Regular Meeting of the

Utah Transit Authority Audit Committee

Monday, June 22, 2020, 2:00 p.m.
Remote Electronic Meeting – No Anchor Location – Live-Stream at
https://www.youtube.com/results?search_query=utaride

NOTICE OF SPECIAL MEETING CIRCUMSTANCES DUE TO COVID-19 PANDEMIC:
In keeping with recommendations of Federal, State, and Local authorities to limit public gatherings in order to control the continuing spread of COVID-19, and in accordance with Utah Governor Gary Herbert's Executive Order on March 18, 2020 suspending some requirements of the Utah Open and Public Meetings Act, the UTA Board of Trustees will make the following adjustments to our normal meeting procedures.

- All members of the Audit Committee and meeting presenters will participate electronically via phone or video conference.
- Meeting proceedings may be viewed remotely through YouTube live-streaming. https://www.youtube.com/results?search_query=utaride

1.	**Call to Order & Opening Remarks**	**Chair Carlton Christensen**
2.	**Safety First Minute**	**Sheldon Shaw**
3.	**Consent** a. Approval of February 10, 2020 Audit Committee Meeting Minutes	**Chair Carlton Christensen**
4.	**2019 Financial Audit Report**	**Bob Biles Steven Rowley (Keddington & Christensen LLC)**
5.	**External Financial Auditor Selection Process Consultation**	**Troy Bingham**
6.	**FTA Triennial Review Report**	**Carolyn Gonot, Patti Garver, Bob Biles, Eddy Cumins, and Mary DeLoretto**
7.	**Internal Audit Update**	**Riana De Villiers**
8.	**Revised 2020 Audit Plan Approval**	**Riana De Villiers**

9. Internal Audit Report Review — **Riana De Villiers, Bob Biles, Eddy Cumins, Kim Ulibarri, Dan Harmuth, Troy Bingham**

a. Accounts Payable Audit Report
b. Payroll Audit Report

10. Other Business — **Chair Carlton Christensen**

a. Next meeting: Monday August 24, 2020 at 3:00 p.m.

11. Adjourn — **Chair Carlton Christensen**

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.

Returning to work safely

UTA
SAFETY & SECURITY

JUNE 2020

MEETING MEMO

TO: Utah Transit Authority Audit Committee
FROM: Jana Ostler, Board Manager

AUDIT COMMITTEE MEETING DATE: June 22, 2020

SUBJECT:	**Approval of February 10, 2020 Audit Committee Meeting Minutes**
AGENDA ITEM TYPE:	**Consent**
RECOMMENDATION:	Approve the minutes of the February 10, 2020 Audit Committee Meeting.
BACKGROUND:	A regular meeting of the UTA Audit Committee was held on Monday, February 10, 2020 at 3:00 p.m. at UTA Headquarters. Minutes from the meeting document the actions of the committee and summarize the discussion that took place in the meeting. A full audio recording of the meeting is available on the Utah Public Notice Website.
ATTACHMENTS:	1) 2020-02-10_AUDIT_Minutes_UNAPPROVED

Minutes of the Regular Meeting of the

Utah Transit Authority (UTA) Audit Committee

Monday, February 10, 2020, 3:00 p.m.
Utah Transit Authority Headquarters
669 West 200 South, Salt Lake City, Utah
Golden Spike Conference Rooms

UNAPPROVED

Audit Committee Members Present:
Carlton Christensen, Chair
Beth Holbrook
Kent Millington
Jeff Acerson
Troy Walker (via telephone)

Also attending were members of UTA staff.

Call to Order and Opening Remarks. Chair Christensen welcomed attendees and called the meeting to order at 3:02 p.m. He also noted Member Troy Walker was joining the meeting via telephone.

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

Consent. The consent agenda was comprised of:

- Approval of December 9, 2019 Audit Committee Meeting Minutes
- Approval of 2020 Meeting Schedule

A motion to approve the consent agenda was made by Member Acerson and seconded by Member Millington. The motion carried unanimously.

Audit Committee Charter Approval. Riana De Villiers, UTA Chief Internal Auditor & Ethics Officer was joined by Bob Biles, UTA Chief Financial Officer. Ms. De Villiers reminded the committee that the charter is reviewed on an annual basis to ensure it remains relevant and that it was last approved on June 10, 2019. She informed the committee that two minor changes relating to the external auditor's responsibilities have been proposed. Mr. Biles explained that the modifications add further language on the external auditor's responsibilities regarding state compliance requirements and agreed upon procedures. Ms. De Villiers clarified that staff is requesting the committee forward a positive recommendation to the Board of Trustees. Brief discussion ensued. A question regarding how the proposed language modifications will affect discussions with external auditors was posed by the committee and answered by staff.

A motion to forward a positive recommendation to the Board of Trustees for approval of the revised Audit Committee Charter was made by Member Walker and seconded by Member Holbrook. The motion carried by unanimous vote.

Internal Audit Charter Approval. Ms. De Villiers explained the Internal Audit Charter is also reviewed on an annual basis for relevancy as recommended by the International Standards for the Professional Practice of Internal Auditing and UTA's Bylaws. She noted one very minor change to simplify how business units and departments are called out. There was no discussion and committee members had no questions regarding the charter.

A motion to approve the revised Internal Audit Charter as presented was made by Member Holbrook and seconded by Member Millington. The motion carried by unanimous vote.

2020 Risk Assessment and Report. Dave Pitcher, UTA Claims & Insurance Manager was joined by Mark Maraccini and Bill Dykstra of Crowe, LLP. Mr. Pitcher explained as part of Crowe's contract they conducted an entity-wide review, assessment, and analysis of UTA's risk management. Mr. Maraccini provided the background for the project by noting that assessments are performed annually and generally by UTA's internal auditors. He explained that UTA management engaged Crowe, LLP to obtain an outside perspective, fresh look, and assistance implementing the framework to build a sustainable enterprise risk management (ERM) program. Mr. Maraccini also informed the committee what an ERM is and why they are critical. Mr. Dykstra outlined the planning and documentation involved in phase 1 as well as on-site fieldwork and interviews performed in phase 2 of the review. He advised the following as the top risks to UTA (in no particular order):

1. Cybersecurity Attack
2. Fraud or Illegal Acts
3. Reduced Funding
4. Conflicting Board and Management Priorities

5. Turnover in Key or Skilled Positions
6. Inability to Maintain a State of Good Repair
7. Harm to People or Property
8. Failure to Meet Service or Expansion Plans
9. Lack of Reliable Data
10. Disaster or Emergency Event
11. Cash Shortfalls

Mr. Maraccini summarized the risk forum, risk scoring methodology, participants and interviewees, as well as next steps which include a final report by April 30th, 2020. Brief discussion ensued. Questions regarding why cybersecurity attacks is listed twice under top risks, whether the identified top risks are consistent with those the consultant typically sees for the industry, what is meant by "lack of reliable data", whose responsibility it is internally to initiate changes with the identified risks, whether the process went smoothly, and how long the next steps will take were posed by the committee and answered by staff.

2020 Audit Plan Approval. Ms. De Villiers informed the committee that the risks the Crowe consultants identified and presented were the primary consideration for UTA's 2020 Audit Plan. She briefly explained each inherent risk and the related preliminary assessments/audits staff is recommending in order to provide assurance on the risks. In summary she noted auditors plan to perform 5 preliminary assessments and 7 audits in 2020 which excludes any work that will be outsourced. She reported staff is recommending approval of the plan. Discussion ensued. Questions regarding the roles of the risk & compliance director and audit department in relation to conflicts of board and management priorities, and what the purpose is for follow-up of payroll, accounts payable, and grants management were posed by the committee and answered by staff.

A motion to approve the 2020 Audit Plan was made by Member Walker and seconded by Member Millington. The motion carried by unanimous vote.

Internal Audit Update.

2019 Audit Plan Status Update. Ms. De Villiers stated that the data access preliminary assessment, payroll, and accounts payable audits are currently in the reporting stage and that all other audits and preliminary assessments have been brought to the committee. There were no questions or discussion.

UNAPPROVED

Other Business.

Next Meeting. The next audit committee meeting is scheduled for Monday, April 6, 2020 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 committee entered closed session at 3:51 p.m.

Open Session. A motion to return to open session was made by Member Holbrook and seconded by Member Millington. The motion carried unanimously, and the committee returned to open session at 4:47 p.m.

Adjournment. The meeting was adjourned at 4:49 p.m. by motion.

Transcribed by Angie Olsen
Executive Assistant to the Board
Utah Transit Authority
aolsen@rideuta.com
801.278.2585

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/586265.html for entire content.

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

UNAPPROVED

MEEETING MEMO

TO: Utah Transit Authority Board of Trustees
THROUGH: Carolyn Gonot, Executive Director
FROM: Bob Biles, Chief Financial Officer
PRESENTER(S): Bob Biles, Chief Financial Officer and Steven Rowley, Keddington & Christensen LLC, Partner

AUDIT COMMITTEE MEETING DATE: June 22, 2020

SUBJECT:	**2019 UTA Financial Audit Report**
AGENDA ITEM TYPE:	**Report**
RECOMMENDATION:	Review the 2019 UTA Financial Audit Report and recommend to the Board of Trustees to accept the report
BACKGROUND:	Provisions within the Public Transit District Act, UTA's By-Laws, Board of Trustee Policy 2.1 - Financial Management, and the Audit Committee Charter all require the use of a qualified independent auditing firm to conduct an annual financial audit and to present the results of their annual audit to the UTA's Audit Committee and the Board of Trustees. Keddington & Christensen LLC was selected to conduct the 2019 financial audit and have completed their financial audit.
DISCUSSION:	Representatives from Keddington & Christensen LLC will be in attendance at the meeting to present their audit report which will cover the purpose and scope of the financial audit, required communications to the Audit Committee, and results of their audit and compliance work. Upon acceptance by the Board of Trustees, UTA staff will submit the 2019 Comprehensive Annual Financial Report ("CAFR") to the Government Finance Officers Association's Certificate of Excellence in Financial Reporting program.
ALTERNATIVES:	The Audit Committee may seek additional information and delay their recommendation to the Board to accept the 2019 UTA Financial Audit Report.
FISCAL IMPACT:	None
ATTACHMENTS:	1) 2019 CAFR 2) 2019 Letter to the Board of Trustees

Comprehensive Annual Financial Report

For Fiscal Years Ended December 31, 2019 and 2018

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, 2019 and 2018

Finance Department

Robert K. Biles
Chief Financial Officer

Troy Bingham
Comptroller

UTA

UTAH TRANSIT AUTHORITY

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Introductory

For Fiscal Years Ended

December 31, 2019 and 2018

UTAH TRANSIT AUTHORITY

UTA

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

June 2, 2020

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, 2019 and 2018. 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, 2018, the population of the Authority's service area is approximately 2,507,775 and represents 78.2% of the state's total population.

Provo-Orem Bus Rapid Transit Bus

Current Year Review

UTA has a strong legacy of providing service, continuous achievement, and transit leadership. The information below provides a glimpse of the year's accomplishments.

Transit Service. 2019 was an extraordinary year for service improvements at UTA, with over half of bus routes experiencing some kind of change.

Central Station Bus Depot

The largest single driver of change in 2019 was the Funding our Future initiative, sponsored by Salt Lake City, which provided the resources to improve service levels on routes 2, 9, and 21, three corridors that provide east-west connections across the city, including downtown, the University of Utah and the Glendale/Poplar Grove and Sugar House neighborhoods. A number of bus stop improvements were also made in conjunction with the improvements to route 9. UTA also partnered with the University of Utah to expand an already existing terminal facility within the campus to accommodate the expanded service and reduce congestion at the University Hospital.

UTA expanded service in Weber County with a new trolley in downtown Ogden and a new flex route serving west Ogden and West Haven. The West Haven flex expands coverage to an area previously not served by transit.

Ogden Trolley

UTA provided a new all-day local connection between Utah County and Salt Lake County via routes 850 and 871. Previously this connection was only possible midday by using FrontRunner, which is a premium service at a higher fare. Improvements to these routes also greatly increased the level of service in Utah County on Sundays.

In Tooele County, UTA provided additional trips to and from Grantsville on route 454, and midday service between Tooele County and Salt Lake County on route F453. Previously only peak-hour service was available between Tooele and Salt Lake Counties.

Current Year Review (continued)

Other route changes associated with those described above were leveraged to provide additional service to the following neighborhoods and destinations:

- Avenues
- East Bench
- State Capitol
- Fort Union Blvd
- Thanksgiving Point
- International Center

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

Mode	2019	2018	2017	2016	2015
Bus	89.94%	91.41%	92.51%	91.07%	92.19%
TRAX	92.18%	93.60%	91.91%	94.49%	93.98%
FrontRunner	88.43%	85.92%	90.92%	89.96%	86.63%
Paratransit	95.24%	94.74%	96.80%	97.85%	97.92%
Streetcar	98.20%	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 2019, UTA continued the light rail vehicles overhaul program, inspected all rail bridges, and finished its Positive Train Control testing and implementation and is awaiting FRA approval of its Safety Plan (anticipated in 2020). UTA participated with Dominion Energy in stray current monitoring and completed a comprehensive review of its original substation inventory and the entire light rail overhead catenary system's contact wire. UTA also completed curved rail replacements at one location and a two-block double track extension on its Sugarhouse Streetcar line.

In 2019, UTA replaced major trackwork elements at the Delta Interlocking, 150 South Interlocking, and the Half Grand special trackwork piece at 400 South and Main Street. UTA replaced 13 transit buses and 81 rideshare vans.

As part of the first/last mile connection initiative, in 2019, four bike lanes, one sidewalk project, two bike shares, three crosswalks, and one multi-use path project were constructed with funding from local partners and a federal grant. At the end of 2019 a total of 80 of the 161 projects included in the first/last mile connection initiative were complete. Another crosswalk project was started in 2019 and will be completed in the spring of 2020. Additional first/last mile projects to be constructed in 2020 under this program include bike lanes, bike parking, bike repair stands, bus stop improvements, a pedestrian bridge, a railroad crossing, and a sidewalk project.

Funded by a grant from Salt Lake County worth $5.9 million, two blocks of the *S-Line* in South Salt Lake were double tracked in 2019. This now allows 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.

Environmental work was completed in 2018 for a BRT line in Ogden. This 6-mile line will connect UTA's Ogden FrontRunner station to Weber State University and McKay Dee Hospital. The design phase of the Ogden BRT project began in 2019. UTA procured a design consultant and a construction contractor, and purchased two of the required properties for the project.

Current Year Review (continued)

Ridership and Passenger Revenues. System ridership increased by 401,827 going from 44.176 million in 2018 to 44.578 million in 2019. Passenger revenues increased by $597,162 to $52.6 million, a 1.15% increase from 2018 passenger revenues.

Transit-Oriented Development. Construction was completed on a new Starbucks at the Jordan Valley TOD, and ground was broken on a second phase of apartments. The Sandy Civic Center TOD development team continued to pursue design and entitlements for two new phases of development, including another phase of mixed-use residential and a 180,000 square foot office. Construction continued at 3900 South Meadowbrook TRAX Station on a mixed-used residential, retail, and training facility, the majority of which is preleased. Work continued on the third and final phase of development at the South Jordan FrontRunner Station TOD, consisting of a preleased office building.

Financial Stewardship. In November 2019, UTA refunded $98 million of its 2012 subordinate bonds and $125.1 million of its 2015A subordinate bonds through a $118 million senior bond and a $59.1 million subordinate bond issue. Net present value savings from these transactions totaled $11.7 million.

For the year, operating expenses, excluding the unallocated Salt Lake County service budget of $4.37 million, were 2.63% below budget. Variances of budget to actual by expense category, in millions, are shown below.

Expense Category	Favorable (Unfavorable)
Fuel	$2.98
Services	2.37
Insurance and Claims	2.27
Utilities	1.87
Contingency	1.05
All Other Operating	(0.56)
Wages & Benefits	(0.99)
Parts and Warranty Recovery	(1.13)
Total	7.86

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.

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 initiated an update to its Five-Year Mobility Plan with a robust community engagement process called UTA Service Choices in 2019. Over 3,500 people provided input through a survey, community leader workshops, public open houses and more. This feedback is being used to update UTA's bus network plan and vision and will guide future service changes and investments.

Future of Light Rail Transit
UTA's TRAX line turned 20-years old in 2019, marking a milestone in our region's history. This system has served the region well, but is aging and showing signs of wear. Additionally, new growth along the Wasatch Front has created increased demands for transportation. To address these concerns and new challenges, UTA is initiating a Future of Light Rail Transit study to explore how to strengthen and build upon this system, maximize operational efficiency, and prepare to meet the needs of the next twenty years.


Trax Red Line Train

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

State of Good Repair (SGR).
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 SGR work plan with an emphasis on development and approval of a detailed five-year work plan.

Future Plans (continued)

Major SGR infrastructure projects scheduled for 2020, include:

- $1.5 million for the curve replacements at South Temple and Main Street on the Blue Line and just east/north of the Historic Gardner Village stop on the Red Line.
- It also includes $2 million for grade crossing replacements on the Blue and Red lines.

Major vehicle projects include:

- $27.5 million for bus replacements
- $2.9 million for paratransit vehicle replacements
- $1.3 million for van pool vehicle replacements
- $9.7 million for light rail vehicle overhaul work
- $2.7 million for FrontRunner Engine Rebuilds
- $1.5 million for bus engine and transmission replacements

The total budget for SGR projects is approximately $50 million for the 2020 fiscal year.

<u>Anticipated Capital Projects.</u>

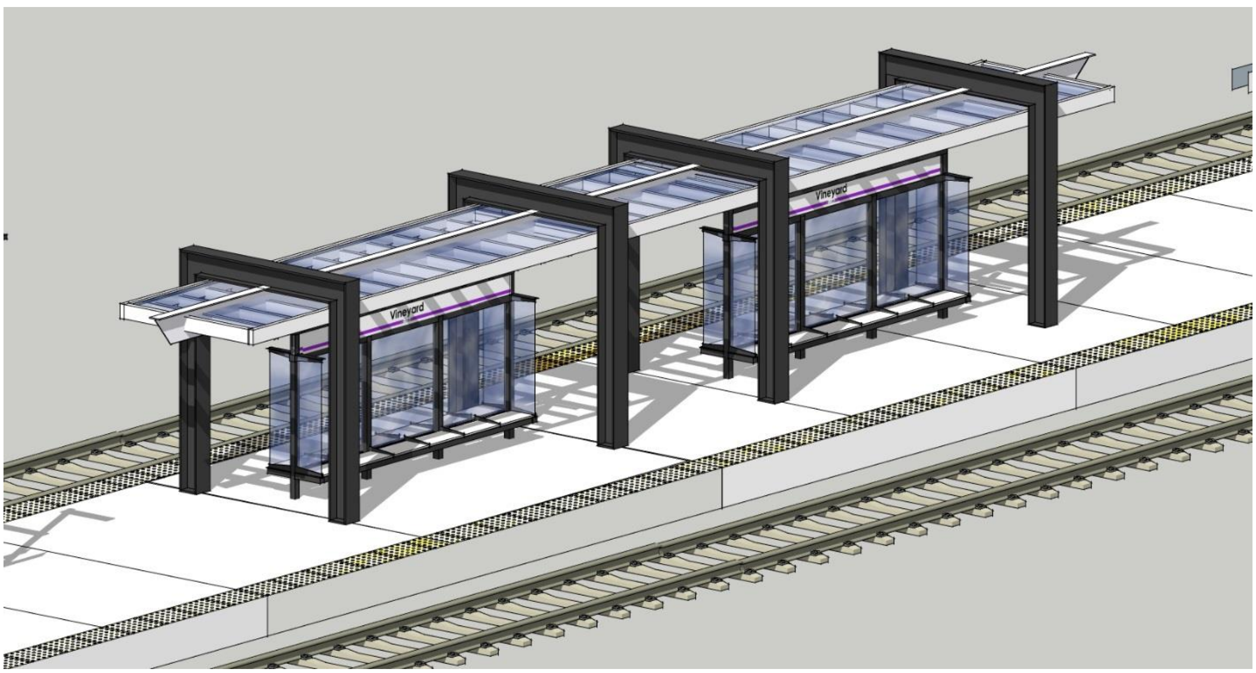
- In conjunction with six counties, two metropolitan planning agencies, and dozens of Utah cities, UTA was notified in late 2016 that it had been awarded a $20 million TIGER grant which will be matched with local funding to improve ***transit access*** as well as trails and bikeways feeding into the transit system over the next five years. Projects in 2020 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. The estimated cost of this relocation is $20 million. The project design is now complete and construction scheduled to start in 2020 and be completed in June 2021.
- 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 began in late 2019 with the facility opening in 2023. The 2020 budget is $25 million. Estimated cost for the facility is $95 million.

Depot District Clean Fuels Technology Center Drawings

Future Plans (continued)

- With a population boom of 63% last year, Vineyard City is one of the fastest growing cities in the United States. The Utah State Legislature obligated $4 million to build a new FrontRunner station and UTA is contributing $10 million to double track a 2-mile section north of the new platform. This project is currently being designed and will begin construction in mid-2020.
- 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 2020.

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.



Vineyard Platform Drawing

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 2020 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.

The 2020 Economic Report was prepared and presented in January 2020, well before the economic impact of the COVID-19 pandemic became apparent. The 2019 Overview information remains accurate, and is presented below. As conditions have changed significantly since this report was prepared, the 2020 Outlook, although available, is not being presented.

According to recent COVID-19 report from the Governor's Office, Utah's economy is expected to go through three stages: 1) Urgent – the initial economic slowdown due to pandemic countermeasures, 2) Stabilization – a period where businesses and citizens begin operating under less restrictive countermeasures, and 3) Recovery – the period in which the economy recovers and reaches a new normal of economic activity. The Urgent stage began in March of 2020 and started transitioning to the Stabilization phase in May 2020. Transition to the Recovery stage is expected to begin in October 2020. The Recovery stage is expected to last until early 2022. The beginning and ending dates of these stages remain fluid.

2019 Overview

Employment, Wages, and Labor Force

The decade's concluding year caps a chronicle centered on Utah's resilient rebound from the Post Great Recession's economic low point—the decade's starting position. By 2012, Utah's characteristic employment growth returned and has since featured yearly at-or-above-average (3.0%) employment gains. This vibrant economic story continued into 2019, setting the stage for an encouraging transition into the next decade.

The 2019 data is still accumulating, but the year's employment gains are estimated to again measure around 3.0%. The seventh year of strong employment growth coupled with an already tight labor market further pushed down the unemployment rate to 2.4% by the year's latter months—a rate matching Utah's historical low.

Long-running economic expansions tend to lift all ships. It is no surprise that possessing higher education increases ones employment outlook. Workers with the highest level of educational attainment encounter the lowest unemployment rates—even in the worst of times. It is the lower education levels that undergo the most unemployment volatility, often being slowly and sometimes stubbornly reabsorbed by the economy. Utah's strong seven-year employment gains have shrunk the unemployment disparity between the highest and lowest education segments to the narrowest gap since these data points were made available in 2005. This melding shows itself through a 2.4% unemployment rate in the last months of 2019.

The Economic Condition and Outlook (continued)

A textbook low-unemployment outcome featuring full employment across all education tiers, is strong wage growth. A lack of formidable wage gains throughout much of the Great Recession's rebound was the recovery's missing potency. But within the past two years, Utah's wage gains have been vigorous. The 2018 gains reached 4.2% (helped along by national tax stimulus), and 2019 should follow with another 3.7% increase. These gains can anchor their strength in all education tiers attaining full employment.

Personal Income

Utah's total personal income in 2019 was an estimated $155.2 billion, a 6.0% increase from $146.4 billion in 2018. Utah's estimated 2019 per capita income was $48,332, up 4.3% from $46,320 in 2018. Both measures of estimated personal income growth in Utah were lower in 2019 than in 2018. In 2018, total personal income grew by 7.2% and per capita income grew by 5.3%. In 2018, Utah's total personal income growth was the second highest in the nation, while its per capita personal income growth was the 15th highest.

Taxable Sales

In 2019, total taxable sales (sales and purchases subject to sales and use tax) in Utah increased by an estimated 4.4% to approximately $67.8 billion. Growth in 2019 was slower than recent years and among the slowest years that the state has experienced since the Great Recession. Although growth in total taxable sales was buoyed by an increase in remote sales and by a labor market that is among the best in the nation, it was also tempered by an expansion of the manufacturing exemption and by a slowing in business and consumer spending. Growth rates for retail sales and taxable services were the lowest since 2010 when the recovery from the Great Recession began, increasing by 3.9% and 4.0% respectively in 2019. Business investment also underperformed recent years, declining by 3.5%. Conversely, all other sales not categorized in those three sectors increased by an estimated 29.0% in 2019.

FrontRunner at the Jordan Narrows

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 November 2019, the Authority issued its $61,830,000 Sales Tax Revenue Bonds, Series 2019A to fund the construction or replacement of transit capital assets including traction power replacement, the Depot District maintenance facility, the Ogden/Weber State University bus rapid transit system, FrontRunner double tracking in Northern Utah County, and operator restrooms. True interest cost for the bonds was 2.733%.

In November 2019, the Authority issued its $188,810,000 Federally Taxable Sales Tax Revenue Refunding Bonds, Series 2019. These bonds were issued to refund the then outstanding balance of its $171,600,000 Series 2012 Subordinated Sales Tax Revenue and Refunding Bonds in the amount of $98,000,000 and to retire the then outstanding balance of its $192,005,000 Subordinated Sales Tax Revenue Refunding Bonds, Series 2015A in the amount of $75,000,000. True interest cost for the bonds was 3.469%.

In November 2019, the Authority issued its $59,070,000 Federally Taxable Subordinate Sales Tax Revenue Refunding Bonds, Series 2019B. These bonds were issued to refund the then outstanding balance of its $192,005,000 Subordinated Sales Tax Revenue Refunding Bonds, Series 2015A in the amount of $50,135,000. True interest cost for the bonds was 3.607%.

