and agency:

A. Ratings Summary

Effective: May 2018

	Standard &Poor's	Fitch	Moody's
Senior Lien Bonds			
Current rating	AAA	AA	Aa2
Outlook	Stable	Stable	Stable
Subordinate Lien Fixed Rate Bonds			
Current rating	A+	AA	A1
Outlook	Stable	Stable	Stable

Effective: August 2017

	Standard &Poor's	Fitch	Moody's
Senior Lien Bonds			
Current rating	AAA	AA	Aa2
Outlook	Stable	Stable	Stable
Subordinate Lien Fixed Rate Bonds			
Current rating	A+	AA	A1
Outlook	Stable	Stable	Stable

Readers wanting additional information should refer to Note 8 in the notes to financial statements

2018 Debt Issuance

During 2018, UTA issued the following subordinated and senior lien bonds:

Senior Sales Tax Revenue, Series 2018: $83,765,000
Subordinated Sales Tax Revenue Refunding Bonds, Series 2018: $115,540,000

Proceeds from the Series 2018 Senior Lien bond are being used for new capital projects financing. Proceeds from the Series 2018 Subordinated Lien bond issue were used to refund the Series 2017 revenue bonds ($112.1 million) and Series 2007A revenue bonds ($3.4 million).

SUMMARY OF DEBT ADMINISTRATION ACTIVITY (continued)

2017 Debt Issuance

During 2017, UTA issued the following bonds:

2017 Series Subordinate Lien revenue bonds: $120,575,000

Proceeds from the Series 2017 Subordinate Lien bond issue were used to refund the majority of refundable maturities of the Series 2012A revenue bonds.

SIGNIFICANT ACTIVITIES

2018 Results

The governance of UTA was changed in 2018 as part of the State of Utah legislative session, and the new board started in the fall of 2018. This legislative change has allowed for more sales tax allocation to transit from counties in UTA's service area. The county commissioners in both Utah and Salt Lake County approved 4th quarter sales tax increases for their jurisdictions and UTA is scheduled to start receiving its 40% share of those sales taxes funds in the fall 2019.

Transit Service - On time performance for 2018 was 92.1%.

Transit-oriented Development (TOD) –

- Jordan Valley TOD construction has started on a new Starbucks
- Sandy East Village TOD sold the first phase of apartment buildings and the office building.
- 3900 South Meadowbrook TRAX Station TOD broke ground for the mixed-used office and residential facility that is already long-termed leased

UTA provided special event support for the following events:

- Warriors over the Wasatch Air Show
- Utah Jazz games
- University of Utah events
- Brigham Young University events
- Weber State events
- Utah Valley University events
- LDS Church General Conferences
- The Salt Lake City Marathon
- Other special events

2017 Results

Transit Service - In 2017, UTA continued to optimize and improve the transit system to provide opportunities for more customers. UTA offered 15-minute service and extended hours to the State Capitol building during the 2017 legislative session, leading to a 69.5% increase in ridership on Route 500 during the session.

SIGNIFICANT ACTIVITIES (continued)

2017 Results (continued)

In Weber and Davis Counties, UTA replaced three low-performing routes with Paratransit and Vanpool service. The funds saved from these routes were combined with Proposition 1 money to implement planned service improvements to five routes in the area, including evening and weekend service. In addition, UTA continued to use Proposition 1 funds to improve bus stop access and amenities in Weber and Davis counties.

UTA's overhaul of ski service in Salt Lake County was completed in late 2016 but yielded a 25% increase in total ridership during the 2016-2017 ski season. UTA further refined ski service in 2017 to address overcrowding during high-demand times of day.

On time performance for 2017 was 91.7%.

Transit-oriented Development (TOD) - Two apartment buildings at the Jordan Valley TOD, including 270 residential units, were sold at a record price for the area. At the Sandy East Village TOD, construction was completed on a 150,000 square foot office building and a fourth residential building. At the South Jordan TOD, work was completed on the first of two 180,000 sf office buildings, and work continued on a 192-room full-service hotel.

Customer Service - UTA's new mobile application was launched in late September 2017 and by the end of the year was selling $20,000 in tickets each month. UTA provided special event support for Utah Jazz games, University of Utah and Brigham Young University events, LDS Church General Conferences, the Salt Lake City Marathon, Salt Lake City Fan X, the Utah Arts Festival, and other special events.

Environment – As of December 31, 2017 over 72% of UTA's transit bus fleet are clean diesel, clean diesel electric hybrid and CNG. Buses, Frontrunner, TRAX and vanpool services eliminated more than 2,300 tons of air pollutants and 82,000 tons of greenhouse gas emissions from commuters who chose to ride transit verses driving.

RIDERSHIP COMPARISON

The following information provides an annual comparison of ridership by service for years 2018, 2017, and 2016.
Source: National Transit Database

	2018	2017	*Difference*	*Percent difference*	2016
Bus service	19,624,936	19,748,489	*(123,553)*	*-1%*	20,033,242
Light rail service	17,899,715	18,823,578	*(923,863)*	*-5%*	19,220,024
Commuter rail service	5,082,168	4,854,099	*228,069*	*5%*	4,545,849
Paratransit service	394,816	385,969	*8,847*	*2%*	389,019
Vanpools	1,174,696	1,264,410	*(89,714)*	*-7%*	1,333,781
Total ridership	44,176,331	45,076,545	*(900,214)*	*-2%*	45,521,915

2018 Results

In 2018, UTA realize a 2.0% decrease in overall ridership from 2017. Commuter Rail and Paratransit services showed slight increases in 2018 as demand for these services. Light Rail and Vanpool services experienced a decrease in ridership in 2018.

RIDERSHIP COMPARISON (continued)

2017 Results

In 2017, UTA realized a 1.0% decrease in overall ridership from 2016. However, commuter rail's attraction to the business commuter community resulted in a 6.8% increase in ridership. Ridership on all other transit declined.

COMPARATIVE STATEMENTS OF NET POSITION

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 103,037,555	$ 85,459,300
Receivables		
Contributions from other governments (sales tax)	50,725,259	49,421,054
Federal grants	24,146,542	44,106,915
Other	4,443,339	17,002,669
State of Utah	9,930,141	-
Parts and supplies inventories	35,551,784	31,689,267
Prepaid expenses	2,842,013	2,783,802
Total Current Assets	**230,676,633**	**230,463,007**
Noncurrent Assets:		
Restricted assets (Cash equivalents and investments)		
Bonds funds	47,668,250	42,768,329
Interlocal agreements	7,040,441	6,355,541
Represented employee benefits	4,133,950	3,894,919
Escrow funds	66,174,772	28,754,015
Self-insurance deposits	7,716,809	7,534,841
Total restricted assets	132,734,222	89,307,645
Non-Depreciable Capital Assets:		
Land	440,917,126	425,736,158
Construction in progress	109,972,902	205,102,231
Total Non-Depreciable Capital Assets	550,890,028	630,838,389
Depreciable Capital Assets:		
Land improvements	79,140,497	12,300,402
Leased Land Improvements	75,804,461	-
Building and buildig improvements	302,473,214	132,444,199
Infrastructure	2,515,426,407	2,528,679,092
Revenue vehicles	753,650,299	757,025,778
Leased revenue vehicles	60,365,705	-
Equipment	144,817,612	326,289,349
Intangibles	9,585,417	22,537,996
Total Depreciable Capital Assets	3,941,263,612	3,779,276,816
Total Capital Assets	4,492,153,640	4,410,115,205
Less accumulated depreciation and amortization	(1,402,256,629)	(1,341,405,330)
Amount recoverable - interlocal agreement	22,047,787	22,858,702
Other assets	9,698,840	8,000,000
Total Noncurrent Assets	**3,254,377,860**	**3,188,876,222**
TOTAL ASSETS	**$ 3,485,054,493**	**$ 3,419,339,229**

COMPARATIVE STATEMENTS OF NET POSITION (continued)

		2018		2017
DEFERRED OUTFLOWS OF RESOURCES				
Advanced debt refunding	**$**	88,490,542	**$**	97,189,416
Assumptions changes related to pensions		31,930,657		12,571,775
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$**	**120,421,199**	**$**	**109,761,191**
LIABILITIES				
Current Liabilities:				
Accounts payable:				
Other	$	37,169,641	$	54,120,255
State of Utah		138,224		
Accrued liabilities, primarily payroll-related		22,242,526		20,199,621
Accrued interest		4,165,847		4,096,739
Accrued self-insurance liability		1,155,787		1,495,598
Current portion of long-term debt		24,126,320		14,815,329
Payable from restricted assets		-		153,913
Unearned revenue		11,622,768		6,218,000
Total Current Liabilities		**100,621,113**		**101,099,455**
Long-Term Liabilities:				
Long-term debt		2,385,014,132		2,316,957,516
Long-term accrued interest		5,614,014		4,541,169
Long-term self-insurance liability		-		-
Long-term net pension liability		131,548,114		100,876,554
Total Long-term Liabilities		**2,522,176,260**		**2,422,375,239**
TOTAL LIABILITIES		**2,622,797,373**		**2,523,474,694**
DEFERRED INFLOWS OF RESOURCES				
Changes to earnings on pension plan investments		3,383,699		11,948,307
TOTAL DEFERRED INFLOWS OF RESOURCES		**3,383,699**		**11,948,307**
NET POSITION				
Net investment in capital assets		827,646,243		894,275,843
Restricted for:				
Debt service		47,668,250		42,768,329
Interlocal agreements		7,040,441		6,201,628
Represented employee benefits		4,133,950		3,894,919
Escrow funds		66,174,772		28,754,015
Self-insurance deposits		7,716,809		7,534,841
Unrestricted		18,914,155		10,247,844
TOTAL NET POSITION	**$**	**979,294,620**	**$**	**993,677,419**

COMPARATIVE STATEMENTS OF EXPENSES AND CHANGES IN NET POSITION

	2018	2017
OPERATING REVENUES		
Passenger fares	$ 52,051,892	$ 52,159,203
Advertising	2,412,500	2,366,667
Total operating revenues	**54,464,392**	**54,525,870**
OPERATING EXPENSES		
Bus service	96,719,747	88,928,063
Rail service	75,157,087	72,895,607
Paratransit service	21,857,632	19,572,367
Other service	3,056,191	2,982,176
Operations support	45,557,749	41,932,571
Administration	39,593,947	31,423,844
Capital maintenance projects	38,654,111	20,602,425
Depreciation	80,565,077	149,440,887
Total operating expenses	**401,161,541**	**427,777,940**
Excess of operating expenses over operating revenues	**(346,697,149)**	**(373,252,070)**
NON-OPERATING REVENUES (EXPENSES)		
Contributions from other governments (sales tax)	282,933,591	265,770,775
Federal preventative maintenance grants	61,820,668	62,313,994
Investment income	6,525,872	2,873,787
Other	8,155,668	3,954,893
Interest expense	(91,000,388)	(88,190,962)
Net non-operating revenues	**268,435,411**	**246,722,487**
INCOME (LOSS) BEFORE CONTRIBUTIONS	**(78,261,738)**	**(126,529,583)**
Capital contributions:		
Federal grants	31,585,004	53,960,024
Local	12,151,003	2,850,116
Capital contribution	20,142,932	253,148
Total capital contributions	**63,878,939**	**57,063,288**
Change in Net Position	(14,382,799)	(69,466,295)
Total Net Position, January 1	993,677,419	1,063,143,714
TOTAL NET POSITION, DECEMBER 31	$ 979,294,620	$ 993,677,419

COMPARATIVE STATEMENTS OF CASH FLOW

	2018	2017
Cash flows from operating activities:		
Passenger receipts	$ 53,155,758	$ 51,888,773
Advertising receipts	2,450,000	2,400,000
Payments to vendors	(137,245,416)	(61,003,247)
Payments to employees	(124,125,880)	(121,899,204)
Employee benefits paid	(81,158,163)	(72,204,917)
Net cash used in operating activities	**(286,923,701)**	**(200,818,595)**
Cash flows from noncapital financing activities:		
Contributions from other governments (sales tax)	283,545,887	261,995,834
Federal preventative maintenance grants	67,144,601	43,612,395
Other receipts (payments)	6,202,743	-
Net cash provided by noncapital financing activities	**356,893,231**	**305,608,229**
Cash flows from capital and related financing activities:		
Contributions for capital projects		
Federal	46,222,427	42,166,150
Local	16,414,407	2,850,116
Proceeds from the sale of revenue bonds	218,105,085	171,075,197
Deposit into escrow for refunding bonds	(125,172,395)	(120,367,951)
Payment of bond principal	(18,921,211)	(11,732,743)
Interest paid on revenue bonds	(105,194,215)	(101,448,581)
Proceeds from leases	14,377,000	27,141,000
Purchases of property, facilities, and equipment	(67,528,327)	(135,610,609)
Proceeds from the sale of property	5,948,541	22,508,754
Net cash used in capital and related financing activities	**(15,748,688)**	**(103,418,667)**
Cash flows from investing activities:		
Purchases of investments	-	(39,961,457)
Proceeds from the sales of investments	-	29,995,400
Interest on investments	5,062,618	3,492,448
Net cash provided by investing activities	**5,062,618**	**(6,473,609)**
Net increase in cash and cash equivalents	59,283,460	(5,102,642)
Cash and cash equivalents at beginning of year	136,807,856	141,910,498
Cash and cash equivalents at end of year	$ 196,091,316	$ 136,807,856

COMPARATIVE STATEMENTS OF CASH FLOWS (continued)

	2018	2017
Reconciliation of Cash to the Statement of Net Position		
Cash and cash equivalents at year end from cash flows	$ 196,091,316	$ 136,807,856
Investments	39,680,462	37,959,089
Total cash and cash equivalents and investments	$ 235,771,778	$ 174,766,945
Cash and investments as reported on the Statement of Net Position		
Cash and cash equivalents	$ 103,037,555	$ 85,459,300
Restricted assets (cash equivalents and investments)		
Bonds funds	47,668,250	42,768,329
Interlocal agreements	7,040,441	6,355,541
Represented employee benefits	4,133,950	3,894,919
Escrow funds	66,174,772	28,754,015
Self-insurance deposits	7,716,809	7,534,841
Total cash and cash equivalents and investments	$ 235,771,777	$ 174,766,945

	2018	2017
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (346,697,149)	$ (373,252,070)
Adjustments to reconcile excess of operating expenses over operating revenues to net cash used in operating activities:		
Pension expense	(2,748,070)	2,583,870
Depreciation	80,565,076	149,440,887
Changes in assets and liabilities:		
Receivables	-	-
Parts and supplies inventories	(3,862,516)	(3,327,623)
Prepaid expenses	(58,211)	(123,743)
Accounts payable - trade and restricted	(16,967,292)	27,031,728
Accrued liabilities	1,703,097	(2,934,547)
Unearned revenue	1,141,364	(237,097)
Net cash used in operating activities	$ (286,923,701)	$ (200,818,595)

See accompanying notes to the financial statements

COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION

	2018	2017
ASSETS		
Cash in Bank	$ -	$ 1,586,481
Cash Advanced Advance CFO	604,152	-
Cash in Utah State Treasury	-	5,607,680
Total Cash	**604,152**	**7,194,161**
Investments at fair value as determined by quoted market prices	192,047,892	196,506,139
Prepaid Benefits	1,095,081	-
Interest Receivable	-	8,422
Dividends Receivable	7,859	352
Accounts Receivable - Benefits	10,978	11,741
Accounts Receivable - Contributions	880,663	828,834
Total Receivables	**899,500**	**849,349**
Total Assets	194,646,625	204,549,649
LIABILITIES		
Accounts Payable	-	16,541
Withholding Taxes Payable	108,077	28,546
Total Liabilities	**108,077**	**45,087**
NET POSITION		
Net Position Held in Trust for Pension Benefits	**$ 194,538,548**	**$ 204,504,562**

COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	2018	2017
ADDITIONS		
Employer Contributions	$ 22,355,434	$ 20,506,163
Participant Voluntary Contributions	223,572	697,576
Total Contributions	**22,579,006**	**21,203,739**
Investment Income		
Net Appreciation in Fair Value of Investments	(17,276,731)	29,971,343
Interest	94,458	84,944
Dividends	1,193,815	1,134,918
Other Income	300	-
Total Investment Income	**(15,988,158)**	**31,191,205**
Less: Investment Expense	641,763	592,585
Net Investment Income	(16,629,921)	30,598,620
Total Additions	5,949,085	51,802,359
DEDUCTIONS		
Monthly Benefits Paid	10,824,630	9,724,391
Lump Sum Distributions	4,650,189	3,283,751
Administrative Expense	440,279	324,912
Total Deductions	**15,915,098**	**13,333,054**
NET INCREASE (DECREASE)	**(9,966,013)**	**38,469,305**
Net Position Held in Trust For Pension Benefits		
Beginning of Year	204,504,561	166,035,257
As of December 31	$ **194,538,548**	$ **204,504,562**

NOTE 1 – DESCRIPTION OF THE AUTHORITY OPERATIONS AND DEFINITION OF THE ENTITY

A. Organization

The Utah Transit Authority (Authority) was incorporated on March 3, 1970 under authority of the Utah Public Transit District Act of 1969 for the purpose of providing a public mass transportation system for Utah communities.

The Authority's service area lies in the region commonly referred to as the Wasatch Front. The service area extends from the Wasatch Mountains on the east to the Great Salt Lake on the west, is approximately 100 miles long and 30 miles wide, and consists of an area of approximately 1,400 square miles that covers all or portions of six (6) principal counties (Box Elder, Davis, Salt Lake, Tooele, Utah and Weber). The service area also includes a small portion of Juab County. The total population within the six principal counties is approximately 2,463,015 which represents approximately 79.4% of the state's total population.

The Authority's operations include commuter rail service from Ogden to Provo, light rail service in Salt Lake County, and bus service, paratransit service for the transit disabled, rideshare and van pool programs system wide.

The Authority is governed by a three-member full-time board of trustees. The Governor appoints nominees from the three appointing districts within the UTA service territory to serve as trustees. The names of the nominees are then forwarded to the Senate for confirmation. Once confirmed, an appointee is sworn in as a trustee.

Utah Transit Authority also has a nine-member local advisory board. The local advisory board representation includes: three members appointed by the Salt Lake County council of governments; one member appointed by the Mayor of Salt Lake City; two members appointed by the Utah County council of governments; one member appointed by the Davis County council of governments; one member appointed by the Weber County council of governments; and one member appointed by the councils of governments of Tooele and Box Elder counties. Terms for local advisory board members are indefinite.

B. Reporting Entity

The Authority has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - An Amendment of GASB Statement No. 14*. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statements No. 14 and No. 39, the Pension Plan may be considered a fiduciary component unit. Due to the changes in governance in 2018, UTA is now considered a component unit of State of Utah.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organizations. Additionally, the Authority has considered the provisions of GASB No. 39 which follows the concept of economic independence. The Authority does not raise or hold economic resources for the direct benefit of a governmental unit and other governmental units do not have the ability to access economic resources held by the Authority. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provision of the Utah State Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Authority reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

B. Standards for Reporting Purposes

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by GASB.

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 the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Federal Planning Assistance and Preventative Maintenance Grants

Federal planning assistance grants received from the Federal Transit Administration (FTA) and preventative maintenance grants are recognized as revenue and receivable during the period in which the related expenses are incurred and eligibility requirements are met. The FAST Act is a fully funded five-year authorization of surface transportation programs. This Act allows for the replacement and repair of aging infrastructure.

D. Federal Grants for Capital Expenditures

The U.S. Department of Transportation, through contracts between the Authority and the FTA, provides federal funds of 35% to 100% of the cost of property, facilities and equipment acquired by the Authority through federal grants. Grant funds for capital expenditures are earned and recorded as capital contribution revenue when the capital expenditures are made and eligibility requirements are met.

E. Classification of Revenues and Expenses

- *Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions such as passenger revenues and advertising revenues.
- *Operating expenses:* Operating expenses include payments to suppliers, employees, and third parties on behalf of employees and all payments that do not result from transactions defined as capital and related financing, non-capital financing, or investing activities.
- *Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34. Examples of non-operating revenues would be the contributions from other governments (sales tax), federal grants and investment income.
- *Non-operating expenses:* Non-operating expenses include payments from transactions defined as capital and related financing, non-capital financing or investing activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Contributions from Other Governments

The counties and municipalities who receive transit services from the Authority have agreed to contribute a portion of sales tax to the Authority in exchange for service. These contributions are received by the Authority approximately 60 days after the collection of the sales tax, and as such are recorded as an accrual to revenue and receivable during that period.

The following percentage of sales have been authorized as Local Option Sales Tax and dedicated to support transit:

Salt Lake County	0.6875%
Davis County	0.6500%
Weber County	0.6500%
Box Elder County	0.5500%
Utah County	0.5260%
Tooele County	0.4000%

G. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and amounts invested in a repurchase agreement, a certificate of deposit and the Utah Public Treasurers' Investments Fund, including restricted cash equivalents. The Authority considers short-term investments with an original maturity of three (3) months or less to be cash equivalents (Note 3).

H. Investments

Cash in excess of operating requirements is invested by the Authority. The Authority's investments comply with the Utah Money Management Act, and are stated at fair value, which is primarily determined based upon quoted market prices at year end (Note 3).

Investment policy: The Authority's investment policy is established and may be amended by the Executive Director within the parameters established by the Board of Trustees and the Utah Money Management Act.

I. Receivables

Receivables consist primarily of amounts due to the Authority from sales tax collections, federal grants, local government partners, pass sales and investment income. Management does not believe any credit risk exists related to these receivables. As such there is no current provision for bad debts.

J. Parts and Supplies Inventories

Parts and supplies inventories are stated at the lower of cost (using the moving average cost method) or market. Inventories generally consist of fuel, lube oil, antifreeze and repair parts held for consumption. Inventories are expensed as used.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Capital Assets

Capital Assets are stated at historical cost. Expenditures which substantially improve or extend the useful life of property are capitalized. Routine maintenance and repair costs are expensed as incurred. Railway infrastructure assets are capitalized when individual costs is at least $50,000. Intangible software assets are capitalized when individual costs is at least $10,000. All other property, facilities and equipment are capitalized if they have individual costs of at least $5,000 and a useful life of over one year.

Depreciation is calculated using the straight-line method over the established useful lives of individual assets as follows:

• Revenue service vehicles	4-30 years
• Leased revenue service vehicles	4-12 years
• Intangibles	4-20 years
• Equipment	4-20 years
• Land improvements	10-25 years
• Leased Land Improvement	50 years
• Buildings and building improvements	20-50 years
• Infrastructure	5-75 years

L. Amount Recoverable – Interlocal Agreement

In 2008, the Authority entered into an agreement with the Utah Department of Transportation (UDOT) which required the Authority to pay UDOT $15 million in 2008 and $15 million in 2009 for the rights to Salt Lake County's 2% of the 0.25% part 17 sales tax through the years 2045.

The Authority records such payments made to other entities for rights to future revenues as Amount Recoverable – Interlocal Agreement. This amount is amortized over the life of the agreement.

M. Compensated Absences

Vacation pay is accrued and charged to compensation expense as earned. Sick pay benefits are accrued as vested by Authority employees.

N. Risk Management

The Authority is exposed to various risks of loss related to torts; theft, damage and destruction of assets; environmental matters; worker's compensation self-insurance; damage to property; and injuries to passengers and other individuals resulting from accidents, errors and omissions.

Under the Governmental Immunity Act, the maximum statutory liability in any one accident is $2,455,900 for incidents occurring after July 1, 2016. The Authority is self-insured for amounts up to this limit. The Authority has Railroad Liability Coverage of $100 million per annum with $5 million of risk retention. The Authority is self- insured for worker's compensation up to the amount of $1 million per incident and has excess insurance for claims over this amount. The Authority has insurance for errors and omissions and damage to property in excess of $100,000 per annum.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Transit Authority Employee Retirement Plan and Trust ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the 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.

P. Net Position

The Authority's net position is classified as follows:

- *Net investment in capital assets:* This component of net position consists of the Authority's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

- *Restricted for debt service:* This component of net position consists of the amount restricted by bond covenants for debt service.

- *Restricted for interlocal agreement:* This component of net position consists of the amounts restricted by interlocal agreements with the municipalities of Willard, Perry and Brigham City in Box Elder County.

- *Restricted for represented employee benefits:* This component of net position consists of the amount restricted by the Utah Transit Authority Bargaining Unit Employees' Insurance Trust Account Agreement for the purpose of providing represented employee benefits.

- *Restricted for escrows:* This component of net position consists of the amount restricted by escrow agreement.

- *Self-insurance deposits:* This component of net position consists of the fund amount set aside for risk.

- *Unrestricted:* This component of net position consists of that portion of net position that does not meet the definition of restricted or net investment in capital assets. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

	2018	2017
NET POSITION		
Net investment in capital assets	$ 827,646,243	$ 894,275,943
Restricted for:		
Debt Service	47,668,250	42,768,329
Interlocal agreements	7,040,441	6,201,628
Represented employee benefits	4,133,950	3,894,919
Escrow Fund	66,174,772	28,754,015
Self-insurance deposits	7,716,809	7,534,841
Unrestricted	18,914,154	10,247,844
TOTAL NET POSITION	$ 979,294,620	$ 993,677,419

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Budgetary and Accounting Controls

The Authority's annual budgets are approved by the Board of Trustees, as provided for by law. Operating and non-operating revenues and expenditures are budgeted on the accrual basis, except for depreciation, bond principal and bond interest. Capital expenditures and grant reimbursements are budgeted on a project basis. Multi-year projects are approved in whole, but are budgeted based on estimated annual expenses.

The Authority adopts its annual budget in December of the preceding year based on recommendations of staff and the local advisory board.

The first step in developing the Authority's budget is a review of the Transit Development Program and Long Range Financial Plan. This plan then acts as a focus for the development of programs and objectives. Concurrent with the development of programs and objectives, revenues for the coming year are estimated. The estimates of the coming year's revenues are then used as a guide for the Authority to determine the amount of change in service to be provided in the following year. Once the level of service for the coming year is determined, each manager develops a departmental budget.

The departmental budgets are then combined to form a preliminary budget request.

The Executive staff reviews the programs, objectives and requests to balance the total budget with the project revenues and service requirements and priorities. Once the preliminary budget is balanced, the Board Finance and Operations Committee reviews the budget request.

Within 30 days after the tentative budget is approved by the Board, and at least 30 days before the Board adopts its final budget, the Board sends a copy of the tentative budget, a signature sheet and notice of the time and place for a budget hearing to the chief administrative officers and legislative bodies of each municipality and unincorporated county area within the district of the Authority.

Within 30 days after it is approved by the Board and at least 30 days before the Board adopts its final budget, the Board sends a copy of the tentative budget to the Governor and the Legislature for examination and comment.

Before the first day of each fiscal year, the Board adopts the final budget by an affirmative vote of a majority of all the trustees. Copies of the final budget are filed in the office of the Authority. If for any reason the Board has not adopted the final budget on or before the first day of any fiscal year, the tentative budget for such year, if approved by formal action of the Board, is deemed to be in effect for such fiscal year until the final budget for such fiscal year is adopted.

The Board may, by an affirmative vote of a majority of all trustees, adopt an amended final budget when reasonable and necessary, subject to any contractual conditions or a requirement existing at the time the need for such amendment arises.

Individual department budgets are monitored for authorized expenditures on a department total rather than on a department line-item basis.

The Board must approve all increases or decreases to the net operating expense line, total capital budget line and total operating revenue line of the Authority's operating and capital budgets.

The Authority's budgetary process follows Title 17B, Chapter 1, Section 702 of the Utah Code Annotated, as amended. The annual budget is submitted to the State Auditors' Office within 30 days of adoption.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Recent Accounting Pronouncements

GASB Statement 75
Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions
Took Effect: June 30, 2018

GASB Statement 81
Irrevocable Split-Interest Agreements
Took Effect: December 31, 2017

GASB Statement 82
Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No. 73
Took Effect: June 15, 2017

GASB Statement 83
Certain Asset Retirement Obligations
Takes Effect: June 30, 2019

GASB Statement 84
Fiduciary Activities
Takes Effect: December 31, 2019

GASB Statement 85
Omnibus 2017
Took Effect: June 30, 2018

GASB Statement 86
Certain Debt Extinguishment Issues
Took Effect: June 30, 2018

GASB Statement 87
Leases
Takes Effect: December 31, 2020

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are defined as funds restricted by legal requirement(s) outside of the Authority. The Authority is required to maintain certain accounts in connection with the issuance of bonds which are restricted per the bond covenants. In addition, the Authority is acting as the trustee of funds for a represented employee benefits trust.

B. Designated Cash and Cash Equivalents

Designated cash and cash equivalents are considered designated through action by the Authority's Board of Trustees and have no outside legal restrictions. Designations include funds to stabilize operations and debt service in the case of changing economic environments. The following amounts were considered designated by the Board of Trustees as of December 31 of the respective years:

	2018	2017
Early Debt Retirement	$ 47,384,438	$ 17,699,386
Fuel Reserve	1,915,000	1,915,000
Operating Reserve	28,507,000	25,976,619
Parts Reserve	3,000,000	3,000,000
Stabilization Reserve	15,272,000	13,916,046
Total designated cash and cash equivalents	**$ 96,078,438**	**$ 62,507,051**

- *Designated for early debt retirement reserves* - This component of net position consists of savings experienced in the amount of actual variable interest expense from budgeted variable interest expense for the same time period, one-time contributions as determined by the Executive Director, and any unused monies from debt service reserve funds established for specific bonds when no longer encumbered for the initially reserved debt. Permitted use of these reserves is defined in the *Executive Limitations Policy No. 2.4.6 Debt Service Reserve and Rate Stabilization Fund Created.*

- *Designated for fuel reserves* - This component of net position consists of the amount designated by the Board of Trustees to mitigate the financial impact of unexpected and rapidly rising fuel prices. *(Executive Limitations Policy No. 2.3.3 Budgeting)*

- *Designated for operating reserves* - This component of net position consists of 9.33% (one month expense, plus 1%) of the annual budgeted operating expense, and is required by the Board of Trustees. *(Executive Limitations Policy No. 2.3.3 Budgeting)* As of December 31, 2017, the designation for operating reserves had to be decreased to $25,976,619 due to total amount of unrestricted cash available to designate. The low level of unrestricted cash was only temporary and the Authority was able to return to full designation of operating reserves in February 2018, after receiving some of the amounts owed to the Authority from other sources.

- *Designated for parts reserves* - This component of net position consists of the amount designated by the Board of Trustees to be accumulate funds in anticipation of a State of Good Repairs requirement. *(Executive Limitations Policy No. 2.3.3 Budgeting)*

- *Designated for stabilization reserves* - This component of net position consists of 5% of the Authority's annual budget for the purpose of preserving service levels when the Authority is facing a revenue shortfall or cost overrun due to extraordinary circumstances, such as an economic downturn or rapid rise in fuel prices or any combination of such events.
(Executive Limitations Policy No. 2.1.8 Service Stabilization Reserve Fund)

C. Deposits and Investments

Deposits and investments for the Authority are governed by the Utah Money Management Act *(Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council (the Council). Following are discussions of the Authority's exposure to various risks related to its cash management activities.