Big Boy Locomotive on its way through Utah
Passing FrontRunner Train

As of December 31, 2019, the Authority had $2,196,731,498 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 unmodified 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, 2018. 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

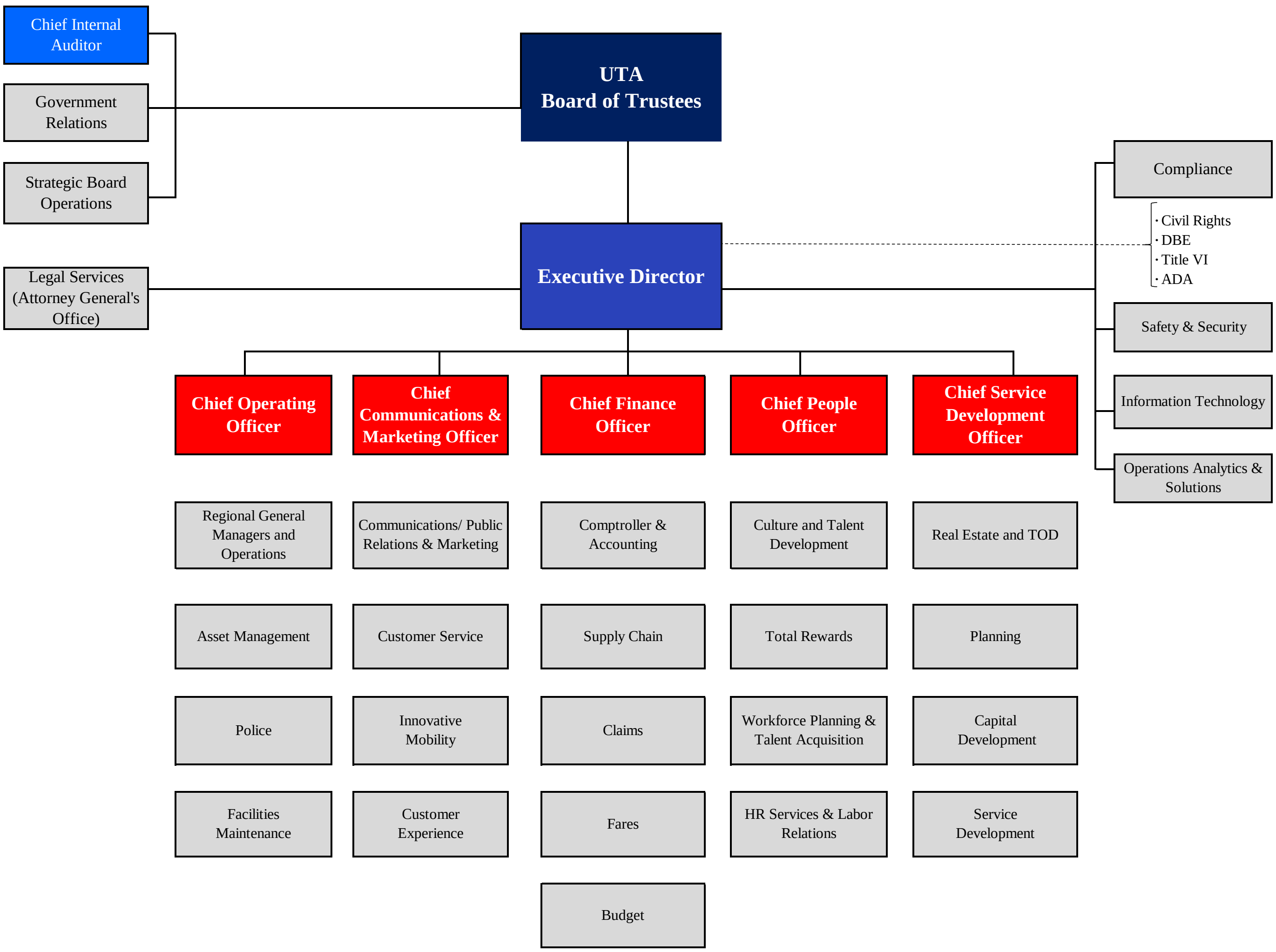
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO

Organizational Chart

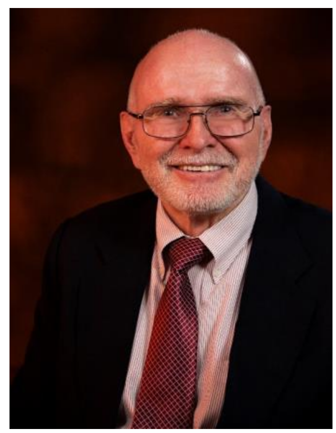


Revised 1/31/2019

UTA Board of Trustees

Carlton Christensen
Board Chair

Beth Holbrook



Kent Millington

Administration

Board of Trustees

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

Officers of the Authority

BOARD CHAIR	Carlton Christensen
EXECUTIVE DIRECTOR	Carolyn Gonot
SECRETARY/TREASURER AND CHIEF FINANCIAL OFFICER	Robert K. Biles
COMPTROLLER	Troy Bingham

Administration of the Authority

EXECUTIVE DIRECTOR	Carolyn Gonot
CHIEF OF INTERNAL AUDIT	Riana DeVilliers
CHIEF COMMUNICATIONS AND MARKETING OFFICER	Nichol Bourdeaux
CHIEF FINANCIAL OFFICER	Robert K. Biles
CHIEF OPERATING OFFICER	Eddy Cumins
CHIEF PEOPLE OFFICER	Kim Ulibarri
CHIEF SERVICE DEVELOPMENT OFFICER	Mary DeLoretto

Advisory Council Committee Members

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

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

Erin Mendenhall…… …………………………………………………………………...…Salt Lake City

Leonard Call ……………………………………………………………………………..Weber Area COG

Erik Craythorne ………………………………………………………………………...Davis Area COG

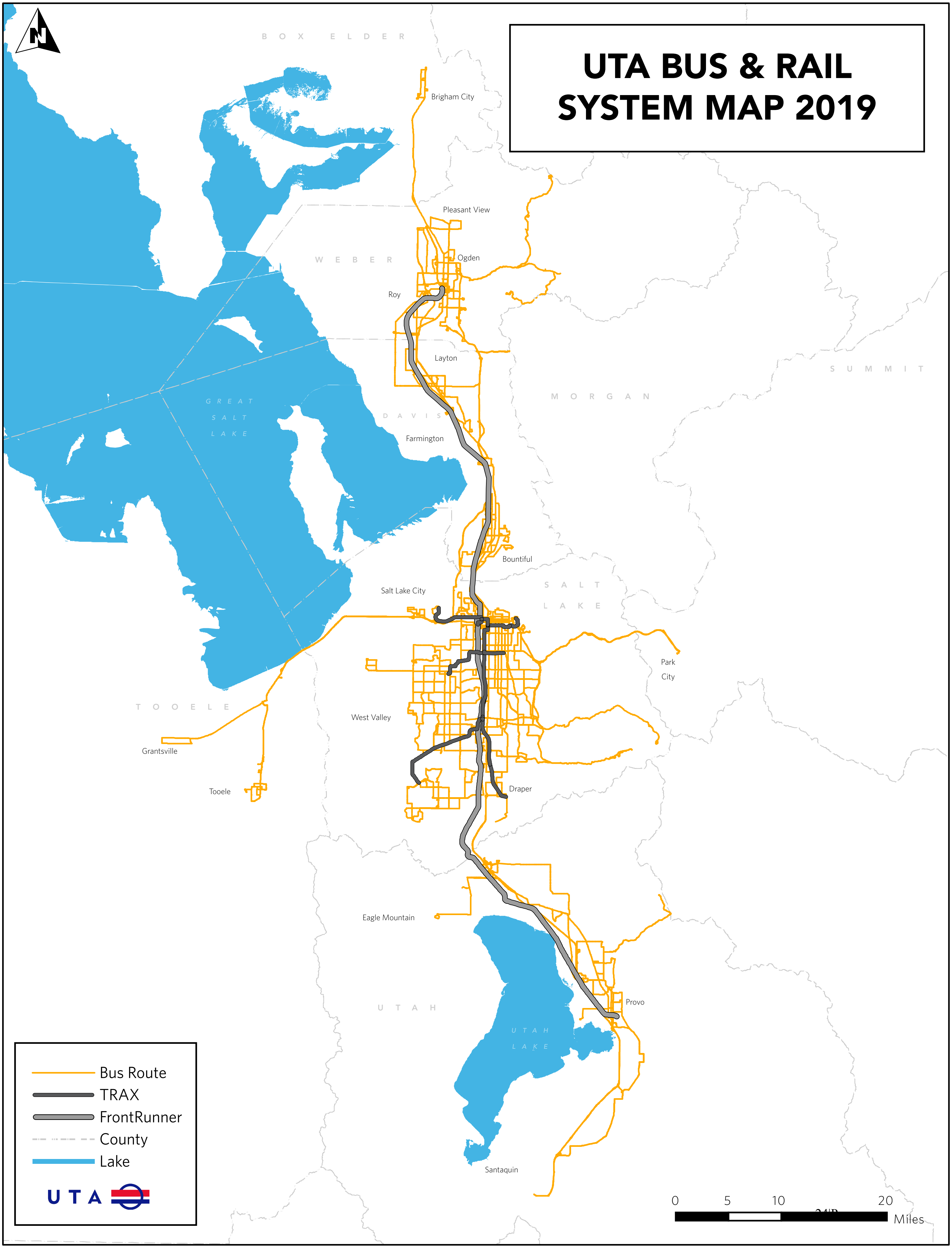
Karen Cronin …………………………………………………………...…Box Elder COG/Tooele COG

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

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

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

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


UTA BUS & RAIL SYSTEM MAP 2019
BOX ELDER
Brigham City
Pleasant View
Ogden
WEBER
Roy
Layton
SUMMIT
MORGAN
GREAT SALT LAKE
DAVIS
Farmington
Bountiful
Salt Lake City
SALT LAKE
Park City
TOOELE
West Valley
Grantsville
Tooele
Draper
Eagle Mountain
UTAH
Provo
UTAH LAKE
Santaquin
Bus Route
TRAX
FrontRunner
County
Lake
UTA
0
5
10
20
Miles

Financial

For Fiscal Years Ended

December 31, 2019 and 2018

UTA

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"), a component unit of the State of Utah, as of and for the years ended December 31, 2019 and 2018, 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.

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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, 2019 and 2018, 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 2, 2020, 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 2, 2020

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, 2019 and December 31, 2018.

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 (GASB). 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

	2019	2018	*Difference*	*Percent difference*	2017
Assets					
Current and other assets	$ 454,691,660	$ 395,157,482	*$ 59,534,178*	*15%*	$ 350,629,354
Capital assets, net	2,949,391,911	3,089,897,011	*(140,505,100)*	*-5%*	3,068,709,875
Total assets	3,404,083,571	3,485,054,493	*(80,970,922)*	*-2%*	3,419,339,229
Deferred outflows of resources	101,605,576	120,421,199	*(18,815,623)*	*-16%*	109,761,191
Liabilities					
Current liabilities	83,812,739	91,107,642	*(7,294,903)*	*-8%*	101,099,455
Long-term liabilities	2,537,454,662	2,531,689,731	*5,764,931*	*0%*	2,422,375,239
Total liabilities	2,621,267,401	2,622,797,373	*(1,529,972)*	*0%*	2,523,474,694
Deferred inflows of resources	11,653,452	3,383,699	*8,269,753*	*244%*	11,948,307
Net position					
Net investment in capital assets	692,675,681	827,646,243	*(134,970,562)*	*-16%*	894,275,843
Restricted	66,948,773	66,559,450	*389,323*	*1%*	60,399,717
Unrestricted	113,143,840	85,088,927	*28,054,913*	*33%*	39,001,859
Total net position	**$ 872,768,294**	**$ 979,294,620**	***$ (106,526,326)***	***-11%***	**$ 993,677,419**

2019 Results

In November 2019, the Utah Transit Authority sold 2019 Series Senior Lien revenue bonds of $250,640,000 and 2019 Series Subordinate Lien revenue bonds of $59,070,000. The $188,810,000 of proceeds from the Federally Taxable Sales Tax Revenue Refunding Bonds, Series 2019 were used to refund the refundable maturities of the Series 2007 capital appreciation, 2012 and 2015 subordinate lien revenue bonds. The $61,830,000 of proceeds from the Sales Tax Revenue Bonds, Series 2019A were used for new capital project financing. $59,070,000 of proceeds from the Federally Taxable Subordinate Sales Tax Revenue Refunding Bonds, Series 2019B were used to refund certain maturities of the Series 2015 subordinate lien revenue bonds. These bond transactions increased the amount held in escrow and the corresponding restricted net position of UTA. The remaining amount of escrow at the end of 2019 and restricted for future capital project expenses was $105.6 million.

The pension is evaluated by an actuary that determines the future cost of the pension based on the plan assumptions described in Footnote 7 of these financial statements. Due to investment returns significantly exceeding the pension earnings assumption, Deferred Outflow of Resources decreased by 18.8 million.

CONDENSED STATEMENTS OF NET POSITION (continued)

2019 Results (continued)

Capital projects had $17.6 million less payables to vendors at the end of 2019, due to less work performed at UTA construction sites in the fall and winter months leading up to the end of the year.

A change in unrestricted net position over time may serve as a useful indicator of a government entity's financial position. As of December 31, 2019, UTA's unrestricted net position increased $28.1 million from the December 31, 2018 net position.

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.

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 net position increased $46.1 million from the December 31, 2017 net position.

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

	2019	2018	*Difference*	*Percent difference*	2017
Operating revenues	$ 55,111,554	$ 54,464,392	*$ 647,162*	*1%*	$ 54,525,870
Operating expenses	457,897,920	401,161,541	*56,736,379*	*14%*	427,777,940
Excess of operating expenses over operating revenues	(402,786,366)	(346,697,149)	*(56,089,217)*	*-16%*	(373,252,070)
Non-operating revenues	348,993,103	359,435,799	*(10,442,696)*	*-3%*	334,913,449
Non-operating expenses	87,541,906	91,000,388	*(3,458,482)*	*-4%*	88,190,962
Income (loss) before contributions	(141,335,169)	(78,261,738)	*(63,073,431)*	*-81%*	(126,529,583)
Capital contributions	34,808,843	63,878,939	*(29,070,096)*	*-46%*	57,063,288
Change in net positon	$ (106,526,326)	$ (14,382,799)	*$ (92,143,527)*	*-641%*	$ (69,466,295)
Total net position, January 1	$ 979,294,620	$ 993,677,419			$ 1,063,143,714
Total net position, December 31	$ 872,768,294	$ 979,294,620			$ 993,677,419

SUMMARY OF REVENUES FOR THE YEAR ENDED DECEMBER 31

	2019	2018	*Difference*	*Percent difference*	2017
Operating					
Passenger revenue	$ 52,649,054	$ 52,051,892	*$ 597,162*	*1%*	$ 52,159,203
Advertising	2,462,500	2,412,500	*50,000*	*2%*	2,366,667
Total operating revenue	55,111,554	54,464,392	*647,162*	*1%*	54,525,870
Non-operating					
Contributions from other gov'ts (sales tax)	317,797,604	282,933,591	*34,864,013*	*12%*	265,770,775
Federal noncapital assistance	69,746,231	61,820,668	*7,925,563*	*13%*	62,313,994
Interest income	6,821,490	6,525,872	*295,618*	*5%*	2,873,787
Other	(45,372,222)	8,155,668	*(53,527,890)*	*-656%*	3,954,893
Total non-operating revenue	348,993,103	359,435,799	*(10,442,696)*	*-3%*	334,913,449
Capital contributions	34,808,843	63,878,939	*(29,070,096)*	*-46%*	57,063,288
Total revenues	$ 438,913,500	$ 477,779,130	*$ (38,865,630)*	*-8%*	$ 446,502,607

2019 Results

Passenger revenue held steady in 2019. In 2019 UTA started the process of reworking fare types and fares strategy under the guidance of UTA's Board of Trustees. Modifications and pilot programs were started in late 2019 to address low income riders but the overall results of these programs will not be known until 2020.

Since UTA does not have the ability to levy taxes, it relies on contributions dedicated by member governments in the form of sales tax. The 2018 legislative changes to Transit District Act allowed for counties in UTA's service area to add an additional ¼ cent sales tax in their county's dedicated contribution to fund transit needs. Salt Lake and Utah County both passed this ¼ cent sales tax with the transit portion becoming effective on July 1, 2019. In 2019, UTA recognized $34.9 million (12%) increased contributions of sales tax.

In 2019, the Federal Government increased the amount contributed to UTA for operating assistance by $7.9 million (13%). These allocations are based on an allocation formula that takes into account size, asset ages, and other factors of various transit agencies nationwide to determine the annual amounts.

Other revenues reflects the net effect of a $51.4 million of undepreciated asset value write down resulting from the 2019 capital asset inventory. Please see Note 4 of the financial statements for additional information.

Capital contributions decreased by $29.1 million due to the Provo-Orem Bus Rapid Transit line be completed and no further contributions from the State and local governments on the project.

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 it current investments at transit oriented developments and those transactions in 2018 represent $1.5 million of the increase from 2017.

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

2018 Results (continued)

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.

SUMMARY OF EXPENSES FOR THE YEAR ENDED DECEMBER 31

	2019	2018	*Difference*	*Percent difference*	2017
Operating expenses					
Bus service	$ 104,570,413	$ 96,719,747	*$ 7,850,666*	*8%*	$ 88,928,063
Rail service	77,972,467	75,157,087	*2,815,380*	*4%*	72,895,607
Paratransit service	23,121,527	21,857,632	*1,263,895*	*6%*	19,572,367
Other services	3,247,699	3,056,191	*191,508*	*6%*	2,982,176
Operations support	47,056,444	45,557,749	*1,498,695*	*3%*	41,932,571
Administration	36,738,745	39,593,947	*(2,855,202)*	*-7%*	31,423,844
Capital Maintenance Projects	19,078,502	38,654,111	*(19,575,609)*	*-51%*	20,602,425
Depreciation	146,112,123	80,565,077	*65,547,046*	*81%*	149,440,887
Total operating expenses	$ 457,897,920	$ 401,161,541	*$ 56,736,379*	*14%*	$ 427,777,940

2019 Results

Overall expenses for 2019 increased $56.7 million (14%) from 2018. Most expense differences are within capital maintenance projects and depreciation expenses categories. Capital maintenance projects are expenses that are significant but infrequent non-capital expenses that are not directly attributed to each mode of transit. The decrease of $19.6 million (51%) in capital maintenance projects is due to changes in spending that can occur from year to year. The increase in depreciation expense of $65.4 million was caused by the effects of a change in accounting estimate that occurred in 2018 that affected only that year's depreciation expenses.

Like most service agencies, personnel is the largest expense. Personnel cost for UTA in 2019 was 71.0% of total operating expense less depreciation. Overall, personnel cost rose by $12.3 million (5.9%) in 2019. Operating expense less personnel cost decreased by $21.1 million (18.9%) mainly due to the $19.6 million reduction in capital maintenance projects.

ANALYSIS	2019	2018	*Difference*	*Percent difference*	2017
Operating expense less depreciation	$ 311,785,797	$ 320,596,464	$ (8,810,667)	*-2.7%*	$ 278,337,053
Wages (50100-50199)	150,740,728	142,416,641	*8,324,087*	*5.8%*	131,228,632
Benefits (50200-50299)	70,530,094	66,566,327	*3,963,767*	*6.0%*	58,322,422
Operations less wages/benefits	90,514,975	111,613,496	*(21,098,521)*	*-18.9%*	88,785,999
Personnel cost	$ 221,270,822	$ 208,982,968	$ 12,287,854	*5.9%*	$ 189,551,054
% of operating expense	71.0%	65.2%	*5.8%*	*8.9%*	68.1%

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

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).

CAPITAL ASSET ACTIVITY

	2019	2018	*Difference*	*Percent difference*	2017
Land	$ 408,225,179	$ 440,917,126	*$ (32,691,947)*	*-7%*	$ 425,736,158
Construction in process	139,699,345	109,972,902	*29,726,443*	*27%*	205,102,231
Infrastructure	2,499,683,484	2,515,426,407	*(15,742,923)*	*-1%*	2,528,679,092
Building and building improvements	245,182,707	302,473,214	*(57,290,507)*	*-19%*	132,444,199
Revenue vehicles	752,446,315	753,650,299	*(1,203,984)*	*0%*	757,025,778
Leased revenue vehicles	66,592,155	60,365,705	*6,226,450*	*10%*	-
Equipment	60,703,740	144,817,612	*(84,113,872)*	*-58%*	326,289,349
Land improvements	105,928,156	79,140,497	*26,787,659*	*34%*	12,300,402
Leased land improvements	84,485,965	75,804,461	*8,681,504*	*11%*	-
Intangibles	18,292,597	9,585,417	*8,707,180*	*91%*	22,537,996
Accumulated depreciation and amortization	(1,431,847,732)	(1,402,256,629)	*(29,591,103)*	*2%*	(1,341,405,330)
Total capital assets, net	$ 2,949,391,911	$ 3,089,897,011	*$ (140,505,100)*	*-5%*	$ 3,068,709,875

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

2019 Results

In 2019, UTA continued to better define what constituted a capital asset, revisited asset categorization, and updated asset useful lives as part of the biennial asset inventory. This resulted in transfers of assets between categories and adjustments to balances for each category of capital assets (see Footnote 4 for more details).

UTA expended approximately $57.1 million for capital assets in 2019. Approximately $10.8 million was expended for revenue vehicle replacements. This program included thirteen (13) buses and eighty-one (81) Rideshare vans. In 2019, UTA expended $46.3 million on major strategic projects. This included the development and start of construction of the Depot District (fueling and maintenance facility to support bus operations), various rail Infrastructure replacements, and several other projects designed to enhance the system and passenger experience.

SUMMARY OF CAPITAL ASSET ACTIVITY (continued)

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 Footnote 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.

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:

Ratings Summary

Source: Zions Bank Financial Advisors

Effective date: November 2019	Standard &Poor's	Fitch	Moody's
Senior Lien Bonds			
Current rating	AA	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

During 2019, UTA issued the following bonds:

2019 Series Senior Lien revenue bonds: $250,640,000
2019 Series Subordinate Lien revenue bonds: $59,070,000

$188,810,000 of proceeds from the Federally Taxable Sales Tax Revenue Refunding Bonds, Series 2019 were used to refund the refundable maturities of the Series 2007 capital appreciation, 2012 and 2015 subordinate lien revenue bonds. The $61,830,000 of proceeds from the Sales Tax Revenue Bonds, Series 2019A were used for new capital project financing.

$59,070,000 of proceeds from the Federally Taxable Subordinate Sales Tax Revenue Refunding Bonds, Series 2019B were used to refund certain maturities of the Series 2015 subordinate lien revenue bonds.

SUMMARY OF DEBT ADMINISTRATION ACTIVITY (continued)

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).

SIGNIFICANT ACTIVITIES

2019 Results

Transit-oriented Development (TOD) –

- Construction was completed on a new Starbucks at the Jordan Valley TOD, and ground was broken on a second phase of apartments.
- The Sandy Civic Center TOD development team continued to pursue design and entitlements for two new phases of development, including another phase of mixed-use residential and a 180,000 square foot office.
- Construction continued at 3900 South Meadowbrook TRAX Station on a mixed-use residential, retail, and training facility, the majority of which is preleased.
- Work continued on the third and final phase of development at the South Jordan FrontRunner Station TOD, consisting of a preleased office building.

UTA provided special event support for the following events:

- 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

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.

SIGNIFICANT ACTIVITIES

2018 Results (continued)

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-use 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

RIDERSHIP COMPARISON

The following information provides an annual comparison of ridership by service for years 2019, 2018, and 2017.

	2019	**2018**	***Difference***	***Percent difference***	**2017**
Bus service	20,799,642	19,624,936	*1,174,706*	*6.0%*	19,748,489
Light rail service	17,128,008	17,899,715	*(771,707)*	*-4.3%*	18,823,578
Commuter rail service	5,193,879	5,082,168	*111,711*	*2.2%*	4,854,099
Paratransit service	388,265	394,816	*(6,551)*	*-1.7%*	385,969
Vanpools	1,068,364	1,174,696	*(106,332)*	*-9.1%*	1,264,410
Total ridership	44,578,158	44,176,331	*401,827*	*0.9%*	45,076,545

2019 Results

UTA realized a 0.9% increase in overall ridership from 2018. Bus and Commuter Rail services showed an increases in demand for this service. Light Rail, Paratransit and Vanpool services experienced a decrease in ridership in 2019.

2018 Results

In 2018, UTA realized 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.

COMPARATIVE STATEMENTS OF NET POSITION

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 121,247,679	$ 103,037,555
Restricted cash and cash equivalents	892,005	-
Receivables		
Contributions from other governments (sales tax)	61,526,161	50,725,259
Federal grants	16,963,742	24,146,542
Other	6,016,947	4,443,339
State of Utah	7,270,213	9,930,141
Restricted receivables	1,843,015	-
Parts and supplies inventories	36,043,834	35,551,784
Prepaid expenses	2,299,133	2,842,013
Total Current Assets	**254,102,729**	**230,676,633**
Noncurrent Assets:		
Restricted assets (Cash equivalents and investments)		
Bonds funds	44,906,842	47,668,250
Interlocal agreements	6,778,351	7,040,441
Represented employee benefits	4,596,492	4,133,950
Escrow funds	105,638,304	66,174,772
Self-insurance deposits	7,932,069	7,716,809
Total restricted assets	169,852,058	132,734,222
Non-Depreciable Capital Assets:		
Land	408,225,179	440,917,126
Construction in progress	139,699,345	109,972,902
	547,924,524	550,890,028
Depreciable Capital Assets:		
Land improvements	105,928,156	79,140,497
Leased Land Improvements	84,485,965	75,804,461
Building and building improvements	245,182,707	302,473,214
Infrastructure	2,499,683,484	2,515,426,407
Revenue vehicles	752,446,315	753,650,299
Leased revenue vehicles	66,592,155	60,365,705
Equipment	60,703,740	144,817,612
Intangibles	18,292,597	9,585,417
Total Depreciable Capital Assets	3,833,315,119	3,941,263,612
Total Capital Assets	4,381,239,643	4,492,153,640
Less accumulated depreciation and amortization	(1,431,847,732)	(1,402,256,629)
Amount recoverable - interlocal agreement	21,236,873	22,047,787
Other assets	9,500,000	9,698,840
Total Noncurrent Assets	**3,149,980,842**	**3,254,377,860**
TOTAL ASSETS	$ **3,404,083,571**	$ **3,485,054,493**

Readers wanting additional information should refer to the notes to the financial statements

COMPARATIVE STATEMENTS OF NET POSITION (continued)

	2019	2018
DEFERRED OUTFLOWS OF RESOURCES		
Advanced debt refunding	$ 88,145,622	$ 88,490,542
Assumptions changes related to pensions	13,459,954	31,930,657
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**101,605,576**	**120,421,199**
LIABILITIES		
Current Liabilities:		
Accounts payable		
Other	19,533,745	37,169,641
State of Utah	29,679	138,224
Accrued liabilities, primarily payroll-related	11,811,462	10,718,710
Current portion of compensated absences	1,664,512	2,010,345
Current portion of accrued interest	4,614,297	4,165,847
Current portion of long-term debt	33,413,386	24,126,320
Accrued self-insurance liability	862,650	1,155,787
Unearned revenue	11,883,008	11,622,768
Total Current Liabilities	**83,812,739**	**91,107,642**
Long-Term Liabilities:		
Long-term compensated absences	10,768,696	9,513,471
Long-term accrued interest	7,332,852	5,614,014
Long-term debt	2,415,488,275	2,385,014,132
Long-term net pension liability	103,864,839	131,548,114
Total Long-term Liabilities	**2,537,454,662**	**2,531,689,731**
TOTAL LIABILITIES	**2,621,267,401**	**2,622,797,373**
DEFERRED INFLOWS OF RESOURCES		
Changes to earnings on pension plan investments	11,653,452	3,383,699
TOTAL DEFERRED INFLOWS OF RESOURCES	**11,653,452**	**3,383,699**
NET POSITION		
Net investment in capital assets	692,675,681	827,646,243
Restricted for		
Debt service	44,906,842	47,668,250
Interlocal agreements	9,513,370	7,040,441
Represented employee benefits	4,596,492	4,133,950
Self-insurance deposits	7,932,069	7,716,809
Unrestricted	113,143,840	85,088,927
TOTAL NET POSITION	**$ 872,768,294**	**$ 979,294,620**

Readers wanting additional information should refer to the notes to the financial statements

COMPARATIVE STATEMENTS OF EXPENSES AND CHANGES IN NET POSITION

	2019	2018
OPERATING REVENUES		
Passenger fares	$ 52,649,054	$ 52,051,892
Advertising	2,462,500	2,412,500
Total operating revenues	**55,111,554**	**54,464,392**
OPERATING EXPENSES		
Bus service	104,570,413	96,719,747
Rail service	77,972,467	75,157,087
Paratransit service	23,121,527	21,857,632
Other service	3,247,699	3,056,191
Operations support	47,056,444	45,557,749
Administration	36,738,745	39,593,947
Capital maintenance projects	19,078,502	38,654,111
Depreciation	146,112,123	80,565,077
Total operating expenses	**457,897,920**	**401,161,541**
Excess of operating expenses over operating revenues	**(402,786,366)**	**(346,697,149)**
NON-OPERATING REVENUES (EXPENSES)		
Contributions from other governments (sales tax)	317,797,604	282,933,591
Federal preventative maintenance grants	69,746,231	61,820,668
Investment income	6,821,490	6,525,872
Other	(45,372,222)	8,155,668
Interest expense	(87,541,906)	(91,000,388)
Net non-operating revenues	**261,451,197**	**268,435,411**
LOSS BEFORE CONTRIBUTIONS	**(141,335,169)**	**(78,261,738)**
Capital contributions:		
Federal grants	16,395,068	31,585,004
Local	17,383,709	12,151,003
Capital contribution	1,030,066	20,142,932
Total capital contributions	**34,808,843**	**63,878,939**
Change in Net Position	(106,526,326)	(14,382,799)
Total Net Position, January 1	979,294,620	993,677,419
TOTAL NET POSITION, DECEMBER 31	$ 872,768,294	$ 979,294,620

Readers wanting additional information should refer to the notes to the financial statements

COMPARATIVE STATEMENTS OF CASH FLOW

	2019	2018
Cash flows from operating activities:		
Passenger receipts	$ 54,460,498	$ 53,155,758
Advertising receipts	2,500,000	2,450,000
Payments to vendors	(111,394,592)	(137,245,416)
Payments to employees	(149,031,724)	(124,125,880)
Employee benefits paid	(68,287,980)	(81,158,163)
Net cash used in operating activities	**(271,753,798)**	**(286,923,701)**
Cash flows from noncapital financing activities:		
Contributions from other governments (sales tax)	307,813,615	283,545,887
Federal preventative maintenance grants	77,007,721	67,144,601
Other receipts	4,347,043	6,202,743
Net cash provided by noncapital financing activities	**389,168,379**	**356,893,231**
Cash flows from capital and related financing activities:		
Contributions for capital projects		
Federal	16,316,378	46,222,427
Local	15,795,005	16,414,407
Proceeds from the sale of revenue bonds	312,375,835	257,785,547
Deposit into escrow for refunding bonds	(254,152,865)	(125,172,395)
Payment of bond principal	(24,584,516)	(18,921,211)
Interest paid on revenue bonds	(87,695,985)	(105,194,215)
Proceeds from leases	9,880,000	14,377,000
Purchases of property, facilities, and equipment	(57,603,695)	(67,528,327)
Proceeds from the sale of property	1,653,736	5,948,541
Net cash used in capital and related financing activities	**(68,016,107)**	**23,931,774**
Cash flows from investing activities:		
Proceeds from the sales of investments	584,640	-
Interest on investments	6,236,850	5,062,618
Net cash provided by investing activities	**6,236,850**	**5,062,618**
Net increase in cash and cash equivalents	56,219,964	98,963,922
Cash and cash equivalents at beginning of year	235,771,778	136,807,856
Cash and cash equivalents at end of year	$ 291,991,742	$ 235,771,778

Readers wanting additional information should refer to the notes to the financial statements

COMPARATIVE STATEMENTS OF CASH FLOWS (continued)

	2019	2018
Reconciliation of Cash to the Statement of Net Position		
Cash and cash equivalents at year end from cash flows	$ 291,991,742	$ 235,771,778
Total cash and cash equivalents and investments	291,991,742	235,771,778
Cash and investments as reported on the Statement of Net Position		
Cash and cash equivalents	121,247,679	103,037,555
Current Restricted Cash and Cash Equivalents	892,005	-
Noncurrent restricted assets (cash equivalents and investments)		
Bonds funds	44,906,842	47,668,250
Interlocal agreements	6,778,351	7,040,441
Represented employee benefits	4,596,492	4,133,950
Escrow funds	105,638,304	66,174,773
Self-insurance deposits	7,932,069	7,716,809
Total cash and cash equivalents and investments	291,991,742	235,771,778

	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	(402,786,366)	(346,697,149)
Adjustments to reconcile excess of operating expenses over operating revenues to net cash used in operating activities:		
Pension expense	(942,818)	(2,748,070)
Depreciation	146,112,123	80,565,076
Changes in assets and liabilities:		
Parts and supplies inventories	(492,051)	(3,862,516)
Prepaid expenses	542,880	(58,211)
Accounts payable - trade and restricted	(17,745,514)	(16,967,292)
Accrued liabilities	1,709,004	1,703,097
Unearned revenue	1,848,944	1,141,364
Net cash used in operating activities	$ (271,753,798)	$ (286,923,701)

Readers wanting additional information should refer to the notes to the financial statements

COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION

	2019	2018
ASSETS		
Cash Advanced to Advance CFO	$ 476,391	$ 604,152
Total Cash	**476,391**	**604,152**
Investments at fair value as determined by quoted market prices	238,931,999	192,047,892
Prepaid Benefits	1,213,458	1,095,081
Dividends Receivable	7,311	7,859
Accounts Receivable - Benefits	3,674	10,978
Accounts Receivable - Contributions	1,132,757	880,663
Total Receivables	**1,143,742**	**899,500**
Total Assets	**$ 241,765,590**	**$ 194,646,625**
LIABILITIES		
Benefits Payable	$ 8,240	$ -
Withholding Taxes Payable	-	108,077
Total Liabilities	**8,240**	**108,077**
NET POSITION		
Net Position Held in Trust for Pension Benefits	$ **241,757,350**	$ **194,538,548**

Readers wanting additional information should refer to the notes to the financial statements

COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	2019	2018
ADDITIONS		
Employer Contributions	$ 24,008,192	$ 22,355,434
Participant Voluntary Contributions	298,803	223,572
Total Contributions	**24,306,995**	**22,579,006**
Investment Income		
Net Appreciation in Fair Value of Investments	39,627,534	(17,276,731)
Interest	61,626	94,458
Dividends	1,543,060	1,193,815
Other Income	-	300
Total Investment Income	**41,232,220**	**(15,988,158)**
Less: Investment Expense	583,287	641,763
Net Investment Income	40,648,933	(16,629,921)
Total Additions	64,955,928	5,949,085
DEDUCTIONS		
Monthly Benefits Paid	12,000,602	10,824,630
Lump Sum Distributions	5,302,097	4,650,189
Administrative Expense	434,427	440,279
Total Deductions	**17,737,126**	**15,915,098**
NET INCREASE (DECREASE)	**47,218,802**	**(9,966,013)**
Net Position Held in Trust For Pension Benefits		
Beginning of Year	194,538,548	204,504,561
As of December 31	**$ 241,757,350**	**$ 194,538,548**

Readers wanting additional information should refer to the notes to the financial statements

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 2,507,775 which represents approximately 79.3% 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 Authority has no component units. 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 (Fixing America's Surface Transportation 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	0.7875%
Davis County	0.6500%
Weber County	0.6500%
Box Elder County	0.5500%
Utah County	0.6260%
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 by the Board of Trustees. The Treasurer is charged with investing in accordance with the investment policy 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 include land and land improvements, right of way, buildings and building improvements, infrastructure, vehicles, equipment, intangibles, as well as any leased capital assets in these categories. Capital assets, other than infrastructure and intangible software, are defined by UTA policy as an asset with an initial, individual cost of $5,000 or more. Infrastructure capital assets are defined as assets with an initial, individual cost of $50,000 or more. Intangible software capital assets are defined as assets with an initial, individual software license cost of $10,000 or more, or $100,000 or more implementation cost per software. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life, are not capitalized, but are charged to operating expense as incurred. Upon disposal of capital assets, the accounts are relieved of the related costs and accumulated depreciation, and the resulting gains or losses are reflected in the statement of revenues, expenses and changes in net position.

Depreciation of capital assets is recorded using the straight-line method over the estimated useful lives of the assets.

Capital assets are assigned the following estimated useful lives:

Capital Assets	Years
Land Improvements	10 to 25
Buildings and Building Improvements	20 to 50
Infrastructure	5 to 75
Revenue Service Vehicles	4 to 30
Equipment	4 to 20
Intangibles	4 to 20
Leased Land Improvements	50 to 52
Leased Revenue Service Vehicles	4 to 12

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $3 million for incidents occurring after May 1, 2019. 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *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.

- *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.

	2019	2018
NET POSITION		
Net investment in capital assets	$ 692,675,681	$ 827,646,243
Restricted for:		
Debt Service	44,906,842	47,668,250
Interlocal agreements	9,513,370	7,040,441
Represented employee benefits	4,596,492	4,133,950
Self-insurance deposits	7,932,069	7,716,809
Unrestricted	113,143,840	85,088,927
TOTAL NET POSITION	$ 872,768,294	$ 979,294,620

It was determined during the preparation of the 2019 financial statements that there was an error in the calculation of Restricted Net Position. The error had no impact on the overall Net Position balances reported, however the prior year categories have been corrected.

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. 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 Executive staff reviews departmental budgets and balances the total budget with project revenues, service requirements, and the Board of Trustee's priorities. The tentative budget is presented to the Board and the Local Advisory Council for their review.

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 must approve, after consultation with the Local Advisory Council, all increases or decreases to net operating expense by mode or major classification, capital projects, or major revenue classification for the Authority's operating and capital budgets.

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)

Q. Recent Accounting Pronouncements

GASB Statement 83
Certain Asset Retirement Obligations
Takes Effect: December 31, 2020

GASB Statement 84
Fiduciary Activities
Takes Effect: December 31, 2020

GASB Statement 87
Leases
Takes Effect: December 31, 2021

GASB Statement 88
Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements
Takes Effect: December 31, 2020

GASB Statement 89
Accounting for Interest Cost Incurred before the End of a Construction Period
Takes Effect: December 31, 2021

GASB Statement 90
Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61
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:

	2019	2018
Debt Reduction Reserve	$ 71,341,000	$ 47,384,438
General Reserve	36,660,000	
Capital Replacement Reserve	10,700,000	
Fuel Reserve	-	1,915,000
Operating Reserve	-	28,507,000
Parts Reserve	-	3,000,000
Service Sustainability Reserve	9,166,000	15,272,000
Total designated cash and cash equivalents	**$ 127,867,000**	**$ 96,078,438**

- *Designated for Debt Reduction Reserves*– "This component of cash consists of debt service savings from refunded bond issues. In July 2019, in accordance with the Board's Policy No. 2.1 – Financial Management, the Board affirmed continuing the Debt Reduction Reserve and the primary purpose to be primarily early retirement of outstanding debt.

- *Designated for general reserves* – This component of cash including the risk reserve, funded at a level equal to at least twelve percent (12%) of the Authority's budgeted operating expense, excluding non-operating expense, to be used as a working capital account throughout the year. The Treasurer will manage the use of the funds in the general operating reserve. *(Utah Transit Authority Board Policy No. 2.1 Financial Management)*

- *Designated for capital replacement reserves* – This component of cash is expected to reach 1% of the value of property, facilities, and equipment cost as reported in the comprehensive annual financial report to be used for capital repair or replacement costs due to extraordinary circumstances. The Board of Trustees, recognizing that the increase reserve requirement would take time to meet, approved at their April 29, 2020 meeting to officially meet the 1% requirement by December 31, 2020. The Board of Trustees must give its prior approval before funds in the capital replacement reserve are used. *(Utah Transit Authority Board Policy No. 2.1 Financial Management)*

- *Designated for fuel reserves (No longer used after June 12, 2019)* – This component of cash 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 (No longer used after June 12, 2019)* – This component of cash 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)*

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

- *Designated for parts reserves (No longer used after June 12, 2019)* – This component of cash 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 service sustainability reserves* - This component of cash consists of 3% of the Authority's annual operating budget expenses 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. The Board of Trustees must give its prior approval before funds in the bond reserve are used. *(Utah Transit Authority Board Policy No. 2.1 Financial Management)*

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, 2019 and 2018, the balances in the Authority's bank demand deposit accounts and certificate of deposit accounts according to the bank statements totaled $42,611,072 and $17,599,147, respectively, of which $261,276 and $257,989 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.

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

The following are the Authority's investment as of December 31, 2019:

		Investment Maturity (in years)		
Investment	Grade	Less than 1	1 to 3	TOTAL
U.S. Agencies	AAA	$ 1,500,120	$ 1,516,261	$ 3,016,381
Corporate Bonds	AA+ to AA-, A+ to A-, BBB+ to BBB-	7,374,188	1,346,191	8,720,379
MM - Cash		49,966,838	-	49,966,838
PTIF		66,565,679	-	66,565,679
Total Investments		$ 125,406,826	$ 2,862,453	$ 128,269,277

- *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 GASB Statement 72 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 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

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, 2019 by organization and by fair value measurement:

		Fair Value Measurements		
	12/31/2019	Level 1	Level 2	Level 3
Zions Capital Advisors				
Agency	$ 3,016,381	$ 3,016,381	$ -	$ -
Corporate	8,720,379	-	8,720,379	
Currency	16,940,734	16,940,734		
Total Zions Capital Advisor investments	28,677,494	19,957,115	8,720,379	-
Zions Trustee Investments				
Money market	33,026,104	-	33,026,104	
Total Zions Trustee investments	33,026,104	-	33,026,104	-
Public Treasurers Investment Fund	66,565,679	-	66,565,679	
Total investments by fair value level	$ 128,269,277	$ 19,957,115	$ 108,312,162	$ -

NOTE 4 – CAPITAL ASSETS

Construction in progress for 2019 consists of following large projects:

- $35.8 million for Positive Train Control to be completed December 31, 2021.
- $22.5 million for the Depot District expected to be completed January of 2023.
- $17.2 million for Provo/Orem Bus Rapid Transit expected to be completed December 31, 2020.
- $5.5 million for the I-15 Road Widening at 7200 S by UDOT expected to be completed June of 2020.

UTA formally adopted a Capital Asset manual, policy, and formal procedures that better defined asset categories and processes in early 2019. These changes are evident in the amount and magnitude of the transfers of capital assets in 2019.

A biennial inventory of capital assets was completed in 2019. During the 2019 inventory, there were 892 assets out of 9,986 total assets, that were no longer owned by UTA, did not meet the new definitions of a capital asset, or were previously disposed of without accounting documentation. The effect on the financial statement are as follows:

Quantitative Results of 2019 Inventory Write-Off	Original Cost 12/31/2019	Accumulated Depreciation 12/31/2019	Loss on Disposal 12/31/2019
Capital assets not being depreciated			
Land	$ 13,783,836	$ -	$ 13,783,836
Total capital assets not being depreciated	13,783,836	-	13,783,836
Capital assets being depreciated			
Infrastructure	22,944,287	(6,693,267)	16,251,020
Buildings and Building Improvements	28,717,226	(9,134,066)	19,583,160
Revenue Vehicles	1,398,587	(1,377,902)	20,685
Equipment	85,718,230	(85,131,576)	586,654
Land improvements	7,010,225	(5,897,453)	1,112,772
Intangibles	2,623,892	(2,623,892)	-
Total capital assets being depreciated	148,412,447	(110,858,156)	37,554,291
Total capital assets	$ 162,196,283	$ (110,858,156)	$ 51,338,127

NOTE 4 – CAPITAL ASSETS (continued)

	Balance 12/31/2018	Increases	Transfers	Decreases	Balance 12/31/2019
Capital assets not being depreciated					
Land	$ 440,917,126	$ 282,472	$ (8,681,504)	$ (24,292,916)	$ 408,225,179
Construction in Progress	109,972,902	57,144,662	-	(27,418,218)	139,699,345
Total capital assets not being depreciated	550,890,028	57,427,134	(8,681,504)	(51,711,134)	547,924,524
Capital assets being depreciated					
Infrastructure	2,515,426,407	5,850,625	1,350,739	(22,944,287)	2,499,683,484
Buildings and Building Improvements	302,473,212	1,215,530	(29,548,307)	(28,957,729)	245,182,707
Revenue Vehicles	753,650,299	2,901,827	1,107,017	(5,212,828)	752,446,315
Leased Revenue Vehicles	60,365,705	7,986,592	(1,760,142)	-	66,592,155
Equipment	144,817,614	3,592,681	(1,656,730)	(86,049,824)	60,703,740
Land improvements	79,140,497	3,309,427	30,507,423	(7,029,191)	105,928,156
Leased Land Improvements	75,804,461	-	8,681,504	-	84,485,965
Intangibles	9,585,417	11,331,072	-	(2,623,892)	18,292,597
Total capital assets being depreciated	3,941,263,612	36,187,754	8,681,504	(152,817,751)	3,833,315,119
Less: Accumulated depreciation					
Infrastructure	(714,768,440)	(76,833,150)	(1,350,738)	6,693,267	(786,259,061)
Buildings and Building Improvements	(116,927,359)	(13,821,747)	16,667,243	10,492,537	(103,589,326)
Revenue Vehicles	(370,587,010)	(34,469,136)	(786,301)	5,192,143	(400,650,304)
Leased Revenue Vehicles	(10,781,376)	(7,594,114)	1,384,045	-	(16,991,445)
Equipment	(138,277,665)	(4,198,547)	1,629,360	85,604,580	(55,242,272)
Land Improvements	(41,223,412)	(4,816,713)	(17,576,453)	5,914,602	(57,701,976)
Leased Land Improvements	(128,764)	(3,044,077)	-	-	(3,172,841)
Intangibles	(9,562,603)	(1,334,639)	32,844	2,623,891	(8,240,507)
Total accumulated depreciation	(1,402,256,629)	(146,112,123)	-	116,521,020	(1,431,847,732)
Capital assets being depreciated, net	2,539,006,983	(109,924,369)	8,681,504	(36,296,731)	2,401,467,387
Total capital assets, net	$ 3,089,897,011	$ (52,497,235)	$ -	$ (88,007,865)	$ 2,949,391,911

NOTE 4 – CAPITAL ASSETS (continued)

	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	205,102,230	86,039,389	-	(181,168,717)	109,972,902
Total capital assets not being depreciated	630,838,388	105,298,389	-	(185,246,749)	550,890,028
Capital assets being depreciated					
Infrastructure	2,528,679,092	-	(13,252,685)	-	2,515,426,407
Buildings and Building Improvements	132,444,199	25,091,054	145,611,097	(673,138)	302,473,212
Revenue Vehicles	757,025,778	35,408,999	(23,891,477)	(14,893,001)	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)	(4,270,513)	144,817,614
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	181,849,308	-	(19,862,512)	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)	(4,928,992)	18,761	(10,781,376)
Equipment	(231,855,525)	(9,361,139)	98,668,483	4,270,516	(138,277,665)
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)	-	12,986,519	-	(9,562,603)
Total accumulated depreciation	(1,341,405,330)	(80,565,077)	-	19,713,778	(1,402,256,629)
Capital assets being depreciated, net	2,437,871,486	101,284,231	-	(148,734)	2,539,006,983
Total capital assets, net	$ 3,068,709,873	$ 206,582,621	$ -	$ (185,395,483)	$ 3,089,897,011

Depreciation expense by mode that mirrors the Comparative Statement of Revenues, Expenses, and Changes in Net Position is as follows:

Depreciation Expense	2019	2018
Bus Service	$ 25,412,263	$ 17,144,994
Rail Service	114,000,131	56,825,449
Paratransit Service	4,171,785	4,290,318
Vanpool Service	2,527,944	2,304,317
Total Depreciation Expense	$ 146,112,123	$ 80,565,077

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.

		2019		2018
Operating assistance				
Federal preventive maintenance grants	$	65,398,164	$	59,382,717
Federal operating assistance grants		4,348,067		2,437,951
		69,746,231		61,820,668
Capital projects				
Federal capital projects		16,395,068		31,585,004
Prior Year Federal capital projects		9,409		4,041
		16,404,477		31,589,045
Total federal assistance	$	86,150,708	$	93,409,713

		Prior Year Federal Receivables		Recognized Prior Year Federal Capital		Received Operating Assistance		Received Federal Capital Projects		Year End Federal Receivables		Total
2019	$	(24,146,542)	$	9,409	$	77,007,721	$	16,316,378	$	16,963,742	$	86,150,708
2018	$	(44,107,878)	$	4,041	$	67,144,601	$	46,222,427	$	24,146,542	$	93,409,713

NOTE 6 – SELF-INSURANCE CLAIMS LIABILITY

Changes in the accrued claims liability in 2019 and 2018 were as follows:

		Beginning liability		Changes in estimates		Claim payments		Ending liability
2019	$	1,155,787	$	3,319,863	$	(3,613,000)	$	862,650
2018	$	1,495,597	$	3,117,762	$	(3,457,572)	$	1,155,787

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 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

The Plan is administered by the Pension Committee that consists of five (5) members, three (3) 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)

C) Membership

The Plan's membership consisted of:

Active Participants	January 1, 2019	January 1, 2018
Fully Vested	1406	1377
Partially Vested	-	-
Not Vested	850	788
Inactive Participants Not Receiving Benefits	368	343
Retirees and Beneficiaries Receiving Benefits	668	629
Total	3149	3149

D) 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 three years of service, they forfeit the right to receive their non-vested accrued plan benefits.

NOTE 7 – PENSION PLANS (continued)

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.

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 2019 and 2018, 33 and 37 participants in each respective year elected to receive their benefit in the form of lump sum distribution. Lump sum distributions collectively totaled $5,302,097 and $4,650,189 for 2019 and 2018, respectively. Individuals are removed from the Plan's membership if they choose to take all of their benefit as a lump sum distribution.

E) 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.

F) 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.

G) 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 7 Section H and in the Required Supplementary Information.

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

Net pension liability - At December 31, 2019, the Authority reported a net pension liability of $103,864,839. The net pension liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019 and rolled-forward using generally accepted actuarial procedures.

NOTE 7 – PENSION PLANS (continued)

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	Covered Payroll	Net Pension Liability as a Percentage Of Covered Employee Payroll
12/31/2019	$345,622,189	$241,757,350	$103,864,839	69.95%	$141,812,999	73.24%
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, 2019, 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	$ (772,375)	$ 9,027,318
Change of Assumptions	(1,558,306)	4,432,636
Net difference between projected and actual earnings	(9,322,772)	-
Total	$ (11,653,453)	$ 13,459,954

Pension expense - For the year ended December 31, 2019, the Authority recognized pension expense of $23,065,374. 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
2020	$ 819,702
2021	(548,371)
2022	3,129,788
2023	(2,955,207)
2024	1,010,852
Thereafter	349,737
Total	$ 1,806,501

NOTE 7 – PENSION PLANS (continued)

Actuarial assumptions - The total pension liability in the January 1, 2019 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	2.74%

The actuarial assumptions used in the January 1, 2019 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	$ 394,219,179	$ 345,622,189	$ 305,558,521
Fiduciary net position	241,757,350	241,757,350	241,757,350
Net pension liability	$ 152,461,829	$ 103,864,839	$ 63,801,171

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, 2018	$ 326,086,663	$ 194,538,549	$ 131,548,114
Charges for the year			
Service cost	10,244,115		10,244,155
Interest on total pension liability	22,947,802		22,947,802
Differences between expected and actual experience	3,347,505		
Changes of assumptions	-		
Employer contributions		24,008,192	(24,008,192)
Member voluntary contributions	298,803	298,803	-
Net investment income		40,648,932	(40,648,932)
Benefit payments	(17,302,699)	(17,302,699)	
Administrative expenses		(434,427)	434,427
Balance as of December 31, 2019	$ 345,622,189	$ 241,757,350	$ 103,864,839

I) 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.

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.

NOTE 7 – PENSION PLANS (CONTINUED) (continued)

J) 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.

K) Payment of Benefits

Benefit payments to participants are recorded upon distribution.

L) 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, 2019 and 2018, the Plan paid $434,427 and $440,279 respectively, of administrative expenses.

M) 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)

N) 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.

O) 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.

P) 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.

Q) 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.

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.

	2019	2018
Cash held in banking institution(s)	$ 476,391	$ 604,152
Cash held in Utah Public Treasurer's Investment Fund	0	0
	$ 476,391	$ 604,152

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:			
2019	$	51,231,785	AA/Aa Rated
2018	$	44,511,657	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:		
2019	$153,380,592	No maturity dates
2018	$121,933,057	No maturity dates
Fixed Inc funds:		
2019	$ 51,231,785	Average effective duration: 5.3 years Average effective maturity: 7.5 years
2018	$ 44,511,657	Average effective duration: 5.3 years Average effective maturity: 7.5 years
Other funds:		
2019	$ 34,319,622	Average effective duration/maturity: n/a
2018	$ 26,081,608	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, 2019 and/or 2018 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).

	2019	2018
Equity funds:		
Two Sigma Active US All Cap & Investments	$ 21,086,294	$ 16,287,880
Fixed funds:		
IR+M Core Bond Fund II	$ 23,796,928	$ 18,593,036

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 GASB Statement 72 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)

	2019	2018
Investments:		
Global Equity Funds:		
1607 Capital International Equity Fund	$ -	$ 7,068,884
Arrowstreet International Equity	10,968,933	8,880,682
Artisan Global Value Institutional	8,073,562	6,504,923
Artisan Global Opportunities Trust	6,565,743	6,349,204
Artisan Global Discovery Trust	5,666,532	-
Causeway Emerging Markets Equity	7,643,201	6,547,729
City of London CA International Equity	9,133,524	-
Edgewood Growth Fund Institutional	7,759,905	7,054,931
Gqg Partners Intl Eqty	9,560,000	7,384,000
Independent Franchise Partners US Equity	9,726,691	7,196,531
Iridian Private Business Value Mid Cap	7,438,275	5,555,749
John Hancock Disciplined Value I	7,469,439	6,086,912
Kiltearn Global Equity Fund	6,746,613	5,744,563
Mahout Global Emerging Markets	-	2,134,715
Oakmark International I	8,362,496	6,720,896
Overlook Partners Fund	3,081,304	2,477,772
RWC Horizon Equity Offshore Ltd.	5,870,507	4,695,445
RWC Horizon Equity Fund 97MSCLV	698,308	558,532
RWC Horizon Equity Fund Limited	812,248	-
Two Sigma Active US All Cap & Investments	21,086,294	16,267,880
Vanguard FTSE Developed Markets EFT	1,212,002	1,871,213
Vanguard S&P 500 EFT	3,672,653	2,853,321
Vanguard Emerging Markets Stock Index Fund	2,114,282	-
Total Global Equity Funds	143,662,332	111,953,882

NOTE 7 – PENSION PLANS (CONTINUED)

Investments (continued)

	2019	2018
Polen Capital		
Adobe Systems Inc.	$ 593,988	$ 392,300
Automatic Data Process.	311,163	405,948
Align Technology Inc.	278,761	142,412
Accenture Plc	473,151	308,530
Booking Holdings	186,889	155,018
Abbott Laboratories	282,990	-
Dollar General	378,875	322,835
Facebook Inc.	681,020	414,244
First American Treasury Obligations	192,224	331,585
Alphabet Inc.	892,167	597,961
Gartner Inc.	301,266	245,964
Mastercard Inc.	519,845	187,895
Msci Inc	207,835	-
Microsoft Corp.	909,614	609,318
Nestle Sa	314,495	229,845
Nike Inc.	402,403	355,650
Nvidia Corp	-	147,918
Oracle	-	251,079
O Reilly	368,138	413,885
Paypal	308,068	-
Regeneron	235,801	230,076
Salesforce	195,819	-
Servicenow Inc	207,505	-
Starbucks Corp.	243,538	347,374
Visa Inc.	699,552	478,810
Zoetis Inc.	532,973	336,172
Total Polen Capital	9,718,080	6,904,819
Total Global Equity, and Polen Capital Investment Funds	153,380,412	118,858,701

NOTE 7 – PENSION PLANS (CONTINUED)

Investments (continued)

	2019	2018
Fixed Income Funds:		
1607 Capital Tax Fixed Income Fund	$ 4,776,531	$ 3,130,603
Double Line Core Plus 4L3	10,386,179	7,138,145
IR+M Core Bond Fund II	23,796,928	18,593,036
PIMCO Income Fund Institutional	3,485,017	6,327,452
State Street Global Adv. 3-10 US Treasury	8,787,130	9,322,421
Total Fixed Income Funds	51,231,785	44,511,657
Liquid Diversifier Funds:		
AQR Style Premia 97MSCMCV9	170,444	3,489,659
Fort Global Offshore Fund	6,205,549	4,890,738
ISAM SYSTEMATIC 97MSCNDS3	217,906	212,508
ISAM Systematic Trend	1,870,840	1,824,493
IVA International Fund	5,492,210	2,921,780
Renaissance Institutional Equity	9,026,663	6,008,085
Total Liquid Diversifier Funds	22,893,612	19,347,261
Real Asset Funds:		
AEW Global Properties	1,936,251	1,587,870
T. Rowe Price Global Natural Resources	4,151,087	3,546,308
Vanguard Short Term Inflation Protected Sec	2,667,048	2,543,785
Total Real Asset Funds	8,754,386	7,677,963
Cash & Equivalents:		
US Bank Cash (First American US Money Mkt	2,581,806	1,652,310
Total Cash & Equivalents	2,581,806	1,652,310
Total investments	**$ 238,931,999**	**$ 192,047,892**

NOTE 7 – PENSION PLANS (CONTINUED)

W) 2019 and 2018 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.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2019 and December 31, 2018.