- *Custodial Credit Risk* - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's policy for managing custodial credit risk is to adhere to the Act. The Act requires all deposits of the Authority to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council.

  At December 31, 2018 and 2017, the balances in the Authority's bank demand deposit accounts and certificate of deposit accounts according to the bank statements totaled $17,599,147 and $30,739,375, respectively, of which $257,989 and $274,040 were covered by Federal depository insurance.

- *Credit Risk* - Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Authority's policy for limiting the credit risk of investments is to comply with the Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's investor Service or Standard & Poor's; bankers acceptances; obligations of the U.S. treasury and U.S. government sponsored enterprise; bonds and notes of political subdivision of the state of Utah; fixed rate corporate obligations and variable rated securities rated "A" or higher by two nationally recognized statistical rating services as defined in the Act.

  The Authority is authorized to invest in the Utah Public Treasurers' Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to the participants on an amortized cost basis. The income, gains and losses, net of administration fees of the PTIF are allocated based upon the participants' average daily balances.

  The following are the Authority's investment as of December 31, 2018:

		Investment Maturity (in years)		
		Less than 1	1-5	TOTAL
U.S. Agencies	AA-A+/A/A-BBB+/BBB	-	$ 48,304,144	$ 48,304,144
Corporate Bonds	A+/A1/A+	$ 13,600,749	2,425,518	16,026,268
MM - Cash		2,436,098	-	2,438,098
PTIF		78,979,313	-	78,979,313
Total Investments		$ 95,016,161	$ $50,729,662	$ 145,745,823

- *Interest Rate Risk* - Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Authority manages its exposure by strictly complying with its Investment Policy which complies with the Act. The Authority's policy relating to specific investment-related risk is to adhere to the Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the fund to be invested. The maximum adjusted weighted average maturity of the portfolio does not exceed 90 days.

- *Fair Value of Investments* – The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets of liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset'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 Authority invests with Zions Capital Advisors and the Utah Public Treasurers Investment Fund. Both of these organizations meet the requirements of the Utah Money Management Act. The following are the Authority's investment as of December 31, 2018 by organization and by fair value measurement:

		Fair Value Measurements		
	12/31/2018	Level 1	Level 2	Level 3
Zions Capital Advisors				
Agency	$ 48,304,144	$ 48,304,144	-	-
Corporate	16,026,268	-	$ 16,026,268	-
Currency	1,099,517	1,099,517	-	-
Total Zions Capital Advisor investments	65,429,928	49,403,661	16,026,268	-
Zions Trustee Investments				
Money market	1,336,581	1,336,581	-	-
Total Zions Trustee investments	1,336,581	1,336,581	-	-
Public Treasurers Investment Fund	78,979,313	-	78,979,315	-
Total investments by fair value level	$ 145,745,823	$ 50,740,242	$ 95,005,581	-

NOTE 4 – CAPITAL ASSETS

Construction in progress for 2018 consists of following large projects:

- $27.8 million for Positive Train Control to be completed September 30, 2019
- $18.0 million for the Depot District expected to be completed August 31, 2021
- $5.4 million for the Sugar House Double Track project completed February 2, 2019
- $4.3 million for the Airport TRAX Station with an expected completion of April 2, 2021
- $3.9 million for the I-15 Road Widening at 7200 S by UDOT expected to be completed by September 27, 2019.

A biennial inventory of capital assets is planned to be completed the latter half of 2019.

	Balance 12/31/2017	Increases	Transfers	Decreases	Balance 12/31/2018
Capital assets not being depreciated					
Land	$ 425,736,158	$ 19,259,000	$ -	$ (4,078,032)	$ 440,917,126
Construction in Progress	205,102,231	86,039,389	-	(181,168,717)	109,972,903
Total capital assets not being depreciated	630,838,389	105,298,389	-	(185,246,749)	550,890,029
Capital assets being depreciated					
Infrastructure	2,528,679,092	-	(13,252,685)	-	2,515,426,407
Buildings and Building Improvements	132,444,199	25,091,055	145,611,098	(673,138)	302,473,214
Revenue Vehicles	757,025,778	35,408,999	(23,891,478)	(14,893,000)	753,650,299
Leased Revenue Vehicles	-	42,343,725	18,047,840	(25,860)	60,365,705
Equipment	326,289,349	3,146,819	(180,348,041)	(4,270,515)	144,817,612
Land improvements	12,300,402	54,250	66,785,845	-	79,140,497
Leased Land Improvements	-	75,804,461	-	-	75,804,461
Intangibles	22,537,996	-	(12,952,579)	-	9,585,417
Total capital assets being depreciated	3,779,276,816	181,849,309	-	(19,862,513)	3,941,263,612
Less: Accumulated depreciation					
Infrastructure	(651,651,962)	(38,120,418)	(24,996,060)	-	(714,768,440)
Buildings and Building Improvements	(64,302,569)	8,055,469	(61,335,558)	655,299	(116,927,359)
Revenue Vehicles	(361,922,236)	(33,229,497)	9,795,521	14,769,202	(370,587,010)
Leased Revenue Vehicles	-	(5,871,145)	(4,928,991)	18,761	(10,781,375)
Equipment	(231,855,525)	(9,361,139)	98,668,483	4,270,515	(138,277,666)
Land Improvements	(9,123,916)	(1,909,583)	(30,189,913)	-	(41,223,412)
Leased Land Improvements	-	(128,764)	-	-	(128,764)
Intangibles	(22,549,122)	-	12,986,518	-	(9,562,604)
Total accumulated depreciation	(1,341,405,330)	(80,565,077)	-	19,713,777	(1,402,256,630)
Capital assets being depreciated, net	2,437,871,486	101,284,233	-	(148,737)	2,539,006,982
Total capital assets, net	$ 3,068,709,875	$ 206,582,622	$ -	$ (185,395,486)	$ 3,089,897,011

	Balance 12/31/2016	Increases	Transfers	Decreases	Balance 12/31/2017
Capital assets not being depreciated					
Land	$ 434,255,469	$ 781,831	$ -	$ (9,301,142)	$ 425,736,158
Construction in Progress	98,584,168	135,081,926	-	(28,563,863)	205,102,231
Total capital assets not being depreciated	532,839,637	135,863,757	-	(37,865,005)	630,838,389
Capital assets being depreciated					
Infrastructure	2,660,455,034	11,379,323	(129,429,792)	(13,725,473)	2,528,679,092
Buildings and Building Improvements	-	-	132,444,199	-	132,444,199
Revenue Vehicles	768,632,495	7,007,046	-	(18,613,763)	757,025,778
Leased Revenue Vehicles	-	-	-	-	-
Equipment	420,530,145	3,448,002	(25,670,921)	(72,017,877)	326,289,349
Land improvements	10,172,645	3,450,300	118,518	(1,441,061)	12,300,402
Leased Land Improvements	-	-	-	-	-
Intangibles	-	-	22,537,996	-	22,537,996
Total capital assets being depreciated	3,859,790,319	25,284,671	-	(105,798,174)	3,779,276,816
Less: Accumulated depreciation					
Infrastructure	(641,678,702)	(79,781,488)	60,999,641	8,808,587	(651,651,962)
Buildings and Building Improvements	-	-	(64,302,569)	-	(64,302,569)
Revenue Vehicles	(341,524,835)	(38,974,295)	101,368	18,475,526	(361,922,236)
Leased Revenue Vehicles	-	-	-	-	-
Equipment	(294,986,102)	(29,981,835)	25,769,407	67,343,005	(231,855,525)
Land Improvements	(9,842,982)	(703,269)	(18,725)	1,441,060	(9,123,916)
Leased Land Improvements	-	-	-	-	-
Intangibles	-	-	(22,549,122)	-	(22,549,122)
Total accumulated depreciation	(1,288,032,621)	(149,440,887)	-	96,068,178	(1,341,405,330)
Capital assets being depreciated, net	2,571,757,698	(124,156,216)	-	(9,729,996)	2,437,871,486
Total capital assets, net	$ 3,104,597,335	$ 11,707,541	$ -	$ (47,595,001)	$ 3,068,709,875

During 2018, UTA has evaluated its capital assets and the associated accumulated depreciation of those assets and saw the need to better define assets, their useful lives, and their categories. This evaluation has led to change in useful lives of all categories of assets to be consistent for all assets in those respective categories. These new useful lives reflect the changing understanding of how long a transit asset is lasting after a decade of running service in the northern Utah environment. These changes in accounting estimates are reflected in the current year depreciation expense decrease from $149.4 million in 2017 to $80.6 million in 2018. Due to the revaluation of UTA's capital assets, a decrease in depreciation expense for 2018 of $57,255,598 has been reflected in the financials. The difference in accumulated depreciation by type of capital asset is illustrated below.

Categories in which Useful Lives were Lengthened	Accounting Effect
Infrastructure	$ (39,148,990.68)
Buildings and Building Improvements	(10,642,078.09)
Revenue and Leased Revenue Vehicles	(5,747,813.46)
Land Improvements and Leased Land Improvements	(1,716,715.95)
Net Effect of Change in Accounting Estimate	$ (57,255,598.18)

Depreciation expense by mode that mirrors the Comparative Statement of Revenues, Expenses, and Changes in Net Position.

Depreciation Expense		2018		2017
Bus Service	$	17,144,994	$	20,842,359
Rail Service		56,825,449		119,310,559
Paratransit Service		4,290,318		5,678,317
Vanpool Service		2,304,317		3,609,652
Total Depreciation Expense	$	80,565,077	$	149,440,888

NOTE 5 – FEDERAL FINANCIAL ASSISTANCE

The Authority receives a portion of its funding from the through the U.S. Department of Transportation's Federal Transit Administration (FTA) in the form of federal preventative maintenance, federal operating assistance, and federal capital assistance grants. The majority of these grants require the Authority to participate in the funding of the service and/or capital project. The FTA retains ownership in assets purchased with federal funds.

	2018	2017
Operating assistance		
Federal preventive maintenance grants	$ 59,382,716	$ 61,690,413
Federal operating assistance grants	2,376,707	623,581
	61,820,668	62,313,994
Capital projects		
Federal capital projects	31,585,004	55,040,181
Prior Year Federal capital projects	4,041	(1,080,157)
	31,589,045	53,960,024
Total federal assistance	$ 93,409,713	$ 116,274,018

	2018	2017
Prior Year Federal Receivables	$ (44,106,915)	$ (13,611,438)
Received Operating Assistance	67,144,610	43,612,393
Received Federal Capital Projects	46,225,485	42,166,148
Year End Federal Receivables	24,146,542	44,106,915
Total Federal Assistance	$ 93,409,713	$ 116,274,018

NOTE 6 – SELF-INSURANCE CLAIMS LIABILITY

Changes in the accrued claims liability in 2018 and 2017 were as follows:

	Beginning liability	Changes in estimates	Claim payments	Ending liability
2018	$ 1,495,597	$ 3,117,762	$ (3,457,572)	$ 1,155,787
2017	$ 5,095,814	$ 1,082,185	$ (4,682,402)	$ 1,495,597

NOTE 7 – PENSION PLANS

A) General Information

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees on a voluntary basis and permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As part of its fiduciary role, the Authority has an obligation of due care in selecting the third party administrators. In the opinion of management, the Authority has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan. The deferred compensation assets are held by third party plan administrators and are generally invested in money market funds, stock or bond mutual funds or guarantee funds as selected by the employee.

Defined Benefit Plan

The Authority offers its employees a single employer non-contributory defined benefit pension plan, The Utah Transit Authority Retirement Plan and Trust, which includes all employees of the Authority who are eligible and who have completed six months of service. The Plan is a qualified government plan and is not subject to all of the provisions of ERISA.

As a defined benefit pension plan, the Authority contributes such amounts as are necessary, on an actuarially-sound basis, to provide assets sufficient to meet the benefits to be paid. Required employee contributions were discontinued effective June 1, 1992. Participants may make voluntary contributions as described below. Interest on existing account balances is credited at 5% per year.

Although the Authority has not expressed any intention to do so, the Authority has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. In the event the Plan terminates, the trustee will liquidate all assets of the Plan and will determine the value of the trust fund as of the next business day following the date of such termination. The trustee will allocate assets of the Plan among the participants and beneficiaries as required by law.

As of February 2016, U.S. Bank began serving as the administrator and custodian of the Plan, with Cambridge Associates, LLC (CA) serving as a third-party investment manager. Prior to February 2016, Fidelity Investments served as the administrator and custodian of the Plan, with Soltis Investment Advisors serving as a third-party investment manager.

B) Reporting Entity

The Plan is administered by the Pension Committee that consists of nine (9) members, seven (7) appointed by the Authority and two (2) appointed by the Amalgamated Transit Union Local 382 in accordance with a collective bargaining agreement. The members of the Pension Committee may (but need not) be participants in the Plan. In the absence of a Pension Committee, the Plan Administrator assumes the powers, duties and responsibilities of the Pension Committee with respect to the administration of the Plan.

NOTE 7 – PENSION PLANS (CONTINUED)

Membership

The Plan's membership consisted of:

	January 1, 2018	January 1, 2017
Active participants:		
Fully vested	1,377	1,359
Partially vested	-	-
Not vested	788	725
Inactive participants not receiving benefits	343	316
Participants due refunds	12	12
Retirees and beneficiaries receiving benefits	629	561
Total	3,149	2,973

C) Benefit Terms

Retirement Benefits

Employees with five or more years of service are entitled to annual pension benefits beginning at normal retirement age 65, or any age with 37.5 years of service in the Plan.

For participants who began participating in the Administrative Plan prior to January 1, 1994, the annual benefit is based on a retirement benefit formula equal to:

- 2.3% of average compensation multiplied by the participant's years of service (not exceeding 20 years), plus
- 1.5% of the average compensation multiplied by the participant's years of service in excess of 20 years (but such excess not to exceed 9 years of service), plus
- 0.5% for one year plus 2.0% for years in excess of 30 years not to exceed 75% of average compensation.

For all other active participants, the annual benefit is based on a retirement benefit formula equal to:

- 2.0% of average compensation multiplied by the participant's years of service (not to exceed 37.5 years or 75% of average compensation)

Upon termination of employment, members may leave their retirement account intact for future benefits based on vesting qualification or withdraw the accumulated funds in their individual member account and forfeit service credits and rights to future benefits upon which the contributions were based.

If employees terminate employment before rendering five years of service, they forfeit the right to receive their non-vested accrued plan benefits.

Early Retirement Benefits

The Plan allows for early retirement benefits if the participant has not reached the age of 65 but is at least age 55 with a vested benefit. Benefits under early retirement are equal to the value of the accrued pension, if the participant had retired at the age of 65, reduced 5% per year if the payments begin before age 65.

NOTE 7 – PENSION PLANS (CONTINUED)

Disability Benefits

The Plan allows for disability benefits. A member who becomes permanently disabled after 5 years of service will immediately receive the greater of the actuarially-reduced monthly accrued benefit or $90 per month, reduced by any Authority sponsored disability plans. Payment of the disability benefit ends at age 65.

Death Benefits

If a participant's death occurs before age 55, but after 5 years of service, the present value of the participant's accrued vested benefit is payable to the participant's beneficiary in the form of a single lump sum regardless of the amount.

If a participant's death occurs after age 55 and 5 years of service, the participant's beneficiary can elect to receive a benefit equal to the greater of:

1) A survivor's pension as if the participant had retired on the date before the death with a 100% joint and survivor annuity in effect, or
2) The present value of the survivor's pension, or
3) If a spouse of 2 or more years or a minor child, the participant's contribution with interest, plus 50% of the average compensation, payable in the form of a lump sum, or
4) A 10-year term certain.

A participant may elect a joint and survivor annuity with 100%, 75% or 50% to be continued to the beneficiary upon the death of the participant.

Lump Sum Distributions

Payment in a lump sum, regardless of amount, may be made with the participant's written consent. Effective September 1, 2012, a participant who has not previously received benefits may elect a partial lump sum payment with the remaining part to be paid in the same manner as the traditional annuity.

During 2018 and 2017, 37 and 39 participants in each respective year elected to receive their benefit in the form of lump sum distribution. Lump sum distributions collectively totaled $4,650,189 and $3,283,751 for 2018 and 2017, respectively. Individuals are removed from the Plan's membership if they choose to take all of their benefit as a lump sum distribution.

D) Contributions

Employer Contribution Requirements

Contributions are received from the Authority in amounts determined by the Pension Committee and approved by the Board of Trustees based on the current collective bargaining agreement and the minimum and maximum funding levels recommended by the Plan's actuary.

NOTE 7 – PENSION PLANS (CONTINUED)

Participant Voluntary Contributions

A participant who is vested in the Plan may make voluntary contributions into the Plan, and transfer funds from the Employee 457 Deferred Compensation Plan, for the purpose of purchasing "permissive service credit" (as defined in Internal Revenue Code Section 415(N)(3)(A)), in the Plan. No more than 5 years of "permissive service credit" may be purchased. Any purchase of "permissive service credit" must be made in the final year of employment with the Authority.

E) Change in Plan Custodian

As of February 2016, U.S. Bank began serving as the administrator and custodian of the Plan, with Cambridge Associates, LLC (CA) serving as a third-party investment manager.

F) Method of Accounting

The Plan prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, under which benefits and expenses are recognized when due and payable and revenues are recorded in the accounting period in which they are earned and become measureable in accordance with the terms of the Plan. Accordingly, the valuation of investments is shown at fair value and both realized and unrealized gains (losses) are included in net appreciation and depreciation in fair value of investments.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, which was adopted during the year ended December 31, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment disclosures. The implementation of GASB No. 67 did not significantly impact the accounting for accounts receivable and investment balances. The total pension liability, determined in accordance with GASB No. 67, is presented in Note 6 and in the Required Supplementary Information.

NOTE 7 – PENSION PLANS (CONTINUED)

G) Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net pension liability - At December 31, 2018, the Authority reported a net pension liability of $131,548,114. The net pension liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2018 and rolled-forward using generally accepted actuarial procedures.

Date	Total Pension Liability	Plan Fiduciary Net Position	Employers Net Pension Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	Projected Covered Employee Payroll	Net position Liability as a percentage of Covered Employee Payroll
12/31/2018	$326,086,663	$194,538,549	$131,548,114	59.66%	$132,521,079	99.27%
12/31/2017	305,381,116	204,504,562	100,876,554	66.97%	126,690,540	79.62%
12/31/2016	278,960,378	166,035,257	112,925,121	59.50%	115,430,618	97.80%
12/31/2015	269,069,798	151,631,937	117,437,871	56.40%	110,727,134	106.10%
12/31/2014	247,692,651	146,854,399	100,838,252	59.30%	106,004,057	95.10%
1/1/2014	232,691,093	135,666,362	97,024,731	58.30%	102,099,985	95.00%

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

Deferred outflows of resources and deferred inflows of resources - At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ (1,226,044)	$ 7,632,639
Change of Assumptions	(2,157,655)	6,405,862
Net difference between projected and actual earnings	-	17,892,156
Contributions made subsequent	-	-
Total	$ (3,383,699)	$ 31,930,657

Pension expense - For the year ended December 31, 2018, the Authority recognized pension expense of $25,103,504. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ending December 31,	Amount
2019	$8,144,192
2020	5,681,109
2021	4,313,036
2022	7,991,195
2023	1,906,202
Thereafter	511,224
Total	$28,164,198

NOTE 7 – PENSION PLANS (CONTINUED)

Actuarial assumptions - The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increases	5.40% per annum for the first five (5) years of employment; 3.40% per annum thereafter
Investment rate of return	7.0%, net of investment expenses
Mortality	RP-2014 Blue Collar Mortality Table, with MP-2014 Project Scale (Pre-retirement; Employee Table; Post-retirement Annuitant Table)
Bond Buyer General Obligation 20-Bond Municipal Bond Index	3.44%

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2008.

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed contribution rates as recommended by the Authority's Pension Committee and approved by the Board of Trustees. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive participants. 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 following sensitivity analysis assumes rate volatility of plus and minus one percent of the discount rate of 7.0%.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total pension liability	$ 367,575.226	$ 326,086,663	$ 291,631,806
Fiduciary net position	194,538,549	194,538,549	194,538,549
Net pension liability	173,036,677	131,548,114	97,093,257

NOTE 7 – PENSION PLANS (CONTINUED)

Schedule of changes in total pension liability, plan fiduciary net position, and net pension liability: The following table shows the change to the total pension liability, the plan fiduciary net position, and the net pension liability during the year.

	Increase (Decrease		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liability [a]-[b]
Balances as of December 31, 2017	$ 305,381,116	$ 204,504,562	$ 100,876,554
Charges for the year			
Service cost	9,550,863	-	9,550,863
Interest on total pension liability	21,512,781	-	21,512,781
Differences between expected and actual experience	4,893,150	-	-
Changes of assumptions	-	-	-
Employer contributions		22,355,434	(22,355,434)
Member voluntary contributions	223,572	223,572	-
Net investment income	-	(16,629,921)	16,629,921
Benefit payments	(15,474,819)	(15,474,819)	-
Administrative expenses	-	(440,279)	440,279
Balance as of December 31, 2018	$ 326,086,663	$ 194,538,549	$ 131,548,114

H) Investments

All Plan investments are stated at fair value. Most types of marketable or actively traded investments are priced by nationally known vendors. In the event that an investment is not priced by the primary vendor, the Custodian (US Bank) engages a secondary vendor or other source. See Note 4- Investments, Fair Value Measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

NOTE 7 – PENSION PLANS (CONTINUED)

Investment Policy

The Pension Committee has adopted an Investment Policy Statement (IPS). The IPS is reviewed by the Pension Committee once a year, and was amended effective February 2016 to revise the asset classes. A normal weighting is now indicated for each asset class. The IPS was also amended to provide a list of prohibited investments.

I) Investments (continued)

In setting the long-term asset policy for the Plan, the Committee has opted to provide a minimum and maximum allowable allocation to the major asset classes. The aggregate exposure to each of the asset classes is to remain within the following ranges:

	Policy Allocation	
	Target Allocation	Range
Global Equity	63%	51% - 75%
Liquid Diversifiers	10%	0% - 15%
Real Assets	4%	0% - 8%
Alternatives	22%	12% - 32%
Cash & Equivalents	1%	0% - 5%

Rate of Return

The long-term rate of return is selected by the Plan's Pension Committee after a review of the expected inflation and long term real returns, reflecting expected volatility and correlation. The assumption currently selected is 7.00% per annum, net of investment expenses.

J) Payment of Benefits

Benefit payments to participants are recorded upon distribution.

K) Administrative Expenses

Expenses for the administration of the Plan are budgeted and approved by the Pension Committee. Administrative expenses are paid from investment earnings. Plan expenses are paid from Plan assets. For the years ended December 31, 2018 and 2017, the Plan paid $440,279 and $324,912 respectively, of administrative expenses. In April 2018 all administration of the plan was outsourced to Milliman and Advanced CFO. The board voted and approved this action at their January 2018 board meeting.

L) 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 the reported amounts of assets, liabilities and changes therein and the disclosure of contingent assets and liabilities as of the date of the financial statements. Accordingly, actual results could differ from those estimates.

NOTE 7 – PENSION PLANS (CONTINUED)

M) Risks and Uncertainties

The Plan utilizes various investments which, in general are exposed to various risks such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

N) Tax Status

The Plan operates under an exemption from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code as a defined benefit plan.

O) Mutual Fund Asset Coverage

The Securities and Exchange Commission requires mutual fund companies to obtain fidelity bond coverage for the assets under their control. The bond coverage varies in amounts depending on the mutual fund.

P) Reclassifications

Certain amounts in the prior period presentation have been reclassified or added to conform to the current period financial statement presentation. These changes have no effect on previously reported amounts on the Comparative Statement of Changes in Fiduciary Net Position.

Q) Subsequent Events

The Plan has performed an evaluation of subsequent events through March 26, 2018, which is the date the basic financial statements were available to be issued. The IPS was amended effective February 2016 to identify Cambridge Associates, LLC (CA) as the investment manager, clarify the roles and responsibilities of the investment manager, and revise the long-term asset allocation policy for the Plan.

Starting in April 2018 all administration of the plan will be outsourced to Milliman and Advanced CFO. The board voted and approved this action at their January board meeting.

R) Cash Deposits

Custodial credit risk for cash deposits is the risk in the event of a bank failure, the Plan's cash deposits may not be returned. The Federal Deposit Insurance Corporation (FDIC) insures up to $250,000 per depositor per institution. Cash deposits and account balances in excess of $250,000 are uninsured and uncollateralized. The Plan has no formal policy for cash deposit custodial credit risk. Cash deposits are presented in the financial statements at cost plus accrued interest, which is market or fair value.

Cash equivalents include amounts invested in the Utah Public Treasurer's Investment Fund. The Plan considers short-term investments with an original maturity of 3 months or less to be cash equivalents.

	2018	2017
Cash held in banking institution(s)	$ 604,152	$ 1,586,481
Cash held in Utah Public Treasurer's Investment Fund	-	5,607,680
Total Cash	$ 604,152	$ 7,194,161

NOTE 7 – PENSION PLANS (CONTINUED)

S) Custodial Credit Risk

Custodial credit risk for investments is in the risk that the counterparty to an investment will not fulfill its obligations. The Plan has no formal policy for custodial credit risk.

The Plan's rated investments are show below.

Fixed Income:			
2018	$	44,511,657	AA/Aa Rated
2017	$	41,223,319	AA/Aa Rated

T) Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Plan has no formal policy for investment interest rate risk. The table below shows the maturities of the Plan's investments.

Equity funds:		
2018	$121,933,057	No maturity dates
2017	$126,057,180	No maturity dates
Fixed Inc funds:		
2018	$ 44,511,657	Average effective duration: 5.3 years Average effective maturity: 7.5 years
2017	$ 41,223,319	Average effective duration: 5.3 years Average effective maturity: 7.5 years
Other funds:		
2018	$ 26,081,608	Average effective duration/maturity: n/a
2017	$ 29,225,640	Average effective duration/maturity: n/a

U) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plan has no formal policy for concentration of credit risk. The following amounts represent 5% or more of the Plan's net position as of December 31, 2018 and/or 2017 invested with any one organization. (Investments with Fidelity representing less than 5% of the Plan's net position are not required to be disclosed, but are included in the detail of total Fidelity Investments in Note 4).

	2018	**2017**
Equity funds:		
Two Sigma Active US All Cap & Investments	$ 16,287,880	$ 631,784
Fixed funds:		
IR+M Core Bond Fund II	$ 18,593,036	$ 17,854,889
SSGA 3-10 US Treasury Index NL	-	-

NOTE 7 – PENSION PLANS (CONTINUED)

V) Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets of liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset'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.

NOTE 7 – PENSION PLANS (CONTINUED)

	2018	2017
Investments:		
Global Equity Funds:		
1607 Capital International Equity Fund	$ 7,068,884	$ 8,305,215
Arrowstreet International Equity	8,886,414	9,504,008
Artisan Global Value Institutional	6,504,923	7,932,866
Artisan Global Opportunities Trust	6,349,204	5,903,689
Causeway Emerging Markets Equity	6,547,729	6,402,017
Edgewood Growth Fund Institutional	7,054,931	5,764,661
Gqg Partners Intl Eqty	7,384,000	-
Independent Franchise Partners US Equity	7,196,531	7,743,633
Iridian Private Business Value Mid Cap	5,555,749	6,317,097
Iva International Fund I	2,921,780	-
John Hancock Disciplined Value I	6,086,912	6,732,130
Kiltearn Global Equity Fund	5,744,563	-
Mahout Global Emerging Markets	2,134,715	6,732,130
Mathews ASIA Small Companies	-	2,437,578
Oakmark International I	6,720,896	7,707,213
Overlook Partners Fund	2,477,772	-
RWC Horizon Equity Offshore Ltd.	4,695,445	2,871,724
RWC Horizon Equity Fund 97MSCLV	558,532	5,311,261
Two Sigma Active US All Cap & Investments	16,267,880	631,784
Vanguard FTSE Developed Markets EFT	1,871,213	13,389,450
Vanguard S&P 500 EFT	2,853,321	3,221,307
Wasatch Emerging Markets Small Cap	-	2,511,034
William Blair Small Cap Fund Class I	-	7,485,887
Total Global Equity Funds	$ 114,881,394	$ 120,358,635

NOTE 7 – PENSION PLANS (CONTINUED)

	2018	2017
Polen Capital:		
Adobe Systems Inc.	$ 392,300	$ 461,056
Automatic Data Process.	405,948	334,343
Align Technology Inc.	142,412	233,744
Accenture Plc	308,530	308,783
Booking Holdings	155,017	-
Celgene Corp.	-	227,609
Dollar General	322,835	184,811
Facebook Inc.	414,224	433,915
Alphabet Inc.	597,961	556,639
Gartner Inc.	245,964	205,784
Mastercard Inc.	187,895	138,948
Microsoft Corp.	609,318	256,107
Nestle Sa	229,845	325,197
Nike Inc.	355,650	307,225
Nvidia Corp	147,918	-
Oracle	251,079	266,518
O Reilly	413,885	-
The Priceline Group	-	245,021
Regeneron	230,076	213,545
Starbucks Corp.	347,374	273,309
Visa Inc.	478,810	382,081
Zoetis Inc.	336,172	119,010
Total Polen Capital	6,573,216	5,698,545
Total Equity	$ 121,454,607	$ 126,057,180

NOTE 7 – PENSION PLANS (CONTINUED)

	2018	2017
Fixed Income Funds:		
1607 Capital Tax Fixed Income Fund	$ 3,130,603	$ 3,263,465
Double Line Core Plus 4L3	7,138,145	5,108,695
IR+M Core Bond Fund II	18,593,036	17,854,889
PIMCO Income Fund Institutional	6,327,452	5,291,044
State Street Global Adv. 3-10 US Treasury	9,322,421	9,705,226
Total Fixed Income Funds	44,511,657	41,223,319
Liquid Diversifier Funds:		
AQR Style Premia 97MSCMCV9	3,489,659	3,886,150
AQR Style Premia 97MSCNHU4	-	271,103
AQR Style Premia Fund S 4	-	-
AQR Style Premia Fund Ltd	-	-
CCP Core Macro Fund LP	-	4,376,922
Fort Global Offshore Fund	4,890,738	5,111,965
ISAM SYSTEMATIC 97MSCNDS3	212,508	225,238
ISAM Systematic Trend	1,824,493	2,191,348
Renaissance Institutional Equity	6,008,085	3,698,940
Total Liquid Diversifier Funds	16,425,483	19,791,665
Real Asset Funds:		
AEW Global Properties	1,587,870	1,660,234
T. Rowe Price Global Natural Resources	3,546,308	4,226,988
Vanguard Short Term Inflation Protected Sec	2,543,785	1,530,046
Total Real Assets	7,677,963	7,417,269
Cash & Equivalents:		
US Bank Cash (First American US Money Mkt	1,978,162	2,016,706
Total Cash and Equivalents	1,978,162	2,016,706
Total investments	**$ 192,047,872**	**$ 196,506,139**

W) 2018 and 2017 Valuation Methodology

Level 1 – These investments are measured at fair value based on quoted prices in active markets.
Level 2 – These investments are measured at fair value based on inputs other than quoted prices included within Level 1. Observable inputs include quoted prices for similar assets in active or non-active markets. While the underlying asset values are quoted prices for the mutual funds, the net asset value (NAV) of the mutual funds is not publicly quoted in an active market.
Level 3 – These Investments are valued at fair value based on information obtained from the investment issuer.