	Investment Assets at Fair Value as of December 31, 2019			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Global Equities (NAV Level 2)	$ 153,380,5412	$ 16,717,017	$ 49,035,295	$ 87,628,099
Fixed Income (NAV level 2)	51,231,785	-	3,485,017	47,746,768
Liquid diversifiers	22,983,612	-	5,492,210	17,491,402
Real assets (NAV level 2)	8,754,386	-	6,818,135	1,936,251
Money market	2,581,806	2,581,806	-	-
Total investments at fair value	$ 238,931,999	$ 19,298,823	$ 64,830,657	$ 154,802,520

	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

NOTE 7 – PENSION PLANS (CONTINUED)

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, 2019 and 2018.

	2019			
	Fair Value	**Unfunded Commitment**	**Redemption Frequency**	**Redemption Notice Period**
Global Equities (NAV Level 2)	$ 49,035,295	$ -	Daily	Daily
Fixed Income (NAV level 2)	3,485,017	-	Daily	Daily
Liquid diversifier(NAV level 2)	5,492,210	-	Daily	Daily
Real assets (NAV level 2)	6,818,135	-	Daily	Daily
Total	$ 64,830,657	$ -		

	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
Real assets (NAV level 2)	6,090,093	-	Daily	Daily
Total	$ 55,451,247	$ -		

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.

NOTE 7 – PENSION PLANS (CONTINUED)

Y) 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 $103,864,839 and $131,069,664 as of December 31, 2019 and December 31, 2018, 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 increased from 59.81% at December 31, 2018 to 69.95% at December 31, 2019.

Z) 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, 2019, 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

AA) Actuarial Methods and Assumptions (continued)

- Cost of Living Adjustments – None
- Percent of Future Retirements Electing Lump Sum – 20%

NOTE 7 – PENSION PLANS (CONTINUED)

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, 2019, is summarized in the table below.

Asset Class	Target Asset Allocation	Long Term Expected Return
Global Equities	63%	6.8%
Fixed Income	22%	2.7%
Liquid Diversifiers	10%	3.4%
Real Assets	4%	5.1%
Cash & Equivalents	1%	1.6%
Total	100%	5.4%

The 7.00% assumed investment rate of return is comprised of an inflation rate of 2.30% and a real return of 4.70% net of investment expense.

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.

NOTE 7 – PENSION PLANS (CONTINUED)

	1.00% Decrease 6.00%	Current Rate 7.00%	1.00% Increase 8.00%
Total pension liability	$ 394,219,179	$ 345,622,189	$ 291,631,806
Fiduciary net position	241,757,350	241,757,350	241,757,350
Net pension liability	152,461,829	103,864,839	63,801,171

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 and Pension Board adopted a contribution rate policy of 16.3% for 2018 and 2019.

Employer contributions in 2019 and 2018 totaled $24,008,192 and $22,355,434 respectively, which represented 110.7% and 110.4% 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, 2019 and 2018 were $382,347 and $364,729, 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
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
	$	5,450,000	$	439,425	$	5.889,425

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
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		6,970,000		3,909,675		10,879,675
2025-2029		40,830,000		13,499,588		54,329,588
2030-2032		30,155,000		2,429,306		32,584,306
	$	102,410,000	$	38,861,550	$	141,271,550

NOTE 8 – LONG TERM DEBT (continued)

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
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	5,560,000	5,390,750	10,950,750
2025-2029	26,425,000	23,699,875	50,124,875
2030-2034	56,455,000	14,564,375	71,019,375
2035	22,155,000	553,875	22,708,875
	$ 118,745,000	$ 67,326,625	$ 186,071,625

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
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
	$	48,410,000	$	7,657,913	$	56,067,913

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% ($5,432,800) 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
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		-		15,522,286		15,522,286		5,432,800
2025-2029		-		77,611,433		77,611,433		27,164,001
2030-2034		80,735,000		68,115,943		148,850,943		23,840,580
2035-2039		180,715,000		31,620,314		212,335,314		11,067,110
	$	261,450,000	$	254,959,120	$	516,409,120	$	89,235,691

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% ($3,993,500) 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
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	-	11,410,000	11,410,000	3,993,500
2025-2029	-	57,050,000	57,050,000	19,967,500
2030-2034	-	57,050,000	57,050,000	19,967,500
2035-2039	78,970,000	52,762,407	131,732,407	18,466,842
2040	121,030,000	3,452,381	124,482,381	1,208,333
	$ 200,000,000	$ 227,364,788	$ 427,364,788	$ 79,577,675

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
2020	$ -	$ 2,944,000	$ 2,944,000
2021	-	2,944,000	2,944,000
2022	-	2,944,000	2,944,000
2023	-	2,944,000	2,944,000
2024	-	2,944,000	2,944,000
2025-2029	-	14,720,000	14,720,000
2030-2034	2,940,000	14,603,600	17,543,600
2035-2039	70,660,000	9,203,800	79,863,800
	$ 73,600,000	$ 53,247,400	$ 126,847,400

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.

On November 26, 2019 a portion of the original debt service for this bond was defeased through the issuance of the $188,810,000 Series 2019B Senior Sales Tax Revenue Refunding Bond. This resulted in a cash flow savings of $14,762,454 and an economic gain of $28,095,615. The Authority defeased certain 2012A 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.

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)

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
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	34,540,000	28,394,631	62,934,631
2025-2029	200,970,000	113,797,250	314,767,250
2030-2034	200,440,000	65,348,650	265,788,650
2035-2038	194,015,000	18,974,600	212,989,600
	$ 668,655,000	$ 346,322,433	$ 1,014,977,433

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
2020	$ 2,850,000	$ 3,243,750	$ 6,093,750
2021	5,840,000	3,055,000	8,895,000
2022	8,875,000	2,687,125	11,562,125
2023	6,750,000	2,296,500	9,046,500
2024	7,100,000	1,950,250	9,050,250
2025-2029	21,310,000	4,468,750	25,778,750
2030-2034	-	3,536,250	3,536,250
2035-2037	14,145,000	1,768,125	15,913,125
	$ 66,870,000	$ 23,005,750	$ 89,875,750

NOTE 8 – LONG TERM DEBT (continued)

Series 2015A Revenue Bonds (continued)

Defeasence of Debt - On November 26, 2019 a portion of the original debt service for this bond was defeased through the issuance of the $188,810,000 Series 2019B Senior Sales Tax Revenue Refunding Bond and the $59,070,000 Series 2019B Subordinate Sale Tax Revenue Bond. The 2019B Senior Sales Tax Revenue Refunding Bond resulted in a negative cash flow of $1,112,712 and an economic loss of $32,721,510. The 2019B Subordinate Sales Tax Revenue Bond resulted in a negative cash flow of $1,951,533 and an economic loss of $20,662,073. The Authority defeased certain 2015A Series Subordinate 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.

I. Series 2016 Revenue Bonds

On August 24, 2016, the Authority issued $145,691,497 in Subordinate Sales Tax Revenue Bonds with a 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
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	-	4,602,300	4,602,300
2025-2029	65,755,000	21,359,550	87,114,550
2030-2031	61,025,000	3,685,400	64,710,400
	$ 126,780,000	$ 48,056,450	$ 174,836,450

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

NOTE 8 – LONG TERM DEBT (continued)

Series 2016 Revenue Bonds (continued)

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

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 Authority paid the November 1, 2019 bond principal and interest payment. The principal amount was $1,410,000 and the interest was $983,796. The amount owed to the County was reduced by those amounts. In 2020, the Authority will remit $2,735,019 to Utah County for repayment of prior debt payments of the County issued Subordinated Transportation Sales Tax Revenue Bond per the terms of Utah County 4th Quarter Cent Sales Tax Interlocal Agreement.

The amount owed to Utah County increased by $2,5000,000 in FY 2019 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.

Year ending December 31		Principal		Interest		Total
2028	$	67,050,616	$	5,161,925	$	72,212,541
	$	67,050,616	$	5,161,925	$	72,212,541

K. 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 Refunding 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.

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)

Series 2018 Revenue Bonds (continued)

Series 2018 Senior Sales Tax 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
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	-	3,537,400	3,537,400
2025-2029	-	17,687,000	17,687,000
2030-2034	39,730,000	16,803,500	56,533,500
2035-2036	42,535,000	2,776,750	43,311,750
	$ 82,265,000	$ 54,954,250	$ 137,219,250

Series 2018 Subordinate Sales Tax Revenue Refunding Bond

Purpose:	Advanced refunding of $112,125,000 of the 2017 Revenue Bonds and $3,415,000 of the 2007A Revenue Bonds.
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
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	3,745,000	4,581,144	8,326,144
2025-2029	17,755,000	19,943,969	37,698,969
2030-2034	12,925,000	16,287,313	29,212,313
2035-2039	2,225,000	14,474,031	16,699,031
2040-2041	66,190,000	4,587,875	70,777,875
	$ 113,475,000	$ 79,766,658	$ 193,241,658

NOTE 8 – LONG TERM DEBT (continued)

L. Series 2019 Revenue Bonds

Series 2019A Sales Tax Revenue Bond

Purpose:	Finance Capital Projects - $70,900,000 which include the Depot District Technology Center, Traction Power Rehab and Replacement, Ogden/Weber State University Bus Rapid Transit, Northern Utah County Double Track, and System Operator Restrooms.
Interest rates:	3.00-5.00%
Original amount:	$61,830,000 and a $9,320,342 premium

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2020	$ -	$ 2,642,367	$ 2,642,367
2021	-	2,509,900	2,509,900
2022	-	2,509,900	2,509,900
2023	-	2,509,900	2,509,900
2024	-	2,509,900	2,509,900
2025-2029	10,690,000	11,532,500	22,222,500
2030-2034	13,650,000	8,578,250	22,228,250
2035-2039	17,140,000	5,080,100	22,220,100
2040-2044	20,350,000	1,867,200	22,217,200
	$ 61,830,000	$ 39,740,017	$ 101,570,017

Series 2019B Federally Taxable Sales Tax Revenue Refunding Bonds

Purpose:	Advanced refunding of $98,000,00 of the 2012A Revenue Bonds and $75,000,000 of the 2015A Subordinate Revenue Bonds; debt service reserve
Interest rates:	3.443%
Original amount:	$188,810,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2020	$ -	$ 6,843,822	$ 6,843,822
2021	-	6,500,728	6,500,728
2022	-	6,500,728	6,500,728
2023	-	6,500,728	6,500,728
2024	-	6,500,728	6,500,728
2025-2029	-	32,503,642	32,503,642
2030-2034	-	32,503,642	32,503,642
2035-2039	5,475,000	32,234,399	37,709,399
2040-2042	183,335,000	16,513,144	199,848,144
	$ 188,810,000	$ 146,601,561	$ 335,411,561

NOTE 8 – LONG TERM DEBT (continued)

Series 2019 Revenue Bonds (continued)

Series 2019B Federally Taxable Subordinate Sales Tax Revenue Refunding Bond

Purpose: Advanced refunding of $50,135,000 of the 2015A Revenue Bonds.
Interest rates: 3.393% - 3.643%
Original amount: $59,070,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2020	$ -	$ 2,219,698	$ 2,219,698
2021	-	2,108,420	2,108,420
2022	-	2,108,420	2,108,420
2023	-	2,108,420	2,108,420
2024	-	2,108,420	2,108,420
2025-2029	-	10,542,101	10,542,101
2030-2034	-	10,542,101	10,542,101
2035-2039	17,400,000	8,770,955	26,170,955
2040-2042	41,670,000	3,861,216	45,531,216
	$ 59,070,000	$ 44,369,751	$ 103,439,751

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
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	466,738	31,477	498,215
2025-2027	1,251,852	35,202	1,287,054
	$ 3,491,026	$ 287,103	$ 3,778,129

NOTE 8 – LONG TERM DEBT (continued)

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
2020	$ 415,540	$ 1,828	$ 417,368
	$ 415,540	$ 1,828	$ 417,368

O. 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
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	212,314	15,393	227,707
2025-2028	827,746	26,154	853,900
	$ 1,855,518	$ 136,917	$ 1,992,435

P. 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
2020	$ 923,940	$ 15,640	$ 939,580
2021	700,881	3,804	704,685
	$ 1,624,821	$ 19,444	$ 1,644,265

NOTE 8 – LONG TERM DEBT (continued)

Q. 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
2020	$	315,012	$	1,616	$	316,628
	$	315,012	$	1,616	$	316,628

R. 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
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		2,053,101		267,210		2,320,311
2025-2029		10,791,842		616,354		11,408,196
	$	20,612,163	$	2,397,588	$	23,009,751

S. 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
2020	$	289,143	$	13,216	$	302,359
2021		294,449		7,910		302,359
2022		274,656		2,506		277,162
	$	858,248	$	23,632	$	881,880

NOTE 8 – LONG TERM DEBT (continued)

T. 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
2020	$	320,176	$	8,362	$	328,538
2021		298,511		2,648		301,159
	$	618,687	$	11,010	$	629,697

U. 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
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		1,020,557		241,590		1,262,147
2025-2029		5,638,306		672,430		6,310,736
2030		1,138,132		18,836		1,156,968
	$	11,559,397	$	2,219,042	$	13,778,439

V. 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
2020	$	74,028	$	8,241	$	82,269
2021		76,323		5,946		82,269
2022		78,689		3,580		82,269
2023		74,157		1,140		75,297
	$	303,197	$	18,907	$	322,104

NOTE 8 – LONG TERM DEBT (continued)

W. 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
2020	$ 370,103	$ 28,490	$ 398,593
2021	381,444	17,149	398,593
2022	359,915	5,462	365,377
	$ 1,111,462	$ 51,101	$ 1,162,563

X. 2019 Issuance 12-Year Lease Financing

Purpose: Acquisition of 35 buses
Interest rates: 2.2200%
Original amount: $5,190,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2020	$ 384,544	$ 108,517	$ 493,061
2021	393,169	99,892	493,061
2022	401,986	91,075	493,061
2023	411,002	82,059	493,061
2024	420,219	72,842	493,061
2025-2029	2,246,762	218,545	2,465,307
2030-2031	806,020	15,749	821,769
	$ 5,063,702	$ 688,679	$ 5,752,381

Y. 2019 Issuance 5-Year Lease Financing

Purpose: Acquisition of 30 flex/paratransit vehicles
Interest rates: 1.9100%
Original amount: $2,730,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2020	$ 528,714	$ 44,206	$ 572,920
2021	538,901	34,019	572,920
2022	549,284	23,636	572,920
2023	559,868	13,052	572,920
2024	379,226	2,721	381,947
	$ 2,555,993	$ 117,634	$ 2,673,627

NOTE 8 – LONG TERM DEBT (continued)

Z. 2019 Issuance 4-Year Lease Financing

Purpose: Acquisition of 76 flex/paratransit vehicles
Interest rates: 1.9100%
Original amount: $1,960,000

Debt service requirements to maturity, including interest:

Year ending December 31		Principal		Interest		Total
2020	$	479,101	$	30,245	$	509,346
2021		488,333		21,013		509,346
2022		497,742		11,604		509,346
2023		337,145		2,419		339,564
	$	1,802,321	$	65,281	$	1,867,602

AA. Capital Leased Assets

The following represents the assets acquired through the 2015, 2016, 2017, 2018 and 2019 series capital leases and the corresponding accumulated depreciation.

		2015 Series Leases		2016 Series Leases		2017 Series Leases
Revenue vehicles						
12-year lease	$	4,859,620	$	2,480,000	$	23,680,879
5-year lease		3,626,139		3,719,002		1,443,746
4-year lease		-		1,647,000		1,267,806
Subtotal		$ 8,485,759		7,846,002		26,392,431
Accumulated depreciation		(4,936,563)		(4,948,672)		(6,329,602)
Total capital assets (net)	$	3,549,196	$	2,897,330	$	20,062,829

		2018 Series Leases		2019 Series Lease
Revenue vehicles				
12-year lease	$	11,537,964	$	5,010,868
5-year lease		368,211		1,207,414
4-year lease		1,485,803		1,775,781
Subtotal		13,391,978		7,994,063
Accumulated depreciation		(1,520,416)		(449,965)
Total capital assets (net)	$	11,871,562	$	7,544,098

NOTE 8 – LONG TERM DEBT (continued)

Long Term Debt Summary Table FY 2019

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amount due within one year
Bonds					
Series 2005A Revenue Bond	$ 7,085,000	$ -	$ (1,635,000)	$ 5,450,000	$ 1,720,000
Series 2006C Revenue Bond	107,760,000	-	(5,350,000)	102,410,000	5,635,000
Series 2007A Current Interest Bond	121,455,000	-	(2,710,000)	118,745,000	2,850,000
Series 2008A Revenue Bond	54,295,000	-	(5,885,000)	48,410,000	-
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	-	(98,000,000)	73,600,000	-
Series 2015A Revenue Bond (Sr)	668,655,000	-	-	668,655,000	12,425,000
Series 2015A Revenue Bond (Sub)	192,005,000	-	(125,135,000)	66,870,000	2,850,000
Series 2016 Revenue Bond	126,780,000	-	-	126,780,000	-
Series 2016 Capital Appreciation	18,911,498	-	-	18,911,498	-
Series 2016 UTCT	65,960,616	2,500,000	(1,410,000)	67,050,616	-
Series 2018 Revenue Bond (Sr)	83,765,000	-	(1,500,000)	82,265,000	-
Series 2018 Revenue Bond (Sub)	113,895,000	-	(420,000)	113,475,000	440,000
Series 2019A Revenue Bond	-	61,830,000	-	61,830,000	-
Series 2019B Revenue Bond (Sr)	-	188,810,000	-	188,810,000	-
Series 2019B Revenue Bond (Sub)	-	59,070,000	-	59,070,000	-
Subtotal - Bonds	2,193,617,114	312,210,000	(242,045,000)	2,263,782,114	25,920,000
Leases					
2015 12-Year Lease	3,911,531	-	(420,505)	3,491,026	429,322
2015 5-Year Lease	1,145,873	-	(730,333)	415,540	415,540
2015 4-Year Lease	243,467	-	(243,467)	-	-
2016 12-Year Lease	2,051,204	-	(195,686)	1,855,518	198,904
2016 5-Year Lease	2,536,307	-	(911,486)	1,624,821	923,940
2016 4-Year Lease	731,067	-	(416,055)	315,012	315,012
2017 12-Year Lease	22,447,551	-	(1,835,389)	20,612,163	1,877,001
2017 5-Year Lease	1,142,179	-	(283,931)	858,248	289,143
2017 4-Year Lease	932,408	-	(313,721)	618,687	320,176
2018 12-Year Lease	12,425,133	-	(865,736)	11,559,397	894,697
2018 5-Year Lease	375,115	-	(71,918)	303,197	74,028
2018 4-Year Lease	1,470,561	-	(359,099)	1,111,462	363,263
2019 12-Year Lease	-	5,190,000	(126,298)	5,063,702	384,544
2019 5-Year Lease	-	2,730,000	(174,007)	2,555,993	528,714
2019 4-Year Lease	-	1,960,000	(157,679)	1,802,321	479,101
Subtotal - Leases	49,412,396	9,880,000	(7,105,310)	52,187,087	7,493,385
Total – Bonds & Leases	$ 2,243,029,510	$ 322,090,000	$ (249,150,310)	$ 2,315,969,201	$ 33,413,385
Unamortized Premiums					
Series 2005A Revenue Bond	112,378	-	(49,552)	62,826	-
Series 2006C Revenue Bond	6,044,178	-	(768,000)	5,276,178	-
Series 2007A Current Interest Bond	5,741,000	-	(464,801)	5,276,199	-
Series 2008A Revenue Bond	1,118,021	-	(302,987)	815,034	-
Series 2012A Revenue Bond	13,450,680	-	(12,464,330)	986,350	-
Series 2015A Revenue Bond (Sr)	85,949,114	-	(9,085,303)	76,863,811	-
Series 2015A Revenue Bond (Sub)	25,681,975	-	(17,656,251)	8,025,724	-
Series 2016 Revenue Bond	10,768,774	-	(935,752)	9,833,022	-
Series 2018 Revenue Bond (Sr)	7,242,847	-	(403,314)	6,839,533	-
Series 2018 Revenue Bond (Sub)	10,001,973	-	(347,821)	9,654,152	-
Series 2019A Revenue Bond (Sr)	-	9,320,343	(20,712)	9,299,631	-
Subtotal – Unamortized Premiums	166,110,940	9,320,343	(42,498,823)	132,932,460	-
Total Long Term Debt	$ 2,409,140,450	$ 331,410,343	$ (291,649,133)	$ 2,448,901,661	$ 33,413,385

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
Subtotal – Bonds	2,127,103,567	200,265,616	(133,752,069)	2,193,617,114	17,500,000
Leases					
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
Subtotal - Leases	40,779,538	14,377,000	(5,744,142)	49,412,396	6,626,320
Total – Bonds & Leases	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)	85,949,115	-
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	-
Subtotal – Unamortized Premiums	163,889,740	17,839,469	(15,618,267)	166,110,943	-
Total Long Term Debt	$ 2,331,772,845	$ 232,482,085	$ (155,114,478)	$ 2,409,140,453	$ 24,126,320

NOTE 8 – LONG TERM DEBT (continued)

In addition, the Authority has long term obligations related to compensate absences which represent obligations to employees for unused vacation leave balances or guaranteed health saving account contributions at retirement for unused sick leave balances. General revenues are used to liquidate compensated absence balances.

The following is a summary of compensated absences of the Authority for the year ended December 31, 2019

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amount due within one year
UTA's obligations:					
Compensated Absences	11,523,816	2,919,737	(2,010,345)	12,433,208	1,664,512

The following is a summary of compensated absences of the Authority for the year ended December 31, 2018

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Amount due within one year
UTA's obligations:					
Compensated Absences	9,325,711	3,605,639	(1,407,534)	11,523,816	2,010,345

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, 2019, the Authority also has purchasing commitments for several capital projects. The largest of these commitments are as follows:

- $15.4 million TRAX Airport Relocation Design
- $12.6 million Bus Replacements
- $11.3 million Depot District
- $ 6.3 million Ogden-Weber State University Bus Rapid Transit
- $ 5.9 million Sandy Civic Center Parking Structure
- $ 4.2 million TIGER Grant Projects
- $ 1.3 million Provo-Orem Bus Rapid Transit
- $ 1.1 million South Davis County Bus Rapid Transit

NOTE 10 –SUBSEQUENT EVENTS

COVID 19

On March 18, 2020, in keeping with recommendations of Federal, State, and Local authorities to limit public gatherings to control the continuing spread of COVID-19, Utah Governor Gary Herbert issued several Executive Orders which has changed the economy of the Wasatch Front and ridership on mass transit. These changes will likely result in significant reductions of UTA's sales tax and passenger revenues in 2020 and possibly in future years.

On March 27, 2020, President Donald J. Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides $25 billion to transit agencies in the form of formula grant to help to prevent, prepare for and respond to the COVID-19 pandemic. The total available amount for UTA is as follows:

Urbanized Area	Amount
Salt Lake	$ 112,091,799
Ogden	49,428,793
Provo	25,655,102
Total	**$ 187,175,694**

Although the long-term economic impact of COVID-19 is unknown at this time, UTA anticipates that the CARES Act funding, along with service reductions effective April 5, 2020, will allow UTA to carefully evaluate long-term financial impacts and make necessary adjustments, if any, to align its expenditures to a new level of revenue streams.

Bond Issuance

On March 19, 2020, the Authority issued Senior Lien revenue bonds for $216,650,000. Proceeds from bond issue were used to refund multiple maturities of the Series 2015A Senior Lien revenue bonds ($176.01 million).

Required Supplementary Information

For Fiscal Years Ended

December 31, 2019 and 2018

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

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	$10,244,115	$9,550,863	$8,368,262	$7,711,706	$7,545,807	$7,284,379
Interest on total pension liability	22,947,802	21,512,781	20,368,031	19,604,345	18,717,411	17,623,248
Voluntary member contributions	298,803	223,572	697,576	437,923	916,567	275,663
Gains or losses	3,347,505	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	(17,302,699)	(15,474,819)	(13,008,142	(12,980,615)	(11,554,824)	(10,181,732)
Net change in total pension liability	19,535,526	20,705,547	26,420,738	9,890,580	21,377,147	15,001,558
Total pension liability - beginning	326,086,663	305,381,116	278,960,378	269,069,798	247,692,651	232,691,093
Total pension liability - ending (a)	345,622,189	326,086,663	305,381,116	278,960,378	269,069,798	247,692,651
Plan Fiduciary Net Position						
Contributions - employer	$24,008,192	$22,355,434	$20,506,163	$19,603,952	$16,745,254	$15,366,694
Contributions - members	298,803	223,572	697,576	437,923	916,567	275,663
Net investment income	40,648,932	(16,629,921)	30,598,620	7,591,211	(1,085,458)	5,946,916
Benefits paid	(17,302,699)	(15,474,819)	(13,008,142)	(12,980,615)	(11,554,824)	(10,181,732)
Administrative expense	(434,427)	(440,279)	(324,912)	(249,141)	(244,011)	(219,504)
Net change in plan fiduciary net position	47,218,801	(9,966,013)	38,469,305	14,403,330	4,777,528	11,188,037
Plan fiduciary net position - beginning	194,538,549	204,504,562	166,035,257	151,631,927	146,854,399	135,666,362
Plan fiduciary net position - ending (b)	241,757,350	194,538,549	204,504,562	166,035,257	151,631,927	146,854,399
Net pension liability / (asset) - ending (a-b)	$103,864,839	$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	69.95%	59.66%	66.97%	59.50%	56.40%	59.29%
Covered payroll	$141,182,999	$132,521,079	$126,690,540	$115,430,618	$110,727,134	$106,004,057
Net pension liability as a percentage of covered payroll	73.24%	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 Payroll	Contribution as Percentage of Covered Payroll
2019	$22,240,718	$24,008,192	$(1,767,474)	$141,812,999	16.93%
2018	21,600,936	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%

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 flow 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
2019	20.56%
2018	-8.00%
2017	18.01%
2016	4.90%
2015	-.72%
2014	4.31%

Schedule is intended to present 10 years.. Additional years will be added as the information becomes available

NOTE 1 – VALUATION DATE

The valuation date is January 1, 2019. This is the date as of which the actuarial valuation is performed. The measurement date is December 31, 2019. This is the date as of which the net pension liability is determined. The reporting date is December 31, 2019. 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, 2019 and 2018

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

	2019 Budget	2019 Budget Amendments	2019 Actual	Favorable (Unfavorable)
Revenues				
Contributions from other gov'ts, sales tax	$ 311,796,000	$ (3,765,000)	$ 317,797,604	$ 9,766,604
Federal preventative maintenance grants	66,188,000	-	69,746,231	3,558,231
Passenger revenues	53,420,000	-	52,649,054	(770,946)
Advertising	2,467,000	-	2,462,500	(4,500)
Investment income	8,582,000	-	6,821,490	(1,760,510)
Other income	14,301,000	(1,499,351)	6,000,779	(6,800,870)
Total revenues	456,754,000	(5,264,351)	455,477,658	3,988,009
Operating Expenses				
Bus services	118,536,000	(9,595,283)	104,570,413	4,370,304
Rail services	78,970,000	246,782	77,972,467	1,244,315
Paratransit services	22,918,000	167,277	23,121,527	(36,250)
Other services (less non-operating)	3,221,000	320,000	3,247,699	293,301
Operations support	48,097,000	641,176	47,056,444	1,681,732
Administration (less non-operating)	33,689,000	1,528,342	30,544,000	4,673,342
Total operating expenses	305,431,000	(6,691,706)	286,512,550	12,226,744
Non-Operating Expenses (Revenues)				
Interest expense	93,750,000	$1,762,318	$87,541,906	$7,970,412
Principal	25,768,000	-	24,572,345	1,195,655
Non-operating	6,149,000	(334,963)	6,194,745	(380,708)
Total non-operating expenses	125,667,000	1,427,355	118,308,996	8,785,359
Total Operating and Non-Operating Expenses	431,098,000	(5,264,351)	404,821,546	21,012,103
Capital Expenses (Revenues)				
Federal and local grants	(50,031,000)	(12,451,278)	(16,395,068)	(46,087,210)
Local contributions	(15,686,000)	(6,393,432)	(17,383,709)	(4,695,723)
Capital lease	(10,090,000)	(1,013,282)	-	(11,103,282)
Bonds	(19,020,000)	(81,057,792)	-	(100,077,792)
Project Expenses	141,379,000	29,881,222	76,458,075	94,802,147
Total capital expenses (revenues)	$ 46,552,000	$ (71,034,562)	$ 42,679,298	$ (67,161,860)

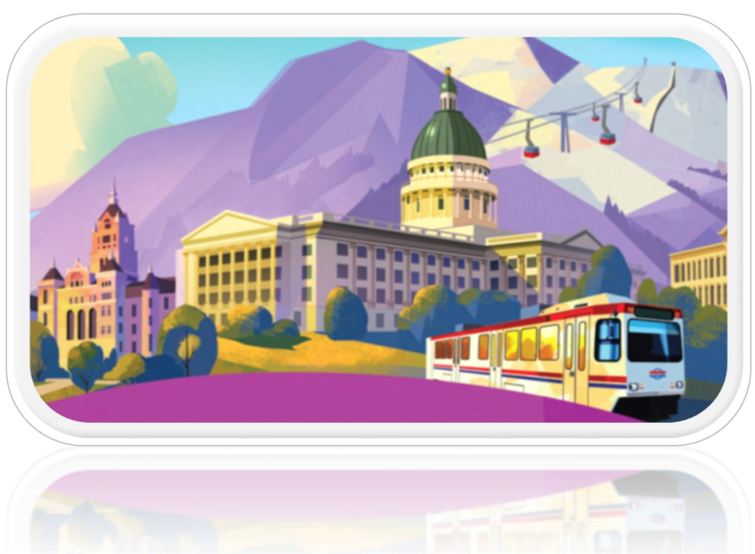
Project Expenses-less transfers to Capital Assets in 2019	$ (57,074,276)
Operations-less transfers to Capital Assets in 2019	(305,297)
Capital Maintenance Projects	$ 19,078,502

Total Revenues (Operating and Capital)	$ 489,256,435
- Less Total Expenses (Operating, Non-Operating, and Capital (after Capitalization)	(423,900,048)
- Less Depreciation Expense	(146,112,123)
- Less Net Book Value Loss on Disposals	(51,373,001)
+ Plus Capital Contributions	1,030,066
+ Plus Principal Payments on Long-term Debt	24,572,345
Change in Net Position (Statement of Revenues, Expenses, and Changes in Net Position)	$ (106,526,326)

Statistical

For Fiscal Years Ended

December 31, 2019 and 2018



NET POSITION AS OF December 31 - 10 years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Capital Investment in Net Assets	$ 692,675,681	$ 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
Restricted	66,948,773	66,559,450	63,399,717	67,381,132	77,983,022	62,779,798	7,172,060	3,872,141	3,929,644	4,071,242
Unrestricted	113,143,840	85,088,927	39,001,957	71,502,447	76,548,154	137,991,170	242,347,746	304,834,237	276,960,064	505,464,819
Total Net Position	872,768,294	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
Restatement	-	-	-	-	(9,497,521)	(115,047,267)	4,931,557	-	-	-
Total Net Position, Restated	$ 872,768,294	$ 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

CHANGE IN NET POSITION - 10 YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating Revenues	$ 55,111,554	$ 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
Operating Expenses	457,897,920	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
Operating loss	(402,786,366)	(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)
Non-Operating Revenues	261,451,197	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
Income (loss) before capital	(141,355,169)	(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)
Capital contributions	34,808,843	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
Change in net position	$ 106,526,326	$ (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

Revenue History by Source - 10 Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating	$ 55,111,554	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
Sales taxes	317,797,604	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
Investment	6,821,490	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
Other	(45,372,222)	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
	334,358,426	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
Federal Grants										
Federal Preventative Maintenance Grants	69,746,231	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
Federal Planning Grants	-	-	-	3,562,534	2,547,335	2,994,139	3,868,252	1,985,766	11,583,980	12,637,764
Federal Capital Grants	16,559,238	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
	86,305,469	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
Other Capital Contributions	18,419,775	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
	$ 439,083,670	$ 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

Expense History by Function - 10 Years

	2019	2018	2018	2016	2015	2014	2013	2012	2011	2010
Bus Service	$ 104,570,413	$ 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
Rail Service	77,972,467	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
Paratransit Service	23,121,527	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
Other Service	3,247,699	3,056,191	2,982,176	2,949,643	2,918,871	3,183,892	701,656	596,583	535,897	589,356
Operations Support	47,056,444	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
Administration [1]	36,738,745	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
Capital Maintenance Projects	19,078,502	38,654,111	20,602,425	-	-	-	-	-	-	-
Depreciation	146,112,123	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
Interest [2]	87,541,906	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
Recoverable Sales Tax, Interlocal [3]	810,914	810,914	810,914	810,914	810,914	810,914	810,914	810,914	810,914	810,914
	$ 546,250,740	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

[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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Box Elder [1]	$ 2,019,035	$ 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	33,674,864	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	196,744,294	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]	2,250,563	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	55,708,400	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	27,400,447	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
	$ 317,797,604	$ 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

	2019	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%	0.5500%
Davis	0.6500%	0.6500%	0.6500%	0.6500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%
Salt Lake	0.7875%	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%	0.4000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%
Utah	0.6260%	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%	0.6500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%	0.5500%

PRINCIPAL CONTRIBUTORS OF SALES TAX BY COUNTY - 2010 and 2019

	2019			2010		
	Rank	Percentage of contributions	Amount	Rank	Percentage of contributions	Amount
Salt Lake County	1	61.91%	$ 196,744,294	1	65.38%	$ 112,379,366
Utah County	2	17.53%	55,708,400	2	14.78%	25,397,367
Davis County	3	10.60%	33,674,864	3	9.87%	16,964,089
Weber County	4	8.62%	27,400,447	4	8.53%	14,656,323
Box Elder County	5	0.64%	2,019,035	5	0.74%	1,269,478
Tooele County	6	0.71%	2,250,563	6	0.71%	1,227,109
			$ 317,797,604			$ 171,893,732

FARES - 10 Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
							(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	$ 2.50	$ 2.35	$ 2.25	$ 2.00
Senior Citizen/Disabled	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.15	1.10	1.00
Ski Bus	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.25	4.00	3.50
Paratransit (Flextrans)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50	2.75	2.50
Commuter Rail Base Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.35	2.25	2.00
Commuter Rail Additional Station	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.55	0.50	0.50
Commuter Rail Maximum Rate	10.30	10.30	10.30	10.30	10.30	10.30	10.30	5.10	5.25	5.00
Express	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.25	5.00	4.50
Streetcar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	n/a	n/a	n/a
Monthly Passes										
Adult	$ 83.75	$ 83.75	$ 83.75	$ 83.75	$ 83.75	$ 83.75	$ 83.75	$ 78.50	$ 75.00	$ 67.00
Minor	62.75	62.75	62.75	62.75	62.75	62.75	62.75	58.75	56.25	49.75
College Student	62.75	62.75	62.75	62.75	62.75	62.75	62.75	58.75	56.25	49.75
Senior Citizen/Disabled	41.75	41.75	41.75	41.75	41.75	41.75	41.75	39.25	37.50	33.50
Express	198.00	198.00	198.00	198.00	198.00	198.00	198.00	189.00	180.00	162.00
Paratransit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other Fares										
Day Pass	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 5.75	$ 5.50	$ 5.00
Group Pass	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.00	13.50	12.00
Summer Youth	99.00	99.00	99.00	99.00	99.00	99.00	n/a	n/a	n/a	n/a
Token - 10-Pack	22.50	22.50	22.50	22.50	22.50	22.50	22.50	21.00	20.25	17.75
Paratransit - 10-Ride Ticket	40.00	40.00	40.00	40.00	40.00	40.00	40.00	35.00	30.00	25.00
Paratransit - 30-Ride Ticket	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ski Day Pass	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.00	7.00

TOTAL OUTSTANDING DEBT BURDEN PER CAPITA

	Total Debt		Sales Taxes Collected	Personal Income of	Percentage of	Per
Fiscal Year	Bonds	Leases	(less Proposition 1)	UTA Service Area	Personal Income	Capita
2010	$ 1,834,459,109	$ -	$ 171,893,732	$ 71,636,728,000.00	2.51%	$ 833.19
2011	1,927,474,109	-	183,091,524	73,036,786,000.00	2.48%	863.07
2012	2,083,194,109	-	196,693,543	77,738,053,000.00	2.54%	918.99
2013	2,077,184,109	-	203,806,329	82,025,459,000.00	2.42%	901.64
2014	2,072,399,109	-	214,683,276	85,916,480,000.00	2.32%	887.16
2015	2,099,242,069	11,272,688	227,703,023	89,319,546,000.00	2.25%	887.79
2016	2,070,183,567	19,605,173	238,584,981	93,617,901,000.00	2.01%	864.24
2017	2,136,303,567	46,394,866	256,742,750	103,831,295,168.01	1.99%	886.19
2018	2,211,117,114	56,038,716	273,007,256	109,771,147,642.00	1.93%	904.05
2019	2,196,731,498	52,187,203	307,706,422	117,772,743,000.00	n/a	n/a

Source: Note 8
Note: Does not include Utah County Provo Orem BRT debt
2019 income numbers not available as of June 2020

DEMOGRAPHIC AND ECONOMIC STATISTICS

Fiscal Year	Estimated Population	Personal Income in UTA Service Area	Per Capita Personal Income	Unemployment Rate
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%
2017	2,463,015	108,805,744,000	44,176	3.0%
2018	2,507,775	117,772,743,000	46,963	3.0%
2019	n/a	n/a	n/a	n/a

Source: US Dept of Commerce, Bureau of Economic Analysis, Regional Data (www.bea.gov)
Unemployment rate- Utah Department of Workforce Services
2019 statistic not available as of June 2020

YEARLY DEBT SERVICE COVERAGE

	Bond Payments		Sales Tax Collected	
Fiscal Year	Principle	Interest	(Less Proposition 1 and 4th quarter cent)	Coverage Ratio Sales Tax
2010	$ 6,960,000	$ 63,782,164	$ 171,893,732	2.43
2011	7,300,000	71,932,011	183,091,524	2.31
2012	7,615,000	71,837,998	196,693,543	2.48
2013	7,450,000	84,319,531	203,806,329	2.22
2014	7,810,000	91,382,184	214,683,276	2.16
2015	11,445,000	84,785,200	227,703,023	2.37
2016	13,570,000	94,893,898	238,584,981	2.20
2017	8,750,000	77,765,121	256,742,750	2.97
2018	10,845,000	89,110,270	273,007,256	2.73
2019	17,500,000	88,893,270	288,548,490	2.71

Source: Note 8
Note: Does not include Utah County Provo Orem BRT debt

PRINCIPAL EMPLOYERS - 2010 and 2018

		2018				2008		
Employer	Industry	Employees	Rank	% Total Employment	Employer	Employees	Rank	% Total Employment
Intermountain Healthcare	Health Care	20,000 +	1	1.3%	Intermountain Health Care	20,000+	1	1.7%
University of Utah (Inc. Hospital)	Higher Education	20,000 +	2	1.3%	State of Utah	20,000+	2	1.7%
State of Utah	State Government	20,000 +	3	1.3%	University of Utah	20,000+	3	1.7%
Brigham Young University	Higher Education	15,000-19,999	4	1.0%	Brigham Young University	15,000-19,999	4	1.2%
Wal-Mart Associates	Warehouse Clubs/Supercenters	15,000-19,999	5	1.0%	Wal Mart Stores	15,000-19,999	5	1.2%
Hill Air Force Base	Federal Government	10,000-14,999	6	0.6%	Hill Air Force Base	15,000-19,999	6	1.2%
Davis County School District	Public Education	7,000-9,999	7	0.5%	Granite School District	7,000-9,999	7	0.6%
Utah State University	Higher Education	7,000-9,999	8	0.5%	Jordan School District	7,000-9,999	8	0.6%
Smith's Food and Drug Centers	Grocery Stores	7,000-9,999	9	0.5%	Davis County School District	7,000-9,999	9	0.6%
Granite School District	Public Education	7,000-9,999	10	0.5%	Utah State University	5,000-6,999	10	0.6%
Zions Bancorporation	Banking	7,000-9,999	11	0.5%	Kroger Group/ Smiths Marketplace	5,000-6,999	11	0.6%
Alpine School District	Public Education	5,000-6,999	12	0.3%	Salt Lake County	5,000-6,999	12	0.6%
Jordan School District	Public Education	5,000-6,999	13	0.3%	Alpine School District	5,000-6,999	13	0.6%
Salt Lake County	Local Government	5,000-6,999	14	0.3%	Internal Revenue Service	5,000-6,999	14	0.6%
Utah Valley University	Higher Education	5,000-6,999	15	0.3%	US Postal Service	5,000-6,999	15	0.6%
Total Employment				1,510,208				1,020,408

Source: https://jobs.utah.gov/wi/data/firm/majoremployers.html
https://jobs.utah.gov/wi/pubs/em/annual/current/index.html

FULL-TIME EQUIVALENT AUTHORITY EMPLOYEES - 10 YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Bus operations	1138	1089	1030	1028	951	945	911	963	950	998
Rail operations	631	611	580	563	527	542	526	506	425	335
Paratransit operations	204	196	191	191.5	188	183	176	168	168	140
Other services	10	8	9	9	12	10	10	12	11	11
Support services	433	413	365	366	349	323	335	293	284	239
Administration	184	180	243	212	210	207	195	217	224	238
Total	2599	2496	2417	2368	2237	2210	2153	2159	2062	1961

Source: UTA Budget Staff

TREND STATISTICS - 10 YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Passengers										
Bus service	20,799,642	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
Rail service	22,321,887	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
Paratransit service	388,265	394,816	386,977	389,019	388,169	372,499	383,453	715,034	683,336	509,625
Vanpool service	1,068,364	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
Total passengers	44,578,158	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
Revenue Miles										
Bus service	18,158,463	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
Rail service	11,977,751	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
Paratransit service	2,881,355	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
Vanpool service	6,451,812	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
Total Revenue Miles	39,469,381	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
Total Miles										
Bus service	20,854,420	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
Rail service	12,098,162	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
Paratransit service	3,566,711	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
Vanpool service	6,451,812	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
Total miles	42,971,105	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
Passengers per Mile										
Bus service	1.15	1.10	1.13	1.30	1.34	1.29	1.25	1.41	1.36	1.32
Rail service	1.86	1.90	1.96	1.97	2.03	2.07	1.95	2.46	2.81	2.78
Paratransit service	0.13	0.14	0.14	0.16	0.17	0.15	0.13	0.22	0.17	0.18
Vanpool service	0.17	0.18	0.20	0.20	0.21	0.20	0.20	0.19	0.18	0.18
Ttl. Passengers per Revenue Mile	1.13	1.13	1.16	1.25	1.28	1.26	1.18	1.27	1.19	1.20
Revenue Hours										
Bus service	1,326,660	1,284,186	1,258,448	1,087,055	1,070,139	1,108,894	933,662	834,985	866,268	897,294
Rail service	532,353	527,187	513,389	511,082	506,233	487,435	641,914	536,066	388,826	295,227
Paratransit service	181,749	180,342	162,198	162,734	160,383	164,527	191,016	227,013	300,760	201,994
Total revenue hours	2,040,762	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
Passengers per Revenue Hour										
Bus service	15.68	15.28	15.69	18.43	19.21	18.18	21.10	25.42	24.89	24.20
Rail service	41.93	43.59	46.12	46.50	48.10	49.93	35.54	36.23	43.58	50.10
Paratransit service	2.14	2.19	2.39	2.39	2.42	2.26	2.01	3.15	2.27	2.52
Total passengers per mile	21.13	21.59	22.65	25.09	26.08	25.48	24.28	25.88	25.19	26.54
Total System										
Fare revenue	$ 52,649,054	$ 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
Operating expense	311,785,797	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
Cost per revenue mile	7.90	7.69	6.66	7.36	6.67	6.39	5.78	5.77	5.41	5.46
Cost per passenger	6.99	6.81	5.72	5.91	5.19	5.08	4.87	4.55	4.53	4.53
Fare revenue per passenger	1.18	1.09	1.16	1.11	1.12	1.11	1.13	1.04	0.98	0.92

Note: Does not include commuter bus or contract transportation.

Source: NTD

OPERATING INDICATORS AND CAPITAL ASSETS - 10 YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Number of bus routes*	117	114	119	125	126	121	119	125	119	127
Number of rail routes										
Light rail	4	4	4	4	4	4	4	3	3	3
Commuter rail	1	1	1	1	1	1	1	1	1	1
Bus Service Miles (weekday)	62,742	57,378	56,162	53,612	49,625	51,629	55,733	64,186	64,493	67,012
Rail Service Miles (weekday)										
Light Rail	8,832	8,853	8,814	8,815	8,828	8,547	8,216	6,978	5,107	3,910
commuter Rail	4,660	4,664	4,623	4,627	4,651	4,638	4,488	2,390	2,327	2,469
Average Passengers (weekday)	152,940	151,901	156,288	155,873	161,862	161,339	152,644	152,934	142,186	134,736
Buses	570	561	582	567	555	535	493	570	495	496
Paratransit vehicles (buses/vans)	198	182	148	129	100	84	113	110	112	96
Rail vehicles										
Light rail	117	146	146	146	146	146	146	122	122	55
Commuter rail	70	81	81	81	81	81	81	57	55	37
Vanpool vehicles	512	453	453	503	495	479	470	494	485	414
Park and ride lots[1]										
Rail Park and Ride	42	42	42	46	41					
Non-Rail and and ride	12	12	12							
Bus Stops	6,247	6,100	6,100	6,196	6,250	6,250	6,273	6,333	6,600	6,645
Rail Statils										
Light Rail	57	57	57	57	57	51	51	41	41	28
Commuter Rail	17	16	16	16	16	16	16	16	7	8

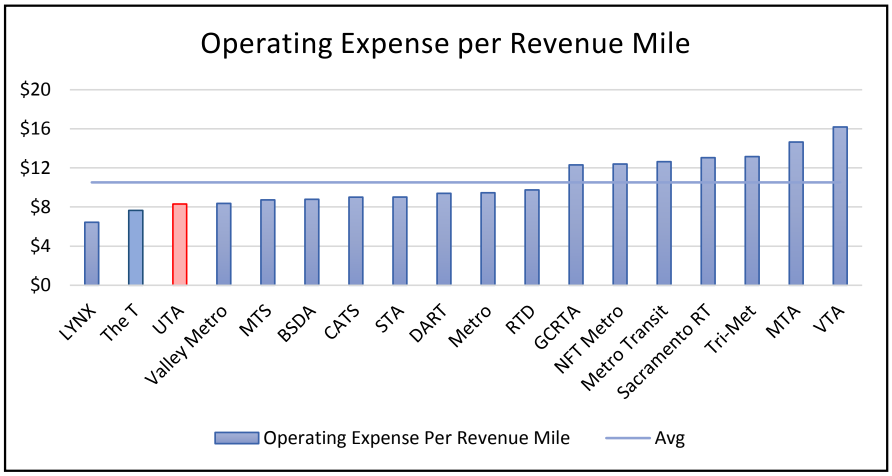
* Including flex
[1] As of 2017 started distinguishing between rail and non rail park and ride lots

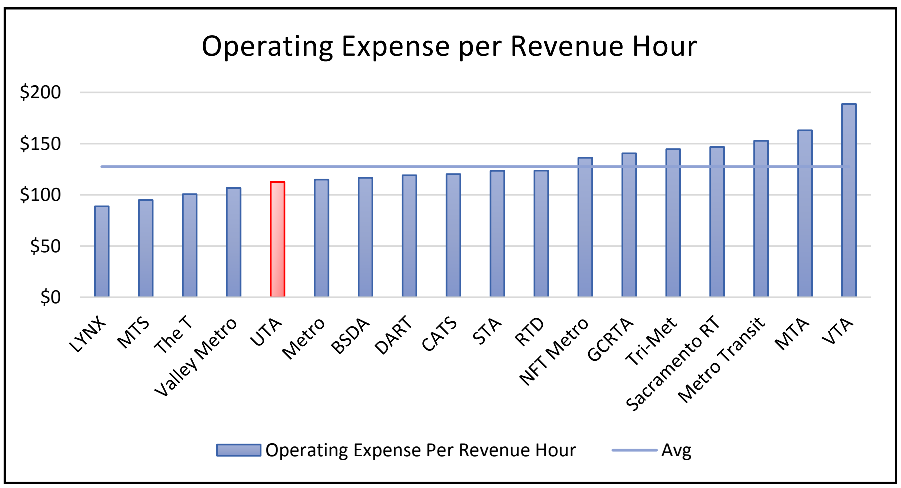
PERFORMANCE MEASURES - BUS SERVICE

The following charts contain information from the Federal Transit Administration's National Transit Database (NTD) for the most recent year available (2018), 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	$ 8.31	$ 112.63
Baltimore, MD	MTA	14.65	163.00
Buffalo, NY	NFT Metro	12.40	136.22
Charlotte, NC	CATS	9.01	120.19
Cleveland, OH	GCRTA	12.31	140.53
Dallas, TX	DART	9.40	119.10
Denver, CO	RTD	9.75	123.67
Ft Worth, TX	The T	7.65	100.64
Houston, TX	Metro	9.46	114.91
Minneapolis, MN	Metro Transit	12.64	152.79
Orlando, FL	LYNX	6.44	88.77
Phoenix, AZ	Valley Metro	8.37	106.73
Portland, OR	Tri-Met	13.16	144.60
Sacramento, CA	Sacramento RT	13.05	146.72
San Diego	MTS	8.73	94.91
San Jose, CA	VTA	16.19	188.71
Spokane, WA	STA	9.02	123.50
St Louis, MO	BSDA	8.79	116.65
Average		$ 10.52	$ 127.46
Maximum		16.19	188.71
Minimum		6.44	88.77
Standard Deviation		2.68	25.35

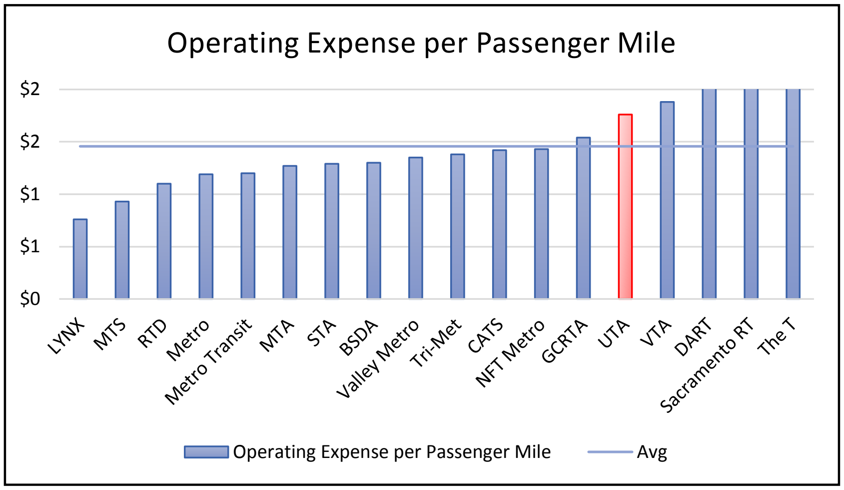


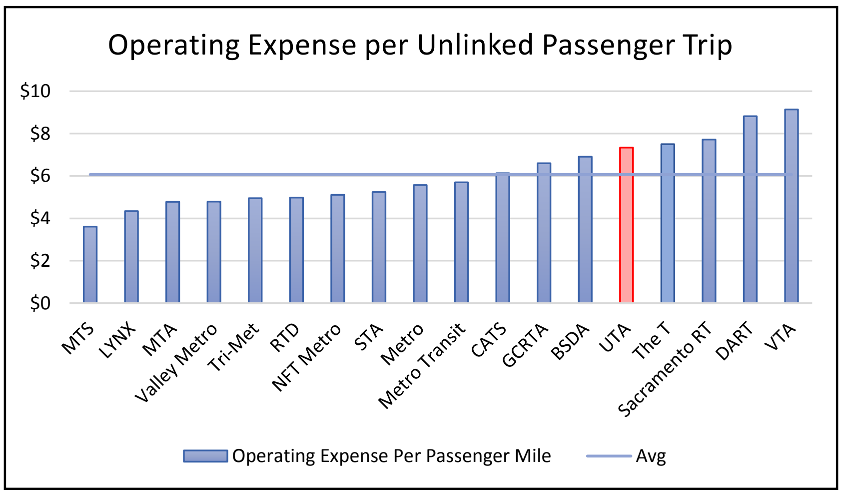


PERFORMANCE MEASURES - BUS SERVICE (continued)