NOTE 7 – PENSION PLANS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2018 and December 31, 2017.

Investment Assets at Fair Value as of December 31, 2018

	Fair Value	Level 1	Level 2	Level 3
Global Equities (NAV Level 2)	$ 118,858,701	$ 11,629,353	$ 40,111,922	$ 67,117,426
Fixed Income (NAV level 2)	44,511,657	-	6,327,452	38,184,205
Liquid diversifiers	19,347,261	-	2,921,780	16,425,481
Real assets (NAV level 2)	7,677,963	-	6,090,093	1,587,870
Money market	1,652,310	1,652,310	-	-
Total investments at fair value	$ 192,047,892	$ 13,281,663	$ 55,451,247	$ 123,314,982

Investment Assets at Fair Value as of December 31, 2017

	Fair Value	Level 1	Level 2	Level 3
Global Equities (NAV Level 2)	$ 126,057,180	$ 11,430,886	$ 49,768,407	$ 64,857,888
Fixed Income (NAV level 2)	41,223,319	-	5,291,044	35,932,275
Liquid diversifiers	19,791,665	-	-	19,791,665
Real assets (NAV level 2)	7,417,269	-	5,757,035	1,660,234
Money market	2,016,706	2,016,706	-	-
Total investments at fair value	$ 196,506,139	$ 11,430,886	$ 62,833,191	$ 122,242,062

X) Net Asset Value Per Share

The mutual funds in the global equities, fixed income and real assets classes Level 2 are stated at net asset value or its equivalent, which is the practical expedient for estimating the fair value of those investments. The following tables provide additional disclosures concerning the investments measured at fair value based on NAV as of December 31, 2018 and 2017.

2018

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Global Equities (NAV Level 2)	$ 40,111,922	$ -	Daily	Daily
Fixed Income (NAV level 2)	6,327,452	-	Daily	Daily
Liquid diversifier(NAV level 2)	2,921,780	-	Daily	Daily
Real assets (NAV level 2)	6,090,093	-	Daily	Daily
Total	$ 55,451,247	$ -		

NOTE 7 – PENSION PLANS (CONTINUED)

	2017			
	Fair Value	**Unfunded Commitment**	**Redemption Frequency**	**Redemption Notice Period**
Global Equities (NAV Level 2)	$ 49,768,407	$ -	Daily	Daily
Fixed Income (NAV level 2)	5,291,044	-	Daily	Daily
Real assets (NAV level 2)	5,757,035	-	Daily	Daily
Total	$ 60,816,485	$ -		

Global Equity – intended to provide capital appreciation, current income, and growth of income mostly through the ownership of public equities representing an ownership interest in a company. The objective for investment managers in this category is to exceed the results represented by the annualized return of the MSCI All Country World Index, net over annualized rolling three to five-year time periods.

Fixed Income – intended to provide diversification and protection against downward moves in the equity market and serves as a deflation hedge and a predictable source of income. Weighted average duration of the allocation will be within 1 year of the Barclays Capital Aggregate Bond Index, as measured on a quarterly basis.

Real Assets – intended to provide real return through investments which has inflation sensitive characteristics. Investments could include REITs, natural resource equities, MLPs, inflation linked bonds and commodities.

Y) Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the middle of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow each month. The money-weighted rate of return is calculated net of investment expenses.

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2018	-7.77%
2017	18.01%

.

NOTE 7 – PENSION PLANS (CONTINUED)

Z) Net Pension Liability

The net pension liability is the Plan's total pension liability determined in accordance with GASB No. 67, less the Plan's fiduciary net position. The Plan's net pension liability was $131,548,114 and $100,876,554 as of December 31, 2018 and December 31, 2017, respectively. A portion of this change is attributed to the Plan's change of methods and assumptions.

The Plan's net pension liability is mainly attributed to significant plan changes made during 1999 and 2011, which resulted in benefit increases. Fiduciary net position as a percent of total pension liability decreased to 59.81% at December 31, 2018 from 66.97% at December 31, 2017.

AA) Actuarial Methods and Assumptions

Actuarial valuation of the Plan involves estimates of the reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed for the five consecutive calendar years ending December 31, 2008. The total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The significant actuarial assumptions and methods used in the January 1, 2018 valuation are as follows:

- Actuarial Cost Method – Entry Age Normal
- Inflation – 2.30%
- Employer Annual Payroll Growth Including Inflation – 3.40%
- Salary Increases – 5.4% for the first five years of employment; 3.4% per annum thereafter
- Mortality – RP 2014 Blue Collar Mortality Table, with MP-2014 projection scale
- Investment Rate of Return – 7.0%, net of investment expenses
- Retirement Age – Table of rates by age and eligibility
- Cost of Living Adjustments – None
- Percent of Future Retirements Electing Lump Sum – 20%

BB) Target Allocations

The long-term rate of return is selected by the Plan's Pension Committee after a review of expected inflation and long-term real returns, reflecting expected volatility and correlation. Best estimates of the compound nominal rates of return for each major asset class included in the Plan's target asset allocations as of December 31, 2017, is summarized in the table below.

Asset Class	Target Asset Allocation	Long Term Expected Return
Global Equities	63%	6.9%
Fixed Income	22%	4.4%
Liquid Diversifiers	10%	5.8%
Real Assets	4%	7.8%
Cash & Equivalents	1%	3.3%
Total	100%	6.5%

The 7.00% assumed investment rate of return is comprised of an inflation rate of 2.3% and a real return of 4.70% net of investment expense.

NOTE 7 – PENSION PLANS (CONTINUED)

CC) Discount Rate and Rate Sensitivity Analysis

The discount rate used to measure the total pension liability was 7.00%. The discount rate incorporates a municipal bond rate of 3.44% based on the Bond Buyer General, Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on the actuarially determined rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all the projected future benefit payments of current Plan members. 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.

In accordance with GASB 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate.

	1.00% Decrease 6.00%	Current Rate 7.00%	1.00% Increase 8.00%
Total pension liability	$ 367,575,226	$ 326,086,663	$ 291,631,806
Fiduciary net position	194,538,549	194,538,549	194,538,549
Net pension liability	173,036,677	131,548,114	97,093,257

DD) Employer Contribution Requirements

The Authority's contribution rate consists of (1) an amount for normal cost, the estimated amount necessary to finance benefits earned by participants during the current year, and (2) an amount for amortization of the unfunded or excess funded actuarial accrued liability over the service life of the vested participants in preparation for the Authority's adoption of GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The rates are determined using the entry age actuarial cost method.

The Authority's Board of Trustees adopted a contribution rate policy of 16% for 2017 and 16% for 2018 and subsequent years.

Employer contributions in 2018 and 2017 totaled $22,355,434 and $20,506,163 respectively, which represented 110.4% and 101.2% of the annual actuarial recommended contributions, respectively.

EE) Party-in-Interest Transactions

Cambridge Associates is the Plan's investment manager and they charge fees for the services they provide, the transactions qualify as party-in-interest transactions. Fees paid by the Plan for the investment management services for the years ended December 31, 2018 and 2017 were $364,729 and $592,585, respectively.

NOTE 8 – LONG TERM DEBT

The following provides detailed information about each of the Authority's debt issuances along with a summary of the long-term debt activity for the year.

A. Series 2005A Revenue Bond

Purpose: Advanced refunding of the 1997 Series Revenue Bonds
Interest rate: 3.25-5.25%
Original amount: $20,630,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ 1,635,000	$ 329,044	$ 1,964,044
2020	1,720,000	240,975	1,960,975
2021	1,815,000	148,181	1,963,181
2022	1,915,000	50,269	1,965,269
	$ 7,085,000	$ 768,469	$ 7,853,469

Defeasence of Debt - On August 10, 2005, the Authority defeased certain 1997 Series revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. The 1997 Series revenue bonds relating to this issuance were defeased on December 15, 2007.

B. Series 2006C Revenue Bond

Purpose: Advanced refunding of the 2002A Series revenue bonds
Interest rates: 5.00-5.25%
Original amount: $134,650,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ 5,350,000	$ 5,516,963	$ 10,866,963
2020	5,635,000	5,228,606	10,863,606
2021	5,950,000	4,924,500	10,874,500
2022	6,265,000	4,603,856	10,868,856
2023	6,605,000	4,266,019	10,871,019
2024-2028	38,750,000	15,588,563	54,346,094
2029-2032	39,205,000	4,250,006	54,318,494
	$ 107,760,000	$ 44,378,513	$ 152,138,513

NOTE 8 – LONG TERM DEBT (continued)

B. Series 2006C Revenue Bond (continued)

Defeasence of Debt - On October 24, 2006, the Authority defeased certain 2002A Series revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. The 2002A Series revenue bonds relating to this issuance were defeased on December 15, 2012.

C. Series 2007A Capital Appreciation/Capitalized Interest Bond(s)

Purpose: Partial advanced refunding of the 2005B revenue bonds; construction and acquisition of improvements to the transit system.

Interest rates
- Capital Appreciation Bonds: 4.55-5.05%
- Capital Interest Bonds: 5.00%

Original amount
- Capital Appreciation Bonds: $132,329,109
- Capital Interest Bonds: $128,795,000

Debt service requirements to maturity, including interest:

Series 2007A Subordinate Lien Capital Appreciation Bond

On March 15, 2018 the remaining debt service for this bond was defeased through the issuance of the Series 2018 Sales Tax Revenue Subordinate Refunding Bond.

Series 2007A Subordinate Lien Capital Interest Bond

Year ending December 31	Principal	Interest	Total
2019	$ 2,710,000	$ 6,005,000	$ 8,715,000
2020	2,850,000	5,866,000	8,716,000
2021	-	5,794,750	5,794,750
2022	-	5,794,750	5,794,750
2023	5,300,000	5,662,250	10,962,250
2024-2028	24,870,000	24,982,250	49,852,250
2029-2033	42,500,000	17,038,250	59,538,250
2034-2035	43,225,000	2,188,375	68,120,750
	$ 121,455,000	$ 73,331,625	$ 194,786,625

Defeasence of Debt - On June 19, 2007, the Authority defeased certain 2005B Series revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. The 2005B Series revenue bonds relating to this issuance were defeased on December 15, 2015.

NOTE 8 – LONG TERM DEBT (continued)

D. Series 2008A Revenue Bond

Purpose:	Cost of acquisition and construction of certain improvements to the Authority's transit system.
Interest rates:	4.75-5.25%
Original amount:	$700,000,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ 5,885,000	$ 2,696,006	$ 8,581,006
2020	-	2,541,525	2,541,525
2021	-	2,541,525	2,541,525
2022	23,570,000	1,922,813	25,492,813
2023	24,840,000	652,050	25,492,050
	$ 54,295,000	$ 10,353,919	$ 64,648,919

E. Series 2009B Federally Taxable-Issuer Subsidy "Build America Bonds"

The Authority has elected to treat the 2009B bonds as "Build America Bonds" for the purposes of the American Recovery and Investment Act of 2009 (the Recovery Act) and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, the Authority anticipated cash subsidy payments from the United States Treasury equal to 35% ($5,085,101) of the interest payable on the 2009B bonds.

Purpose:	Cost of acquisition and construction of certain improvements to the Authority's transit system.
Interest rates:	5.937%
Original amount:	$261,450,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total	Scheduled Federal Subsidy Payment
2019	$ -	$ 15,522,286	$ 15,522,286	$ 5,432,800
2020	-	15,522,286	15,522,286	5,432,800
2021	-	15,522,286	15,522,286	5,432,800
2022	-	15,522,286	15,522,286	5,432,800
2023	-	15,522,286	15,522,286	5,432,800
2024-2028	-	77,611,433	77,611,433	27,164,001
2029-2033	55,890,000	72,171,656	128,061,656	25,260,080
2034-2038	140,560,000	41,157,362	181,717,362	14,405,077
2039	65,000,000	1,929,525	66,929,525	675,334
	$ 261,450,000	$ 270,481,406	$ 531,931,406	$ 94,668,492

NOTE 8 – LONG TERM DEBT (continued)

F. Series 2010A Federally Taxable-Issuer Subsidy "Build America Bonds"

The Authority has elected to treat the 2010A bonds as "Build America Bonds" for the purposes of the American Recovery and Investment Act of 2009 (the Recovery Act) and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, the Authority anticipated cash subsidy payments from the United States Treasury equal to 35% ($3,709,776) of the interest payable on the 2010A bonds.

Purpose:	Cost of acquisition and construction of certain improvements to the Authority's transit system.
Interest rates:	5.705%
Original amount:	$200,000,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total	Scheduled Federal Subsidy Payment
2019	$ -	$ 11,410,000	$ 11,410,000	$ 3,993,500
2020	-	11,410,000	11,410,000	3,993,500
2021	-	11,410,000	11,410,000	3,993,500
2022	-	11,410,000	11,410,000	3,993,500
2023		11,410,000	11,410,000	3,993,500
2024-2028	-	57,050,000	57,050,000	19,967,500
2029-2033	-	57,050,000	57,050,000	19,967,500
2034-2038	29,700,000	55,862,219	85,562,219	19,551,776
2039-2040	170,300,000	11,762,569	182,062,569	4,116,900
	$ 200,000,000	$ 238,774,788	$ 438,774,788	$ 83,571,176

NOTE 8 – LONG TERM DEBT (continued)

G. Series 2012A Revenue Bond

Purpose:	Refunding of $32,020,000 of the 2006AB variable rate bonds; refunding of $100,000,000 of the 2011AB variable rate bonds; and the cost of acquisition and construction of certain improvements to the Authority's transit system.
Interest rates:	4.00-5.00%
Original amount:	$295,520,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ -	$ 7,844,000	$ 7,844,000
2020	-	7,844,000	7,844,000
2021	-	7,844,000	7,844,000
2022	-	7,844,000	7,844,000
2023		7,844,000	7,844,000
2024-2028	-	39,220,000	40,631,200
2029-2033	1,440,000	39,191,200	39,220,000
2034-2038	50,485,000	36,126,700	86,611,700
2039-2042	119,675,000	16,289,000	135,964,000
	$ 171,600,000	$ 170,046,900	$ 341,646,900

Defeasence of Debt - On November 28, 2012, the Authority defeased all of the 2011AB variable rate revenue bonds, and certain 2006AB Series variable rate revenue bonds. The 2006AB and 2011AB Series revenue bonds relating to this issuance were defeased on November 28, 2012.

On December 28, 2017 a portion of the original debt service for this bond was defeased through the issuance of the $120,575,000 Series 2017 Sales Tax Revenue Refunding Bond.

H. Series 2015A Revenue Bonds

On February 25, 2015, the Authority issued $668,655,000 in senior sales tax revenue bonds and $192,005,000 in subordinate sales tax revenue bonds to provide resources to purchase qualifying open market securities that were placed in an irrevocable trust for the purpose of generating resources for the advanced refunding of certain 2008A revenue bonds, certain 2009A revenue bonds, certain 2007A capital appreciation revenue bonds, and certain 2012A revenue bonds. These resources are intended to provide all future debt payments of $904,901,591 of senior and subordinate sales tax revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Authority's financial statements. These advanced refundings were undertaken to reduce total debt service payments over the next 23 years by $85,099,817, and resulted in an economic gain of $77,660,118. As of December 31, 2017, $4,245,000 of the 2012A Revenue Bond was defeased from the escrow fund.

NOTE 8 – LONG TERM DEBT (continued)

H. Series 2015A Revenue Bonds (continued)

Series 2015A Senior Lien Revenue Bond

Purpose:	Advanced refunding of $645,705,000 of the 2008A revenue bonds and $44,550,000 of the 2009A revenue bonds; debt service reserve
Interest rates:	4.00-5.00%
Original amount:	$668,655,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ -	$ 31,072,663	$ 31,072,663
2020	12,425,000	30,769,238	43,194,238
2021	18,235,000	30,029,138	48,264,138
2022	-	29,592,463	29,592,463
2023	8,030,000	29,416,463	37,446,463
2024-2028	191,195,000	123,545,706	314,740,706
2029-2033	201,265,000	74,354,025	275,619,025
2034-2038	237,505,000	28,615,400	266,120,400
	$ 668,655,000	$ 377,395,096	$ 1,046,050,096

Series 2015A Subordinate Lien Revenue Bond

Purpose:	Advanced refunding of $129,997,040 of the 2007A capital appreciation revenue bonds and associated accreted interest of $80,404,551, and $4,245,000 of the 2012A revenue bonds; debt service reserve
Interest rates:	3.00-5.00%
Original amount:	$192,005,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ -	$ 9,543,250	$ 9,543,250
2020	2,850,000	9,500,500	12,350,500
2021	5,840,000	9,311,750	15,151,750
2022	8,875,000	8,943,875	17,818,875
2023	6,750,000	8,553,250	15,303,250
2024-2024	45,750,000	36,139,500	81,983,500
2029-2033	51,825,000	24,273,875	76,098,875
2034-2037	70,115,000	7,625,625	77,740,625
	$ 192,005,000	$ 113,891,625	$ 305,896,625

NOTE 8 – LONG TERM DEBT (continued)

I. Series 2016 Revenue Bonds

On August 24, 2016, the Authority issued $145,691,497 in subordinate sales tax revenue bonds with a reoffering premium of $12,932,675 to provide resources to purchase qualifying open market securities that were placed in an irrevocable trust for the purpose of generating resources for the advanced refunding of the 2013 revenue bonds and 2014AB revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Authority's financial statements. These advanced refundings were undertaken to remove the Authority's short-term debt which reduced total debt service payments by $156,360,000 over the next three (3) years. This issuance resulted in an economic loss of $8,045,006. As of June 15, 2018, $62,000,000 of the 2014A Revenue Bond was defeased from the escrow fund.

Series 2016 Subordinate Lien Revenue Bond

Purpose: Refunding of $13,990,000 of the 2013 short-term bonds, and refunding of $142,370,000 of the 2014AB short-term bonds.
Interest rates: 3.00-4.00%
Original amount: $145,691,498

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ -	$ 4,602,300	$ 4,602,300
2020	-	4,602,300	4,602,300
2021	-	4,602,300	4,602,300
2022	-	4,602,300	4,602,300
2023		4,602,300	4,602,300
2024-2028	36,890,000	22,466,250	59,356,250
2029-2031	89,890,000	7,181,000	97,071,000
	$ 126,780,000	$ 52,658,750	$ 179,438,750

Series 2016 Subordinate Lien Capital Appreciation Revenue Bond

Purpose: Refunding of $13,990,000 of the 2013 short-term bonds, and refunding of $142,370,000 of the 2014AB short-term bonds.
Interest rates: 3.32004%
Original amount: $18,911,498

Debt service requirements to maturity, including interest:

Year Ending December 31	Principal	Interest	Total
2032	$ 18,911,498	$ 13,443,503	$ 32,355,001
	$ 18,911,498	$ 13,443,503	$ 32,355,001

NOTE 8 – LONG TERM DEBT (continued)

J. Series 2016 Utah County Subordinated Transportation Sales Tax Revenue Bond

On December 22, 2016, Utah County issued a $65 million subordinated transportation sales tax revenue bond to be used for the construction of the Provo-Orem BRT. The Authority and Utah County have entered into an inter-local agreement that requires the Authority to reimburse Utah County for all bond costs (principal, interest, and cost of issuance) prior to December 31, 2028.

The amount owed to Utah County increased by $960,616 in FY 2018 based on an agreement which states that Utah County will loan UTA an amount of $2,500,000 per year for operations and maintenance costs until December 31, 2028 or until the Authority assumes responsibility for such funding. The project opened on August 6, 2018, so the amount was prorated for the year.

Year ending December 31	Principal	Interest	Total
2028	$ 65,960,616	$ 22,718,868	$ 87,718,868
	$ 65,960,616	$ 22,718,868	$ 87,718,868

K. Series 2017 Sales Tax Revenue Refunding Bonds (Sub)

Purpose: Advanced refunding $119,675,000 of the 2012 bonds. The cash flow savings as a result of the refunding is $80,531,986
Interest rates: 2.41%
Original amount: $120,575,000
Economic Gain as a result of refunding: $26,665,362.89

On March 15, 2018 the original debt service for this bond was defeased through the issuance of the $120,575,000 Series 2018 Sales Tax Revenue Subordinate Refunding Bond.

L. Series 2018 Revenue Bonds

On March 15, 2018, the Authority issued $83,765,000 in senior sales tax revenue bonds and $115,540,000 in subordinate sales tax revenue bonds to provide resources to purchase qualifying open market securities that were placed in an irrevocable trust for the purpose of generating resources for the advanced refunding of certain 2017 revenue bonds, certain 2007A revenue bonds, and to finance certain capital projects. These resources are intended to provide all future debt payments for the 2017 and 2007A Bonds in the amount of $125,172,394 of sales tax revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Authority's financial statements. The advanced refundings were undertaken to reduce total debt service payments over the next 14 years by $122,907,069, and resulted in an economic gain of $5,587,749.09.

The financing for certain construction projects consisted of $88,500,000 and include funds for the Salt Lake City Airport Light Rail Station relocation of $24,905,000.

NOTE 8 – LONG TERM DEBT (continued)

L. Series 2018 Revenue Bonds (continued)

Series 2018 Senior Lien Revenue Bond

Purpose:	Finance Capital Projects - $58,860,000 for other projects and $24,905,000 for the Salt Lake City Airport Light Rail Station relocation.
Interest rates:	3.25-5.00%
Original amount:	$83,765,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ 1,500,000	$ 3,612,400	$ 5,112,400
2020	-	3,537,400	3,537,400
2021	-	3,537,400	3,537,400
2022	-	3,537,400	3,537,400
2023	-	3,537,400	3,537,400
2024-2028	-	17,687,000	17,687,000
2029-2033	19,420,000	17,687,000	37,107,000
2034-2036	62,845,000	5,430,650	68,275,650
	$ 83,765,000	$ 58,566,650	$ 142,331,650

Series 2018 Subordinate Lien Revenue Bond

Purpose:	Advanced refunding of $112,125,000 of the 2017 revenue bonds and associated accreted interest of $3,975,864, and $3,415,000 of the 2007A revenue bonds; debt service reserve
Interest rates:	3.125-5.00%
Original amount:	$115,540,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ 420,000	$ 5,133,894	$ 5,553,894
2020	440,000	5,112,894	5,552,894
2021	3,235,000	5,090,894	8,325,894
2022	3,395,000	4,929,144	8,324,144
2023	3,565,000	4,759,394	8,324,394
2024-2028	20,245,000	20,956,219	41,201,219
2029-2033	13,775,000	16,917,631	30,692,631
2034-2038	2,155,000	14,548,950	16,703,950
2039-2041	66,665,000	7,451,530	74,116,530
	$ 113,895,000	$ 84,900,550	$ 198,795,550

NOTE 8 – LONG TERM DEBT (continued)

M. 2015 Issuance 12-Year Lease Financing

Purpose: Acquisition of 10 CNG buses and equipment
Interest rates: 2.0908%
Original amount: $5,283,500

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ 420,447	$ 77,768	$ 498,215
2020	429,322	68,893	498,215
2021	438,385	59,830	498,215
2022	447,640	50,575	498,215
2023	457,089	41,126	498,215
2024-2027	1,718,648	66,679	1,785,327
	$ 3,911,531	$ 364,871	$ 4,276,402

N. 2015 Issuance 5-Year Lease Financing

Purpose: Acquisition of 20 flex/paratransit vehicles
Interest rates: 1.3186%
Original amount: $3,583,370

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ 720,885	$ 10,762	$ 731,647
2020	424,988	1,870	426,858
	$ 1,145,873	$ 12,632	$ 1,158,505

O. 2015 Issuance 4-Year Lease Financing

Purpose: Acquisition of 50 RideShare vans
Interest rates: 1.1778%
Original amount: $1,582,018

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2019	$ 243,467	$ 910	$ 44,377
	$ 243,467	$ 910	$ 244,377

NOTE 8 – LONG TERM DEBT (continued)

P. 2016 Issuance 12-Year Lease Financing

Purpose: Acquisition of 5 buses and equipment for use in the canyons for ski service
Interest rates: 1.6322%
Original amount: $2,480,000

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2019	$	195,686	$	32,021	$	227,707
2020		198,904		28,803		227,707
2021		202,175		25,532		227,707
2022		205,500		22,207		227,707
2023		208,879		18,828		227,707
2024-2028		1,040,061		41,546		1,081,607
	$	2,051,205	$	168,937	$	2,220,142

Q. 2016 Issuance 5-Year Lease Financing

Purpose: Acquisition of 33 flex/paratransit vehicles
Interest rates: 1.3008%
Original amount: $4,546,000

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2019	$	912,006	$	27,575	$	939,581
2020		923,940		15,640		939,580
2021		700,361		3,804		704,165
	$	2,536,307	$	47,019	$	2,583,326

R. 2016 Issuance 4-Year Lease Financing

Purpose: Acquisition of 56 RideShare vans
Interest rates: 1.2298%
Original amount: $1,647,000

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2019	$	415,524	$	6,648	$	422,172
2020		315,543		1,616		317,159
	$	731,067	$	8,264	$	739,331

8 – LONG TERM DEBT (continued)

S. 2017 Issuance 12-Year Lease Financing

Purpose: Acquisition of 47 buses and equipment
Interest rates: 2.2440%
Original amount: $24,390,000

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2019	$	1,835,389	$	484,922	$	2,320,311
2020		1,877,001		443,310		2,320,311
2021		1,919,557		400,754		2,320,311
2022		1,963,077		357,234		2,320,311
2023		2,007,585		312,726		2,320,311
2024-2028		10,741,663		859,891		11,601,554
2029		2,103,279		23,672		2,126,951
	$	22,447,551	$	2,882,509	$	25,330,060

T. 2017 Issuance 5-Year Lease Financing

Purpose: Acquisition of 13 flex/paratransit vehicles
Interest rates: 1.8200%
Original amount: $1,444,000

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2019	$	283,932	$	18,427	$	302,359
2020		289,143		13,216		302,359
2021		294,449		7,910		302,359
2022		274,656		2,506		277,162
	$	1,142,180	$	42,059	$	1,184,239

U. 2017 Issuance 4-Year Lease Financing

Purpose: Acquisition of 36 RideShare vans
Interest rates: 1.7700%
Original amount: $1,307,000 (**A vehicle was totaled and paid off in 2018, therefore principal was reduced by $28,893**)

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2019	$	314,520	$	14,017	$	328,538
2020		320,176		8,362		328,538
2021		297,713		2,648		300,361
	$	932,409	$	25,027	$	957,431

NOTE 8 – LONG TERM DEBT (continued)

V. 2018 Issuance 12-Year Lease Financing

Purpose:	Acquisition of 24 buses and 2 Trolley style buses
Interest rates:	3.295%
Original amount:	$12,496,000

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2019	$	865,736	$	396,411	$	1,262,147
2020		894,697		367,450		1,262,147
2021		924,626		337,521		1,262,147
2022		955,557		306,590		1,262,147
2023		987,522		274,625		1,262,147
2024-2028		5,455,798		854,938		6,310,736
2029-2030		2,341,197		77,918		2,419,115
	$	12,425,133	$	2,615,453	$	15,040,586

W. 2018 Issuance 5-Year Lease Financing

Purpose:	Acquisition of 36 flex/paratransit vehicles
Interest rates:	3.057%
Original amount:	$381,000

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2019	$	71,802	$	10,467	$	82,269
2020		74,028		8,241		82,269
2021		76,323		5,946		82,269
2022		78,689		3,580		82,269
2023		74,273		1,140		75,413
	$	375,115	$	29,374	$	404,489

X. 2018 Issuance 4-Year Lease Financing

Purpose:	Acquisition of 60 RideShare vans
Interest rates:	3.022%
Original amount:	$1,500,000

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2019	$	359,099	$	39,494	$	398,593
2020		370,103		28,490		398,593
2021		381,444		17,149		398,593
2022		359,916		5,461		365,377
	$	1,470,562	$	90,594	$	1,561,156

NOTE 8 – LONG TERM DEBT (continued)

Y. Capital Leased Assets

The following represents the assets acquired through the 2015, 2016, 2017 and 2018 series capital leases and the corresponding accumulated depreciation.

	2015 Series Leases	2016 Series Leases	2017 Series Leases	2018 Series Leases
Revenue vehicles				
12-year lease	$ 4,859,620	$ 2,480,000	$ 23,680,879	$ 9,245,110
5-year lease	3,626,139	3,719,002	-	-
4-year lease	1,587,375	1,647,000	1,267,806	275,397
Subtotal	10,073,134	7,846,002	24,948,685	9,520,507
Accumulated depreciation	(5,094,073)	(3,599,034)	(2,657,979)	(139,879)
Total capital assets (net)	$ 4,979,061	$ 4,246,968	$ 22,290,706	$ 9,380,628

NOTE 8 – LONG TERM DEBT (continued)

Long Term Debt Summary Table FY 2018

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Amount due within one year
Bonds					
Series 2005A Revenue Bond	$ 8,635,000	$ -	$ (1,550,000)	$ 7,085,000	$ 1,635,000
Series 2006C Revenue Bond	112,845,000	-	(5,085,000)	107,760,000	5,350,000
Series 2007A Capital Appreciation	2,332,069	-	(2,332,069)	-	-
Series 2007A Current Interest Bond	124,020,000	-	(2,565,000)	121,455,000	2,710,000
Series 2008A Revenue Bond	54,295,000	-	-	54,295,000	5,885,000
Series 2009B Build America Bond	261,450,000	-	-	261,450,000	-
Series 2010A Build America Bond	200,000,000	-	-	200,000,000	-
Series 2012A Revenue Bond	171,600,000	-	-	171,600,000	-
Series 2015A Revenue Bond (Sr)	668,655,000	-	-	668,655,000	-
Series 2015A Revenue Bond (Sub)	192,005,000	-	-	192,005,000	-
Series 2016 Revenue Bond	126,780,000	-	-	126,780,000	-
Series 2016 Capital Appreciation	18,911,498	-	-	18,911,498	-
Series 2016 UTCT	65,000,000	960,616	-	65,960,616	-
Series 2017 Revenue Bond (Sub)	120,575,000	-	(120,575,000)	-	-
Series 2018 Revenue Bond (Sr)	-	83,765,000	-	83,765,000	1,500,000
Series 2018 Revenue Bond (Sub)	-	115,540,000	(1,645,000)	113,895,000	420,000
2015 12-Year Lease	4,323,227	-	(411,696)	3,911,531	420,447
2015 5-Year Lease	1,857,256	-	(711,383)	1,145,873	720,885
2015 4-Year Lease	636,293	-	(392,826)	243,467	231,295
2016 12-Year Lease	2,243,724	-	(192,520)	2,051,204	195,686
2016 5-Year Lease	3,437,053	-	(900,746)	2,536,307	912,006
2016 4-Year Lease	1,140,985	-	(409,918)	731,067	415,524
2017 12-Year Lease	24,390,000	-	(1,942,449)	22,447,551	1,835,389
2017 5-Year Lease	1,444,000	-	(301,821)	1,142,179	283,931
2017 4-Year Lease	1,307,000	-	(374,592)	932,408	314,520
2018 12-Year Lease	-	12,496,000	(70,867)	12,425,133	865,736
2018 5-Year Lease	-	381,000	(5,885)	375,115	71,802
2018 4-Year Lease	-	1,500,000	(29,439)	1,470,561	359,099
	2,167,883,105	214,642,616	(139,496,211)	2,243,029,510	24,126,320
Unamortized Premiums					
Series 2005A Revenue Bond	176,244	-	(63,865)	112,379	
Series 2006C Revenue Bond	6,866,239	-	(822,061)	6,044,178	
Series 2007A Current Interest Bond	6,224,106	-	(483,106)	5,741,000	
Series 2008A Revenue Bond	1,450,701	-	(332,679)	1,118,022	
Series 2012A Revenue Bond	14,013,078	-	(562,398)	13,450,680	
Series 2015A Revenue Bond (Sr)	95,034,418	-	(9,085,303)	85,949,114	
Series 2015A Revenue Bond (Sub)	28,420,439	-	(2,738,465)	25,681,975	
Series 2016 Revenue Bond	11,704,515	-	(935,741)	10,768,774	
Series 2018 Revenue Bond (Sr)	-	7,562,137	(319,290)	7,242,847	
Series 2018 Revenue Bond (Sub)		10,277,332	(275,359)	10,001,973	
	163,889,740	17,839,469	(15,618,267)	166,110,942	
Total Long Term Debt	$ 2,331,772,845	$ 232,482,085	$(155,114,478)	$ 2,409,140,452	$ 24,126,320

NOTE 8 – LONG TERM DEBT (continued)

Long Term Debt Summary Table FY 2017

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Amount due within one year
Bonds					
Series 2005A Revenue Bond	$ 10,105,000	$ -	$ (1,470,000)	$ 8,635,000	$ 1,550,000
Series 2006C Revenue Bond	117,670,000	-	(4,825,000)	112,845,000	5,085,000
Series 2007A Capital Appreciation	2,332,069	-	-	2,332,069	-
Series 2007A Current Interest Bond	126,475,000	-	(2,455,000)	124,020,000	2,565,000
Series 2008A Revenue Bond	54,295,000	-	-	54,295,000	-
Series 2009B Build America Bond	261,450,000	-	-	261,450,000	-
Series 2010A Build America Bond	200,000,000	-	-	200,000,000	-
Series 2012A Revenue Bond	282,755,000	-	(111,155,000)	171,600,000	-
Series 2015A Revenue Bond (Sr)	668,655,000	-	-	668,655,000	-
Series 2015A Revenue Bond (Sub)	192,005,000	-	-	192,005,000	-
Series 2016 Revenue Bond	126,780,000	-	-	126,780,000	-
Series 2016 Capital Appreciation	18,911,498	-	-	18,911,498	-
Series 2016 UTCT	14,499,803	50,500,197	-	65,000,000	-
Series 2017 Revenue Bond (Sub)	-	120,575,000	-	120,575,000	-
2015 12-Year Lease	4,726,469	-	(403,242)	4,323,227	411,755
2015 5-Year Lease	2,559,388	-	(702,133)	1,857,256	711,447
2015 4-Year Lease	1,030,227	-	(393,934)	636,293	399,765
2016 12-Year Lease	2,433,129	-	(189,405)	2,243,724	192,520
2016 5-Year Lease	4,325,650	-	(888,597)	3,437,053	900,225
2016 4-Year Lease	1,546,418	-	(405,433)	1,140,985	410,448
2017 12-Year Lease	-	24,390,000	-	24,390,000	1,942,449
2017 5-Year Lease	-	1,444,000	-	1,444,000	301,820
2017 4-Year Lease	-	1,307,000	-	1,307,000	344,899
	2,092,554,651	198,216,197	(122,887,744)	2,167,883,105	14,815,328
Unamortized Premiums					
Series 2005A Revenue Bond	254,368	-	(78,125)	176,244	
Series 2006C Revenue Bond	7,742,907	-	(876,667)	6,866,239	
Series 2007A Current Interest Bond	6,726,090	-	(501,982)	6,224,106	
Series 2008A Revenue Bond	1,783,381	-	(332,679)	1,450,701	
Series 2012A Revenue Bond	24,557,337	-	(10,544,259)	14,013,078	
Series 2015A Revenue Bond (Sr)	104,119,722	-	(9,085,303)	95,034,418	
Series 2015A Revenue Bond (Sub)	31,158,903	-	(2,738,465)	28,420,439	
Series 2016 Revenue Bond	12,640,256	-	(935,741)	11,704,515	
	188,982,964	-	(25,093,221)	163,889,740	
Total Long Term Debt	$ 2,281,537,615	$ 198,216,197	$(147,980,965)	$ 2,331,772,845	$ 14,815,328

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Authority is a defendant in various matters of litigation and has other claims pending as a result of activities in the ordinary courses of business. Management and legal counsel believe that by reason of meritorious defense, by insurance coverage or statutory limitations, these contingencies will not result in a significant liability to the Authority in excess of the amounts provided as accrued self-insurance liability in the accompanying financial statements.

As of December 31, 2018, the Authority also has purchasing commitments for several capital projects. The largest of these commitments are as follows:

- $66.3 million Depot District
- $ 8.7 million Bus Replacements
- $ 5.9 million Sandy Civic Center Parking Structure
- $ 5.2 million Electric Bus Implementation
- $ 3.8 million TRAX Airport Relocation Design
- $ 2.0 million Positive Train Control

NOTE 10 –SUBSEQUENT EVENTS

The Authority has no subsequent events to report and has performed an evaluation of subsequent events through June 4, 2019 which is the date the basic financial statements were available to be issued.

Required Supplementary Information

For Fiscal Years Ended
December 31, 2018 and 2017

UTA
UTAH TRANSIT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – 10 YEARS

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	$ 9,550,863	$ 8,368,262	$ 7,711,706	$ 7,545,807	$ 7,284,379
Interest on total pension liability	21,512,781	20,368,031	19,604,345	18,717,411	17,623,248
Voluntary member contributions	223,572	697,576	437,923	916,567	275,663
Gains or losses	4,893,150	4,915,564	(927,077)	(1,973,177)	-
Assumption changes or inputs	-	5,079,447	(3,955,702)	7,725,363	-
Benefits paid	(15,474,819)	(13,008,142)	(12,980,615)	(11,554,824)	(10,181,732)
Net change in total pension liability	20,705,547	26,420,738	9,890,580	21,377,147	15,001,558
Total pension liability - beginning	305,381,116	278,960,378	269,069,798	247,692,651	232,691,093
Total pension liability - ending (a)	326,086,663	305,381,116	278,960,378	269,069,798	247,692,651
Plan Fiduciary Net Position					
Contributions - employer	$ 22,355,434	$ 20,506,163	$ 19,603,952	$ 16,745,254	$ 15,366,694
Contributions - members	223,572	697,576	437,923	916,567	275,663
Net investment income	(16,629,921)	30,598,620	7,591,211	(1,085,458)	5,946,916
Benefits paid	(15,474,819)	(13,008,142)	(12,980,615)	(11,554,824)	(10,181,732)
Administrative expense	(440,279)	(324,912)	(249,141)	(244,011)	(219,504)
Net change in plan fiduciary net position	(9,966,013)	38,469,305	14,403,330	4,777,528	11,188,037
Plan fiduciary net position - beginning	204,504,562	166,035,257	151,631,927	146,854,399	135,666,362
Plan fiduciary net position - ending (b)	194,538,549	204,504,562	166,035,257	151,631,927	146,854,399
Net pension liability / (asset) - ending (a-b)	$ 131,548,114	$100,876,554	$112,925,121	$ 117,437,871	$ 100,838,252
Plan fiduciary net position as a percentage of the total pension liability	59.66%	66.97%	59.50%	56.40%	59.29%
Projected covered employee payroll	$ 132,521,079	$126,690,540	$115,430,618	$ 110,727,134	$ 106,004,057
Net pension liability as a percentage of covered employee payroll	99.27%	79.62%	97.83%	106.06%	95.13%

This schedule is intended to present 10 years of information. Subsequent years will be added as the information becomes available.

STATEMENT OF REQUIRED EMPLOYER CONTRIBUTION – 10 YEARS

Year	Actuarial Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Projected Covered Employee Payroll	Contribution as Percentage of Covered Payroll
2018	$21,203,373	$22,355,434	$(754,498)	$132,521,079	16.87%
2017	20,270,486	20,506,163	(235,677)	$126,690,540	16.19%
2016	17,147,568	19,603,952	(2,456,384)	115,430,618	16.98%
2015	16,609,070	16,745,254	(136,184)	110,727,134	15.12%
2014	14,757,446	15,366,694	(609,248)	106,004,057	14.50%
2013	14,352,279	13,338,052	1,014,227	102,099,985	13.06%
2012	12,206,257	11,645,982	560,275	96,750,285	12.04%
2011	10,114,755	10,114,755	-	91,265,129	11.08%
2010	10,047,874	10,047,874	-	93,259,215	10.77%
2009	10,658,339	10,658,339	-	88,834,546	12.00%

MONEY-WEIGHTED RATE OF RETURN – 10 YEARS

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the middle of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow each month. The money-weighted rate of return is calculated net of investment expenses.

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2018	-7.77%
2017	18.01%
2016	4.90%
2015	-0.72%
2014	4.31%

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

NOTE 1 – VALUATION DATE

The valuation date is January 1, 2018. This is the date as of which the actuarial valuation is performed. The measurement date is December 31, 2018. This is the date as of which the net pension liability is determined. The reporting date is December 31, 2018. This is the employer's fiscal year ending date.

NOTE 2 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	18 years
Asset valuation method	5-year smoothed market less unrealized
Cost of Living Adjustments	None
Inflation	2.3%
Salary increases	5.40% per annum for the first five years of employment; 3.40% per annum thereafter
Investment rate of return	7.00%, net of investment expenses
Retirement age	Table of Rates by Age and Eligibility
Mortality	RP-2014 Blue Collar Mortality Table, with MP-2014 projection scale

Supplementary Schedules

For Fiscal Years Ended
December 31, 2018 and 2017

UTA
UTAH TRANSIT AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET (Non-GAAP Budget Basis) AND ACTUAL

	2018 Budget	2018 Actual	Favorable (Unfavorable)
Revenues			
Contributions from other gov'ts, sales tax	$278,909,000	$282,933,591	$4,024,591
Federal preventative maintenance grants	60,827,000	61,820,668	993,668
Passenger revenues	50,337,000	52,051,892	1,714,892
Advertising	2,483,000	2,412,500	(70,500)
Investment income	3,732,000	6,525,872	2,793,872
Other income	6,772,000	8,155,668	1,383,668
Total revenues	403,060,000	413,900,191	10,840,191
Operating Expenses			
Bus services	$97,522,000	$96,719,747	$802,253
Rail services	76,339,000	75,157,087	1,181,913
Paratransit services	23,010,000	21,858,532	1,151,468
Other services (less non-operating)	3,210,000	3,056,191	153,809
Operations support	45,154,000	45,557,749	(403,749)
Administration (less non-operating)	32,394,000	34,784,200	(2,390,200)
Total operating expenses	277,629,000	277,133,506	495,494
Non-Operating Expenses (Revenues)			
Interest expense	104,777,000	91,000,388	13,776,612
Principal	9,200,000	10,845,000	(1,645,000)
Non-operating	5,505,000	4,809,747	695,253
Total non-operating expenses	119,482,000	106,655,135	12,826,865
Total Operating and Non-Operating Expenses	$397,111,000	$383,788,641	$13,322,359
Capital Expenses (Revenues)			
Federal and local grants	($56,114,493)	($31,585,904)	($24,528,589)
Local contributions	(14,318,487)	(12,151,003)	(2,167,484)
Capital lease	(21,163,045)	-	(21,163,045)
Bonds	(50,877,399)	-	(50,877,399)
Project Expenses	191,178,829	124,693,500	66,485,329
Total capital expenses (revenues)	$48,705,405	$80,956,593	($32,251,188)
Project Expenses-less transfers to Capital Assets in 2018		(86,039,389)	
Capital Maintenance Projects		38,654,111	
Total Revenues (Operating and Capital)		457,637,098	
- Less Total Expenses (Operating, Non-Operating, and Capital (after Capitalization)		(422,442,752)	
- Less Depreciation Expense		(80,565,077)	
- Less Non-Cash Capital Contributions		20,142,932	
+ Plus Principal Payments on Long-term Debt		10,845,000	
Change in Net Position (Statement of Revenues, Expenses, and Changes in Net Position)		$ (14,382,799)	

Statistical

For Fiscal Years Ended
December 31, 2018 and 2017

UTA
UTAH TRANSIT AUTHORITY

NET POSITION AS OF December 31 - 10 years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Capital Investment in Net Assets	$ 827,646,243	$ 894,275,843	$ 924,260,135	$ 1,040,640,236	$ 1,230,633,230	$ 1,327,585,097	$ 1,364,803,454	$ 1,366,337,801	$ 1,133,832,808	$ 953,013,398
Restricted	132,734,222	89,153,732	67,415,969	78,064,113	62,860,625	7,252,625	3,952,493	3,929,644	4,071,242	3,813,103
Unrestricted	18,914,155	10,247,844	71,467,610	76,467,063	137,910,343	242,267,181	304,753,885	276,960,064	505,464,819	527,478,988
Total Net Position	979,294,620	993,677,419	1,063,143,714	1,195,171,412	1,431,404,198	1,577,104,903	1,673,509,832	1,647,227,509	1,643,368,869	1,484,305,489
Restatement	-	-	-	(9,497,521)	(115,047,267)	4,931,557	-	-	-	-
Total Net Position, Restated	$ 979,294,620	$ 993,677,419	$ 1,063,143,714	$ 1,185,673,891	$ 1,316,356,931	$ 1,582,036,460	$ 1,673,509,832	$ 1,647,227,509	$ 1,643,368,869	$ 1,484,305,489

CHANGE IN NET POSITION - 10 YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Revenues	$ 54,464,392	$ 54,525,870	$ 52,891,021	$ 54,346,242	$ 53,761,223	$ 52,044,200	$ 46,422,916	$ 41,527,090	$ 36,893,396	$ 35,163,780
Operating Expenses	401,161,541	427,777,940	422,543,342	394,062,733	398,626,029	378,224,993	319,322,223	288,531,160	257,267,580	255,931,379
Operating loss	(346,697,149)	(373,252,070)	(369,652,321)	(339,716,491)	(344,864,806)	(326,180,793)	(272,899,307)	(247,004,070)	(220,374,184)	(220,767,599)
Non-Operating Revenues	268,435,411	246,722,487	226,957,532	209,462,264	182,843,232	173,520,664	200,370,290	205,877,440	219,663,490	220,089,438
Income (loss) before capital contributions	(78,261,738)	(126,529,583)	(142,694,789)	(130,254,227)	(162,021,574)	(152,660,129)	(72,529,017)	(41,126,630)	(710,694)	(678,161)
Capital contributions	63,879,839	57,063,288	20,164,612	9,068,708	11,389,311	56,255,200	98,811,340	44,985,270	159,744,074	275,609,643
Change in net position	$ (14,381,899)	$ (69,466,295)	$ (122,530,177)	$ (121,185,519)	$ (150,632,263)	$ (96,404,929)	$ 26,282,323	$ 3,858,640	$ 159,033,380	$ 274,931,482

Revenue History by Source - 10 Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating	$ 54,464,392	$ 54,525,870	$ 52,891,021	$ 54,346,242	$ 53,761,223	$ 52,044,200	$ 46,422,916	$ 41,527,090	$ 36,893,396	$ 35,163,780
Sales taxes	282,933,591	265,770,775	245,008,417	227,703,023	214,683,276	203,806,329	196,693,543	183,091,524	171,893,732	171,854,169
Investment	6,525,872	2,873,787	1,732,939	2,831,406	5,803,226	1,455,039	1,892,549	3,672,397	3,827,161	9,389,045
Other	8,155,668	3,954,893	3,108,191	8,314,065	3,724,610	4,347,724	2,351,713	3,483,140	2,929,254	2,797,757
	352,079,523	327,125,325	302,740,568	293,194,736	277,972,335	261,653,292	247,360,721	231,774,151	215,543,543	219,204,751
Federal Grants										
Federal Preventative Maintenance Grants	61,820,668	62,313,994	59,772,235	49,452,677	47,760,737	47,986,240	46,719,891	47,735,443	46,500,000	44,974,000
Federal Planning Grants		-	3,562,534	2,547,335	2,994,139	3,868,252	1,985,766	11,583,980	12,637,764	15,224,723
Federal Capital Grants	31,585,104	53,960,024	17,054,298	7,819,096	8,025,628	48,669,408	85,168,542	44,864,016	156,727,641	256,527,803
	93,405,772	116,274,018	80,389,067	59,819,108	58,780,504	100,523,900	133,874,199	104,183,439	215,865,405	316,726,526
Other Capital Contributions	32,293,935	3,103,264	3,110,314	1,249,612	3,363,683	7,585,792	13,642,798	121,254	3,046,433	19,081,840
	$ 477,779,230	$ 446,502,607	$ 386,239,949	$ 354,263,456	$ 340,116,522	$ 369,762,984	$ 394,877,718	$ 336,078,844	$ 434,455,381	$ 555,013,117

Expense History by Function - 10 Years

	2018	2018	2016	2015	2014	2013	2012	2011	2010	2009
Bus Service	$ 96,719,747	$ 88,928,063	$ 85,841,973	$ 77,092,676	$ 79,060,631	$ 78,894,435	$ 78,894,799	$ 81,208,651	$ 79,522,988	$ 79,054,373
Rail Service	75,157,087	72,895,607	84,165,069	67,254,632	70,365,953	61,086,101	46,049,338	38,135,480	33,787,601	34,681,800
Paratransit Service	21,858,532	19,572,367	19,341,116	18,511,580	18,748,699	18,202,211	17,516,117	16,054,555	14,570,401	14,595,021
Other Service	3,056,191	2,982,176	2,949,643	2,918,871	3,183,892	701,656	596,583	535,897	589,356	517,571
Operations Support	45,557,749	41,932,571	37,831,682	32,051,926	28,380,563	28,439,826	25,247,271	21,643,830	23,147,075	26,083,512
Administration [1]	39,593,947	31,423,844	38,840,643	35,189,725	35,409,918	28,533,912	26,664,222	26,340,573	22,286,055	26,105,521
Capital Maintenance Projects	38,654,111	20,602,425	-	-	-	-	-	-	-	-
Depreciation	80,565,077	149,440,887	153,573,216	161,043,323	163,476,373	162,366,852	124,353,893	104,612,174	83,364,104	74,893,581
Interest [2]	91,000,388	88,190,962	85,415,870	80,575,328	91,311,842	87,132,004	48,462,258	42,878,130	17,313,507	23,050,963
Recoverable Sales Tax, Interlocal [3]	810,914	810,914	810,914	810,914	810,914	810,914	810,914	810,914	810,914	1,099,293
	$ 492,973,743	$ 516,779,816	$ 508,770,126	$ 475,448,975	$ 490,748,785	$ 466,167,911	$ 368,595,395	$ 332,220,204	$ 275,392,001	$ 280,081,635

[1] Includes major investment studies

[2] Reported as non-capitalized interest

[3] See Notes to the Financial Statement, Note 2.K

LOCAL CONTRIBUTIONS IN THE FORM OF SALES TAX BY COUNTY - 10 YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Box Elder [1]	$ 1,898,308	$ 1,957,740	$ 1,790,352	$ 1,552,291	$ 1,418,268	$ 1,300,577	$ 1,279,794	$ 1,226,730	$ 1,269,478	$ 1,297,586
Davis	31,883,835	30,633,547	27,606,440	23,178,724	21,459,683	20,023,042	18,692,038	17,880,017	16,964,089	17,091,892
Salt Lake	174,704,191	163,407,564	153,201,907	146,866,479	139,199,088	132,741,112	129,169,357	120,094,110	112,379,366	112,076,511
Tooele [2]	2,815,189	2,302,492	1,798,971	1,521,097	1,384,631	1,349,366	1,364,179	1,207,539	1,227,109	1,136,816
Utah	45,665,232	43,023,303	38,601,427	36,221,930	33,752,513	31,905,764	30,576,235	27,743,162	25,397,367	25,222,227
Weber	25,966,836	24,446,129	22,009,320	18,362,502	17,469,093	16,486,468	15,611,940	14,939,966	14,656,323	15,029,137
	$ 282,933,591	$ 265,770,775	$ 245,008,417	$ 227,703,023	$ 214,683,276	$ 203,806,329	$ 196,693,543	$ 183,091,524	$ 171,893,732	$ 171,854,169

[1] Includes Brigham City, Perry and Willard cities only

[2] Includes the cities of Tooele and Grantsville; and the unincorporated areas of Erda, Lakepoint, Stansbury Park and Lincoln

LOCAL TRANSIT SALES TAX RATES BY COUNTY - 10 YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Box Elder	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%
Davis	0.6500%	0.6500%	0.6500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%
Salt Lake	0.6875%	0.6875%	0.6875%	0.6875%	0.6875%	0.6875%	0.6875%	0.6875%	0.6875%	0.6875%
Tooele	0.4000%	0.4000%	0.4000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%
Utah	0.5260%	0.5260%	0.5260%	0.5260%	0.5260%	0.5260%	0.5260%	0.5260%	0.5260%	0.5260%
Weber	0.6500%	0.6500%	0.6500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%

UTA
UTAH TRANSIT AUTHORITY

PRINCIPAL CONTRIBUTORS OF SALES TAX BY COUNTY - 2009 and 2018

	2018			2009		
	Rank	Percentage of contributions	Amount	Rank	Percentage of contributions	Amount
Salt Lake County	1	61.75%	$ 174,704,191	1	65.22%	$ 112,076,511
Utah County	2	16.14%	45,665,232	2	14.68%	25,222,227
Davis County	3	11.27%	31,883,835	3	9.95%	17,091,892
Weber County	4	9.18%	25,966,836	4	8.75%	15,029,137
Box Elder County	5	0.67%	1,898,308	5	0.76%	1,297,586
Tooele County	6	1.00%	2,815,189	6	0.66%	1,136,816
			$ 282,933,591			$ 171,854,169

FARES - 10 Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
							(4/1/12)	(5/1/11)	(11/1/10)	(4/1/09)
Cash Fares										
Base Fare	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.35	$ 2.25	$ 2.00	$ 2.00
Senior Citizen/Disabled	1.25	1.25	1.25	1.25	1.25	1.25	1.15	1.10	1.00	1.00
Ski Bus	4.50	4.50	4.50	4.50	4.50	4.50	4.25	4.00	3.50	3.50
Paratransit (Flextrans)	4.00	4.00	4.00	4.00	4.00	4.00	3.50	2.75	2.50	2.50
Commuter Rail Base Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.35	2.25	2.00	3.00
Commuter Rail Additional Station	0.60	0.60	0.60	0.60	0.60	0.60	0.55	0.50	0.50	0.50
Commuter Rail Maximum Rate	10.30	10.30	10.30	10.30	10.30	10.30	5.10	5.25	5.00	6.00
Express	5.50	5.50	5.50	5.50	5.50	5.50	5.25	5.00	4.50	4.50
Streetcar	1.00	1.00	1.00	1.00	1.00	1.00	n/a	n/a	n/a	n/a
Monthly Passes										
Adult	$ 83.75	$ 83.75	$ 83.75	$ 83.75	$ 83.75	$ 83.75	$ 78.50	$ 75.00	$ 67.00	$ 67.00
Minor	62.75	62.75	62.75	62.75	62.75	62.75	58.75	56.25	49.75	49.75
College Student	62.75	62.75	62.75	62.75	62.75	62.75	58.75	56.25	49.75	49.75
Senior Citizen/Disabled	41.75	41.75	41.75	41.75	41.75	41.75	39.25	37.50	33.50	33.50
Express	198.00	198.00	198.00	198.00	198.00	198.00	189.00	180.00	162.00	162.00
Paratransit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	84.00
Other Fares										
Day Pass	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 5.75	$ 5.50	$ 5.00	$ 5.00
Group Pass	15.00	15.00	15.00	15.00	15.00	15.00	14.00	13.50	12.00	13.75
Summer Youth	99.00	99.00	99.00	99.00	99.00	n/a	n/a	n/a	n/a	99.50
Token - 10-Pack	22.50	22.50	22.50	22.50	22.50	22.50	21.00	20.25	17.75	17.75
Paratransit - 10-Ride Ticket	40.00	40.00	40.00	40.00	40.00	40.00	35.00	30.00	25.00	22.00
Paratransit - 30-Ride Ticket	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	54.00
Ski Day Pass	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.00	7.00	7.00

DEBT SERVICE COVERAGE - 10 YEARS

	Bonds		Sales Taxes Collected	Coverage Ratio	Personal Income of	Percentage of	Per
Fiscal Year	Principle	Interest	(less Proposition 1)	of Sales Taxes	UTA Service Area	Personal Income	Capita
2009	$ 6,665,000	$ 59,841,145	$ 171,854,169	2.58	$ 71,636,728,000	0.09%	$ 30.81
2010	6,960,000	63,782,164	171,893,732	2.43	73,036,786,000	0.10%	32.13
2011	7,300,000	71,932,011	183,091,524	2.31	77,738,053,000	0.10%	35.48
2012	7,615,000	71,837,998	196,693,543	2.48	82,025,459,000	0.10%	35.05
2013	7,450,000	84,319,531	203,806,329	2.22	85,916,480,000	0.11%	39.83
2014	7,810,000	91,382,184	214,683,276	2.16	89,319,546,000	0.11%	42.46
2015	11,445,000	84,785,200	227,703,023	2.37	93,617,901,000	0.10%	40.48
2016	13,570,000	94,893,898	238,584,981	2.20	103,831,295,168	0.10%	44.00
2017	8,750,000	77,765,121	256,742,750	2.97	109,771,147,642	0.08%	34.80
2018	10,845,000	89,110,270	273,007,256	2.73	n/a	n/a	n/a

Source: Note 8
Note: Does not include Utah County Provo Orem BRT debt
2018 income numbers not available as of June 2019

DEMOGRAPHIC AND ECONOMIC STATISTICS - 10 YEARS

Fiscal Year	Estimated Population	Personal Income in UTA Service Area	Per Capita Personal Income	Unemployment Rate	
2009	2,158,269	$71,636,728,000	$33,192	6.0%	
2010	2,201,736	73,036,786,000	33,172	7.5%	
2011	2,233,268	77,738,053,000	34,809	6.0%	
2012	2,266,836	82,025,459,000	36,185	5.6%	
2013	2,303,781	85,916,480,000	37,294	3.5%	
2014	2,335,999	89,319,546,000	38,236	3.5%	
2015	2,377,256	93,617,901,000	39,381	3.4%	
2016	2,418,075	103,772,062,000	42,915	3.1%	Percentage of Utah
2017	2,463,015	108,805,744,000	44,176	3.0%	79.40%
2018	n/a	n/a	n/a	3.0%	

Source: US Dept of Commerce, Bureau of Economic Analysis, Regional Data (www.bea.gov)
Unemployment rate- Utah Department of Workforce Services
2018 statistic not available as of June 2019

PRINCIPAL EMPLOYERS - 2009 and 2017

		2017				2009		
Employer	Industry	Employees	Rank	% Total Employment	Employer	Employees	Rank	% Total Employment
Intermountain Healthcare	Health Care	20,000 +	1	1.3%	Intermountain Healthcare	15,250-20,498	1	1.5%
University of Utah (inc. Hospital)	Higher Education	20,000 +	1	1.3%	State of Utah	14,700-22,494	4	1.4%
State of Utah	State Government	20,000 +	1	1.3%	University of Utah	15,000-19,999	2	1.5%
Brigham Young University	Higher Education	15,000-19,999	4	1.0%	Brigham Young University	15,000-19,999	2	1.5%
Wal-Mart Associates	Warehouse Clubs/Supercenters	15,000-19,999	4	1.0%	Wal Mart Stores	9,250-14,494	6	0.9%
Hill Air Force Base	Federal Government	10,000-14,999	6	0.7%	Hill Air Force Base	10,000-14,494	5	1.0%
Utah State University	Higher Education	7,000-9,999	7	0.5%				
Davis County School District	Public Education	7,000-9,999	7	0.5%	Davis County School District	7,000-9,999	7	0.7%
Granite School District	Public Education	7,000-9,999	7	0.5%	Granite School District	7,000-9,999	7	0.7%
Smith's Food and Drug Centers	Grocery Stores	7,000-9,999	7	0.5%				
Alpine School District	Public Education	7,000-9,999	7	0.5%	Alpine School District	5,000-6,999	10	0.5%
Jordan School District	Public Education	5,000-6,999	8	0.3%	Jordan School District	7,000-9,999	7	0.7%
Salt Lake County	Local Government	5,000-6,999	8	0.3%	Salt Lake County	5,000-6,999	10	0.5%
U.S. Postal Service	Federal Government	5,000-6,999	8	0.3%				
Utah Valley University	Higher Education	5,000-6,999	8	0.3%				
Total Employment				1,510,208				1,020,408

Source: Department of Workforce Services
Largest Employers by County https://jobs.utah.gov/wi/data/firm/majoremployers.html
Annual Report of Labor Market Information https://jobs.utah.gov/wi/pubs/em/annual/current/index.html
2018 data not available at time of report

FULL-TIME EQUIVALENT AUTHORITY EMPLOYEES - 10 YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Bus operations	1039	1030	1028	951	945	911	963	950	998	1023
Rail operations	573	580	563	527	542	526	506	425	335	314
Paratransit operations	203	191	191.5	188	183	176	168	168	140	141
Other services	9	9	9	12	10	10	12	11	11	11
Support services	412	365	366	349	323	335	293	284	239	249
Administration	212	243	212	210	207	195	217	224	238	242
Total	2447	2417	2368	2237	2210	2153	2159	2062	1961	1980