Cost Effectiveness

City	Agency	Operating Expense per Passenger Mile	Operating Expense per Unlinked Passenger Trip
Salt Lake City, UT	UTA	$ 1.76	$ 7.34
Baltimore, MD	MTA	1.27	4.78
Buffalo, NY	NFT Metro	1.43	5.11
Charlotte, NC	CATS	1.42	6.13
Cleveland, OH	GCRTA	1.54	6.60
Dallas, TX	DART	2.12	8.82
Denver, CO	RTD	1.10	4.98
Ft Worth, TX	The T	2.15	7.50
Houston, TX	Metro	1.19	5.57
Minneapolis, MN	Metro Transit	1.20	5.70
Orlando, FL	LYNX	0.76	4.34
Phoenix, AZ	Valley Metro	1.35	4.79
Portland, OR	Tri-Met	1.38	4.95
Sacramento, CA	Sacramento RT	2.14	7.72
San Diego	MTS	0.93	3.61
San Jose, CA	VTA	1.88	9.14
Spokane, WA	STA	1.29	5.24
St Louis, MO	BSDA	1.30	6.91
Average		$ 1.46	$ 6.07
Maximum		2.15	9.14
Minimum		0.76	3.61
Standard Deviation		0.41	1.56

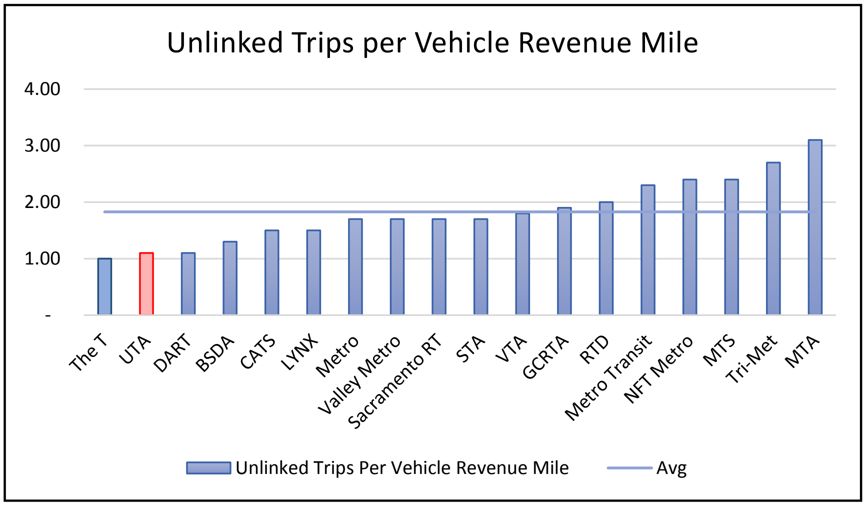


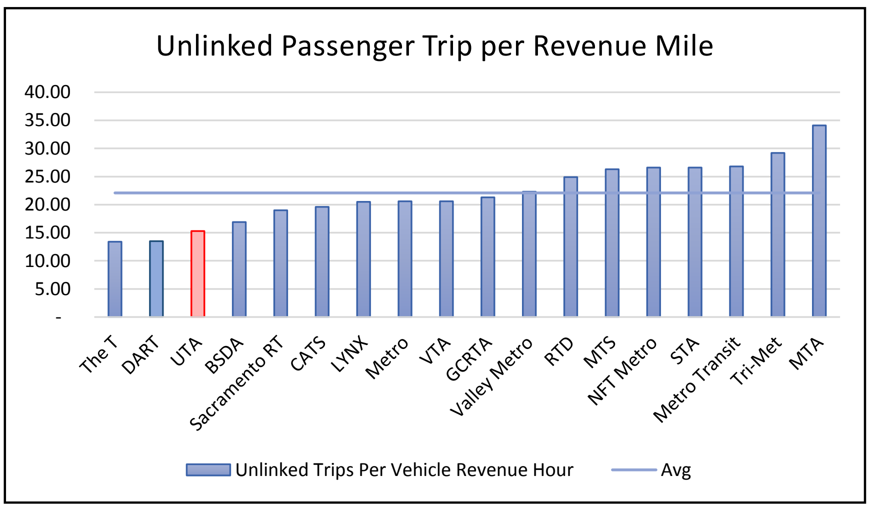


PERFORMANCE MEASURES - BUS SERVICE (continued)

Service Effectiveness

City	Agency	Unlinked Passenger Trips per Vehicle Revenue Mile	Unlinked Passenger Trips per Vehicle Revenue Hour
Salt Lake City, UT	UTA	1.10	15.30
Baltimore, MD	MTA	3.10	34.10
Buffalo, NY	NFT Metro	2.40	26.60
Charlotte, NC	CATS	1.50	19.60
Cleveland, OH	GCRTA	1.90	21.30
Dallas, TX	DART	1.10	13.50
Denver, CO	RTD	2.00	24.90
Ft Worth, TX	The T	1.00	13.40
Houston, TX	Metro	1.70	20.60
Minneapolis, MN	Metro Transit	2.30	26.80
Orlando, FL	LYNX	1.50	20.50
Phoenix, AZ	Valley Metro	1.70	22.30
Portland, OR	Tri-Met	2.70	29.20
Sacramento, CA	Sacramento RT	1.70	19.00
San Diego	MTS	2.40	26.30
San Jose, CA	VTA	1.80	20.60
Spokane, WA	STA	1.70	26.60
St Louis, MO	BSDA	1.30	16.90
Average		1.83	22.08
Maximum		3.10	34.10
Minimum		1.00	13.40
Standard Deviation		0.57	5.58



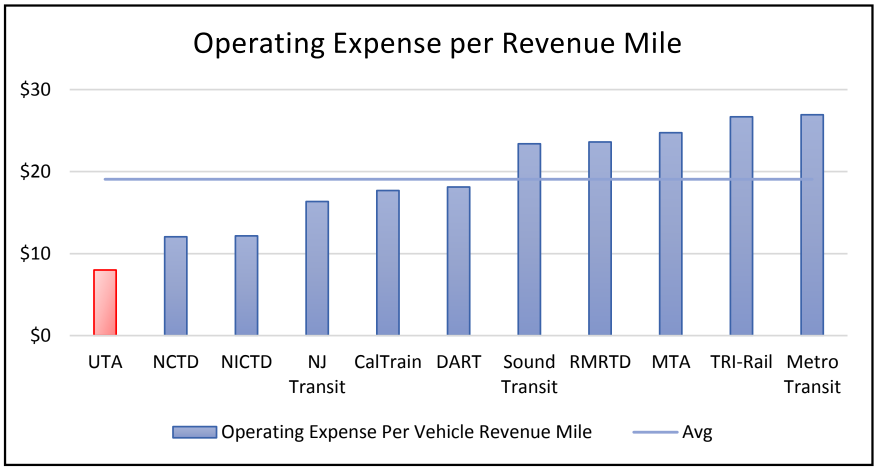


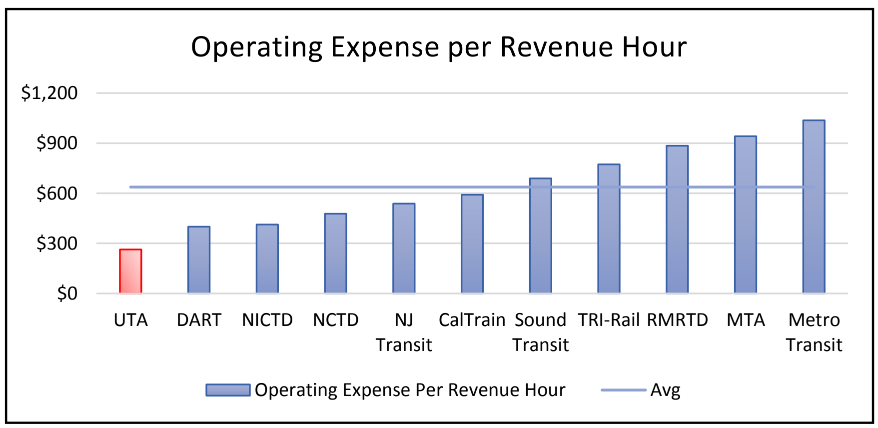
PERFORMANCE MEASURES - COMMUTER RAIL

The following charts contain information from the Federal Transit Administration's National Transit Database (NTD) for the most recent year available (2018), 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	$ 8.00	$ 263.28
Albuquerque, NM	RMRTD	23.61	884.61
Baltimore, MD	MTA	24.74	941.73
Chesterton, IN	NICTD	12.16	412.73
Dallas, TX	DART	18.12	399.84
Minneapolis, MN	Metro Transit	26.93	1,036.99
Newark, NJ	NJ Transit	16.35	538.10
Oceanside, CA	NCTD	12.05	477.52
Pompano Beach, FL	TRI-Rail	26.68	773.23
San Carlos, CA	CalTrain	17.69	591.09
Seattle, WA	Sound Transit	23.39	689.14
Average		$ 19.07	$ 637.11
Maximum		26.93	1,036.99
Minimum		8.00	263.28
Standard Deviation		6.49	248.79

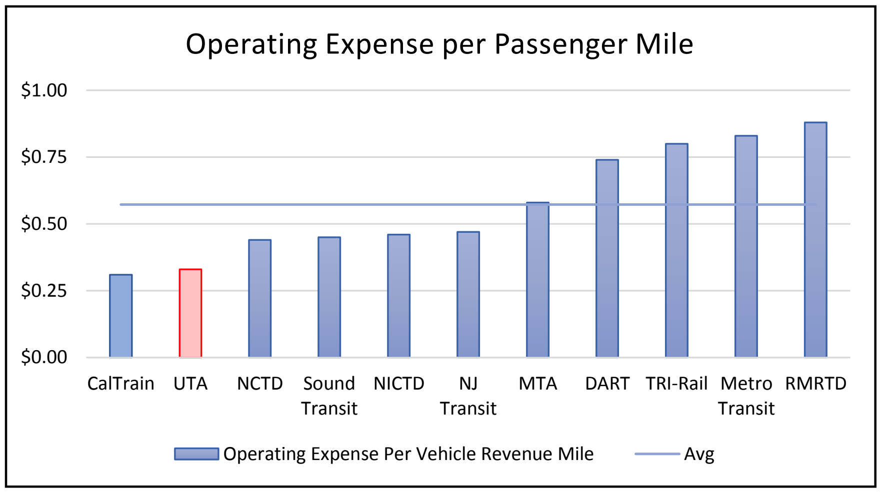


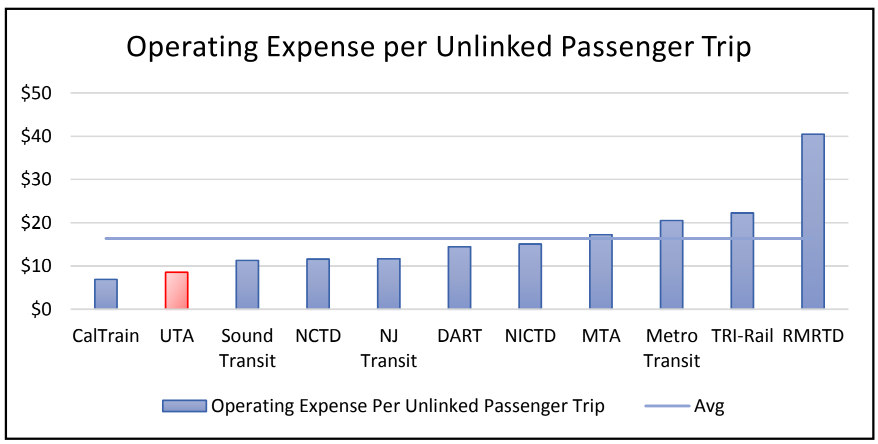


PERFORMANCE MEASURES - COMMUTER RAIL (continued)

Cost Effectiveness

City	Agency	Operating Expenses Per Passenger Mile	Operating Expenses Per Unlinked Passenger Trip
Salt Lake City, UT	UTA	$ 0.33	$ 8.54
Albuquerque, NM	RMRTD	0.88	40.46
Baltimore, MD	MTA	0.58	17.26
Chesterton, IN	NICTD	0.46	15.06
Dallas, TX	DART	0.74	14.46
Minneapolis, MN	Metro Transit	0.83	20.52
Newark, NJ	NJ Transit	0.47	11.68
Oceanside, CA	NCTD	0.44	11.58
Pompano Beach, FL	TRI-Rail	0.80	22.25
San Carlos, CA	CalTrain	0.31	6.89
Seattle, WA	Sound Transit	0.45	11.28
Average		$ 0.57	$ 16.36
Maximum		0.88	40.46
Minimum		0.31	6.89
Standard Deviation		0.21	9.28

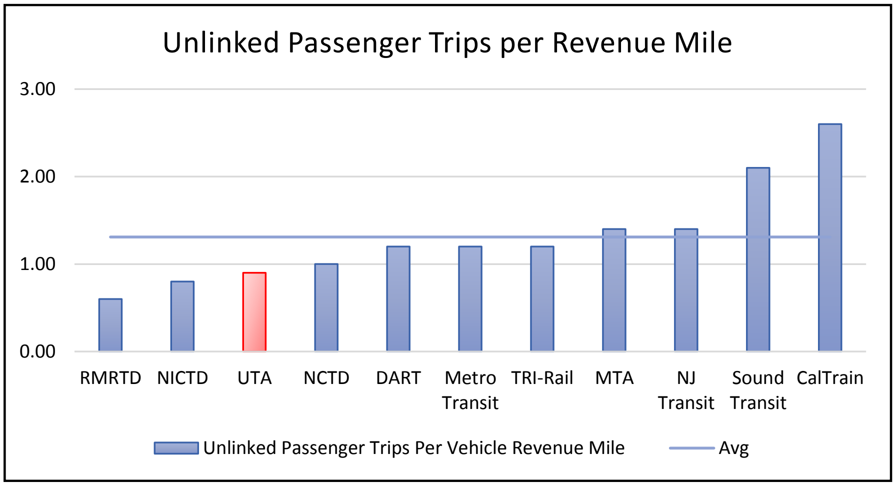


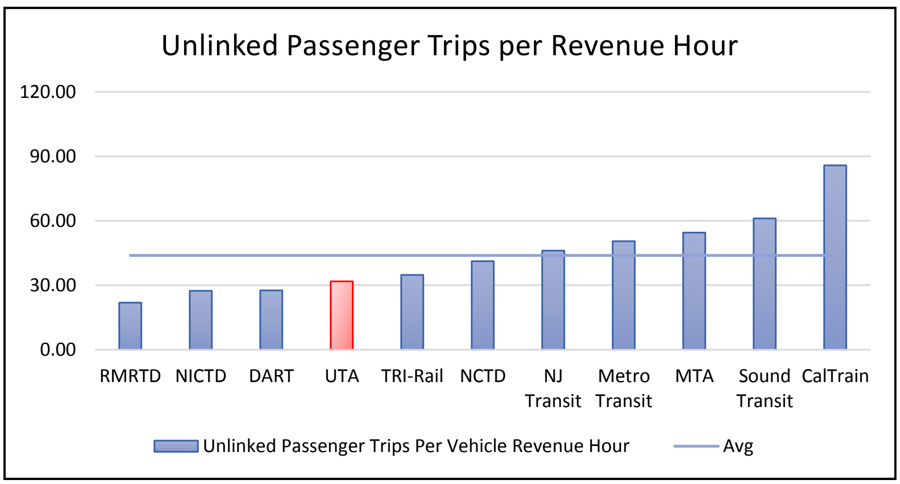


PERFORMANCE MEASURES - COMMUTER RAIL (continued)

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	31.80
Albuquerque, NM	RMRTD	0.60	21.90
Baltimore, MD	MTA	1.40	54.50
Chesterton, IN	NICTD	0.80	27.40
Dallas, TX	DART	1.20	27.60
Minneapolis, MN	Metro Transit	1.20	50.50
Newark, NJ	NJ Transit	1.40	46.10
Oceanside, CA	NCTD	1.00	41.20
Pompano Beach, FL	TRI-Rail	1.20	34.80
San Carlos, CA	CalTrain	2.60	85.80
Seattle, WA	Sound Transit	2.10	61.10
Average		1.31	43.88
Maximum		2.60	85.80
Minimum		0.60	21.90
Standard Deviation		0.58	18.63



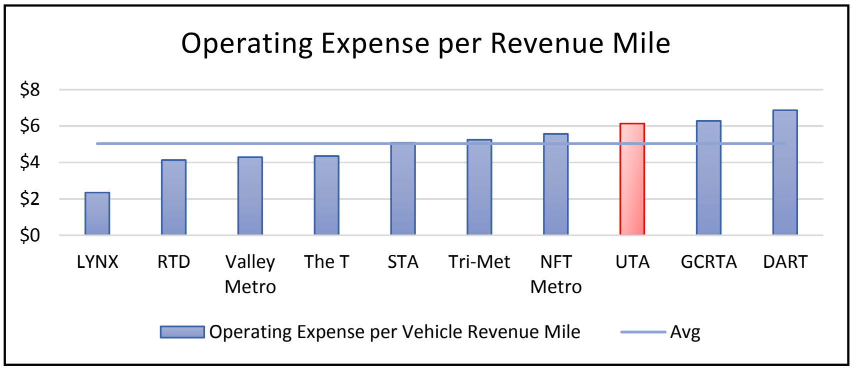


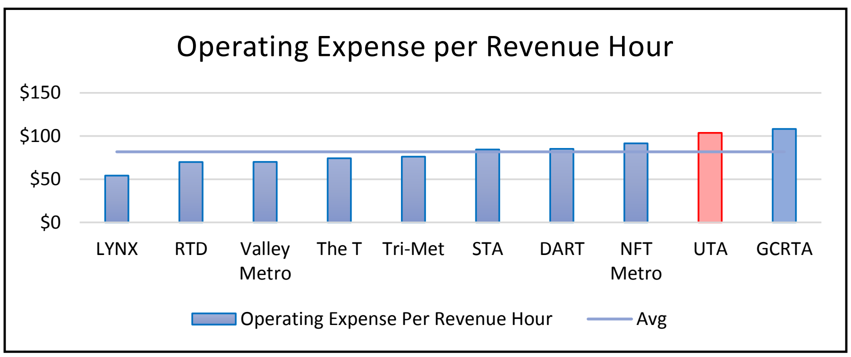
PERFORMANCE MEASURES - DEMAND RESPONSE

The following charts contain information from the Federal Transit Administration's National Transit Database (NTD) for the most recent year available (2018), 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	$ 6.68	$ 103.67
Buffalo, NY	NFT Metro	5.94	91.54
Cleveland, OH	GCRTA	7.51	108.21
Dallas, TX	DART	6.91	85.16
Denver, CO	RTD	4.43	69.91
Fort Worth, TX	The T	4.69	74.27
Orlando, FL	LYNX	3.13	54.20
Phoenix, AZ	Valley Metro	5.51	70.05
Portland, OR	Tri-Met	6.09	76.12
Spokane, WA	STA	5.61	84.40
Average		$ 5.65	$ 81.75
Maximum		7.51	108.21
Minimum		3.13	54.20
Standard Deviation		1.30	16.39

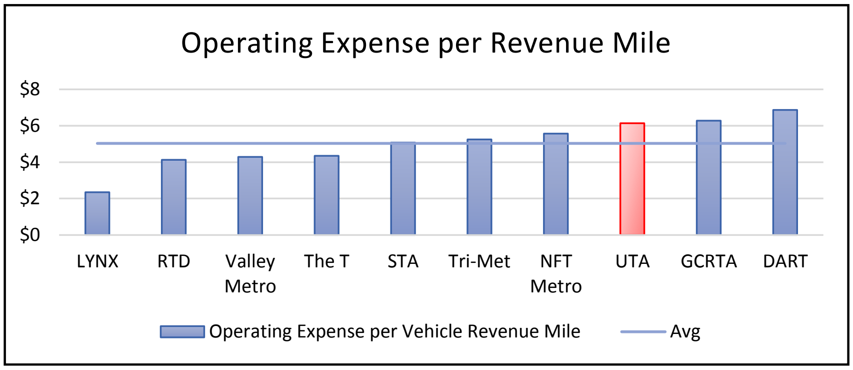


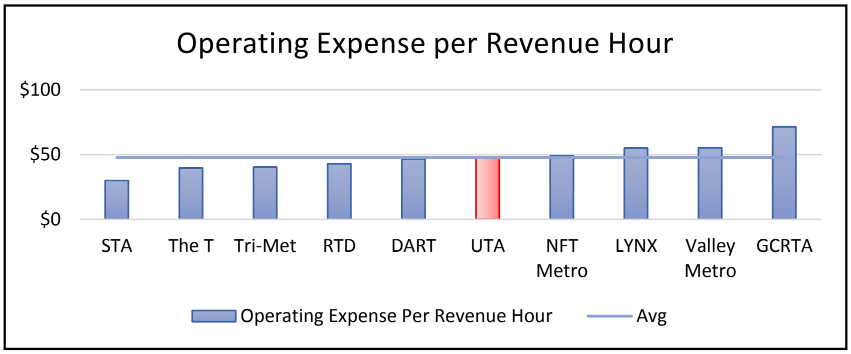


PERFORMANCE MEASURES - DEMAND RESPONSE (continued)

Cost Effectiveness

City	Agency	Operating Expense per Vehicle Revenue Mile	Operating Expense per Vehicle Revenue Hour
Salt Lake City, UT	UTA	$ 4.09	$ 47.35
Buffalo, NY	NFT Metro	4.86	48.94
Cleveland, OH	GCRTA	9.53	71.41
Dallas, TX	DART	4.23	46.63
Denver, CO	RTD	4.90	42.92
Fort Worth, TX	The T	3.99	39.61
Orlando, FL	LYNX	3.70	55.00
Phoenix, AZ	Valley Metro	5.73	55.22
Portland, OR	Tri-Met	4.36	40.32
Spokane, WA	STA	3.28	29.98
Average		$ 4.87	$ 47.74
Maximum		9.53	71.41
Minimum		3.28	29.98
Standard Deviation		1.78	11.21

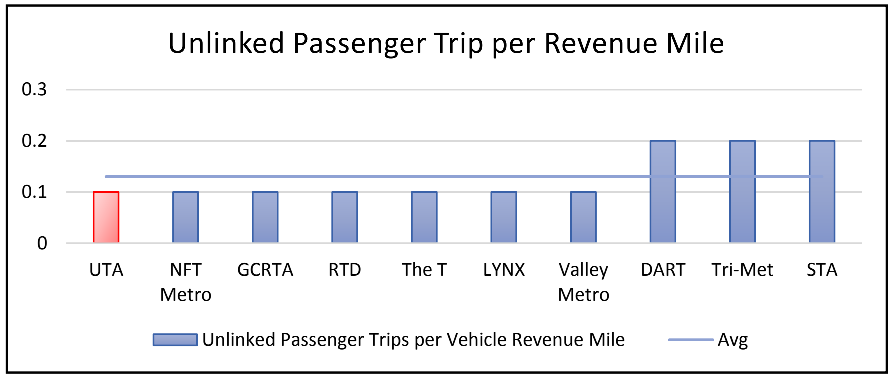


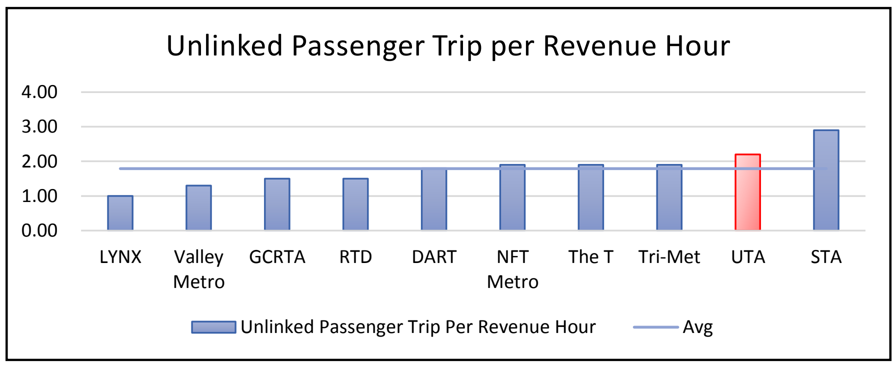


PERFORMANCE MEASURES - DEMAND RESPONSE (continued)

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	2.20
Buffalo, NY	NFT Metro	0.10	1.90
Cleveland, OH	GCRTA	0.10	1.50
Dallas, TX	DART	0.10	1.80
Denver, CO	RTD	0.10	1.50
Fort Worth, TX	The T	0.10	1.90
Orlando, FL	LYNX	0.10	1.00
Phoenix, AZ	Valley Metro	0.10	1.30
Portland, OR	Tri-Met	0.20	1.90
Spokane, WA	STA	0.20	2.90
Average		0.12	1.79
Maximum		0.20	2.90
Minimum		0.10	1.00
Standard Deviation		0.04	0.52



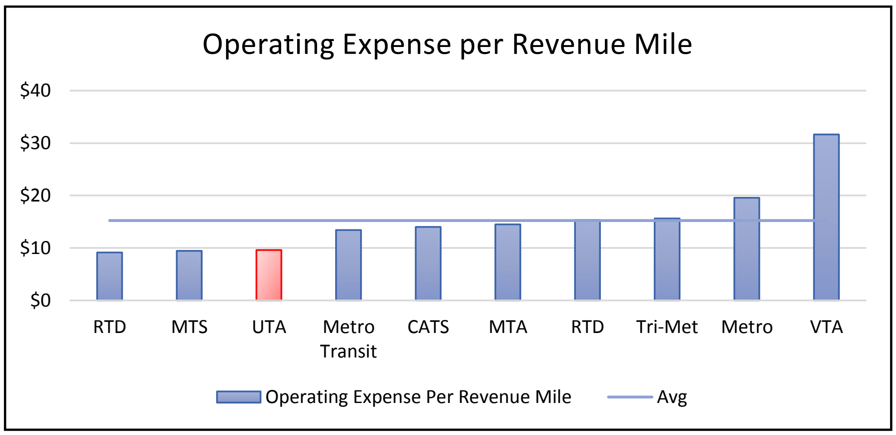


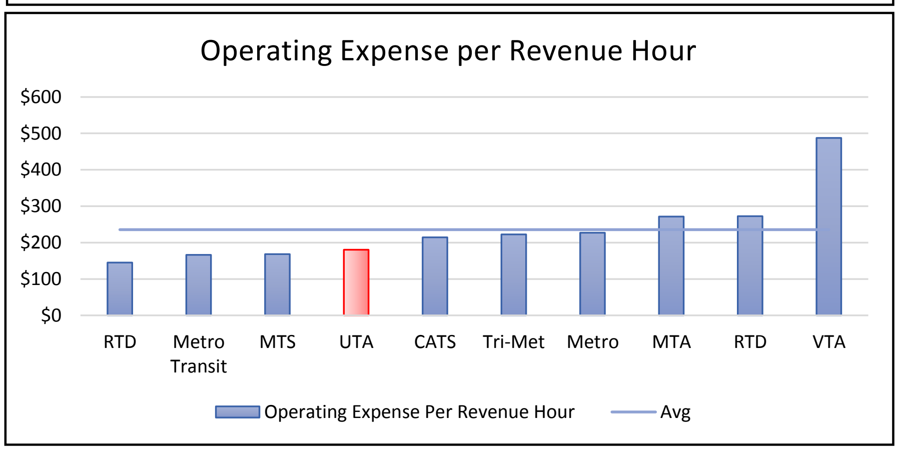
PERFORMANCE MEASURES - LIGHT RAIL

The following charts contain information from the Federal Transit Administration's National Transit Database (NTD) for the most recent year available (2018), 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	$ 10.73	$ 197.14
Baltimore, MD	MTA	14.70	290.52
Charlotte, NC	CATS	15.04	238.26
Denver, CO	RTD	10.40	169.83
Houston, TX	Metro	22.42	264.14
Minneapolis, MN	Metro Transit	13.68	171.54
Portland, OR	Tri-Met	16.87	240.69
Sacramento, CA	RTD	16.04	285.00
San Diego, CA	MTS	10.43	188.87
San Jose, CA	VTA	38.80	583.09
Average		$ 16.91	$ 262.91
Maximum		38.80	583.09
Minimum		10.40	169.83
Standard Deviation		8.51	120.96