Source: Budget document

TREND STATISTICS - 10 YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Passengers										
Bus service	19,624,935	19,749,855	20,033,242	20,560,068	20,165,174	19,695,711	21,222,669	21,560,358	21,716,864	20,657,019
Rail service	22,981,884	23,677,677	23,765,873	24,349,674	24,337,451	22,814,274	19,421,608	16,944,264	14,790,418	14,707,601
Paratransit service	394,816	386,977	389,019	388,169	372,499	383,453	715,034	683,336	509,625	500,242
Vanpool service	1,174,696	1,264,410	1,333,780	1,423,675	1,404,285	1,387,816	1,446,766	1,417,183	1,346,949	1,353,697
Total passengers	44,176,331	45,078,919	45,521,914	46,721,586	46,279,409	44,281,254	42,806,077	40,605,141	38,363,856	37,218,559
Revenue Miles										
Bus service	17,911,404	17,454,404	15,462,834	15,367,510	15,660,520	15,706,028	15,091,645	15,869,340	16,412,862	16,777,762
Rail service	12,084,767	12,082,292	12,070,277	11,988,005	11,784,146	11,681,251	7,905,460	6,019,693	5,312,506	5,568,699
Paratransit service	2,798,928	2,727,127	2,505,343	2,293,887	2,513,535	2,932,842	3,252,193	4,094,325	2,799,362	2,928,929
Vanpool service	6,354,828	6,449,439	6,518,150	6,734,487	6,859,802	7,053,191	7,553,978	8,042,756	7,342,322	7,800,016
Total Revenue Miles	39,149,927	38,713,262	36,556,604	36,383,889	36,818,003	37,373,312	33,803,276	34,026,114	31,867,052	33,075,406
Total Miles										
Bus service	20,247,617	19,899,364	17,511,624	17,662,486	17,864,847	17,191,018	16,553,983	17,416,367	18,820,702	19,342,359
Rail service	12,285,634	12,202,976	12,189,876	12,368,934	11,814,332	11,773,929	7,987,022	6,073,807	5,365,270	5,626,707
Paratransit service	3,376,772	3,263,607	3,254,559	3,192,367	2,844,468	3,493,247	4,088,027	5,256,369	3,473,129	3,637,806
Vanpool service	6,354,828	6,449,439	6,518,150	6,734,487	6,859,802	7,053,191	7,553,978	8,042,756	7,342,322	7,800,016
Total miles	42,264,851	41,815,386	39,474,209	39,958,274	39,383,449	39,511,385	36,183,010	36,789,299	35,001,423	36,406,888
Passengers per Mile										
Bus service	1.10	1.13	1.30	1.34	1.29	1.25	1.41	1.36	1.32	1.23
Rail service	1.90	1.96	1.97	2.03	2.07	1.95	2.46	2.81	2.78	2.64
Paratransit service	0.14	0.14	0.16	0.17	0.15	0.13	0.22	0.17	0.18	0.17
Vanpool service	0.18	0.20	0.20	0.21	0.20	0.20	0.19	0.18	0.18	0.17
Ttl. Passengers per Revenue Mile	1.13	1.16	1.25	1.28	1.26	1.18	1.27	1.19	1.20	1.13
Revenue Hours										
Bus service	1,284,186	1,258,448	1,087,055	1,070,139	1,108,894	933,662	834,985	866,268	897,294	904,282
Rail service	527,187	513,389	511,082	506,233	487,435	641,914	536,066	388,826	295,227	374,300
Paratransit service	180,342	162,198	162,734	160,383	164,527	191,016	227,013	300,760	201,994	211,369
Total revenue hours	1,991,715	1,934,035	1,760,871	1,736,755	1,760,856	1,766,592	1,598,064	1,555,854	1,394,515	1,489,951
Passengers per Revenue Hour										
Bus service	15.28	15.69	18.43	19.21	18.18	21.10	25.42	24.89	24.20	22.84
Rail service	43.59	46.12	46.50	48.10	49.93	35.54	36.23	43.58	50.10	39.29
Paratransit service	2.19	2.39	2.39	2.42	2.26	2.01	3.15	2.27	2.52	2.37
Total passengers per mile	21.59	22.65	25.09	26.08	25.48	24.28	25.88	25.19	26.54	24.07
Total System										
Fare revenue	$48,122,586	$52,159,202	$50,624,354	$52,112,909	$51,461,223	$49,977,533	$44,489,583	$39,693,757	$35,160,063	$33,530,449
Operating expense	$300,954,051	$257,734,612	$268,970,126	$242,516,933	$235,149,656	$215,858,141	$194,968,330	$183,918,986	$173,903,476	$181,037,798
Cost per revenue mile	$7.69	$6.66	$7.36	$6.67	$6.39	$5.78	$5.77	$5.41	$5.46	$5.47
Cost per passenger	$6.81	$5.72	$5.91	$5.19	$5.08	$4.87	$4.55	$4.53	$4.53	$4.86
Fare revenue per passenger	$1.09	$1.16	$1.11	$1.12	$1.11	$1.13	$1.04	$0.98	$0.92	$0.90

Note: Does not include commuter bus or contract transportation.
Source: NTD

OPERATING INDICATORS AND CAPITAL ASSETS - 10 YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of bus routes*	114	119	125	126	121	119	125	119	127	128
Number of rail routes										
Light rail	4	4	4	4	4	4	3	3	3	3
Commuter rail	1	1	1	1	1	1	1	1	1	1
Bus Service Miles (weekday)	57,378	56,162	53,612	49,625	51,629	55,733	64,186	64,493	67,012	68,537
Rail Service Miles (weekday)										
Light Rail	8,853	8,814	8,815	8,828	8,547	8,216	6,978	5,107	3,910	3,684
commuter Rail	4,664	4,623	4,627	4,651	4,638	4,488	2,390	2,327	2,469	2,725
Average Passengers (weekday)	151,901	156,288	155,873	161,862	161,339	152,644	152,934	142,186	134,736	141,047
Buses	561	582	567	555	535	493	570	495	496	501
Paratransit vehicles (buses/vans)	182	148	129		84	113	110	112	96	101
Rail vehicles										
Light rail	146	146	146	146	146	146	122	122	55	55
Commuter rail	81	81	81	81	81	81	57	55	37	37
Vanpool vehicles	453	453	503	495	479	470	494	485	414	403
Park and ride lots[1]			46	41						
Rail Park and Ride	42	42								
Non-Rail and and ride	12	12								
Bus Stops	6,100	6,100	6,196	6,250	6,250	6,273	6,333	6,600	6,645	6,410
Rail Statils										
Light Rail	57	57	57	57	51	51	41	41	28	28
Commuter Rail	16	16	16	16	16	16	16	7	8	8

* Including flex

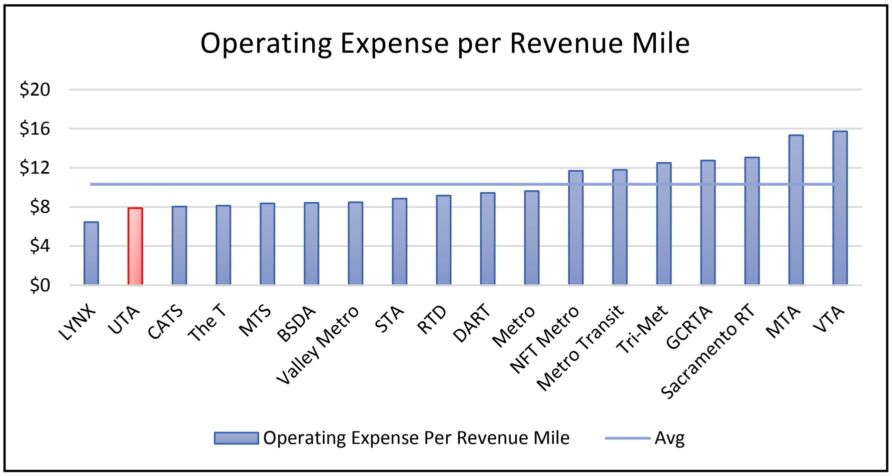
[1] As of 2017 started distinguishing between rail and non rail park and ride lots

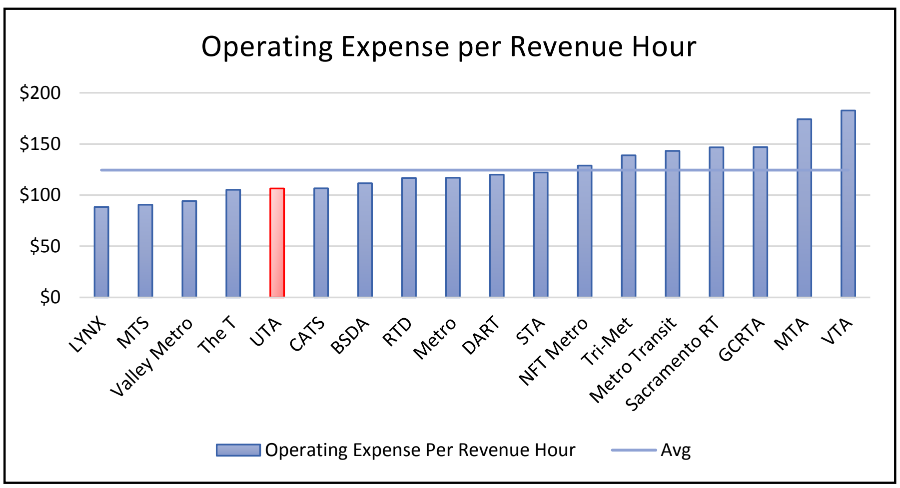
PERFORMANCE MEASURES - BUS SERVICE

The following charts contain information from the Federal Transit Administration's National Transit Database (NTD)) for the most recent year available (2017), and compares the Authority's performance with other like transit agencies.

Service Efficiency

City	Agency	Operating Expense per Vehicle Revenue Mile	Operating Expense per Vehicle Revenue Hour
Salt Lake City, UT	UTA	$ 7.88	$ 106.47
Baltimore, MD	MTA	15.33	174.13
Buffalo, NY	NFT Metro	11.69	128.85
Charlotte, NC	CATS	8.04	106.62
Cleveland, OH	GCRTA	12.75	146.88
Dallas, TX	DART	9.44	119.99
Denver, CO	RTD	9.16	116.73
Ft Worth, TX	The T	8.13	105.21
Houston, TX	Metro	9.62	116.98
Minneapolis, MN	Metro Transit	11.79	143.21
Orlando, FL	LYNX	6.45	88.41
Phoenix, AZ	Valley Metro	8.48	94.20
Portland, OR	Tri-Met	12.50	138.86
Sacramento, CA	Sacramento RT	13.06	146.68
San Diego	MTS	8.36	90.60
San Jose, CA	VTA	15.73	182.65
Spokane, WA	STA	8.85	122.07
St Louis, MO	BSDA	8.42	111.58
Average		$ 10.32	$ 124.45
Maximum		15.73	182.65
Minimum		6.45	88.41
Standard Deviation		2.69	26.69

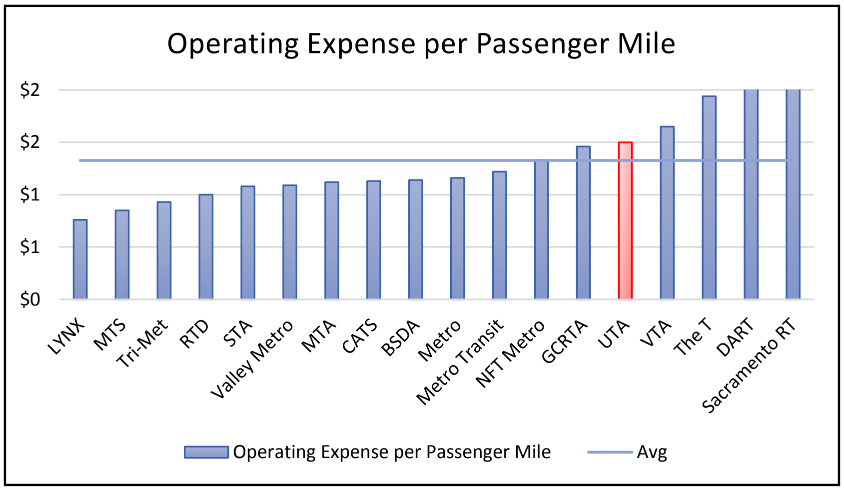


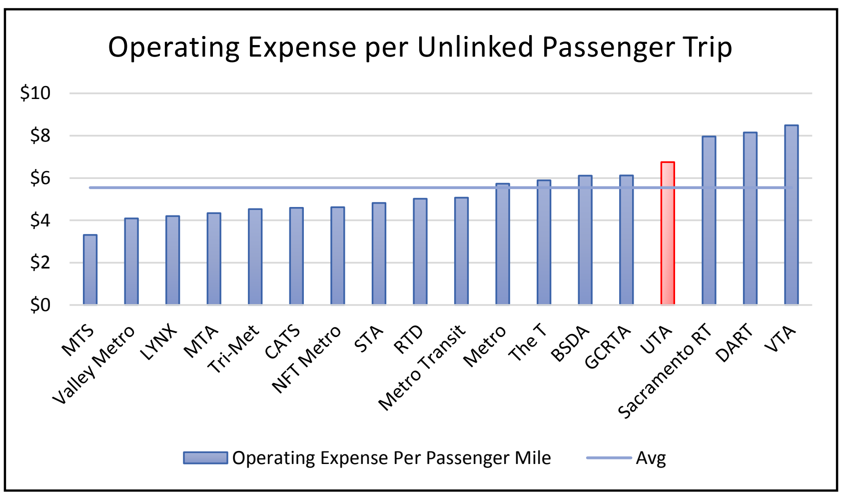


PERFORMANCE MEASURES - BUS SERVICE (continued)

Cost Effectiveness

City	Agency	Operating Expense per Passenger Mile	Operating Expense per Unlinked Passenger Trip
Salt Lake City, UT	UTA	$ 1.50	$ 6.75
Baltimore, MD	MTA	1.12	4.34
Buffalo, NY	NFT Metro	1.33	4.62
Charlotte, NC	CATS	1.13	4.59
Cleveland, OH	GCRTA	1.46	6.12
Dallas, TX	DART	2.22	8.15
Denver, CO	RTD	1.00	5.02
Ft Worth, TX	The T	1.94	5.89
Houston, TX	Metro	1.16	5.73
Minneapolis, MN	Metro Transit	1.22	5.07
Orlando, FL	LYNX	0.76	4.20
Phoenix, AZ	Valley Metro	1.09	4.09
Portland, OR	Tri-Met	0.93	4.53
Sacramento, CA	Sacramento RT	2.30	7.96
San Diego	MTS	0.85	3.31
San Jose, CA	VTA	1.65	8.49
Spokane, WA	STA	1.08	4.82
St Louis, MO	BSDA	1.14	6.11
Average		$ 1.33	$ 5.54
Maximum		2.30	8.49
Minimum		0.76	3.31
Standard Deviation		0.44	1.49

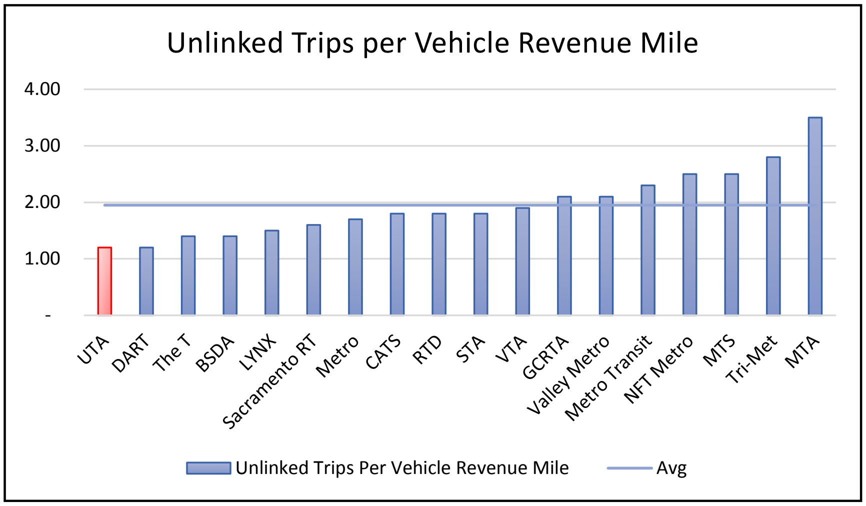


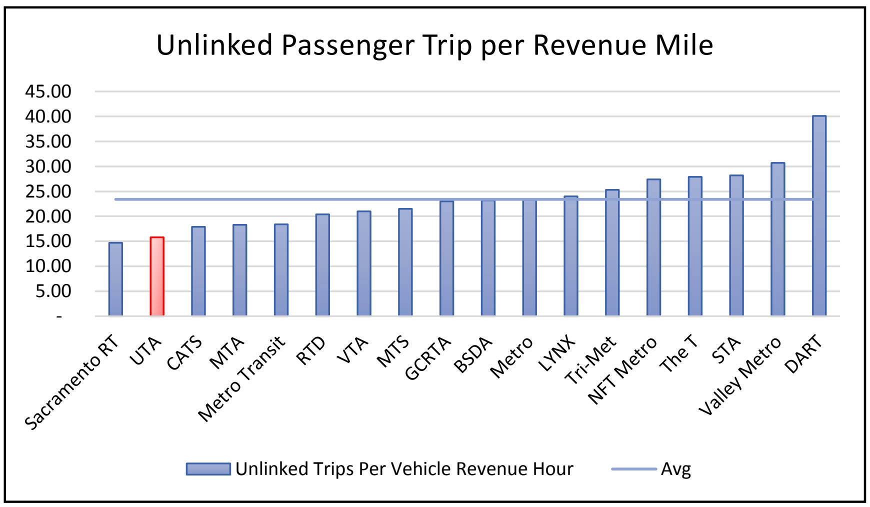


PERFORMANCE MEASURES - BUS SERVICE (continued)

Service Effectiveness

City	Agency	Unlinked Passenger Trips per Vehicle Revenue Mile	Unlinked Passenger Trips per Vehicle Revenue Hour
Salt Lake City, UT	UTA	1.20	15.80
Baltimore, MD	MTA	3.50	40.10
Buffalo, NY	NFT Metro	2.50	27.90
Charlotte, NC	CATS	1.80	23.20
Cleveland, OH	GCRTA	2.10	24.00
Dallas, TX	DART	1.20	14.70
Denver, CO	RTD	1.80	23.30
Ft Worth, TX	The T	1.40	17.90
Houston, TX	Metro	1.70	20.40
Minneapolis, MN	Metro Transit	2.30	28.20
Orlando, FL	LYNX	1.50	21.00
Phoenix, AZ	Valley Metro	2.10	23.00
Portland, OR	Tri-Met	2.80	30.70
Sacramento, CA	Sacramento RT	1.60	18.40
San Diego	MTS	2.50	27.40
San Jose, CA	VTA	1.90	21.50
Spokane, WA	STA	1.80	25.30
St Louis, MO	BSDA	1.40	18.30
Average		1.95	23.39
Maximum		3.50	40.10
Minimum		1.20	14.70
Standard Deviation		0.60	6.08



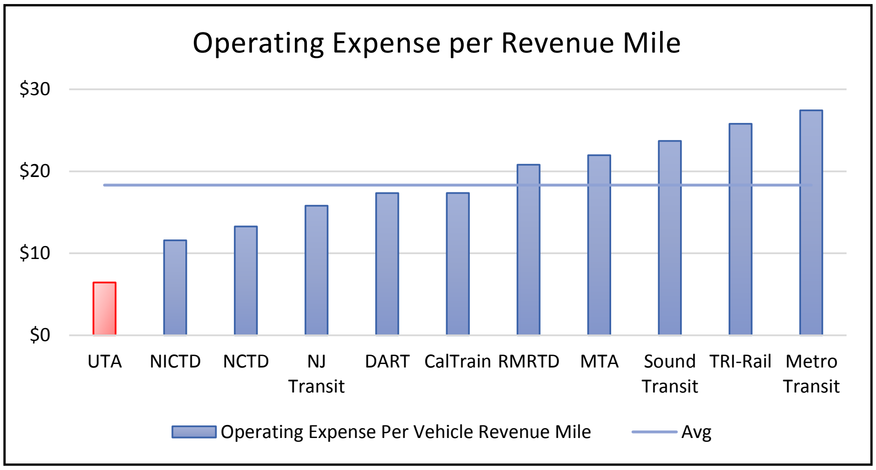


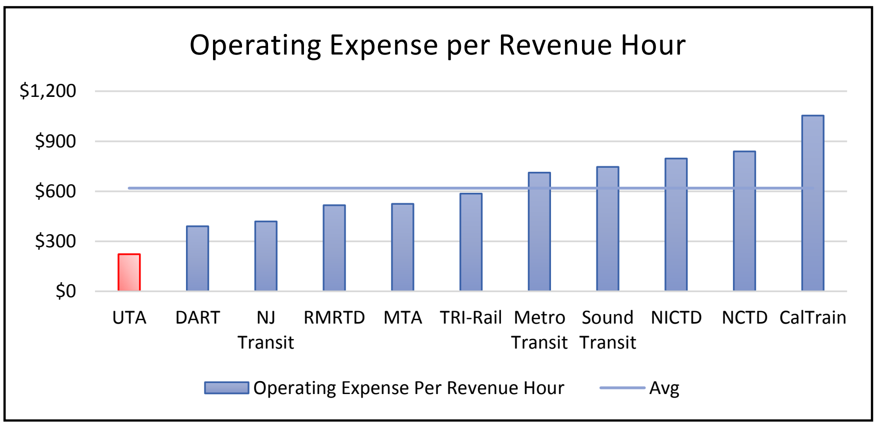
PERFORMANCE MEASURES - COMMUTER RAIL

The following charts contain information from the Federal Transit Administration's National Transit Database (NTD)) for the most recent year available (2017), and compares the Authority's performance with other like transit agencies.

Service Efficiency

City	Agency	Operating Expense per Vehicle Revenue Mile	Operating Expense per Vehicle Revenue Hour
Salt Lake City, UT	UTA	$ 6.44	$ 222.55
Albuquerque, NM	RMRTD	20.80	796.25
Baltimore, MD	MTA	21.96	838.89
Chesterton, IN	NICTD	11.58	418.98
Dallas, TX	DART	17.34	390.06
Minneapolis, MN	Metro Transit	27.43	1,053.85
Newark, NJ	NJ Transit	15.80	516.24
Oceanside, CA	NCTD	13.27	524.37
Pompano Beach, FL	TRI-Rail	25.79	746.03
San Carlos, CA	CalTrain	17.35	585.80
Seattle, WA	Sound Transit	23.70	711.69
Average		$ 18.31	$ 618.61
Maximum		27.43	1,053.85
Minimum		6.44	222.55
Standard Deviation		6.38	237.44

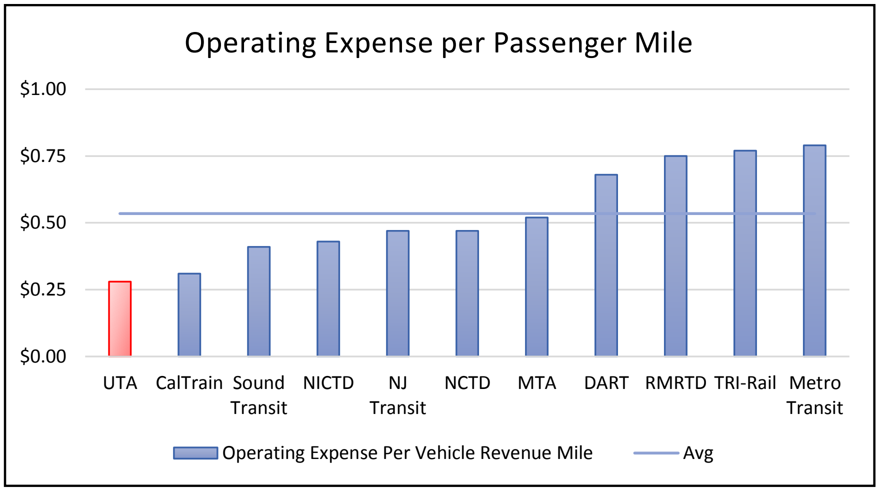


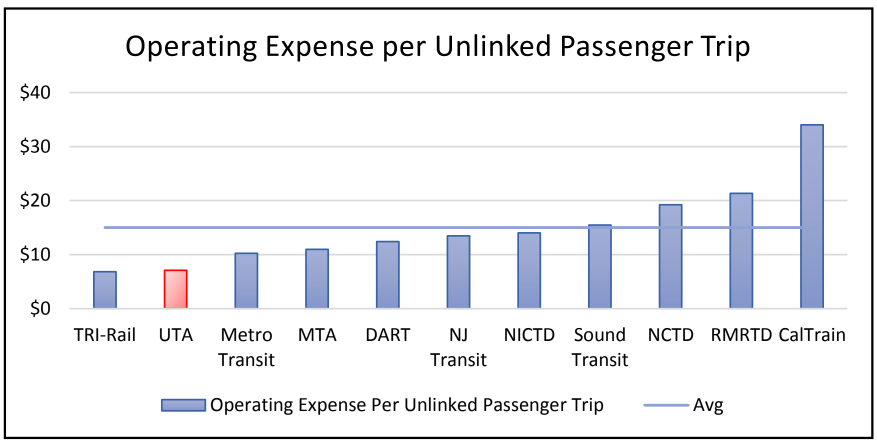


PERFORMANCE MEASURES - COMMUTER RAIL (continued)

Cost Effectiveness

City	Agency	Operating Expenses Per Passenger Mile	Operating Expenses Per Unlinked Passenger Trip
Salt Lake City, UT	UTA	$ 0.28	$ 7.09
Albuquerque, NM	RMRTD	0.75	34.03
Baltimore, MD	MTA	0.52	15.47
Chesterton, IN	NICTD	0.43	14.02
Dallas, TX	DART	0.68	13.47
Minneapolis, MN	Metro Transit	0.79	19.23
Newark, NJ	NJ Transit	0.47	10.97
Oceanside, CA	NCTD	0.47	12.41
Pompano Beach, FL	TRI-Rail	0.77	21.34
San Carlos, CA	CalTrain	0.31	6.83
Seattle, WA	Sound Transit	0.41	10.24
Average		$ 0.53	$ 15.01
Maximum		0.79	34.03
Minimum		0.28	6.83
Standard Deviation		0.18	7.74

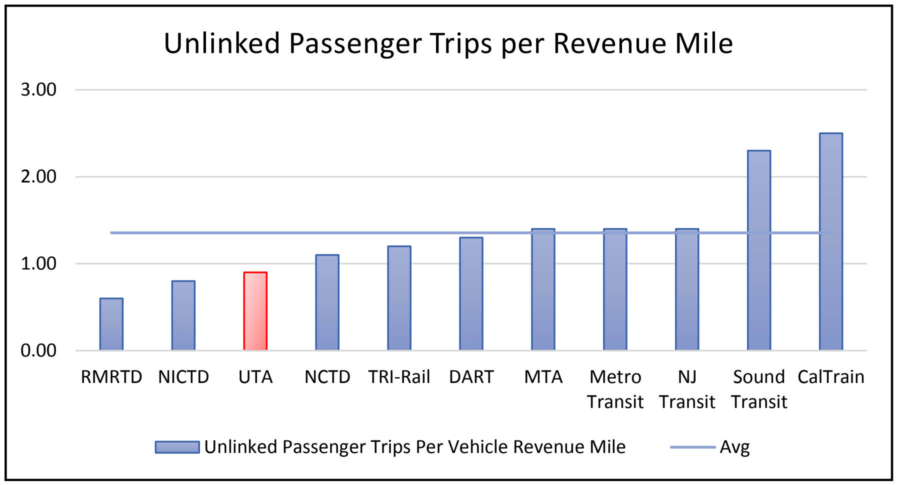


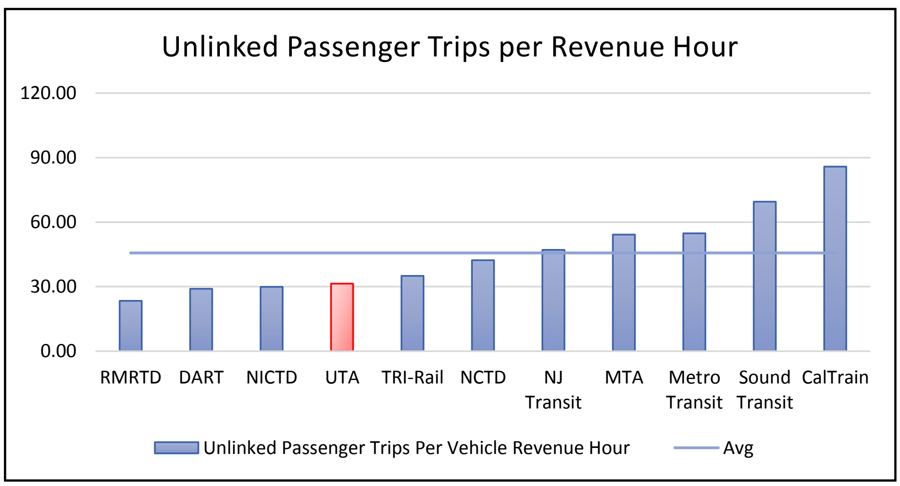


PERFORMANCE MEASURES - COMMUTER RAIL (continued)

Service Effectiveness

City	Agency	Unlinked Passenger Trips per Vehicle Revenue Mile	Unlinked Passenger Trips per Vehicle Revenue Hour
Salt Lake City, UT	UTA	0.90	31.40
Albuquerque, NM	RMRTD	0.60	23.40
Baltimore, MD	MTA	1.40	54.20
Chesterton, IN	NICTD	0.80	29.90
Dallas, TX	DART	1.30	29.00
Minneapolis, MN	Metro Transit	1.40	54.80
Newark, NJ	NJ Transit	1.40	47.10
Oceanside, CA	NCTD	1.10	42.30
Pompano Beach, FL	TRI-Rail	1.20	35.00
San Carlos, CA	CalTrain	2.50	85.80
Seattle, WA	Sound Transit	2.30	69.50
Average		1.35	45.67
Maximum		2.50	85.80
Minimum		0.60	23.40
Standard Deviation		0.58	19.20



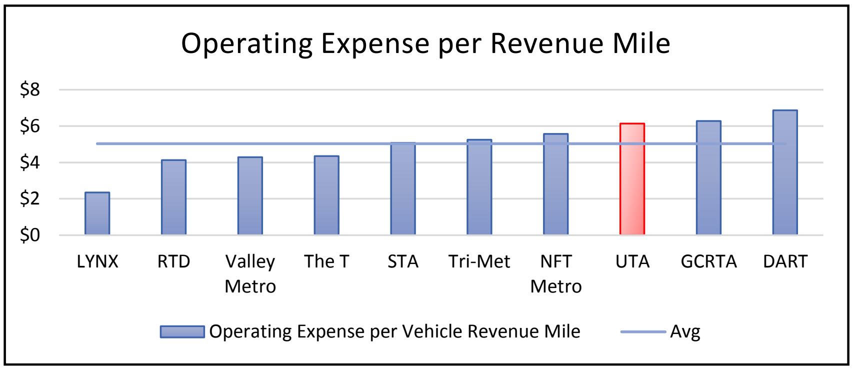


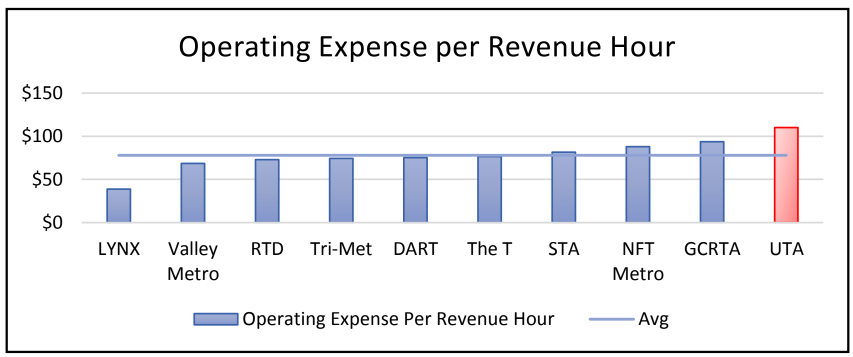
PERFORMANCE MEASURES - DEMAND RESPONSE

The following charts contain information from the Federal Transit Administration's National Transit Database (NTD)) for the most recent year available (2017), and compares the Authority's performance with other like transit agencies.