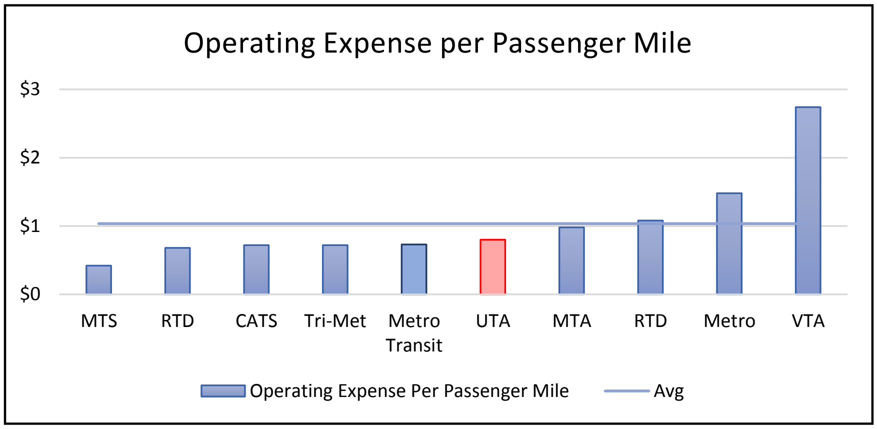


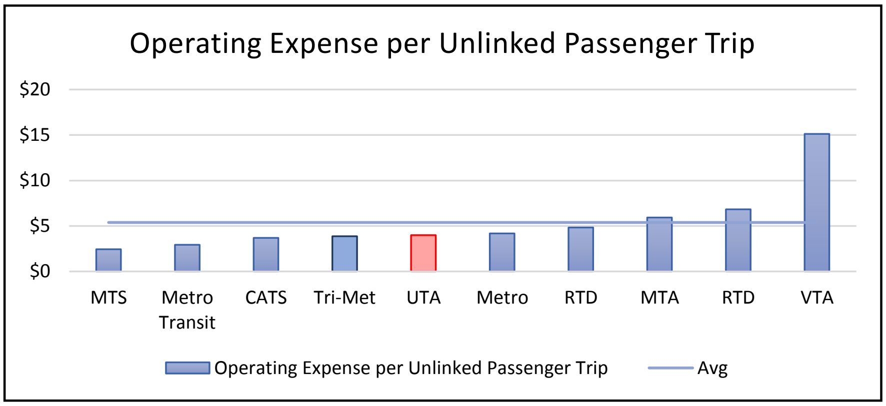


PERFORMANCE MEASURES - LIGHT RAIL (continued)

Cost Effectiveness

City	Agency	Operating Expense per Passenger Mile	Operating Expense per Unlinked Passenger Trip
Salt Lake City, UT	UTA	$ 0.80	$ 3.99
Baltimore, MD	MTA	0.98	5.93
Charlotte, NC	CATS	0.72	3.69
Denver, CO	RTD	0.68	4.83
Houston, TX	Metro	1.48	4.18
Minneapolis, MN	Metro Transit	0.73	2.93
Portland, OR	Tri-Met	0.72	3.87
Sacramento, CA	RTD	1.08	6.83
San Diego, CA	MTS	0.42	2.44
San Jose, CA	VTA	2.74	15.12
Average		$ 1.04	$ 5.38
Maximum		2.74	15.12
Minimum		0.42	2.44
Standard Deviation		0.66	3.66

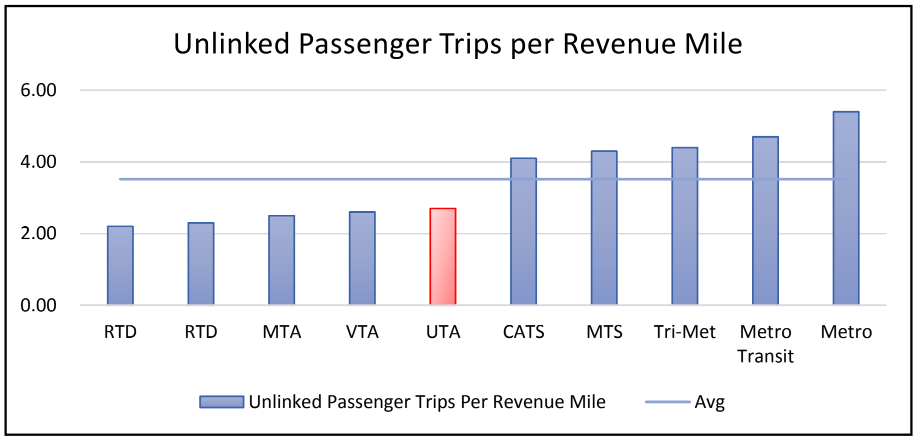


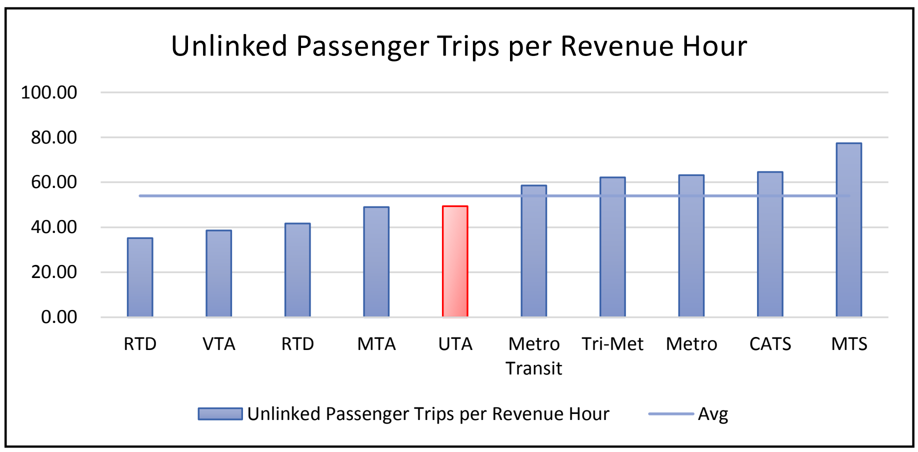


PERFORMANCE MEASURES - LIGHT RAIL (continued)

Service Effectiveness

City	Agency	Unlinked Passenger Trips per Vehicle Revenue Mile	Unlinked Passenger Trips per Vehicle Revenue Hour
Salt Lake City, UT	UTA	2.70	49.40
Baltimore, MD	MTA	2.50	49.00
Charlotte, NC	CATS	4.10	64.60
Denver, CO	RTD	2.20	35.20
Houston, TX	Metro	5.40	63.20
Minneapolis, MN	Metro Transit	4.70	58.60
Portland, OR	Tri-Met	4.40	62.20
Sacramento, CA	RTD	2.30	41.70
San Diego, CA	MTS	4.30	77.40
San Jose, CA	VTA	2.60	38.60
Average		3.52	53.99
Maximum		5.40	77.40
Minimum		2.20	35.20
Standard Deviation		1.18	13.42





Compliance

For Fiscal Years Ended

December 31, 2019 and 2018

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") (a component unit of the state of Utah) as of and for the years ended December 31, 2019 and 2018, 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 2, 2020.

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*.

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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 2, 2020

KEDDINGTON & CHRISTENSEN, CPAS
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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") (a component unit of the State of Utah) 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, 2019. 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Utah Transit 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 major federal programs for the year ended December 31, 2019.

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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 a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
June 2, 2020

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS for the year ending December 31, 2019

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-2017-001-00		$ -	$ 1,298,850
Federal Transit - Capital investment Grants	20.500	UT-2017-006-00		-	49,099
				-	1,347,949
Federal Transit - Formula Grant	20.507	UT-2018-009.00		-	3,661,583
Federal Transit - Formula Grant	20.507	UT-2018-005.00		-	663,824
Federal Transit - Formula Grant	20.507	UT-2020-002.00		-	43,954,634
				-	48,280,041
Federal Transit - State of Good Repairs	20.525	UT-2020-001-00		-	17,781,947
Bus and Bus Facilities Formula Program	20.526	UT-2018-010-00		-	2,774,389
				-	20,556,336
				-	
Federal Transit Cluster - Federal Transit Administration Programs total				-	70,184,326
Transit Services Programs Cluster - Federal Transit Administration Programs					
Federal Transit - Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-16-0006		2,800	3,163
Federal Transit - Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2016-013		103,249	239,956
Federal Transit - Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2017-015		186,557	260,194
Federal Transit - Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2017-016		-	4,454
Federal Transit - Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2017-017		456,697	456,697
Federal Transit - Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2019-001		-	68,866
Federal Transit - Enhanced Mobility Pilot Program	20.513	UT-2020-003		-	3,822
				749,303	1,037,152
Utah Department of Transportation - Job Access and Reverse Commute Program	20.516	UT-37-X0005	17-8233	-	143,145
				-	143,145
Utah Department of Transportation - New Freedom Program	20.521	UT-37-X0005	17-8233	-	147,714
				-	147,714
Transit Services Program Cluster - Federal Transit Administration Programs total				**$ 749,303**	**$ 1,328,011**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS for the year ending December 31, 2019 (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		$ -	$ 3,901,919
National Infrastructure Investment - Federal Transit Administration Programs total				-	3,901,919
Highway Planning & Construction Cluster - Federal Highway Administration Programs					
Federal Highway Administration - Highway Planning and Construction (CMAQ)	20.205	20-CMAQ.Ogden BRT			1,002,134
Federal Highway Administration - Highway Planning and Construction (CMAQ)	20.205	20-CMAQ.Various Projects		-	2,983,485
Highway Planning & Construction Cluster - Federal Highway Administration Programs total				-	3,985,619
Federal Railroad Administration Program					
Railroad Safety Technology Grants	20.321	UT-2017-011		-	74,589
Consolidated Rail Infrastructure and Safety Improvements	20.325	FR-CRS-022		-	1,512,194
Federal Railroad Administration Program				-	1,586,783
Federal Transit Administration Programs					
Federal Transit - Capital investment Grants	20.514	UT-2017-012-00		-	5,154,887
Federal Transit - Public Transportation Research	20.514	UT-26-0008-02		-	8,880
Federal Transit Administration Program				-	5,163,767
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				749,303	86,150,425
DEPARTMENT OF HOMELAND SECURITY					
FEMA Rail and Transit Security Grant Program	97.075	16-RA-00045		-	28,573
FEMA Rail and Transit Security Grant Program	97.075	17-RA-00042		-	2,500
FEMA Rail and Transit Security Grant Program	97.075	18-RA-00046		-	6,000
TOTAL DEPARTMENT OF HOMELAND SECURITY				-	37,073
TOTAL FEDERAL AWARDS EXPENDED				**$ 749,303**	**$ 86,187,498**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS for the year ending December 31, 2019 (Continued)

Reconciliation of federal expenditures to federal revenues

Comparative Statement of Revenues, Expenses and Change in Net Position (2019)		
Federal preventative maintenance grants	$	69,746,231
Capital Contributions Federal grants		16,395,068
Total per Comparative Statement of Revenues, Expenses and Change in Net Position (2019)		86,141,299
Total per Schedule of Expenditures of Federal Awards for the year ending December 31, 2019		86,187,499
Difference	$	(46,200)

Previous Over/(Under)stated Revenues reflected in 2019 Statement of Revenues, Expenses and Change in Net Position

Federal Transit Cluster – Federal Transit Administration Programs Amount	**CFDA#**	**Grant #**		
Federal Transit – Capital Investment Grants	20.500	UT-2017-001	$	2,364
Federal Transit – Capital Investment Grants	20.514	UT-2017-012		(3160)
Total Federal Transit – Federal Transit Administration Program Cluster			$	**(796)**

Transit Service Program Cluster Amount	**CFDA#**	**Grant #**		
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-16-0006	$	(4,937)
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2016-013		95,222
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UT-2016-013		(74,199)
Job Access and Reverse Commute Program	20.516	UT-37-X0005		13,165
New Freedom Program	20.521	UT-37-X0005		17,734
Transit Service Program Cluster Total			$	**46,985**

National Infrastructure Investment- Federal Transit Administration Programs	**CFDA#**	**Grant #**		
Federal Transit Administration – National Infrastructure Investment (TIGER)	20.933	UT-2018-002	$	(30)
National Infrastructure Investment – Federal Transit Administration Programs Total				
Department of Homeland Security				
FEMA Rail and Transit Security Grant Program				41
Department of Homeland Security Total				
Total Adjustment			$	**46,200**

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, 2019.

D. Subrecipients

The Authority provided $749,303 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.

UTAH TRANSIT AUTHORITY
Schedule of Findings and Questioned Costs
For the year ended December 31, 2019 and 2018

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? _____yes __X__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? _____yes __X__no
- Significant Deficiency(s) identified _____yes _ __X__none reported

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

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

_____yes __X__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 Cluster
20.513, 20.516, 20.521	Transit Services Program Cluster
20.514	Federal Transit Administration Program
20.205	Highway Planning & Construction Cluster

Dollar threshold used to distinguish between Type A and Type B Programs $ 2,585,625

Auditee qualified as low-risk auditee? _____yes __X__no

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

Current Year Finding

2019 – None

Prior Year Finding

2018 – 001 Noncompliance and Internal Control over Compliance Material Weakness

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.

Current Status: The Authority has corrected the problem in the current year.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

Views of Responsible Officials from the Prior Year 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 items not found should have been removed as part of the 2017 capital asset write-off.

Other Supplementary Information

For Fiscal Years Ended

December 31, 2019 and 2018

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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") (a component unit of the State of Utah), 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, 2019.

State compliance requirements were tested for the year ended December 31, 2019 in the following areas:

Budgetary Compliance
Restricted Taxes and Related Restricted Revenue
Open and Public Meetings Act
Treasurer's Bond
Cash Management

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.

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, 2019.

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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 2, 2020

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
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Steven M. Rowley, CPA

June 2, 2020

Board of Trustees
Utah Transit Authority
669 West 200 South
Salt Lake City, Utah 84101

We have audited the financial statements of the business-type activities, and the discretely presented component unit, of Utah Transit Authority (the Authority), a component unit of the State of Utah, for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 16, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

> Management's estimate of depreciation expense is based on the useful lives of the fixed assets. We evaluated the key factors and assumptions used to develop the Authority's reported depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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Salt Lake City, Utah 84119

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 2, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios, and Statement of Required Employer Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental budget to actual schedule, and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America for the schedule of expenditures of federal awards, and non-GAAP budgetary basis for the budget to actual schedule, the method of preparing those schedules has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Trustees and management of Utah Transit Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Keddington & Christensen, LLC

Salt Lake City, Utah
June 2, 2020

MEETING MEMO

TO: Utah Transit Authority Board of Trustees
THROUGH: Carolyn Gonot, Executive Director
FROM: Bob Biles, Chief Financial Officer
PRESENTER(S): Troy Bingham, Comptroller

AUDIT COMMITTEE MEETING DATE: June 22, 2020

SUBJECT:	**External Financial Auditor Selection Process Consultation**
AGENDA ITEM TYPE:	**Consultation**
RECOMMENDATION:	Discuss the external financial auditor selection process and considerations
BACKGROUND:	Provisions within the Public Transit District Act, UTA's By-Laws, Board of Trustee Policy 2.1 - Financial Management, and the Audit Committee Charter all require the use of a qualified independent auditing firm to conduct an annual financial audit and to present the results of their annual audit to the UTA's Audit Committee and the Board of Trustees.
DISCUSSION:	The current five-year external financial auditor contract expires at the completion of the 2019 audit. On May 14, 2020, UTA issued the external financial auditor RFP. Responses were due on June 8, 2020. During the meeting, the Comptroller will review the current status of the selection process.
FISCAL IMPACT:	The Comptroller's annual budget includes an allocation for the annual external financial audit.

MEETING MEMO

TO: Utah Transit Authority Audit Committee
THROUGH: Carolyn Gonot, Executive Director
FROM: Mary DeLoretto, Chief Service Development Officer
PRESENTER(S): Carolyn Gonot, Executive Director
Patti Garver, Project Manager, Environmental, Grants, and Project Control
Mary DeLoretto, Chief Service Development Officer
Eddy Cumins, Chief Operating Officer
Bob Biles, Chief Financial Officer

AUDIT COMMITTEE MEETING DATE: June 22, 2020

SUBJECT:	**2019 Triennial Review Report**
AGENDA ITEM TYPE:	**Report**
RECOMMENDATION:	Informational report for discussion
BACKGROUND:	The Federal Transit Administration (the "FTA") provides grant funding to UTA through formula and discretionary grant programs. As part of the funding agreement with FTA, UTA agrees to implement certain FTA provisions crossing 21 different areas. Every three years, FTA engages a firm to review UTA's compliance with these provisions, identify deficiencies, and provide guidance to achieve full compliance. FTA's reviewers obtained documentation from UTA related to each compliance area and conducted their on-site interviews and observations from September 10 thru 13, 2019. FTA provided the final assessment report to UTA on October 23, 2019. The assessment report identified deficiencies in 3 of the 21 compliance areas, provided guidance to resolve the deficiencies, and established a March 13, 2020 deadline to resolve the deficiencies. UTA took action to resolve these deficiencies and provided FTA with documentation to support the actions taken. FTA reviewed the actions and documentation and provided a March 19, 2020 close out letter which acknowledged that all actions had been completed and that the deficiencies were resolved.
DISCUSSION:	The compliance areas with deficiencies and the deficiencies were: 1. Financial Management and Capacity o Ensure grant expenditure spreadsheet and general ledger information agree 2. Technical Capacity – Award Management o Submit the annual program of projects (POP) status report and submit procedures for submitting POP annually to FTA

	3. Satisfactory Continuing Control ○ Provide a complete and accurate list of equipment on hand ○ Provide evidence of physical inventory of grant-funded equipment reconciled to accounting records ○ Update procedures for biennial inventory of grant-funded assets ○ Update asset management procedures At the Audit Committee meeting, UTA staff will review the actions taken to complete UTA’s compliance responsibilities.

MEETING MEMO

TO: Utah Transit Authority Audit Committee

FROM: Riana de Villiers, Chief Internal Auditor
PRESENTER(S): Riana de Villiers, Chief Internal Auditor

AUDIT COMMITTEE MEETING DATE: June 22, 2020

SUBJECT:	**Internal Audit Update**
AGENDA ITEM TYPE:	Discussion
RECOMMENDATION:	Informational report for discussion
BACKGROUND:	The Audit Committee receives information on current internal audit activities.
DISCUSSION:	Staff will present an update on the 2020 and 2019 internal audit activities. It includes information on the status of the 2019 and 2020 approved internal audit plans, the UTA Ethics Policy 1.1.11 approved by the Board on April 29, 2020, and the Internal Audit system implementation.
ATTACHMENTS:	UTA Ethics Policy 1.1.11

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UTAH TRANSIT AUTHORITY POLICY

No. 1.1.11

ETHICS

I. Purpose.

The integrity of UTA and its employees should be beyond reproach as UTA fulfills its obligations to be a good steward of taxpayer-funded resources. Accordingly, this Ethics and Ethics Reporting Policy establishes standards of conduct that conform to state and federal ethics laws and UTA expectations for ethical behavior. This Ethics and Ethics Reporting Policy sets forth processes for the disclosure and review of circumstances that might raise potential ethical concerns. It also establishes a mechanism for reporting ethical concerns and protecting employees who report such concerns in good faith.

II. Scope.

This Ethics Policy applies to all employees, part-time and full-time. It is based around the fundamental principles of integrity, accountability and transparency which must govern any agency which is a steward of public funds. Every situation encountered by a UTA employee may not be addressed in this policy, but the litmus test must always be that no UTA employee should ever use his or her position at UTA to further a personal financial interest.

III. Definitions.

"*Business Relationship" or "Doing Business With*" means an entity or individual who has or is seeking a contract with UTA, seeks or receives grant funding from UTA, provides grant funding to UTA, receives payments for goods or services from UTA, or for whom UTA pays for goods or services.

"*Candidate for Public Office*" means an employee who has filed for candidacy for public office, an employee who receives contributions or makes expenditures related to candidacy for public office, or an employee who coordinates with any individual or entity to receive contributions or make expenditures related to candidacy for public office.

"*Confidential Information*" shall mean information disclosed by the Authority during the course of an employee's employment, information developed or learned by an employee during the course of employment, and information regarding UTA's technology, techniques, processes, research, test results, agreements, employees, marketing, sales, business plans, strategies, strategic legislative plans and agendas, unpublished financial information, budgets, and projections.

"*Conflict of Interest*" means a personal or economic interest, outside employment, outside interest or other circumstance or relationship that impairs an employee's ability to discharge his or her duties in a legal and ethical manner consistent with the best interests of UTA.

"*Controlled, Private or Protected Information*" means information classified as controlled, private or protected pursuant to Utah Code Ann. §63G-2-101, et seq.

"*Designated Employee*" means an employee identified by the Executive Director. At a minimum, Designated Employees shall include UTA's Executive Director, Director of Internal Audit, Comptroller, and Chief Officers.

"*Employee*" means any part-time or full-time employee of UTA.

"*Ethics Committee*" means a committee composed of the Ethics Officer, Compliance Officer, and an Executive appointed by the Executive Director. In the event that the Executive appointed by the Executive Director is involved in a matter brought before the Ethics Committee, then the Executive Director shall sit with the Ethics Committee in such Executive's stead.

"*Ethics Officer*" means the Director of Internal Audit.

"*Executive*" means the Executive Director or Chief Officer.

"*Form*" means Financial Disclosure Report.

"*Fraud*" means the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets.

"*Gift*" means:

A. Anything of economic value that is paid, loaned, granted, given, donated, or transferred to any employee by anyone outside of UTA.
B. Gift does not include:
    1. Snack Items Snacks or beverages (but not meals) of Nominal Value provided in the ordinary course of business meetings,
    2. Unsolicited advertising materials such as pens, pencils, note pads, calendars, and other business-related items of Nominal Value
    3. Items given to employees by individuals with long-standing social or family relationships, under circumstances that make it clear the relationship, rather than the employee's position at UTA, is the motivating factor (receipt of such Gifts must be reported to a Supervisor immediately); and
    4. Items of Nominal Value made available to the general public or all attendees at a conference or event.

"*Local Official*" means an elected member of a local government. It also means an individual appointed to or employed in a position in a local government if that individual occupies a policymaking position, makes purchasing or contracting decisions, drafts ordinances or resolutions, drafts, makes rules, determines rates or fees, or makes adjudicative decisions. A Local Official also means the immediate family members of individuals described in this definition.

"*Meals Provided in the Ordinary Course of Business Meetings*" means meals that are paid for by a third party and provided to a group of individuals including UTA employees who are jointly working on a UTA-related matter. The cost of these meals accepted by a UTA employee must be limited to $25.00 per occasion and $50.00 per 12-month rolling calendar year from any specific vendor. These meals must never be solicited nor accepted with the intent to allow any type of influence on a procurement decision or action.

Meals provided for a purely social purpose outside the actual business meeting are not considered to have been provided in the ordinary course of business. Payment for such meals by a UTA vendor is considered a gift and therefore unacceptable.

"*Nominal Value*" shall mean having a market value of no more than $10.00 and an aggregate value in a calendar year of no more than $50.00 from any specific vendor.

"*Outside Employment*" shall mean employment by another employer as well as self-employment.

"*Personal Financial Interest*" means any type of a financial interest consisting of cash, real estate, securities, potential employment or offer of employment, contract, or other item of tangible dollar value whether held by the employee, the employee's spouse, or other immediate family member.

"*Public Office*" means any position obtained as a result of a partisan general or special election whose duties overlap an area served by UTA.

"*Report*" means a concern reported by a UTA employee.

"*Reporter*" means an employee reporting a concern.

"*Vendor*" means an entity that currently has a Business Relationship with UTA, is seeking a Business Relationship with UTA, or is reasonably likely to seek or form a Business Relationship with UTA in the future.

IV. Policy. UTA Employees shall comply with the following standards.

A. Conflicts of Interest Generally

It is vital to the proper operation of UTA for employees to avoid not only actual Conflicts of Interest but also those situations that may be reasonably perceived by others as a Conflict of Interest. Accordingly, no employee shall make or participate by way of evaluation, recommendation or approval, in the making of any decision regarding UTA with respect to any matter in which the employee has any Personal Financial Interest. Potential Conflicts of Interest could exist in regard to outside interests, financial interests, and/or outside employment. Any employee who has an actual or apparent Conflict of Interest must immediately report the nature of such interest to a Senior Manager and/or Director in the employee's supervisory chain and also to the Ethics Officer. Designated Employees must also disclose such actual or potential Conflicts of Interest in the Form described in Section IV (E) of this Policy.

B. Outside Financial Interests and Employment

1. General

a. Employees are prohibited from engaging in business or other activities that may create a conflict of interest with their employment of UTA.

b. Employees should refrain from engaging in any outside endeavor or activity which is likely to require or induce the employee to disclose Controlled, Private or Protected Information gained by reason of UTA employment.

c. Employees are prohibited from accepting other employment or engaging in other activities that might impair independent judgment or ethical performance of assigned UTA duties.

d. Employees are prohibited from participating in or receiving compensation for any transaction between UTA and a business entity in which an employee is an officer, director, or possesses a Personal Financial Interest.

2. Disclosure of Personal Financial Interest

Employees must disclose a Personal Financial Interest in any entity which currently conducts or is likely to conduct business in the transit industry. The disclosure must be made to both a Senior Manager and/or Director in the employee's supervisory chain and also to the Ethics Officer. The Ethics Officer will present the issue to the Ethics Committee for review and recommendation. The employee's Senior Manager and/or Director along with the Ethics Committee will evaluate the Personal Financial Interest to determine if it creates a Conflict of Interest between the private interest and the employee's duties at UTA and shall also determine if mitigation actions are required. Mitigation actions may include, but are not limited to, divestiture of the financial interest or adjustment of the employee's UTA duties.

3. Prospective Outside Employment

Any employee seeking outside employment must avoid conflicts of interest between themselves, UTA, and the prospective employer. In order to avoid actual and potential conflicts, any employee seeking, applying for, or intending to apply for a position with an outside employer may not, as an employee of UTA, make recommendations, advise, approve, negotiate, or use their influence in any dealings that involve the prospective employer. In such matters, the employee must recuse himself or herself. Any exception to this policy must be approved by the Executive Director. Approval shall only be given if recusal of the employee does not impede UTA mission accomplishment and is in the best interest of UTA.