Service Efficiency

City	Agency	Operating Expense per Vehicle Revenue Mile	Operating Expense per Vehicle Revenue Hour
Salt Lake City, UT	UTA	$ 6.55	$ 110.06
Buffalo, NY	NFT Metro	5.71	87.94
Cleveland, OH	GCRTA	6.56	93.67
Dallas, TX	DART	5.94	75.25
Denver, CO	RTD	4.66	72.92
Fort Worth, TX	The T	4.88	76.48
Orlando, FL	LYNX	2.20	38.79
Phoenix, AZ	Valley Metro	5.32	68.53
Portland, OR	Tri-Met	5.78	74.35
Spokane, WA	STA	5.39	81.55
Average		$ 5.30	$ 77.95
Maximum		6.56	110.06
Minimum		2.20	38.79
Standard Deviation		1.25	18.44



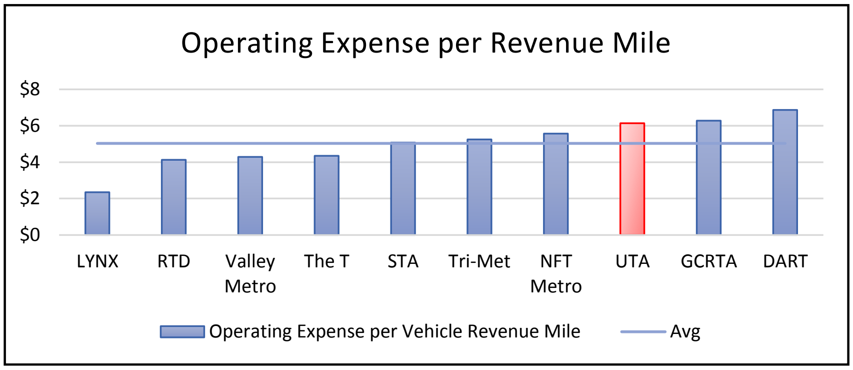


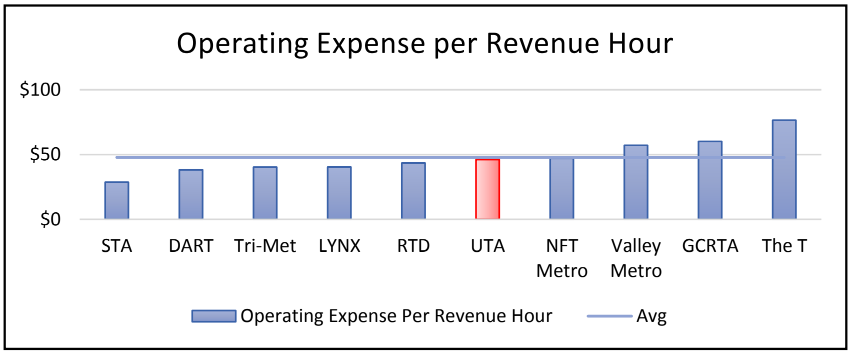
PERFORMANCE MEASURES - DEMAND RESPONSE (continued)

The following charts contain information from the Federal Transit Administration's National Transit Database (NTD)) for the most recent year available (2017), and compares the Authority's performance with other like transit agencies.

Cost Effectiveness

City	Agency	Operating Expense per Vehicle Revenue Mile	Operating Expense per Vehicle Revenue Hour
Salt Lake City, UT	UTA	$ 4.22	$ 46.13
Buffalo, NY	NFT Metro	5.37	47.02
Cleveland, OH	GCRTA	7.30	60.14
Dallas, TX	DART	3.18	38.23
Denver, CO	RTD	4.99	43.47
Fort Worth, TX	The T	4.88	76.48
Orlando, FL	LYNX	4.01	40.37
Phoenix, AZ	Valley Metro	5.93	57.12
Portland, OR	Tri-Met	4.39	40.29
Spokane, WA	STA	3.19	28.68
Average		$ 4.75	$ 47.79
Maximum		7.30	76.48
Minimum		3.18	28.68
Standard Deviation		1.26	13.55

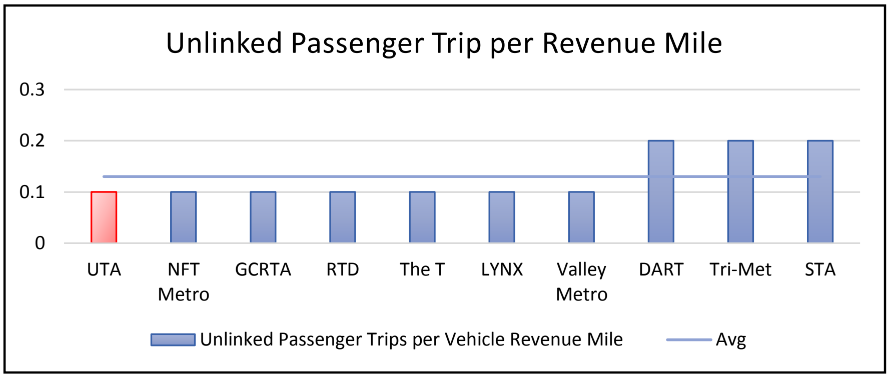


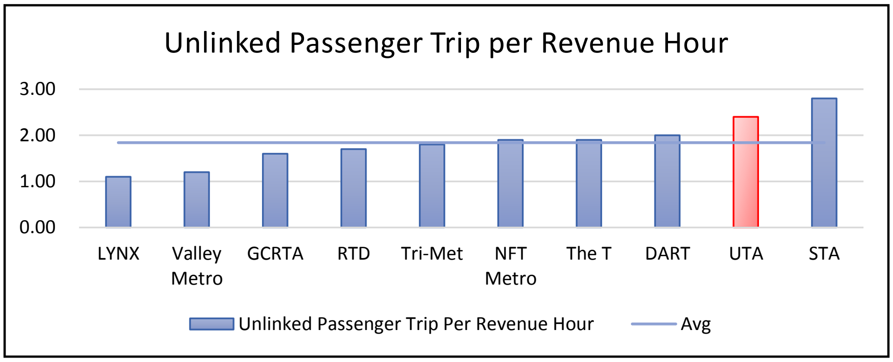


PERFORMANCE MEASURES - DEMAND RESPONSE (continued)

Service Effectiveness

City	Agency	Unlinked Passenger Trips per Vehicle Revenue Mile	Unlinked Passenger Trips per Vehicle Revenue Hour
Salt Lake City, UT	UTA	0.10	2.40
Buffalo, NY	NFT Metro	0.10	1.90
Cleveland, OH	GCRTA	0.10	1.60
Dallas, TX	DART	0.20	2.00
Denver, CO	RTD	0.10	1.70
Fort Worth, TX	The T	0.10	1.90
Orlando, FL	LYNX	0.10	1.10
Phoenix, AZ	Valley Metro	0.10	1.20
Portland, OR	Tri-Met	0.20	1.80
Spokane, WA	STA	0.20	2.80
Average		0.13	1.84
Maximum		0.20	2.80
Minimum		0.10	1.10
Standard Deviation		0.05	0.51



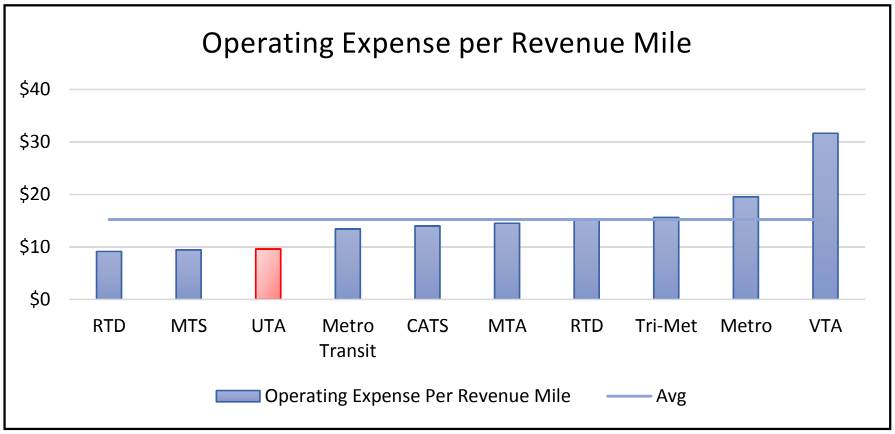


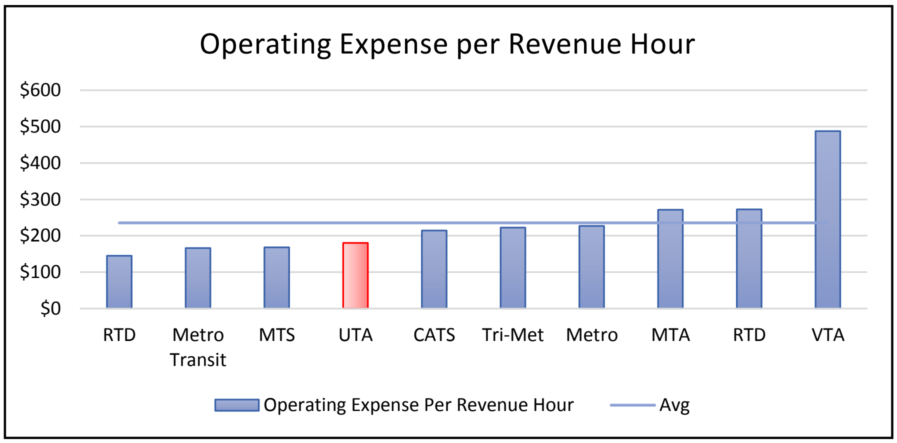
PERFORMANCE MEASURES - LIGHT RAIL

The following charts contain information from the Federal Transit Administration's National Transit Database (NTD)) for the most recent year available (2017), and compares the Authority's performance with other like transit agencies.

Service Efficiency

City	Agency	Operating Expense per Vehicle Revenue Mile	Operating Expense per Vehicle Revenue Hour
Salt Lake City, UT	UTA	$ 9.61	$ 180.35
Baltimore, MD	MTA	14.50	271.50
Charlotte, NC	CATS	14.01	214.45
Denver, CO	RTD	9.14	145.09
Houston, TX	Metro	19.57	227.04
Minneapolis, MN	Metro Transit	13.42	166.23
Portland, OR	Tri-Met	15.63	222.51
Sacramento, CA	RTD	15.34	272.55
San Diego, CA	MTS	9.45	168.24
San Jose, CA	VTA	31.65	487.58
Average		$ 15.23	$ 235.55
Maximum		31.65	487.58
Minimum		9.14	145.09
Standard Deviation		6.63	98.56

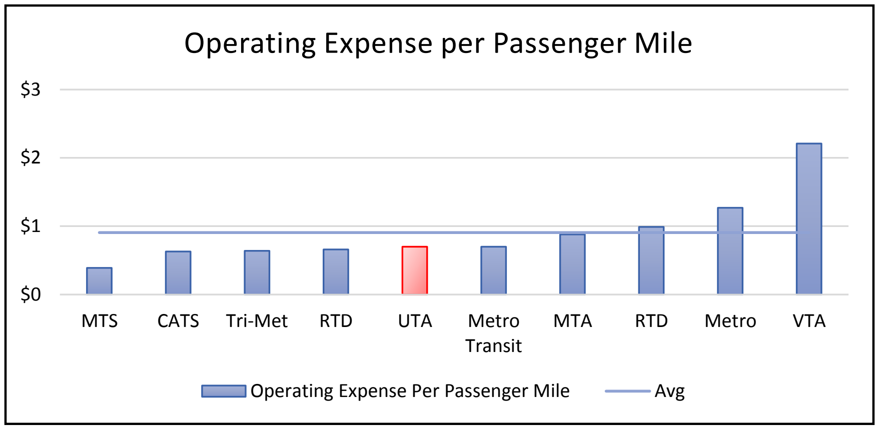


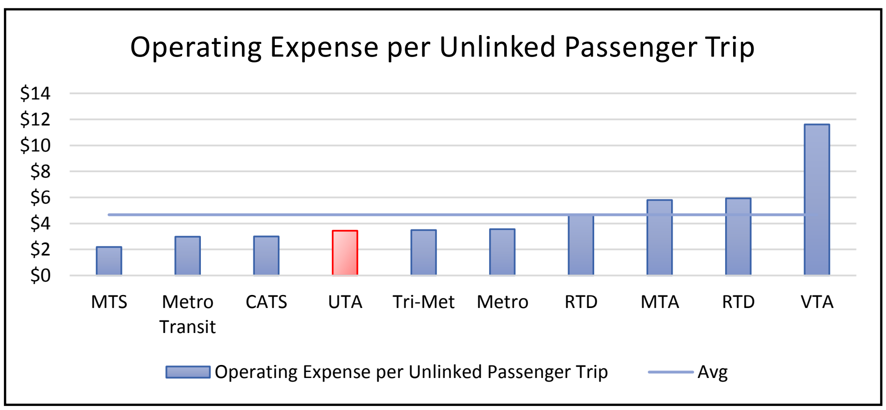


PERFORMANCE MEASURES - LIGHT RAIL (continued)

Cost Effectiveness

City	Agency	Operating Expense per Passenger Mile	Operating Expense per Unlinked Passenger Trip
Salt Lake City, UT	UTA	$ 0.70	$ 3.44
Baltimore, MD	MTA	0.88	5.80
Charlotte, NC	CATS	0.63	3.00
Denver, CO	RTD	0.66	4.67
Houston, TX	Metro	1.27	3.56
Minneapolis, MN	Metro Transit	0.70	2.98
Portland, OR	Tri-Met	0.64	3.49
Sacramento, CA	RTD	0.99	5.93
San Diego, CA	MTS	0.39	2.19
San Jose, CA	VTA	2.21	11.61
Average		$ 0.91	$ 4.67
Maximum		2.21	11.61
Minimum		0.39	2.19
Standard Deviation		0.52	2.73

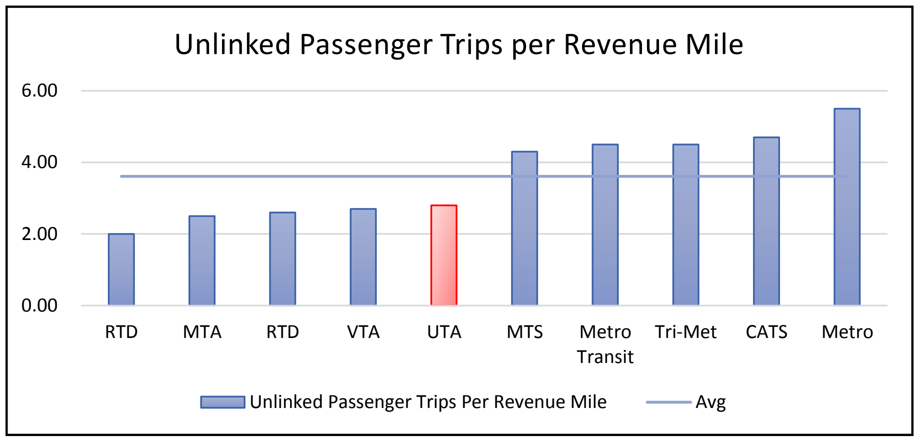


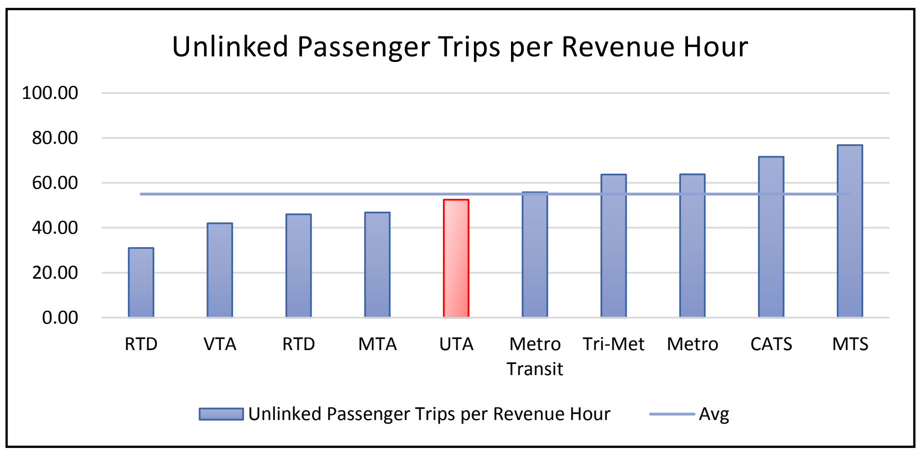


PERFORMANCE MEASURES - LIGHT RAIL (continued)

Service Effectiveness

City	Agency	Unlinked Passenger Trips per Vehicle Revenue Mile	Unlinked Passenger Trips per Vehicle Revenue Hour
Salt Lake City, UT	UTA	2.80	52.50
Baltimore, MD	MTA	2.50	46.80
Charlotte, NC	CATS	4.70	71.60
Denver, CO	RTD	2.00	31.00
Houston, TX	Metro	5.50	63.80
Minneapolis, MN	Metro Transit	4.50	55.80
Portland, OR	Tri-Met	4.50	63.70
Sacramento, CA	RTD	2.60	46.00
San Diego, CA	MTS	4.30	76.80
San Jose, CA	VTA	2.70	42.00
Average		3.61	55.00
Maximum		5.50	76.80
Minimum		2.00	31.00
Standard Deviation		1.21	14.16





Compliance

For Fiscal Years Ended
December 31, 2018 and 2017

UTA
UTAH TRANSIT AUTHORITY

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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

To the Board of Trustees,
Utah Transit Authority
Salt Lake City, Utah

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the remaining fund information of Utah Transit Authority (the "Authority"), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 4, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Telephone (801) 590-2600
Fax (801) 265-9405
1455 West 2200 South, Suite 201
Salt Lake City, Utah 84119

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.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City
June 4, 2019

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees,
Utah Transit Authority
Salt Lake City, Utah

Report on Compliance for Each Major Federal Program

We have audited Utah Transit Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Authority's compliance.

Telephone (801) 590-2600
Fax (801) 265-9405
1455 West 2200 South, Suite 201
Salt Lake City, Utah 84119

Basis for Qualified Opinion on Federal Transit Cluster and Transit Services Program Cluster

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the Federal Transit Cluster (CFDA 20.500, 20.507, 20.525, and 20.526), and Transit Services Programs Cluster (CFDA 20.513, 20.516, and 50.521) described in finding number 2018-001 for Equipment and Real Property Management. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to those programs.

Qualified Opinion on Federal Transit Cluster and Transit Services Program Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Federal Transit Cluster and Transit Services Program Cluster for the year ended December 31, 2018.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2018.

Other Matters

The Authority’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

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.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
June 4, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS for the year ending December 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION					
Federal Transit Cluster - Federal Transit Administration Programs					
Federal Transit - Capital investment Grants	20.500	UT-2016-007-00			$ 39,050
Federal Transit - Capital investment Grants	20.500	UT-2017-001-00			20,445,072
Federal Transit - Capital investment Grants	20.500	UT-2017-006-00			176,086
Total Capital Investment Grants					20,660,208
Federal Transit - Formula Grant	20.507	UT-2018-009.00			44,071,452
Federal Transit - Formula Grant	20.507	UT-2018-005			2,325,122
Federal Transit - Formula Grant	20.507	UT-2018-006			348,000
Total Federal Transit-Formula Grant					46,744,574
Federal Transit - State of Good Repairs	20.525	UT-2018-004.00			15,311,264
Bus and Bus Facilities Formula Program	20.526	UT-2017-002.00			213,153
Bus and Bus Facilities Formula Program	20.526	UT-2017-013-00			19,707
Bus and Bus Facilities Formula Program	20.526	UT-2018-010-00			12,664
Total Bus and Bus Facilities Formula Program					245,524
Federal Transit Cluster - Federal Transit Administration Programs total				**$ -**	**$ 82,961,570**
Transit Services Programs Cluster - Federal Transit Administration Programs					
Federal Transit - Enahanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-16-0006		268,476	372,844
Federal Transit - Enahanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2016-013		1,343,627	1,412,988
Federal Transit - Enahanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2017-015			69,815
Federal Transit - Enahanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2017-016			41,974
Federal Transit - Enahanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2017-017		53,035	288,227
Total Enhanced Mobility for Seniors and Individuals with Disabilities				1,665,138	2,185,848
Utah Department of Transportation - Job Access and Reverse Commute Program	20.516	17-8233	11-8785		388,138
Utah Department of Transportation - Job Access and Reverse Commute Program	20.516	UT-37-X0003	17-8233		184,511
Total UDOT Job Access and Reverse Commute Program				-	572,649
Utah Department of Transportation - New Freedom Program	20.521	17-8233	11-8785		241,847
Utah Department of Transportation - New Freedom Program	20.521	UT-37-X0003	17-8233		184,511
Total UDOT- New Freedom Program					426,358
Transit Services Program Cluster - Federal Transit Administration Programs total				**$ 1,665,138**	**$ 3,184,855**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS for the year ending December 31, 2018 (Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
National Infrastructure Investment - Federal Transit Administration Programs					
Federal Transit Administration - National Infrastructure Investment (TIGER)	20.933	UT-2018-002			4,096,689
National Infrastructure Investment - Federal Transit Administration Programs total				**$ -**	**$ 4,096,689**
Highway Planning & Construction Cluster - Federal Highway Administration Programs					
Federal Highway Administration - Highway Planning and Construction (CMAQ)	20.505	17-8508	17-8508		127,595
Federal Highway Administration - Highway Planning and Construction (CMAQ)	20.505	20-CMAQ-19			1,080,363
Highway Planning & Construction Cluster - Federal Highway Administration Programs total				**$ -**	1,207,958
Federal Railroad Administration Program					
Railroad Safety Technology Grants	20.321	UT-2017-011			1,748,624
Federal Transit Administration Programs					
Federal Transit - Capital investment Grants	20.514	UT-2017-012-00			29,814
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				**$ -**	**$ 93,229,510**
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
CDGB - Entitlement Grants Cluster	14.225	1812JH	1812JH		68,366
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				**$ -**	**$ 68,366**
DEPARTMENT OF HOMELAND SECURITY					
FEMA Rail and Transit Security Grant Program	97.075	15-RA-00035			22,363
FEMA Rail and Transit Security Grant Program	97.075	16-RA-00045			86,457
FEMA Rail and Transit Security Grant Program	97.075	17-RA-00042			3,017
TOTAL DEPARTMENT OF HOMELAND SECURITY				**$ -**	$ 111,837
TOTAL FEDERAL AWARDS EXPENDED				**$ 1,665,138**	**$ 93,409,713**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS for the year ending December 31, 2018 (Continued)

Reconciliation of federal expenditures to federal revenues	
Comparative Statement of Revenues, Expenses and Change in Net Position (2018)	
Federal preventative maintenance grants	$ 61,820,668
Capital Contributions: Federal grants	31,585,004
Total per Comparative Statement of Revenues, Expenses and Change in Net Position (2018)	93,405,672
Total per Schedule of Expenditures of Federal Awards for the year ending December 31, 2018	93,409,713
Difference	$ (4,041)

Previous Over/(Under)stated Revenues reflected in 2018 Statement of Revenues, Expenses and Change in Net Position

Transit Services Program Cluster	**CFDA#**	**Grant #**	**Amount**
Federal Transit – Enhanced Mobility for Seniors and Individuals with disabilities	20.513	UT-2016-013	$ 4,041
Total Federal Transit – Transit Services Program Cluster Total			4,041
Total Adjustment			**$ 4,041**

A. Basis of Accounting

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

B. Pass-Through Awards

The Authority receives certain expenditures of federal awards from pass through awards of various state and other governmental agencies. The total amount of such pass-through awards is included in the supplementary schedule of expenditures of federal awards.

C. Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended December 31, 2018.

D. Subrecipients

The Authority provided $1,665,138 of federal award funds to subrecipients during the year.

E. Indirect Cost Rate

The Authority did not use the 10 percent de minimis indirect cost rate.

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness identified? __X__ yes ___ no
- Significant Deficiency ____ yes __X_ none reported

Noncompliance material to financial statements noted? ____ yes __X_ no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? _X_ yes ___ no

Significant Deficiency(s) identified ____ yes __X_ none reported

Type of auditor's report issued on compliance for major federal programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_X_ yes ___ no

Identification of major federal programs:

CFDA No(s).	Names of Federal Program or Cluster
20.500, 20.507, 20.525, 20.526	Federal Transit Administration Program Cluster
20.513, 20.516, 20.521,	Transit Services Program Cluster
20.933	National Infrastructure Investment

Dollar threshold used to distinguish between Type A and Type B Programs $__2,802,291

Auditee qualified as low-risk auditee? ____ yes __X_ no

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questions Cost

MATERIAL WEAKNESS

2018 – 001 Noncompliance and Internal Control over Compliance

Program Name/CFDA Title: Federal Transit Cluster, Transit Services Program Cluster
CFDA Numbers: 20.500, 20.507, 20.525, 20.526, 20.513, 20.516, 20.521
Federal Agency: U.S. Department of Transportation
Questioned Costs: $0
Requirement: Equipment and Real Property Management

Criteria: The Authority is required to properly track and safeguard equipment purchased with federal funds. This is accomplished by maintaining asset records with sufficient descriptions or other identifying information to properly locate assets purchased with federal funds. Additionally, the Authority is required to perform inventory counts of such equipment at least every two years.

Condition: During our tests of compliance over Equipment and Real Property Management, it was noted that in our sample of 40 items, in 3 instances the sampled item could not be located.

Cause: The 2017 inventory of the Authority's smaller equipment purchased with federal funds was not sufficiently thorough to ensure disposition of items were properly reflected in the Authority's records.

Effect: If equipment is not tracked more carefully, there is a risk that equipment may be misappropriated or otherwise disposed of and not properly reflected in the records.

Context: The Authority maintains asset listings of two main categories: 1) rolling stock (busses, trains, vehicles, etc.) and 2) equipment. Rolling stock makes up the majority of the value of assets related to this compliance requirement. Additionally, rolling stock is necessary to the Authority's day-to-day operations and are tracked as individual assets with serial numbers, asset numbers, and other identifying information. The discrepancies observed related primarily to equipment which were older and fully depreciated according to the Authority's records.

Recommendation: We recommend the Authority more carefully plan and perform inventory counts over smaller equipment.

MATERIAL WEAKNESS

2017 – 001 Noncompliance and Internal Control over Compliance

Program Name/CFDA Title: Federal Transit Cluster
CFDA Numbers: 20.500, 20.507, 20.525, and 20.526
Federal Agency: U.S. Department of Transportation
Questioned Costs: $0
Requirement: Equipment and Real Property Management

Criteria: The Authority is required to properly track, safeguard, and maintain equipment purchased with federal funds. This is accomplished by maintaining asset records with sufficient descriptions or other identifying information to properly locate assets purchased with federal funds. Additionally, the Authority is required to perform inventory counts of such equipment at least every two years.

Condition: During our tests of compliance over Equipment and Real Property Management, it was noted that in our sample of 40 items, in 7 instances the sampled item could not be located, and in 2 other instances, the sampled items did not appear to be properly maintained.

Cause: The descriptions or other identifying information maintained on those 7 items was not sufficient to locate those assets. Also, the inventory of the Authority's smaller equipment purchased with federal funds was not sufficiently thorough to ensure disposition of items were properly reflected in the Authority's records.

Effect: If equipment is not tracked more carefully, there is a risk that equipment may be misappropriated or otherwise disposed of and not properly reflected in the records.

Context: The Authority maintains asset listings of two main categories: 1) rolling stock (busses, trains, vehicles, etc.) and 2) equipment. Rolling stock makes up the majority of the value of assets related to this compliance requirement. Additionally, rolling stock is necessary to the Authority's day-to-day operations and are tracked as individual assets with serial numbers, asset numbers, and other identifying information. Due to the large number of equipment items and their relatively small dollar amount, equipment is sometimes grouped together and historically has not been adequately described or identified in the Authority's records. The discrepancies observed related primarily to equipment which were older and fully depreciated according to the Authority's records.

Recommendation: We recommend the Authority ensure sufficient identifying information is maintained on the smaller equipment purchased with federal funds. We also recommend the Authority more carefully plan and perform inventory counts over smaller equipment.

Views of Responsible Officials and Planned Corrective Action:

2018-001 Views: Management agrees with the Finding 2018-001. The correction of the capital asset records held by the Authority and the internal controls surrounding the entire inventory started in 2017 but was not planned to be completed by the 2018 audit. After the 2018 inventory is complete by December 31, 2019, UTA will be able to find and identify all asset (including grant funded asset). The item not found should have been removed as part of the 2017 capital asset write-off.

2017-001 Views: Management agrees with the Finding 2017-001. The correction of the capital asset records held by the Authority and the internal controls surrounding the entire inventory started in 2017 but was not planned to be completed by the 2017 audit. Six (6) of the items identified in the forty (40) items sampled were assets misclassified as equipment but will be reclassified and identifying in 2018 as part of redefining non-movable asset classifications and descriptions. After this project is complete by September 30, 2018, UTA will be able to find and identify all asset (including grant funded asset). The remaining item not found should have been removed as part of the 2017 capital asset write-off. The proper maintenance of grant funded assets will be addressed in 2018 through policy and proper assignment of oversight of all assets held by the Authority.

Other Supplementary Information

For Fiscal Years Ended
December 31, 2018 and 2017

UTA
UTAH TRANSIT AUTHORITY

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE*

To the Board of Trustees,
Utah Transit Authority
Salt Lake City, Utah

Report on Compliance

We have audited Utah Transit Authority's (the "Authority") compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide,* issued by the Office of the State Auditor, that could have a direct and material effect on the Authority for the year ended December 31, 2018.

State compliance requirements were tested for the year ended December 31, 2018 in the following areas:

Budgetary Compliance
Fund Balance
Restricted Taxes and Related Restricted Revenue
Open and Public Meetings Act
Treasurer's Bond
Special and Local Service District Board Members

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide.* Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each state compliance requirement referred to above. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

Telephone (801) 590-2600
Fax (801) 265-9405

1455 West 2200 South, Suite 201
Salt Lake City, Utah 84119

Opinion on Compliance

In our opinion, Utah Transit Authority complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
June 4, 2019

INTERNAL AUDIT REPORT

National Transit Database

R-18-09

December 19, 2018

Executive Summary

Introduction

In conjunction with the Board of Trustees' Audit Committee, Internal Audit (IA) developed a risk-based annual audit plan. All of the audits on the audit plan are conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute for Internal Auditors (IIA), and provide several benefits:

- Management's continuous improvement efforts are enhanced
- Compliance is verified and shortfalls are identified so that they can be corrected
- Board of Trustee oversight of governance, control, and risk management is strengthened

All of these benefits contribute toward the Board of Trustees' strategic plan focus areas of:

- Customer Service – Improve products, services, accessibility, and mobility
- Leadership and Advocacy – Address current and future transportation challenges
- Access to Opportunity – Enrich transit access and quality of life
- Strategic Funding – Be wise stewards of public resources
- Workplace of the Future – Foster dynamic, diverse, and engaged employees

As part of the 2018 audit plan, Internal Audit was directed by the Utah Transit Authority (UTA) Board of Trustees to perform an audit to determine if UTA had adequately addressed the 2015 National Transit Database (NTD) independent auditor findings. The preliminary assessment was performed in preparation for the 2016 independent auditor procedures and subsequent report and included both management findings and observations of management's progress against the independent auditor's findings. The audit includes a final status of the internal audit findings and excludes further consideration of the independent auditor's observations. The preliminary audit was concluded in May 2017 and the final audit report was completed in October 2018.

Background and Functional Overview

The Vice President of Finance for the Utah Transit Authority (UTA) provided a functional overview of the NTD reporting process to provide context to this report. Please note that all of the statements made are assertions by the Vice President of Finance and were not assessed by IA.

The National Transit Database (NTD) collects financial and service information from public transportation agencies across the country and requires that all transit agencies report performance data and statistics that the Federal Transit Administration (FTA) then submits to Congress for review. As a full reporter, the Utah Transit Authority (UTA) is required to report both annually and monthly to the NTD. In the annual report, UTA provides a summary of transit characteristics including financial, operational, and asset statistics. The monthly report includes operating statistics such as passenger trips, vehicle miles and vehicle hours.

The data submitted to the NTD is used to allocate FTA grant funding and to report operation statistics of UTA's transit system to the federal government, other agencies, researchers, and the public at large. It is a critical responsibility of UTA to ensure that the data is as accurate as possible and to ensure that systems are in place to monitor, review, and check that UTA is being a faithful steward of the data that belong to its operations.

Some initiatives which have been put in place to improve the accuracy and reliability of NTD data include:

- A biannual review and audit of the submitted data.
- Implementing the automation of submitted data to reduce the likelihood of transposition and human errors.
- Increased scrutiny of year over year data trends to help aid in validating data.
- Monthly Regional General Manager (RGM) review and approval.

NTD data is gathered through the use of software supplied by the Trapeze Software Group and is used to administer the operations of UTA's rail, buses and vanpool. Trapeze software gathers daily records from 944 operators and 1000+ revenue vehicles daily. The vanpool data is collected from RidePro software (a subsidiary of Trapeze) and tracks 350-490 vans and reports the day to day activities of the vanpool.

UTA has engaged its external auditors to perform procedures as required by the FTA in relation to the NTD and provide a report of their findings. Those procedures included testing over the NTD reporting process. Over the course of those annual procedures, there have been a significant reduction in the number of findings, asserting that reporting and accuracy have been greatly improved.

Objectives and Scope

The period of the preliminary audit was January 1, 2016, through December 31, 2016 with the completion of the audit work focusing on October 1, 2017 through September 30, 2018.

The primary focus of the internal audit included:

- Independent reviews of source and accumulation data
- Passenger miles traveled (PMT) sampling
- PMT reporting

The following areas were considered outside the scope of the internal audit:

- Underlying accuracy of NTD data, including how the data is gathered, defined, and reported at the operational level
- Aspects of the NTD process not addressed in the 2015 Independent Auditor Statement findings.

Audit Conclusion

Audit Report Rating*	
This audit revealed improvements in the NTD reporting process through implementation of some data validation procedures and a monthly Regional General Manager (RGM) review and approval of reported NTD data as well as increased communication noted between UTA and the NTD Analyst. However, these improvements were made outside the adoption of a Policy or set of standard operating procedures (SOPs). Improvements identified were more likely due to the reliance on the expertise of individual employees rather than on adequate governance. Without adequate governance and clear guidelines UTA is still at elevated risk not meeting the NTD's requirements of accurate, complete, and timely NTD reporting as well as adequate retention of source documentation. Should key employees leave without the documentation of best practices in place, UTA faces increased risk of non-compliance with NTD requirements. A draft Policy and SOP was created but not necessarily shared or adopted by key stakeholders. Without key stakeholder input there is an increased risk that policies and procedures are not observed due to being invalid or incomplete or as a result of lack of buy in from key participants. As evidenced through a significant reduction of findings in the most recent National Transit Database (NTD) agreed upon procedures (AUP) report from the external auditors, accuracy in reporting appears to be much improved. However, it is important to note that for an AUP engagement the procedures are much more limited in scope as compared to an audit or review engagement and the results of an AUP do not include an opinion or other assurance on UTA's internal controls. Therefore, it remains important that management continually review the reporting process for areas of improvement. While this report details the results of the audit based on limited sample testing, the responsibility for the maintenance of an effective system of internal control and the prevention and detection of irregularities and fraud rests with management.	

*Rating is defined in Appendix 2

Internal Audit would like to thank management and staff for their co-operation and assistance during the audit.

Table of Contents

APPENDIX 1

Index of Findings

APPENDIX 1

1. Governance

Preliminary Finding R-17-4-1		High
Criteria: Governance is the combination of processes and structures implemented by the board and management to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives. Condition: While some aspects of NTD reporting are the responsibility of specific individuals as indicated by an "NTD Responsibility Reference Guide", overall ownership of the NTD process, including data gathering, accumulation, and reporting assigned could not be found. There was no clear, documented assignment of responsibility for the following functions: • Aligning UTA's NTD reporting processes with the NTD Policy Manual • All areas of data gathering, accumulation, and reporting • Reviewing source documentation, summary documentation and amounts submitted to NTD • Monitoring and maintaining Urbanized Area (UZA) allocations and supporting documentation • Communicating with NTD on issues such as updating operating expenditures if adjustments are made after the annual NTD report due date Root/Cause Analysis: Data reported to NTD is derived from a variety of sources from within UTA, across several functions and business units. While each stakeholder contributes to the process, responsibility for managing the overall process, gathering and accumulating data and reporting to the NTD is not documented or well understood.		
Recommendations		
• Responsibility for the overall NTD reporting process, as well as management of the process, data gathering, data accumulation, and reporting functions should be assigned ownership by UTA management in a policy. • Policies and procedures that align UTA's processes with NTD's standards should be designed with input from responsible parties, including, but not limited to, the following areas: – Roles and responsibilities for each area of data gathering, accumulation, and reporting – Ownership, timing, and objectives of reviews – Responsibility for identifying and retaining NTD reporting supporting documentation – Responsibility for communicating questions and concerns to the NTD and how to do so		
Management Agreement	Owner	Target Completion Date
Yes	VP of Finance	August 31, 2017
Responsibility for providing each piece of NTD data was defined in Fall of 2013 in the Comptroller's NTD Responsibility Reference Guide. Regular meetings of key staff have been held since then to continue to improve NTD reporting. As a result of this staff work and strong oversight by the Comptroller, FTA accepted the 2014 NTD report with some comments (no issues with data) and the 2015 NTD report was accepted without any comments or issues. It is my understanding this means the information in the NTD report is materially correct. The NTD Responsibility Reference Guide is a reference guide for Finance and department staff for the identification of roles and responsibilities associated with each line of information required to		

complete the NTD monthly and annual reports. The Finance Department is responsible for maintaining the NTD Responsibility Reference Guide. We agree this Guide can be strengthened by including review and timeline requirements.

We will more clearly define Vice President, Chief Officer, and Regional General Manager roles and responsibility for development of their own department's processes for gathering, accumulating, validating, reviewing, and reporting. We will also specify the need to have written procedures, including identification of the tools used to collect, record, and report NTD data.

Final Status		**Medium**

Both an NTD Policy and standard operating procedures (SOP) were drafted, however, neither were adopted during the audit period or field work. IA also noted that key stakeholders may not have been adequately informed or consulted in the drafting of the Policy and SOP. The lack of adopted policies and procedures resulted in the increased risk that users were not aware of, or following best practices.

The annual NTD Policy Manual is published by the NTD to assist reporting agencies in defining NTD terms and requirements. This manual assists users in aligning their responsibilities with minimum NTD standards for reporting processes. A process was not undertaken in the creation of the draft Policy or SOP to confirm that each aligned with the NTD Policy Manual.

The draft Policy did assign ownership for the overall NTD reporting process as well as for all areas of data gathering, accumulation, and reporting. A single point of contact was identified for communication with the NTD analyst. Additionally, the draft Policy also assigned responsibility, through a separate, but referenced, responsibility chart, for departments to create their own review processes for assigned NTD areas.

Recommendations:

- The draft Policy and SOP should be shared with all responsible parties identified prior to adoption and those parties should have the opportunity to give feedback
- Management should identify the source documents for each data item reported to NTD and assign the document retention responsibility to the appropriate department
- A comprehensive process of independent review of monthly and annually reported NTD data should be designed and implemented, which gives assurance that what appears on the NTD website agrees to Manager approved data as well as to source documents
- The timing, standard, and objectives of reviews throughout the NTD reporting process should be documented in the SOP

Management Agreement	Owner	Target Completion Date
Yes	VP of Finance	July 31, 2019

Accounting has created the high level policy for NTD that has been through Policy Committee in November 2018. That policy identifies all the information that is need to submit the Annual NTD report and the responsible parties to generate that information. Over the next few months all departments assigned will need to start developing Standard Operating Procedures that specifically identify the source documents and retention of the those documents. For the 2018 submission, the

APPENDIX 1

Accounting office has created a Standard Operating Procedure documenting the manual paper process as it stands for limited set of data that is reported on a monthly basis and certified at the annual submission by the Executive Director. Starting January 2019, that manual process is being automated for unlinked passenger trips, revenue service miles and revenue service hours so a new Standard Operating Procedure will be designed for those data sets in 2019.

Given the breadth (number of departments assigned to create SOPs) and the timing (year-end, the annual NTD submission in April 2019, and the next UTA triennial in Summer 2019) Accounting is asking for more time on this finding to develop a comprehensive review process that incorporates these undeveloped departmental SOPs.

2. Accuracy of NTD data

Preliminary Finding R-17-4-2	**High**

Criteria:
NTD Policy requires that the transit agency CEO endorse and attest to the accuracy of the agency's annual NTD report, as well as certify that procedures are documented and that internal controls are in place to ensure data accuracy.

Condition:

- Three (30%) of the 10 PMT Monthly Report amounts were not accurate and did not agree to amounts reported on source spreadsheets
- 2016 PMT data that meets NTD standards for the directly operated and purchased transportation flex bus modes has not been gathered, and therefore cannot be accurately reported

Root/Cause Analysis:
Several aspects of the NTD reporting process are manual in nature. Data is gathered from various individuals and systems, using multiple spreadsheets (reporting templates).

While reporting templates were initially designed with controls such as validating formulas and the name of the preparer, many of these controls have been lost over time. The manual nature of the process and the number of individuals involved, results in a greater risk of inaccurate data reporting.

In addition, there were no documented standard operating procedures to direct responsible parties on how to perform critical tasks, such as PMT sampling.

Recommendations

- Management should review the current reporting process to eliminate redundancies and embed controls where possible
- Management should assess how and where automation of the process of gathering, accumulating, and reporting data to the NTD could be implemented to improve timeliness and accuracy
- Management should implement independent reviews of the reported information at critical points within the process. The reviews should be designed to facilitate the accuracy of reporting and

APPENDIX 1

supporting documentation. Independent reviews should align with those required in the NTD Policy Manual

Management Agreement	Owner	Target Completion Date
Yes	VP of Finance	August 31, 2017

We will document the reporting process used to complete the required NTD monthly and annual reports. This will include templates, template instructions, revision instructions, and the process flowchart which includes validation after the information has been compiled but prior to submission. As noted in item 1 above, procedures to support the actual collection of the data reported is the responsibility of the designee identified in the NTD Responsibility Reference Guide.

Finance staff will use an inter-disciplinary team to review options for improving/automating the reporting process and inserting independent reviews at critical points (such as manual entry of data from a source document to NTD).

Final Status	**Medium**

There were no processes identified for reported data from the NTD website to be agreed back to NTD data approved by Regional General Managers (RGM) and other UTA parties responsible for NTD data collection and reporting on a monthly or annual basis.

A process of mid-year and year-end validation was in place for certain NTD data items, however, the process did not include all data reported on a monthly or annual basis. The audit trail for most of the samples was weak because the months sampled were not always recorded on the tracking file.

Recommendations:

- Management should undertake a process of identifying all monthly and annual data reported to NTD and map them back from the NTD website through to internal reporting, aggregation, and the source document
- An independent review should be implemented, which assesses the accuracy, validity, and completeness of monthly and annually reported data as it appears on the NTD website
- The overall map of NTD data (recommended above) should be assessed against the existing system review and validation to identify any gaps

Management Agreement	Owner	Target Completion Date
Yes	VP of Finance	July 31, 2019

Accounting will develop a process of submission, review and reconciliation for all data submitted monthly and aggregated annually after departments are able to understand their assigned responsible data sets and develop SOPs that address accuracy.

Given the breadth (number of departments assigned to create SOPs) and the timing (year-end, the annual NTD submission in April 2019, and the next UTA triennial in Summer 2019) Accounting is asking for more time on this finding to develop a comprehensive review process that incorporates these undeveloped departmental SOPs.

APPENDIX 1

3. Review of data and documentation

Preliminary Finding R-17-4-3		**High**
Criteria: The NTD Policy Manual, as well as best practices recommend that consistent, independent reviews be performed, and documented, at critical points in the NTD reporting process. Critical points include, but are not limited to: source documentation, accumulation templates, reporting templates, and NTD system reporting. Condition: Although an RGM review and sign-off was instituted for NTD data, the process is not well understood, consistent, or sufficient to comply with NTD requirements. • For 4 (29%) of the 14 RGM sign-offs reviewed, no date of review was noted • The RGM review is not always completed prior to data being entered into the NTD system. • There is no process to agree information recorded on the NTD system to the data reviewed and approved by RGMs • Reviews performed do not include source documents and data summaries, that would help ensure completeness, accuracy, and reasonableness of the data Root/Cause Analysis: There are no written policies and procedures defining control activities to be performed. The responsibility to align UTA processes with NTD policies and standards has not been assigned by management.		
Recommendation		
• The objectives of reviews should be documented • Reviews should occur at critical points throughout the reporting process, including final data reported to NTD • Documented procedures should include reviews of source documents and data summaries to ensure the completeness, accuracy, and reasonableness of the information reported • The date that NTD reports are prepared and the date they are reviewed should be documented		
Management Agreement	Owner	Target Completion Date
Yes	VP of Finance	August 31, 2017
The NTD Responsibility Reference Guide will be updated to include date requirements on the RGM review sign-offs. In addition, the Guide will also be updated to include submission requirement dates. As noted in item 1 above, departments will be required to document their procedures to include necessary reviews.		

Final Status	**Medium**
The objectives of the RGM/Manager review signoffs were not documented in the draft NTD Policy or SOP. Although the draft SOP did assign the monthly timing for RGM reports to be created and sent as well as the final reporting dates to the NTD, it did not specify what date the RGM approval should be completed by. As noted in the Final Status for finding 2 above, there was no review of monthly or annual data as recorded on the NTD website.	

APPENDIX 1

Testing of RGM approvals (April 2018 through August 2018) revealed the following: • Accountant records showed that 13 out of the 45 required approvals were not provided • For 7 of the 32 approvals on file selected for further review, 5 were dated after the monthly deadline requirement for NTD reporting Recommendations: • Management should ensure that a comprehensive system of review is in place for NTD data as recommended in the Final Status for Finding 2 above • For each review control designed and implemented as part of a comprehensive system, Management should identify and document the specific objectives of that review, including timing requirements, documentation retention requirements, and the assertion(s) being provided with the sign-off

Management Agreement	Owner	Target Completion Date
Yes	VP of Finance	December 31, 2019
Accounting will develop a comprehensive review for timing of approval, retention of documentation, and incorporate NTD questions and changes to the data that occur after submission is finalized by NTD. Given the breadth (number of departments assigned to create SOPs) and the timing (year-end, the annual NTD submission in April 2019, and the next UTA triennial in Summer 2019) Accounting is asking for more time on this finding to develop a comprehensive review process that incorporates these undeveloped departmental SOPs.		

4. Timely Reporting of Vanpool data

Preliminary Finding R-17-4-4	**Medium**
Criteria: Timely reporting is a requirement documented in the NTD Policy Manual. Condition: Monthly Vanpool data is reported one month in arrears. For example, February 2017 data was reported as January 2017 data. Although a process is undertaken at year end to adjust monthly amounts for Vanpool to the correct periods, it is not clear whether that practice meets NTD requirements. Root/Cause Analysis: Vanpool users do not uniformly meet the reporting deadline, with approximately 50 percent consistently reporting late and 15 percent not reporting at all. This results in a lag between the end of the month and when it can be reported to NTD. In an effort to meet the NTD monthly reporting deadline, data from the prior month is entered for the current month.	
Recommendations	
• Management should identify the responsible party for communicating with the NTD	

APPENDIX 1

- The responsible party should inquire with NTD about the Vanpool reporting process to determine if it satisfies NTD standards or whether UTA can receive a waiver covering the Vanpool reporting process
- If UTA is not in compliance and no waiver may be granted UTA should assess how to improve reporting timeliness, with feedback from the NTD as needed, until the process is deemed compliant

Management Agreement	Owner	Target Completion Date
Yes	Special Services Program Manager	September 30, 2017

Vanpool management will inquire with the UTA NTD representatives to contact NTD regarding the existing ridership reporting process. This includes identifying if current practices are acceptable with NTD or receiving waivers and/permission to continue with the current practice of vanpool ridership reporting. If current practices are considered to be unacceptable with NTD, management will work to identify changes to existing ridership reporting processes in order to become complaint with NTD reporting requirements.

Final Status	**Low**

The Vanpool Manager did inquire with the NTD Analyst regarding UTA practices for Vanpool reporting. The NTD Analyst's response reiterated the NTD policy requirement was that Vanpool data be reported by the end of the following month. UTA continued to report monthly data one month behind (e.g. September Vanpool data is reported as October). There was a process undertaken by the Accountant to correct the monthly reporting at year end, however, the NTD had not granted a waiver for UTA's Vanpool reporting methods, including the year end adjustment. Therefore the risk remains that UTA's non-compliance with NTD reporting may damage UTA's reputation or lead to reduced FTA funding consideration.

It is recommended that Vanpool management review their NTD reporting process to determine if timely reporting can be achieved through technology or more effective sampling and estimation techniques.

Management Agreement	Owner	Target Completion Date
Yes	Coordinated Mobility Manager	December 31, 2019

Currently, the Vanpool NTD process is to report the data as soon as it is available, however, due to the reliance on the self-reporting of the Vanpool customers the process causes a delay. Prior to finalizing the annual NTD submission it is the standard procedure to correct all the monthly Vanpool reporting for the year so that the annual report is corrected for Vanpool monthly reporting prior to the certification given by the UTA Executive Director.

Vanpool management discussed the NTD reporting issue with the NTD Analyst as well as the regional FTA representative noting that the NTD does not have any systems or procedures in place to make an exception for when Vanpool data is entered. We will review our process to determine if a more timely NTD reporting deadline can be achieved, however, the Vanpool department has a number of priorities in carrying out new initiatives including implementing new billing software, maintenance and tracking systems, and a new fuel card system as well as addressing other audit risks identified.

APPENDIX 1

5. Close-out Period

Preliminary Finding R-17-4-5		Medium
Criteria: NTD allows a two and half month revision period after the annual reporting due date, which ends on the 'Close-out' date. During the revision time, reporting transit agencies work with NTD analysts to ensure that data is accurate per NTD requirements. Due to additional requirements of quality assurance performed by the NTD later in the Closeout period, self-identified inaccuracies are best revised with the NTD Analyst within one month of the annual reporting date. Additional changes are still possible up to July 15th but may become increasingly difficult to make. Condition: UTA has utilized the revision period to correct issues identified by the NTD analyst. However, UTA does not have a formal, documented process to address those situations where UTA becomes aware that information submitted on April 30 needs to be revised. Root/Cause Analysis: Responsibility to monitor changes in data, such as operating expenses, after the annual report due date and prior to the close-out date has not been assigned. Additionally, responsibility to assess NTD reporting for completeness, accuracy, and reasonableness, and to communicate changes to the NTD analyst as needed has not been documented.		
Recommendations		
The extent of reviews put in place by management should include an assessment to determine whether NTD reported information agrees to external and internal report templates and source documentation, by an individual other than the employee that recorded the information on the NTD. If documentation is missing or information does not agree between the reporting templates and source documentation, the review should include an investigation of the underlying causes. For issues where a clear remedy is not apparent, the NTD Analyst's assistance should be sought. Management should also consider using the period between April 30 and May 31 to correct any self-identified inaccuracies with the NTD Analyst as the NTD does make this period available for such a purpose.		
Management Agreement	Owner	Target Completion Date
Yes	VP of Finance	August 31, 2017
Finance and departments exercise a great deal of care in preparing and entering NTD data prior to the April 30 NTD reporting deadline. In addition to the changes in items 1 through 4 above, we will include in the internal NTD Responsibility Reference Guide a requirement that departments have an employee double check information entered into the NTD system prior to UTA's April 30 submittal and that discrepancies be reported immediately to their RGM, Vice-President, or Chief Officer and the Accounting and Data Analyst. The NTD Responsibility Reference Guide will also describe the process to be used to report to NTD's analyst any discrepancies discovered after April 30.		
Final Status		Low
During field work IA noted that after the April 30th submittal date there was evidence of coordination between the appointed UTA point of contact and the NTD Analyst to correct self-identified		

APPENDIX 1

inaccuracies discovered. IA notes that this is consistent with the draft NTD Policy assignment of NTD communication. However, neither the draft Policy nor the draft SOP identified how to communicate self-identified inaccuracies to the NTD Analyst when there is still an open window to do so. In conjunction with the absence of a comprehensive review and validation process of NTD data previously identified in finding 2, the lack of a documented process to report self-identified inaccuracies after the submission date increased the overall risk of inaccurate NTD reporting. It is recommended that management documents the process for reporting self-identified inaccuracies after the submission date.

Management Agreement	Owner	Target Completion Date
Yes	VP of Finance	December 31, 2019
Accounting will incorporate an officially method of reporting inaccuracy to all the responsible parties after a comprehensive framework is created in 2019.		

APPENDIX 2

REPORT RATING MATRICES

OVERALL REPORT RATING

The overall report ratings are defined as follows, applicable to the audit scope as defined

Descriptor	Guide
Fully effective	Controls are as good as realistically possible, both well-designed and operating as well as they can be.
Substantially effective	Controls are generally well designed and operating well but some improvement is possible in their design or operation.
Partially effective	Controls are well designed but are not operating that well. OR While the operation is diligent, it is clear that better controls could be devised.
Largely ineffective	There are significant gaps in the design or in the effective operation of controls – more could be done.
Totally ineffective	Virtually no credible controls relative to what could be done.

DETAILED FINDING PRIORITY RATING

Descriptor	Guide
High	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
Medium	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
Low	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.
Implemented	Management action has been taken to address the risk(s) noted in the audit finding.

APPENDIX 3

DISTRIBUTION LIST			
Name	**For Action[1]**	**For Information**	**Reviewed prior to release**
Interim Executive Director	*		*
Sr Counsel Managing Attorney		*	
VP of Finance	*		*
Chief Safety, Security and Technology Officer	*		*
Comptroller	*		*
Manager Operations Analysis and Solutions	*		*
Coordinated Mobility Manager	*		*
Accountant	*		*

[1]For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding.

INTERNAL AUDIT REPORT

Treasury Management

R-18-05

September 11, 2018

Executive Summary

Introduction

In conjunction with the Board of Trustees' Audit Committee, Internal Audit (IA) developed a risk-based annual audit plan. All of the audits on the audit plan are conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute for Internal Auditors (IIA), and provide several benefits:

- Management's continuous improvement efforts are enhanced
- Compliance is verified and shortfalls are identified so that they can be corrected
- Board of Trustee oversight of governance, control and risk management is strengthened

All of these benefits contribute toward the Board of Trustees' strategic plan focus areas of:

- Customer Service – Improve products, services, accessibility, and mobility
- Leadership and Advocacy – Address current and future transportation challenges
- Access to Opportunity – Enrich transit access and quality of life
- Strategic Funding – Be wise stewards of public resources
- Workplace of the Future – Foster dynamic, diverse, and engaged employees

As part of the 2018 audit plan, IA was directed by the Board of Trustees to perform an audit to determine if controls are designed and operating effectively to ensure that Treasury operations adhere to policies and applicable laws. The preliminary stage of the audit was concluded in June 2017 and the audit report was finalized in July 2018.

Background and Function Overview

The Vice President of Finance for the Utah Transit Authority (UTA) provided a functional overview of the Treasury Management to provide context to this report. Please note that all of the statements made are assertions by the Vice President of Finance and were not assessed by IA.

The Treasury Function is responsible for cash management at UTA, including the following key areas:

- Bond Financing, Post Issuance Compliance, Rating Agency and Investor Relations
- Investment of Funds and Reporting
- Equipment Lease Financing
- Bank Relations and Account Administration

The treasury function is performed by the Treasurer and Deputy Treasurer. This function is critical to being able to carry out the mission and projects of UTA, by ensuring sufficient funds are available to keep both current daily and future business moving forward. UTA is audited every year by external auditors and no material Treasury findings have been reported. A more detailed summary of Treasury's key areas of responsibility, is found below.

Bond Financing:

- With a current outstanding bond portfolio of $2.1 billion, Treasury has issued bonds to construct a variety of rail and bus projects, identified by civic leaders, the public, and UTA, to create a first class mass transit system for the Wasatch Front. This was done during a major recession, while maintaining an AAA Senior Rating by Standard & Poors, and allowing UTA to take advantage of significant construction cost savings.

- Additionally, refunding bonds were timely issued to create massive interest savings, creating $108.9 million in refunding savings, and another $58 million in interest expense savings through the prudent use of a variable rate demand note bond program.
- UTA maintains an effective post issuance compliance program, has always filed timely its required notices and Continuing Disclosure Memorandums. The IRS has reviewed two UTA bond issues for compliance with Federal Regulations and was found to be in compliance.

Investment of Funds:
Historically, UTA has invested all its funds in the Utah Public Treasurer's office, limiting the return earned on investments. Over the last several years, we have created an investment program, allowing us to earn interest at a rate greater than that paid by PTIF. Also, during that time we created $2.9 million in additional investment returns in the form of "gain on sale" of investments. We have never experienced a "loss on sale" of investments.

We are in compliance with all State investment reporting requirements and report investment activity quarterly to a committee of the Board. Total funds on hand, at 6/30/18, was $223.6 million. We also employ an investment manager to manage approx. $25 million of our portfolio, in the 1-3 year maturity category.

Equipment Lease Financing:
Beginning in 2015, UTA began its first ever equipment lease financing program. Over the next three years, our leasing program has generated $46,217,888, in funds for equipment acquisition, to purchase 55 buses on a 12 year term, 66 paratransit vehicles on a 5 year term, and 142 rideshare vans on a 4 year term, for a total of 263 vehicles. A request for proposal (RFP) is issued each year, allowing us to maintain a low cost financing program.

Bank Relations:
This part of the Treasurer's responsibilities ensures the daily management of bank checking, escrow, sweep and saving accounts, along with the accounts at PTIF, are maintained, properly reported on to the Utah Money Management Council, and that proper signature authority, policies and procedures are followed for safekeeping of UTA funds. Recently, Treasury conducted an RFP for banking services, with Zions Bank being the bank to win the banking contract.

There are many other smaller duties that fall our way, with the focus being safe, secure, low cost money management for the organization. Recently the Utah State Legislature passed SB 136, which has a significant impact on UTA in general, as well as how the Treasury function is handled. Treasury will be evaluating the impact of SB136 on the governance and control environment of Treasury and amendments will be made to support the newly introduced law.

Objectives and Scope
The period of the preliminary audit was from May 1, 2016, through April 30, 2017 with completion of the audit work focusing on the period of January 1, 2018 through May 31, 2018.

The primary areas of focus for the Treasury audit were:
- Governance
- Bank account administration
- Bonds

- Leases
- Investments
- ACH and wire payments
- Treasury related Contracts and other agreements

The internal audit excluded from the scope of this audit areas such as:

- Pension
- Cash collection
- Check run process
- General accounting processes
- Petty cash

IA did not perform substantive testing of balances and instead relied on the assessment of the external auditor of Treasury related financial statement elements for the financial audit. IA focused on internal controls within the context of a risk-based approach.

Audit Conclusion

Audit Report Rating*	
The audit revealed that a Treasury Management Corporate Policy as well as a set of standard operating procedures (SOP) have been created, which identify roles and responsibilities for all Treasury functions as well as expected performance, performance measures, and reporting requirements. While the implementation of the Policy and SOP support strong governance of the Treasury management process, non-performance of specific controls documented in the SOP negates the effectiveness of the control design. Management should consider more formal implementation of controls, as documented in the SOP. Additionally, a comprehensive risk assessment process for Treasury Management would better guide management in identifying, measuring, and addressing the most critical aspects. While this report details the results of the audit based on limited sample testing, the responsibility for the maintenance of an effective system of internal control and the prevention and detection of irregularities and fraud rests with management.	

*Rating is defined in Appendix 2

IA would like to thank the management and staff for their co-operation and assistance during the audit.

Table of Contents

APPENDIX 1

Index of Findings

APPENDIX 1

1. Policies and Procedures

Preliminary Finding R-17-8-1	**High**

Criteria:
UTA Corporate Policy No. 1.1.2, Creation, Revision, Retention, and Distribution of Policies and Procedures, Definitions section, states that corporate level policies are developed to *"provide principles and guidelines that provide corporate-wide direction on the Authority's decisions, strategies, and actions"* and that standard operating procedures, *"provide a step-by-step process to follow when carrying out a particular task or function.*" Corporate policies and standard operating procedures align with and support Board Resolutions and Executive Limitations.

Condition:
While UTA Corporate Policy No. 3.1.4, Investments, provided control activities and performance objectives for investing, there were no other corporate policies or standard operating procedures regarding Treasury functions, such as bonds, bank account administration, and leases.