4. Outside Employment

Employees may engage in Outside Employment in addition to their UTA employment subject to the following restrictions:

a. Outside Employment may not compete or conflict with or compromise UTA's interests or adversely affect the employee's job performance.

b. Employees shall not perform Outside Employment during working time paid for by UTA

c. Employees shall not use UTA resources, including but not limited to facilities, technology resources, tools, etc., to perform Outside Employment.

d. Employees shall not disclose UTA's Confidential Information to outside employers.

e. Full Disclosure Required – Since any outside employment by a UTA employee carries the potential for a conflict of interest to arise, all outside employment must be disclosed to an employee's senior manager and/or director. If the senior manager and/or director believes that a conflict of interest either exists or is likely to arise, the senior manager and/or director shall provide the information to the Ethics Officer who shall, in turn, provide such information to the Ethics Committee. The Ethics Committee shall evaluate the outside employment and make a determination as to whether a conflict of interest exists or is likely to arise and also whether mitigation actions are required. Mitigation actions include, but are not limited to, direction to the employee to discontinue the outside employment or adjustment of the employee's UTA job duties to avoid the conflict of interest.

5. Coordination with Supply Chain Organization

The Ethics Officer shall inform the Supply Chain Senior Manager about any circumstances where an employee has a financial interest, outside employment, or is conducting employment discussions with a UTA Vendor that is deemed an actual or perceived conflict of interest. The Procurement Division of the Supply Chain Management Organization shall utilize this information in taking appropriate measures to ensure that no UTA procurement action is tainted by a conflict of interest.

6. Public Officer

An employee who is a Candidate for Public Office must provide copies of all state or federal required financial disclosures to UTA's Ethics Officer within seven days of the deadline for submitting the disclosures. If a state or federal financial disclosure is not required, an employee who is a Candidate for Public Office must submit a list of campaign donors to UTA's Ethics Officer on a monthly basis during the period the employee is a Candidate.

C. Gifts to Employees

1. It is a criminal offense under Utah law for an employee to receive, accept, offer, or agree to receive or accept, or ask for a promise or pledge of a gift or kickback from a Vendor if done with the intent to influence any of the following actions by UTA:
   a. Award a contract or grant;
   b. Make a procurement decision;
   c. Take an action relating to the administration of a contract or grant.

2. Even where the employee does not have the specific intent described in the preceding paragraph, a UTA employee may not knowingly receive accept, take seek or solicit (either for the employee or for another person or entity) a Gift of any value from a Vendor.

3. Gifts that are perishable or not practical to return may be shared with co-workers on an occasional basis, but notice should be provided to the source of the Gift that future gifts should not be provided to any UTA employee.

4. If an employee receives a prohibited Gift, the employee may return the Gift or pay its fair market value to the person or entity providing the Gift.

5. For purposes of this gift restrictions described in this Policy, "Employee" also includes the employee's family members.

D. Meals for Employees

1. Subject to certain exceptions described below, an employee may not accept any meals from a Vendor. Under no circumstances shall an employee solicit or accept a meal with the intent to allow acceptance of the meal to affect a procurement related decision.

2. Nevertheless, an employee may accept a meal offered under the following conditions:
    a. Meals Provided in the Ordinary Course of Business Meeting (as defined in Section III)
    b. The meal is part of a conference or event in which:
        i. The cost of the meal is included in the normal registration fee paid by UTA on behalf of the employee, or;
        ii. The employee has been invited by another entity to participate in the conference or event, such as receiving an award or recognition for public service; or
        iii. The employee has been asked by UTA to represent UTA at the conference or event.
    c. The meal is offered as part of a normal business meeting or event between UTA and the following entities and is generally made available to all participants:
        i. A government entity, such as a city or county
        ii. An organization or association, including a professional or educational association, or an association of vendors, such as the Chamber of Commerce
        iii. An association composed of public agencies or public entities that does not as an organization or association respond to solicitations
    d. Employees who are required to pay for work-related meals under this Policy should seek reimbursement pursuant to Policy No. 1.1.8 – UTA Travel and Reimbursement Policy.

E. Meals and Gifts to Local Officials

1. UTA employees shall only provide meals and gifts to Local Officials under one of the following circumstances:
    a. Food or beverage has a value less than the daily meal allowance for in-state travel contained in the Utah State Food Reimbursement Rate found at Utah Administrative Code R25-7-6.
    b. Food or beverage provided at an event, tour, or a meeting where the Local Official is giving a speech, participating in a panel discussion, or presenting or receiving an award.
    c. The item to be provided has a value of less than $10. (This amount is applicable to only non-food and beverage items).

F. Financial Disclosures.

1. Designated Employees must submit a Form as follows:
    a. Within thirty days from date of hire, and each calendar year on or before October 31 throughout the term of employment, all Designated Employees shall complete and sign a Form. The current Form is available on the UTA Intranet (utanet) on the Internal Auditor's site at: http://utanet/administration/departments/internalaudit

b. Designated Employees shall provide a copy of the Form to the Ethics Officer.
c. Form is classified as Public Records.
d. Notification of requirements or failure to respond shall be given by e-mail (with a copy to the employee's supervisor), with a 5-business day opportunity to file a Form.
e. Failure to completely fill out, sign, and return a Form, by the extended deadline described immediately above, shall be cause for employment action, up to and including termination as determined by the Ethics Committee.
f. Designated Employees must complete a new Form within 10 business days of: (i) the occurrence or discovery of any new actual or apparent Conflict of Interest arising since the most recent Form; or (ii) any material change in the information previously disclosed in the most recently completed Form.

2. Review of Forms
   a. All Forms submitted by UTA employees shall be reviewed - in confidence - by one of the following: Director of Internal Audit or designee and Compliance Officer.
   b. If a reviewer determines that there may be a Conflict of Interest disclosed in a Form, the reviewer shall submit the Form to another reviewer for review. The two reviewers shall then meet and confer regarding the potential Conflict of Interest. If the two reviewers agree that there is a Conflict of Interest, the two reviewers shall confidentially report the conflict to the Ethics Committee. The Ethics Committee shall arrange a meeting with the individual filing the Form, to clarify and discuss the conflict. The Ethics Committee shall then determine the appropriate action. Such action may include, by way of example only:
      i. Directing the employee to divest the conflicting asset, liability, position or agreement;
      ii. Requiring the employee to be walled-off and segregated from any communication about or work on, the conflicting UTA issue;
      iii. Terminating the employee.

3. Ethics Committee Review. The Ethics Committee shall meet on an as-needed basis to discuss potential conflicts of interest or violations of the Policy.

G. Requests for Donations

1. UTA employees may not solicit donations from Vendors that exclusively benefit UTA employees. For example, employees may not solicit donations for UTA social functions.
2. Employees may solicit donations from Vendors for functions that benefit the community. For example, employees may solicit donations supporting Disadvantaged Business Enterprise workshops offered to business owners along the Wasatch Front.
3. This Policy does not apply to contributions solicited from UTA employees under Policy 1.1.1 – Charitable Solicitations.

H. Disclosures of Information

Employees are prohibited from disclosing or improperly using Controlled, Private or Protected Information acquired by reason of an official position held at UTA or while carrying out UTA duties. The employee should consult with UTA's Records Manager regarding the classification of information.

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I. Political Activity

UTA employees may not:

1. Be candidates for Public Office unless the employee takes a leave of absence from UTA while a candidate for office.
2. Use official authority or influence to interfere with or affect the results of an election or nomination,
3. Directly or indirectly coerce contributions from subordinates in support of a political party, candidate, ballot issue, or political campaign, or
4. Use UTA facilities or equipment to promote a candidate for public office.

J. Restrictions Related to Former Employees

The Board of Trustees must approve the award of any contract or amendment for any goods or services with entities that hire former employees or who are represented by former employees where the former employee left UTA employment within the previous 12 months. The contract or amendment should not be approved if there is a strong appearance that hiring the former UTA employee has given or would give the Company an unfair competitive advantage in either receiving the contract or in the performance and management of the contract. The Chief Procurement Officer shall provide a recommendation for consideration by the Board of Trustees.

V. Fraud

A. Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Any irregularity that is detected or suspect must be reported in line with section (VI).

B. Employees shall not misuse UTA's assets for personal gain or willfully misappropriate the Authority's assets. Employees found to be engaging in fraudulent activities or theft may be subject to employment action up to and including termination.

C. Actions constituting fraud include, but are not limited to:

1. Misappropriation of funds, securities, supplies, or other assets
2. Impropriety in the handling or reporting of money or financial transactions
3. Profiteering as a result of insider knowledge of company activities
4. Disclosing confidential and proprietary information to outside parties
5. Accepting or seeking anything of value from contractors, vendors, or persons providing services/goods to UTA that is in contradiction with the Ethics Policy
6. Destruction, removal, or inappropriate use of records, assets, or other equipment

VI. Reporting Suspected Ethical or Fraud Violations

A. Employees must report suspected ethics or fraud violations. Any employee having knowledge or reasonable suspicion of ethical violations has a responsibility to report such improprieties via one of the channels identified in (VI)(B2)(e). The reports should include as much information as possible. The following suspected improprieties that should be reported include, but are not limited to:

1. Procurement fraud or collusion involving contracts or purchases with UTA contractors, subcontractors or Vendors
2. Abuse, embezzlement, or theft of UTA property or funds
3. Bribery and acceptance of gratuities or other benefits in connection with UTA operations or transactions with Vendors, contractors, and subcontractors
4. Misuse of an employee's official position through acceptance of Gifts
5. Conflicts of Interest, such as an employee doing business with UTA under a different name
6. Other unethical or illegal activities involving UTA property, employees, contractors, subcontractors or Vendors, such as check fraud or violation of computer crime statutes
7. Participation in a UTA matter in which the employee has a Personal Financial Interest

B. Investigation Procedures

UTA will investigate all reported ethical violations. An administrative investigation may be performed by either Human Resources, Civil Rights, or Internal Audit, depending on the nature of the ethical violation. The Compliance Officer will support the investigating department in the investigation process. Investigations will be conducted in the strictest confidence, and witnesses participating in those investigations shall be protected from disclosure to the extent allowed by law. Where deemed appropriate, the investigator may consult with UTA legal counsel for advice and counsel which may also protect the investigative process under the Attorney-Client Privilege.

1. Reporting Ethical Violations. Ethics violations may be reported in the following ways:
   a. Anonymous Ethics Hotline
   b. Ethics violations link on the UTA intranet
   c. Employee's manager (If the incident is reported to the employee's manager, the manager must report the incident to the Ethics Officer or Compliance Officer immediately).
   d. Ethics Officer
   e. Compliance Officer
   f. Human Resources Department
   g. Civil Rights Department

2. Anonymous Ethics Hotline

   a. The Ethics Hotline is established by UTA through a third-party vendor that provides a means for employees to anonymously report serious concerns relating to unethical conduct.
   b. The vendor maintaining the Ethics Hotline will not disclose the identity of a Reporter to anyone in UTA, if the employee wishes to remain anonymous.
   c. All concerns reported on the Ethics Hotline will be reviewed.
      i. The action taken by UTA in response to a report will depend on the nature of the concern.
      ii. Initial inquiries will be made to determine whether an investigation is appropriate and, if so, the form that it should take. Some concerns may be resolved without the need for an investigation.
      iii. If an investigation is appropriate, it will be assigned to an internal or external investigator who will conduct an investigation and make findings.
   d. The malicious use of the Ethics Hotline will be investigated and may result in disciplinary action.

e. Concerns relating to unethical conduct should be reported in one of the following ways:
   i. Website: www.lighthouse-services.com/rideuta
   ii. English speaking: 833-940-0009
   iii. Spanish speaking: 800-216-1288
   iv. E-mail: reports@lighthouse-services.com (must include UTA's name with report)
   ii. Fax alternative for written documents: 215-689-3885 (must include UTA's name with report)

f. Reports should provide sufficient information to establish that there are grounds for a concern. In addition, concerns should be reported as soon as possible because the earlier a concern is expressed, the earlier it will be to provide a meaningful review of it.

VII. Retaliation Prohibited

A. An employee who in good faith makes a report of fraud, waste, abuse, unethical, illegal conduct and violations of UTA policies will not be retaliated against for making a Report.
B. Witnesses who participate in good faith in investigations into fraud, waste, abuse, unethical, illegal conduct, and violations of UTA policies will not be retaliated against.
C. Any good faith Report, concern, or complaint is fully protected by this Policy, even if the Report, concern, or complaint is not substantiated after an investigation.
D. For ethical concerns raised in good faith, a Garrity warning will not be used with UTA Police Officers to determine the identity of an anonymous complaint.
E. Upon the request of the Reporter, UTA will use its best efforts to protect the confidentiality of a Reporter.

VIII. Ethics Violations

A. An employee violating this Policy will be subject to disciplinary action as set forth in Policy 6.3.1 – Positive People Management.
B. The Ethics Policy is intended to be simple and reasonable. A claim of lack of knowledge or understanding of the policy will not be accepted as an excuse for ethical violations. If an employee is uncertain whether an action will violate the Ethics Policy, the employee should contact the Compliance Officer or the Ethics Officer before taking the action. The decision tree attached as Appendix A provides a tool for assessing ethical considerations prior to making a decision that could result in an ethical violation.

IX. Ethics Training

Each employee of UTA must periodically complete an ethics training program approved by the Ethics Officer and, by the deadline set by the Ethics Officer, certify that such training has been completed. Employees will receive written notification informing them when they must complete Ethics training.

A. Guidelines Regarding Ethics
   1. The following guidelines can also help make ethical decisions that may not be addressed by the policy:
      a. Put loyalty to the highest moral principles above loyalty to persons or organizations.
      b. Uphold the constitution, laws and legal regulations of the United States.
      c. Give a full day's labor for a full day's pay.
      d. Seek and employ more efficient and economical ways of accomplishing tasks.

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e. Never discriminate unfairly by dispensing of special favors or privileges to anyone whether for remuneration or not.
f. Never accept favors or benefits under circumstances which a reasonable person might construe as influencing the performance of the employee's duties.
g. Never use any information received confidentially in the performance of duties as a means for making private profit for themselves, friends or family.
h. Report corruption wherever discovered or suspected.

X. Report to Board of Trustees

The Ethics Officer shall report on this Policy to the Board of Trustees as requested.

This UTA Policy was reviewed by UTA's Chief Officers on February 18, 2020, by the Board of Trustees on April 29, 2020, and approved by the Executive Director on this _____ day of April ____________. This policy takes effect on the latter date.

Carolyn M Gonot

Carolyn Gonot
Executive Director

Approved as to form:

DocuSigned by:
Mike Bell
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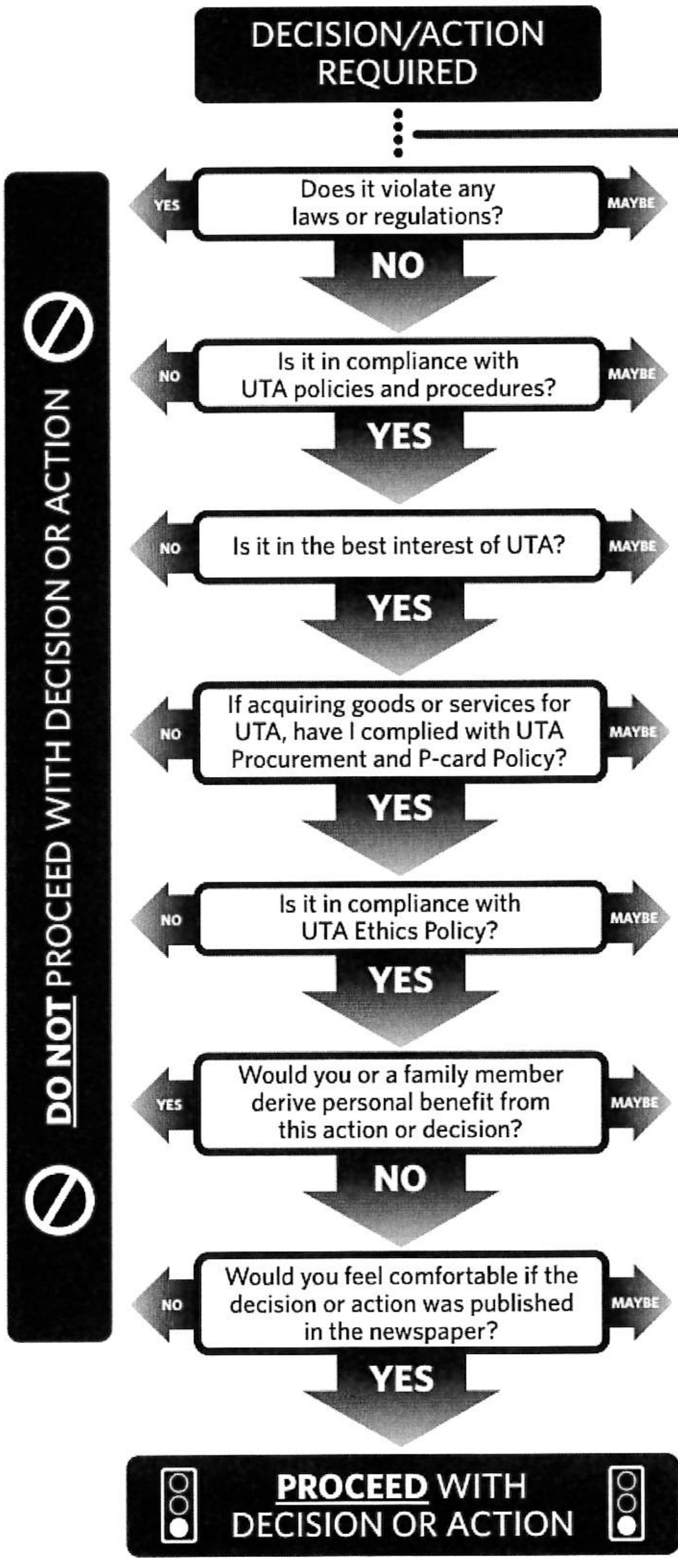
Michael Bell Assistant Attorney General
UTA Legal Counsel

Revision History		Owner
Revised	11/23/2003	
Revised	12/5/2005	
Revised, Renamed, and Converted from an SOP to a Corporate Policy	5/3/2016	
Revised	12/5/2017	
Revised	5/29/2019	Ethics Officer
Revised UTA Policy 1.1.11 and rescinded Corporate Policies 1.1.33 – Ethics Hotline Policy, 6.1.9 -Whistleblower Protection Policy, and 6.1.13 – Anti-Fraud Policy (which were included in revised UTA Policy 1.1.11)	4/29/2020	Ethics Officer

Appendix A


DECISION/ACTION REQUIRED
continue through steps
Does it violate any laws or regulations?
YES
MAYBE
NO
Is it in compliance with UTA policies and procedures?
NO
MAYBE
YES
Is it in the best interest of UTA?
NO
MAYBE
YES
If acquiring goods or services for UTA, have I complied with UTA Procurement and P-card Policy?
NO
MAYBE
YES
Is it in compliance with UTA Ethics Policy?
NO
MAYBE
YES
Would you or a family member derive personal benefit from this action or decision?
YES
MAYBE
NO
Would you feel comfortable if the decision or action was published in the newspaper?
NO
MAYBE
YES
PROCEED WITH DECISION OR ACTION
DO NOT PROCEED WITH DECISION OR ACTION
Discuss with Supervisor/ Ethics Officer/Legal...
Does Supervisor/ Ethics Officer/ Legal support the decision or action?
YES
NO
DO NOT PROCEED WITH DECISION OR ACTION

MEETING MEMO

TO: Utah Transit Authority Audit Committee

FROM: Riana de Villiers, Chief Internal Auditor
PRESENTER(S): Riana de Villiers, Chief Internal Auditor

AUDIT COMMITTEE MEETING DATE: June 22, 2020

SUBJECT:	**Revised 2020 Internal Audit Plan Approval**
AGENDA ITEM TYPE:	Action Item
RECOMMENDATION:	Approve the Revised 2020 Internal Audit Plan as presented
BACKGROUND:	The 2020 Internal Audit Plan was approved by the Audit Committee on February 10, 2020. Since the approval of the Internal Audit Plan, changes have occurred in the UTA environment, including turnover of Internal Audit staff, that necessitated the 2020 Internal Audit Plan to be reassessed to support those changes.
DISCUSSION:	The 2020 Internal Audit Plan includes a preliminary assessment on the Bus Training Program. It is recommended that this preliminary assessment is postponed until after the new Learning Management System is implemented in 2020. The 2020 Internal Audit Plan also includes a follow-up on the Accounts Payable and Payroll audits. Considering that these reports were issued on May 29, it is recommended that the follow-up audits are postponed to 2021 to allow Management to implement corrective actions to address the risks identified. Lastly, the 2020 Internal Audit Plan includes the Data Access audit. The preliminary assessment is in the reporting stage. It is recommended that the Data Access audit is postponed to 2021 to allow Management to implement corrective actions to address the risks identified before the audit is performed.
ATTACHMENTS:	None

MEETING MEMO

TO: Utah Transit Authority Audit Committee

FROM: Riana de Villiers, Chief Internal Auditor
PRESENTER(S): Riana de Villiers, Chief Internal Auditor
Bob Biles, Chief Financial Officer
Eddy Cumins, Chief Operating Officer
Kim Ulibarri, Chief People Officer
Dan Harmuth, Information Technology Director
Troy Bingham, Comptroller

AUDIT COMMITTEE MEETING DATE: June 22, 2020

SUBJECT:	**Internal Audit Report Review**
AGENDA ITEM TYPE:	Discussion
RECOMMENDATION:	Informational report for discussion
BACKGROUND:	The Audit Committee engages in a dialogue with the Internal Audit department and management on audit reports issued by the Internal Audit department to understand the risks identified and management actions taken.
DISCUSSION:	The Audit Committee will receive information on the Accounts Payable Audit Report and the Payroll Audit Report.
ATTACHMENTS:	1. Accounts Payable Audit Report 2. Payroll Audit Report

INTERNAL AUDIT REPORT

Accounts Payable

R-19-08

June 1, 2020

This record contains information that is classified as protected pursuant to Utah Code 63G-2-305(12). This record may not be released without appropriate authorization from a UTA records officer. This information has been redacted from this report.

Executive Summary

Introduction

In conjunction with the UTA 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
- Oversight of governance, control and risk management is strengthened

As part of the 2019 internal audit plan, IA was directed by the Audit Committee to perform an audit to determine if controls over accounts payable (AP) are designed adequately and operating effectively to ensure compliance with federal regulations, state laws, and internal policies and procedures as well as to support the achievement of management objectives. The preliminary stage of the audit was concluded in October 2018 and the final audit was completed in January 2020.

Background and Functional Overview

The Chief Financial Officer for the Utah Transit Authority (UTA) provided a functional overview of the AP process to provide context to this report. Please note that all of the statements made are assertions by the Chief Financial Officer and were not assessed by Internal Audit.

UTA's Accounts Payable function pays approximately 3,000 invoices per month. These invoices are primarily made up of two types, those on a purchase order and those that are not. The approval process for those invoices with a purchase order is obtained through the requisition or inventory reordering process, while approval for invoices without a purchase order is obtained by a budget manager's [redacted] on the invoice. The accounts payable process is responsible for paying approved invoices to previously approved vendors, within specified vendor payment terms, which is generally 30 days from the time the invoice is received. This process is dependent on the efforts of many hard-working groups who validate goods and services were satisfactorily received or performed and submit invoices to the accounts payable group in a timely manner.

The accounts payable group, which is part of the accounting department, is responsible for processing invoices and works diligently with many other groups to coordinate that invoice payments are issued each week. The various groups include the procurement department, who sets up purchase order information within the JD Edwards financial system and assists in gathering approval [redacted] for invoices, work with key personnel assigned, to establish new vendors, warehouse personnel, who receive goods and provide receiving documents to accounts payable, managers and supervisors, who review and approve invoices, and office specialists, who assist in routing invoices to the appropriate managers for approval. Once check payments are issued the check copies, invoices and other supporting documents are scanned and saved in the approved data storage system.
Some initiatives which have been put in place to improve timeliness and accuracy include:

- Inactivated vendors who were no longer in use
- A time stamp for when invoices received in Accounts Payable
- Deadlines for issuing check payments
- Defined a review process for all checks
- A process to review statements provided by vendors
- Usage of software to perform a weekly review of payments made to detect mistakes and anomalies

The performance goal of the accounts payable process is to pay every invoice within 30 days of receipt, and ensure payments receive adequate approval and review.

Objectives and Scope
The period of the preliminary assessment was July 1, 2017 through June 30, 2018 with the completion of the audit work focusing on June 1, 2019 through October 31, 2019.

The primary areas of focus for the Accounts Payable audit were:

- Governance
- Invoice approvals
- Payment processing
- Payment approvals
- Duplicate payments
- Duplicate payments
- Vendor management
- Employee reimbursements
- Credits and refunds

Internal audit excluded from the scope of this audit areas such as:

- Lease and bond payments
- P-card payments
- Real estate payments
- Bank administration and bank reconciliations
- Procurement process

Given that the procurement process did not form part of the scope, any control failures attributable to that process were not considered for this assessment. Consequently, AP controls that were designed adequately and operating effectively may not have prevented unauthorized or inaccurate payments due to failures in the preceding procurement process.

IA pulled some AP data directly from the ERP system to obtain sufficiently detailed information. This resulted in the risk that the population may have been different had management produced the data assessed. Management also provided data resulting in the risk that related populations might have been incomplete.

Audit Conclusion

Conclusion
The audit of accounts payable revealed that improvements were made to mitigate risks identified in the assessment including: • Issuance of a memo to guide users through best practices and standards of procurement and disbursement processes • System tolerances to prevent circumvention of purchase order controls • Improved disbursement review and late payment monitoring practices • System required review of vendor name changes implemented Risk was identified in the inability to validate payment approvals for compliance with UTA Policy 3.1.1 Spending Authority. The absence of an automated approval process is likely due to historic practices and a lack of resources rather than a lack of effort by AP management to address the concern regarding manual approvals of invoices. Further complicating efforts is the absence of formalized ownership and authority of those making disbursements to be able to design and enforce an adequate and effective control environment for UTA payment processes. Use of the standard invoice process may also allow users to circumvent contract spending controls in place of purchase orders. For example, if the maximum purchase order value has been reached, a person could opt to pay a vendor with a standard invoice rather than creating a change order. We recommend that acceptable use of standard invoices be limited and defined with controls implemented to guard against its possible misuse. Business practice allowed requisition initiators to approve invoice payment. Differing interpretations of UTA policy may lead to unintended weakening of controls where a requisition approval may be presumed as an approval to pay. This could result in a lack of oversight to determine whether services rendered or goods acquired were done so exclusively on behalf of UTA for a transit purpose. Although the system does prevent duplicate invoice numbers for the same vendor there is elevated risk that duplicate payments may be made within the accounts payable process as well as between accounts payable, [redacted]. Currently management does not have any analytical reports to aid in the detection of duplicate payments. Vendor management controls could be further improved by implementing system controls requiring review and approval for all additions, deletions, and changes to vendor master data beyond just name changes. Management has initiated a project to create an electronic invoice approval workflow, which could greatly enhance the accounts payable control environment. While awaiting its completion the Accounts Payable department is asking for email approval of invoices as temporary solution, which was implemented after the audit period. Due to resource constraints and varying degrees of support, the process may not greatly mitigate the risk of invalid or unavailable approvals. Management should continue to pursue the implementation of an electronic system for the receipt, retention, and approval of invoices. An effective electronic system for invoice processing would significantly reduce the risks of late payments due to lost invoices, missing documentation, and invalid approvals.

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.

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

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1. Governance

Preliminary Finding R-18-6-1	**High**

Criteria:

- Enterprise governance is an overarching system, which seeks to align priorities, funding, and resources and elevates decision-making responsibility, authority, and accountability to the appropriate levels. Governance principles include the following:
  - Management establishes reporting lines, with board oversight, of the development and performance of internal control
  - Individual accountability is in place for internal control responsibilities that support entity objectives
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework stipulates control activities should be deployed through policies that establish what is