Board resolutions and Executive Limitations were used by Treasury Management as guidance in the absence of corporate policies. These documents also became the basis for testing performed by IA and included:
- Executive Limitations Policy 2.2.2 Property
- Executive Limitations Policy 2.3.2 Financial Conditions
- Executive Limitations Policy 2.3.3 Budgeting
- Executive Limitations Policy 2.4.6 Debt Reserve and Rate Stabilization Fund
- Resolution R2012-05-01 Handling of Funds

The lack of corporate level policies and standard operating procedures regarding Treasury functions contributed to findings that are detailed throughout the report.

Root/Cause Analysis:
The small size of the Treasury Department coupled with the team's knowledge and experience contributed to the emphasis being on the day to day operations rather than on documenting policies and procedures.

Effect:
- The lack of corporate level policies and standard operating procedures resulted in:
  - o Increased risk that loss of key personnel would result in the inability of UTA to carry out critical Treasury processes appropriately or at all.
  - o Unclear roles and responsibilities for critical Treasury functions that involve multiple departments as well as third parties.
  - o A lack of performance measurement information provided to stakeholders on how certain functions were performing relative to expectations and industry standards.
  - o Greater risk of non-compliance with best practices and legal standards, which may result in reputational, legal, and financial loss.
  - o Potential for Treasury operations to become misaligned with corporate objectives.

APPENDIX 1

- o Increased risk of ad hoc practices and inconsistencies in the performance of Treasury functions.
- o Increased difficulty in assessing the effectiveness of the Treasury control environment.
- o Increased likelihood that regulatory and other industry changes could occur without detection and integration into UTA operating procedures. Changes may significantly impact UTA responsibilities and best practices for bonds, investments, and other critical Treasury responsibilities.
- In addition, UTA staff may not be aware of all Board policies and resolutions, nor is their application to UTA operations clearly understood, resulting in the risk that staff may make decisions that contradict those policies.

Recommendations

Management should oversee the creation of a corporate level policy that identifies roles and responsibilities for all Treasury functions as well as expected performance, performance measurements, and reporting requirements.

Where responsibilities are shared with other departments or external parties, management should ensure that roles and responsibilities are documented and agreed upon. Documentation may include corporate policies, SOPs, contracts or agreements, as appropriate.

Management should develop written standard operating procedures that align with the corporate level policy and provide step by step guidance for all Treasury functions. SOPs developed should include a process for regularly monitoring for changes in regulations and in the industry that may impact Treasury. Management may consider including the use of calendars and checklists to track and ensure completeness of Treasury processes such as bond issuance and compliance monitoring.

Management should also introduce a risk management process to identify, assess, and manage critical risks.

Management Agreement	Owner	Target Completion Date
Agree	VP of Finance	December 31, 2017

A corporate policy and appropriate SOPs will be created to document current practices and address the recommendations.

Due to the additional resource constraints of onboarding a new Comptroller as well as the budgeting process, which is my busiest season, a reasonable target completion date is December 31, 2017.

Final Status	**Medium**

Management has implemented a Treasury Policy and SOP, which incorporates roles and responsibilities, expected performance, performance measurements, and reporting requirements.

There appears to be an informal process for monitoring changes in the regulatory and operating environments, however, the process is not documented.

APPENDIX 1

No risk assessment process was designed or documented for Treasury functions. Management should consider the following recommendations: • Utah State law SB-136 took effect on May 8, 2018, which is during the audit period, but IA did not consider its effects for purposes of the audit given that it would have allowed for limited coverage of less than a month. However, it is noted that management will need to consider the impact of the law on all aspects of the Treasury Policy and SOP and make changes accordingly. • Design and implement a periodic risk assessment process for the Treasury function.

Management Agreement	Owner	Target Completion Date
Agree	VP of Finance	December 31, 2018
The treasurer will review SB 136 and implement the necessary steps to address the relevant parts of the new law. A periodic risk assessment process will be designed and implemented.		

2. Bank Accounts

Preliminary Finding R-17-8-2	**High**
Criteria: Board Policies and Resolutions: Resolution R2012-05-01 Handling of Funds states "*That the Chair, Vice Chair, Secretary, General Manager, General Counsel, Treasurer, Deputy Treasurer and Comptroller are authorized and empowered as officers of the Authority invest or reinvest funds of the Authority as authorized by law; establish accounts with one or more financial institutions as deemed necessary; and settle the Authority's debts, obligations and liabilities consistent with management policy.*" Condition: IA requested and reviewed the list of individuals authorized to access and/or conduct business on behalf of UTA at Zions Bank and Wells Fargo. IA noted that the former Comptroller had access to Zions online banking system and was on the list of individuals authorized to open or close bank accounts, make payments, and perform other banking functions on behalf of UTA at Wells Fargo, after her date of separation from UTA. From a population of 21 bank accounts, a monthly population of 12 bank reconciliations could be evidenced. Based on these 12 reconciliations tested the following observations were made: • For both Zions Bank and Wells Fargo accounts, reconciliations were completed and matched supporting documentation. However, one such reconciliation featured an outstanding reconciling item for almost a year. The former Comptroller reportedly reviewed bank reconciliations, but there was no evidence available to support that review. • In addition, while the Accountant stated that she verified the balance in two State Public Treasurers' Investment Fund (PTIF) accounts, no evidence of the verification could be found.	

APPENDIX 1

- Finally, there was no evidence that escrow accounts for bonds and leases were being reconciled to account statements. The former Comptroller reportedly performed those reconciliations but no documentation was available to provide evidence of the control being performed.

Considering the anomalies identified for bank reconciliations, there was not sufficient evidence to conclude that all financial accounts were being reconciled or reviewed.

In addition, as part of IAs review of bank controls, procedures to initiate and approve ACH and Wire payments were reviewed. IA noted that all payments were approved prior to payment and separation of duties was in place. However, while evidence supporting ACH and Wire payments was reportedly reviewed prior to approval, there was no documentation supporting that and no clear standard of review had been established.

Root/Cause Analysis:
Ownership for bank accounts had not been formally assigned and there were no corporate level policies or standard operating procedures. This resulted in bank account administration and ACH/ Wire initiation and approval procedures occurring on an ad-hoc basis that was adapted over time without being documented or reviewed.

Effect:
- Unauthorized user access and lack of standard review for ACH and Wire payments increases the risk of inappropriate and unauthorized transactions. It also increases the risk that proprietary or sensitive information may be exposed.
- Unreconciled bank accounts, and bank account reconciliations without independent review, increase the risk of inappropriate and unauthorized transactions occurring without detection. UTA may be subject to monetary losses and negative publicity.

Recommendations

All bank account access for former employees should be revoked immediately and verified with the financial institution, and a review of account access should be undertaken periodically to confirm that all access to all accounts is appropriate.

All accounts, including investment and escrow accounts, should be reconciled to source documentation on a monthly basis and given that the reconciliation process is manual, it should be reviewed.

Reconciling items should be documented, researched and resolved on a timely basis.

As noted in finding 17-8-1, management should oversee the creation of a corporate level policy that identifies the areas of Treasury's responsibility for bank account administration. An SOP for Bank Account Administration should be created that includes, but is not limited to, the following:
- A routine procedure for identifying all bank accounts in UTA's name.
- Procedures for timely and appropriate provisioning and removal of user access.
- Periodic bank profile and account access review procedures.

APPENDIX 1

<table>
<tr><td colspan="3">Additionally, the Vice President of Finance should oversee the inclusion of standards for reconciliations and ACH and Wire payments in the Accounting Policy Manual, including but not necessarily limited to:
• Requirements for reconciliation of all bank accounts, including escrow accounts.
• Supporting documentation, review procedures, and required support.
• Minimum applicable materiality thresholds.
• Length of allowable time for reconciling items, including stale checks.
• Research procedures required.
• Guidance on when to elevate reconciling items to be addressed by management.
• Standard levels of review and required documentation, including correct routing information, for ACH and Wire approvals.</td></tr>
<tr><th>Management Agreement</th><th>Owner</th><th>Target Completion Date</th></tr>
<tr><td>Agree</td><td>VP of Finance</td><td>December 31, 2017</td></tr>
<tr><td colspan="3">The Deputy Treasurer provided direction to the bank to remove the former Comptroller as an approver on her termination date. When the former Comptroller received a call from the bank to approve an item, she contacted us. The bank was contacted. The bank has made the necessary corrections to their records.

The VP Finance will work with the incoming Comptroller to document current practices and address the recommendations. Due to the additional resource constraints of onboarding a new Comptroller as well as the budgeting process, which is my busiest season, a reasonable target completion date is December 31, 2017.</td></tr>
</table>

<table>
<tr><th>Final Status</th><th>Medium</th></tr>
<tr><td colspan="2">The SOP was inspected as part of audit procedures and the following items were noted:
• A routine procedure for identifying all bank accounts in UTA’s name.
• Procedures for timely and appropriate provisioning and removal of user access.
• Periodic bank profile and account access review procedures.
• Bank account reconciliation requirements for:
o Accounts to be reconciled
o Review procedures
o Materiality thresholds
o Time allowed for reconciling items
• Standard levels of review and required documentation, including correct routing information, for ACH and Wire approvals.

It was noted that the SOP did not include the documentation requirement for reconciliation support, however, audit testing found that Accounting was retaining copies of bank statements to support reconciliations as well as account balances where reconciliations had not been performed. A comprehensive bank reconciliation process has also been implemented, as evidenced by a cover sheet. The cover sheet included both quantitative and qualitative analysis as well as evidence of review and approval.</td></tr>
</table>

APPENDIX 1

Substantive testing of bank reconciliations for the month of May 2018 revealed the following: • 24 out of 35 accounts did not have a reconciliation • 2 of the 11 accounts reconciled were not performed within 7 business days of month end • 3 of the 11 accounts reconciled had reconciling items which were identified, however, none of the reconciling items had evidence of investigation or documented actions A periodic review of signers and online access was not tested due to the stipulated timing of reviews in the SOP falling outside the audit period. The newly created SOP includes a requirement that a current list of authorized signers by account must be maintained within UTA but evidence could not be found that supported this requirement. The IA procedures found that the bank account access of the former employee has been revoked. Management should consider the following recommendations: • Design and implement a process to maintain a comprehensive listing of current authorized signers by bank account. • Integrate the document support requirements for bank reconciliations into the SOP.

Management Agreement	Owner	Target Completion Date
Agree	VP of Finance	December 31, 2018
A process to maintain a comprehensive listing of current authorized signers by bank account will be in place this year, via the Treasury Management SOP, which requires an annual review with UTA financial institution, notice of changes in the Chair and Vice Chair positions of UTA, from the Director of Strategic Board Operations, etc. Accounting will update its current SOP in the Account Procedure Manual for bank reconciliations to reflect the new form implemented at the beginning of 2018 and clearly state timelines on outstanding unreconciled entries for Accountants to correct the entries.		

3. Bonds

Preliminary Finding R-17-8-3	**High**
Criteria: Executive Limitations Policy No. 2.3.2 states: *..the General Manager shall not:* • *Incur debt for the Authority without prior Board approval…* • *Violate laws, regulations, generally accepted accounting principles (GAAP), rulings or policies regarding financial conditions and activities.* Condition: Although the Executive Limitations Policy 2.3.2 stipulated that the Board approve all debt, there were no corporate level policies or SOPs to guide management in the governance and operation of the	

APPENDIX 1

bond process. The following issues, identified by the audit procedures, should be addressed in a corporate policy and SOP:

- Although there was ample email evidence to demonstrate that an extensive review of bond documentation had occurred the process was not formalized to be able to test for accuracy and completeness.
- Management stated a reliance on Bond Counsel for compliance with State and Federal law. However, the Opinion of Bond Counsel letter cited reliance on UTA for compliance with applicable laws and IRS regulations.
- There was no formal agreement such as a contract or engagement letter that documented Bond Counsel duties to UTA.
- Although asserted as a control by management, there was an insufficient audit trail to support that the due diligence meeting provided adequate assurance that the bonds and supporting documentation complied with applicable state and federal laws as well as applicable regulations.
- Year-end bond reconciliation performed by Accounting lacked supporting documentation, such as an original digital copy of the Final Numbers Report or the Debt Service Schedule from the bond transcript, to agree the general ledger balance to.
- Post issuance debt monitoring processes were not documented, including:
  - Ensuring compliance with covenants and specific bond requirements, including continuing disclosures.
  - Confirming compliance with IRS regulations for tax free debt.
- Oversight of the Bond Tracking sheet maintained by the Manager of Property Administration was not assigned.

Root/Cause Analysis:
The issuance of tax-free debt is highly regulated and Treasury relies on outside expertise to assist with and perform all aspects of the issuance process. Additionally, the small size of the Treasury Department coupled with the team's knowledge and experience contributed to the emphasis being on the day to day operations rather than on documenting policies and procedures.

In addition, Treasury relied on:

- Third party oversight where the contract or agreement does not guarantee it.
- Mutual interest of third parties for UTA compliance with laws and regulations.

Effect:
The lack of a corporate level policy and an SOP may increase the risk of non-compliance with applicable laws and regulations.

Recommendations

Appropriate oversight of the Property Administration's Bond Tracking process should be established.

As noted in finding 17-8-1, management should oversee the creation of a corporate level policy that identifies the areas of Treasury's responsibility as well as an SOP for bonds. The SOP should include, but not be limited to, the following:

- The procedures for monitoring UTA compliance with applicable laws and regulations pre- and post-issuance.

APPENDIX 1

- The roles and responsibilities of other departments and third parties, including what reliance UTA should place on third party contracts or agreements.
- Steps included in bond documentation reviews, including how completion of the review process will be tracked and how evidence of review will be created and maintained.
- Inclusion of checklist templates to assist with the monitoring of processes and evidence of completion.
- Bond documents to be retained and their required retention length.
- Responsibility of Treasury to communicate the original debt service schedules, found in the bond transcript, to Accounting and to retain evidence thereof. Additionally, the SOP should indicate the requirement for Accounting to retain the original schedules to support the periodic bond liability general ledger account reconciliation.
- Identify appropriate oversight of the bond property administration and tracking, including assignment of overall governance for the process, determination of the extent and timing of the reporting and report review process, as well as how to assure report accuracy and completeness.
- Criteria to determine when an Arbitrage Report should be pursued.

Management Agreement	Owner	Target Completion Date
Agree	VP of Finance	December 31, 2017

The Corporate policy and SOP will include sections to document current practices and address these recommendations.

Due to the additional resource constraints of onboarding a new Comptroller as well as the budgeting process, which is my busiest season, a reasonable target completion date is December 31, 2017.

Final Status	**Implemented**

The Corporate Policy and SOP assigned responsibilities for bonds and the bond tracking process.

Additionally, the SOP documented the following:

- Procedures for monitoring UTA compliance with applicable laws and regulations pre- and post-issuance.
- Roles and responsibilities of other departments and third parties, including what reliance UTA should place on third party contracts or agreements.
- Steps included in bond documentation reviews, including how completion of the review process will be tracked and how evidence of review will be created and maintained.
- Checklist templates to assist with the monitoring of processes and evidence of completion.
- Bond documents to be retained and their required retention length.
- Responsibility of Treasury to communicate the original debt service schedules, found in the bond transcript, to Accounting and to retain evidence thereof.
- Requirement for Accounting to retain the original schedules to support the periodic bond liability general ledger account reconciliation.
- Appropriate oversight of the bond property administration and tracking, including assignment of overall governance for the process, determination of the extent and timing of the reporting and report review process, as well as how to assure report accuracy and completeness.

APPENDIX 1

• Criteria to determine when an Arbitrage Report should be pursued. Due to timing of the controls not coinciding with the audit period IA was not able to test the following requirements in the SOP: • Year-end bond reconciliation. • Ensuring compliance with continuing disclosure requirements. • Ensuring and documenting compliance with bond covenants.

Management Agreement	Owner	Target Completion Date
Not applicable		

4. Leases

Preliminary Finding R-17-8-4	**Medium**
Criteria: Executive Limitations Policy No. 2.2.2 Property states that: *Acquisition, disposition or encumbrance of real property shall not deviate materially from the Board's Ends policies. In addition, the General Manager shall not:* *1. Fail to obtain Board approval prior to acquiring, disposing of or encumbering real property in excess of $250,000…* *3. Fail to present to the Planning and Development Committee of the Board, and to the full Board, property acquisitions or dispositions or proposals that meet one or more of the following criteria sufficiently in advance of the proposed acquisition, disposition or proposal to allow the Board to review all relevant details, approve budgets as needed, and make an educated decision on the merits…* *e. The disposition of property which would interfere or be incompatible with the Authority's intended use of the property;* *f. The disposition of property which would interfere with the Authority's continuing control over the use of its property;* *g. The disposition of property which would interfere with the Authority's ability to carry out its transit operations.* Condition: Although leases were understood to require Board approval in accordance with Executive Limitations Policy No. 2.2.2, there were no corporate policies or departmental SOPs to provide oversight and guidance in the lease process. The lack of policies and procedures likely led to the following issues that were noted: • Leases were not accounted for in the correct general ledger (GL) accounts; payments for 2016 leases were accounted for under 2015 leases. • Lease accounts were not reconciled nor were supporting periodic lease balance statements retained for support of account balances.	

APPENDIX 1

- Leased assets were not tracked.

Root/Cause Analysis:
Sole reliance on Executive Limitations Policy No. 2.2.2 Property, and the lack of corporate level policies and department SOPs resulted in failure to perform necessary control activities.

Effect:
- Failure to reconcile lease activity increases the likelihood of incorrect accounting. Amounts owed on specific leases could be misstated resulting in poor management decisions.
- Failure to track leased property creates an increased risk of leased property being improperly disposed of, resulting in UTA's non-compliance with lease agreements.

Recommendations

As noted in finding 17-8-1, management should oversee the creation of a corporate level policy that identifies the areas of Treasury's responsibility for leases.

Management should also create an SOP for leases. At a minimum, between the corporate level policy and SOP the following should be addressed:
- Responsibility to obtain and communicate current lease liability statements.
- The process to identify and communicate records regarding leased assets to all relevant parties throughout UTA to mitigate the risk that lease assets are sold or otherwise disposed of in a manner that is not allowed by the lease agreement.
- How to reclassify purchased assets when they are no longer under lease.
- The process for proper disposal of leased assets throughout UTA.

The VP of Finance should oversee the updating of the Accounting Policy Manual to include the requirement for reconciliation of lease accounts, independent reviews of account reconciliations, and retention of documentation, including lease statements from the lessor.

Management Agreement	Owner	Target Completion Date
Agree	VP of Finance	September 30, 2017

The Corporate policy and SOPs will document current practices and address the recommendations. The VP Finance will work with the incoming Comptroller to update the Accounting Policy Manual for leases.

Final Status	**Medium**

The Treasury Policy and SOP identified the areas of Treasury's responsibilities for leases.

Additionally, the corporate level policy and SOP included all of the following:
- Responsibility to obtain and communicate current lease liability statements.
- The process to identify and communicate records regarding leased assets to all relevant parties throughout UTA to mitigate the risk that lease assets are sold or otherwise disposed of in a manner that is not allowed by the lease agreement.
- How to reclassify purchased assets when they are no longer under lease.

APPENDIX 1

- The process for proper disposal of leased assets throughout UTA.

The Accounting Policy Manual did not include the requirement for reconciliation of lease accounts, independent reviews of account reconciliations, and retention of documentation. Additionally, audit inquiry revealed that the administration of leases was not operating as designed as to who took overall responsibility to identify and confirm leased assets.

Per management, no lease agreements were terminated nor were any assets disposed of during the period therefore IA could not test the effectiveness of related controls documented in the SOP.

Management should consider implementing the following recommendations:
- Document in the Accounting Policy Manual the process designed to administer leases.
- Align the lease administration process and the SOP to prevent misunderstandings.

Management Agreement	Owner	Target Completion Date
Agree	VP of Finance	December 31, 2018

Accounting will create in the Accounting Policy Manual and specific process for administering leases that addresses how lease assets are identified in JDE Asset Master, disposal of lease assets prior to end of the lease terms, updating JDE Asset Master at the end of lease, and yearly reconciliations of lease and lease assets.

5. Investments

Preliminary Finding R-17-8-5	**High**

Criteria:
UTA Corporate Policy 3.1.4 Investments (Investment Policy) contains the following provisions:
- Section I. Purpose, *The purpose of this policy is to provide guidelines for the investment of UTA funds and to comply with the Utah State Money Management Act. The guidelines are intended to be broad enough to allow the investment officers to function within the parameters of responsibility and authority, yet specific enough to adequately safeguard investment assets, with the objective of preserving principal while maximizing income and maintaining liquidity to meet UTA's cash needs.*
- Section IV. E. Safekeeping and Custody. 2. Third Party Safekeeping, *The safekeeping institution shall annually provide a copy of its most recent report on internal controls – Service Organization Control Reports (SOC Report)…*
- Section IV. F. Internal Control, *The Investment Officers will review on an ongoing basis the established system of internal controls and implement any necessary changes to preserve the integrity of UTA's investment system.*
- Section IV. I. Performance. J. Reporting Disclosure, *The Investment Officers shall generate monthly reports, with sufficient detail, that demonstrate conformance with policy requirements, investment activity, and investment results.*
- In addition, the policy specifies investment diversification and age to maturity maximum and minimums. It also provides performance expectations.

APPENDIX 1

Condition:

Although investments were understood to be governed by the Investment Policy there were no departmental SOPs to provide oversight and guidance in the investment process. In addition, IA noted the following:

- The Treasurer had not received the third party safe keeping organization's annual report of internal controls, or SOC Report.
- Although management asserted that there was an ongoing, informal review of internal controls, the review was not formalized or documented.
- Investment Officers did not generate monthly investment reports with sufficient detail to demonstrate conformance with policy requirements, investment activity, and performance results, as required by the Investment Policy.
- Reliance was placed solely on Contango for ensuring compliance with the Investment Policy and Utah State Money Management Act (Money Management Act) for the portion of UTA's investment portfolio that Contango invests, which is inconsistent with the Investment Policy requirement that the Investment Officers oversee, ensure, and report on portfolio compliance with the policy.
- The manual spreadsheet used by the Treasurer to monitor UTA investment compliance did not include all the aspects required by the Investment Policy. For example:
  - Benchmarking of portfolio performance.
  - Comparison of investment maturity dates to ensure compliance.
  - Break down of the Contango managed portion of the portfolio into investment types.
- Software (Clearwater) relied on by the Deputy Treasurer to ensure investment portfolio compliance with policy and the Money Management Act was not an effective control, based on the following:
  - Compliance reports were not routinely generated from the software, reviewed and retained with evidence of that review.
  - It was not clear which UTA investment accounts the report included.
  - Maximum holding parameters for Certificates of Deposit, as they appeared on a compliance report provided to IA, did not match parameters per the Investment Policy.

Root/Cause Analysis:

The Treasurer stated that the Investment Policy may have been developed by staff based on Investment policies at other organizations, but that it did not necessary reflect practices at UTA. In addition, existing Treasury staff consists of two staff members, with the knowledge and experience necessary to execute Treasury functions, and that operated without a great deal of oversight.

Effect:

Due to noncompliance with these areas of the Investment Policy there is an increased risk of:

- Failure to detect when investment diversification is not in compliance with the Investment Policy, which may place UTA funds at greater risk.
- Inability to determine when portfolio performance is not achieving policy benchmarks, which may result in lower investment revenue.
- Being unaware of risks reported in the third party safekeeping institution's SOC report, which may impact UTA holdings, result in a loss of funds, and potential negative publicity.

APPENDIX 1

Recommendations		
Management should review the Investment Policy to identify areas of non-compliance. An assessment should be made for areas identified on whether the Policy should be amended to reflect departmental procedures or departmental procedures should be amended to comply with the Investment Policy. As noted in finding 17-8-1, management should oversee the creation of an SOP for investments. The SOP should guide users in how to carry out critical investment processes and should align with the Investment Policy. The investment SOP should include, but not be limited to, the following: • The steps involved to monitor the entire portfolio for compliance with the Investment Policy. • The report format to evidence monitoring to the standard required by the Investment Policy. • Assignment of an independent review of the monitoring process, the standard of that review, and evidence thereof. • Document retention requirements, including third party support and department monitoring reports. • The objective and content requirements of the quarterly reports to the Board Finance and Operations Committee.		
Management Agreement	**Owner**	**Target Completion Date**
Agree	VP of Finance	December 31, 2017
The Corporate Policy and SOPs will document current practice and address the recommendations. Staff will also review the investment policy and make any needed modifications. Due to the additional resource constraints of onboarding a new Comptroller as well as the budgeting process, which is my busiest season, a reasonable target completion date is December 31, 2017.		

Final Status	Medium
The Treasury SOP incorporated the following aspects: • The steps to monitor the entire portfolio for compliance with the Investment Policy. • The report format to evidence monitoring to the standard required by the Investment Policy. • Assignment of an independent review of the monitoring process, the standard of that review, and evidence thereof. • Document retention requirements, including third party support and department monitoring reports. • The objective and content requirements of the quarterly reports to the Board Finance and Audit Committee. Audit procedures revealed that the monthly investment monitoring documented in the SOP was not implemented and therefore the control could not be tested. Additionally, for the first quarter investment reporting to the Finance and Audit Committee there was no evidence of a signed statement from the Treasurer and Deputy Treasurer stating that all investment activities were in compliance with the investment policy, as required by the SOP.	

APPENDIX 1

Management should consider implementing a process using checklists, calendar reminders, and/or other tools to determine whether investment controls are performed as designed and documented in the SOP.		
Management Agreement	Owner	Target Completion Date
Agree	VP of Finance	December 31, 2018
A process to use checklists, calendar reminders, and other tools, to determine that investment controls are performed as designed and documented in the SOP, will be completed by December 31, 2018.		

6. Contracts and Agreements

Preliminary Finding R-17-8-6	**Medium**

Criteria:
Best practices state that a central repository is part of an effective contract management program. An effective contract management program supports:

- Ensuring performance.
- Effective handling of disagreements.
- Driving continuous improvement.
- Monitoring for contract expiration dates.

Condition:
The audit work performed revealed the following:

- No contract management system nor central repository was in place for Treasury-related contracts.
- An engagement letter for Bond Counsel and Lease Counsel was not obtained or kept on file.
- The agreement with Zions for banking services had expired.
- Management identified third parties for oversight responsibility, which was not reflected in the contracts or agreements with those parties.

Root/Cause Analysis:
A lack of governance and oversight for contracts and agreements is likely the underlying cause for the above issue. Corporate policy does not assign responsibility for contract management. Additionally, the responsibility for obtaining and filing an engagement letter for Bond Counsel or Lease Counsel was not clearly established.

Effect:
Due to the lack of central repository, renewal, and performance tracking for Treasury contracts:

- A population of contracts was not available.
- Contracts are more likely to expire without detection if a monitoring control is not in place.
- In the event of a legal dispute, it would be more challenging to successfully address the legal matter without a valid agreement in place.

APPENDIX 1

- Contractors' failure to comply with the terms of agreement is less likely to be detected and addressed.

Recommendations
Management should review existing contracts to clarify understanding of roles and responsibilities and to renew expired contracts. Management should implement a contract management program for tracking Treasury contracts including a central repository and process for monitoring performance and renewal. Management may want to consider using the same contract management program as the Procurement Department. Management should identify the third parties related to Treasury for which agreements would be expected or relied upon and determine whether those agreements are currently on file. Management should establish contracts or SOPs where gaps in roles and responsibilities exist. Finally, the responsibility for oversight of the various areas of Treasury contracts should be documented in an SOP or corporate level policy, by management, in consultation with the relevant departments such as Legal and Procurement.

Management Agreement	Owner	Target Completion Date
Agree	VP of Finance	December 31, 2017
The banking services agreement was bid earlier in 2017 and Zions Bank was selected. The new agreement will be in place soon. The Corporate policy and SOPs will document current practice and address the recommendations. Contract management resides with Supply Chain. The VP Finance will ensure Supply Chain includes treasury contracts in their contract monitoring work.		

Final Status	**Medium**
Audit procedures revealed that although some Treasury contract administration responsibilities had been assigned in the SOP, no process had been undertaken by Treasury to get comfort that all Treasury related contracts have been identified and are monitored for renewal. During testing it was noted that two contracts were identified as absent from the listing of Treasury related contracts provided by the Procurement Department. No contracts or other agreements were identified by management as having been entered during the audit period and therefore, no testing of contract processes, as documented in the SOP, could be performed. Additionally, a Treasury contract performance monitoring system has not been defined in the SOP. It is recommended that management consider the following:	

APPENDIX 1

<table>
<tr><td colspan="3">

- Design and implement a detailed process to identify and confirm Treasury contracts with all relevant departments and confirm departments’ responsibilities for contract monitoring and performance.
- Design and implement a contract performance monitoring system including minimum periodic requirements, management review, and follow up when not performed.

</td></tr>
<tr><th>Management Agreement</th><th>Owner</th><th>Target Completion Date</th></tr>
<tr><td>Agree</td><td>VP of Finance</td><td>December 31, 2018</td></tr>
<tr><td colspan="3">

- The banking services agreement has been put in place effective July 1, 2017 through June 30, 2024 with an option to extend for three (3) years. Supply Chain does have a copy of the agreement in their contract management system. The contract number is 17-2107TP.

- The Treasury Policy and SOP have been put in place by the VP of Finance.

- The following detailed treasury contracts process will be implemented:
    - Supply Chain and Deputy Treasurer will meet together to insure all Treasury contracts are accounted for and expiration dates have been identified and recorded. Deputy Treasurer will review and approve the list for completeness.
    - Supply Chain will insure that all Treasury contracts are inputted into the new document control system with the corresponding expiration dates once the new software is implemented.
    - Supply Chain will perform a triannual review of upcoming expiring contracts and notify Deputy Treasurer of any Treasury contracts that will be expiring within at least one year prior to the expiration date. The Treasurer will determine if a new contract is necessary.

</td></tr>
</table>

APPENDIX 2

REPORT RATING MATRICES*

OVERALL REPORT RATING

The overall report ratings are defined as follows, applicable to the audit scope as defined

Descriptor	Guide
Fully effective	Controls are as good as realistically possible, both well-designed and operating as well as they can be.
Substantially effective	Controls are generally well designed and operating well but some improvement is possible in their design or operation.
Partially effective	Controls are well designed but are not operating that well. OR While the operation is diligent, it is clear that better controls could be devised.
Largely ineffective	There are significant gaps in the design or in the effective operation of controls – more could be done.
Totally ineffective	Virtually no credible controls relative to what could be done.

DETAILED FINDING PRIORITY RATING

Descriptor	Guide
High	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
Medium	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
Low	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.
Implemented	Management action has been taken to address the risk(s) noted in the audit finding.

APPENDIX 3

DISTRIBUTION LIST			
Name	**For Action[1]**	**For Information**	**Reviewed prior to release**
Interim Executive Director	*		*
Managing Attorney		*	
VP of Finance	*		*
Deputy Treasurer	*		*
Comptroller	*		

[1]For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding.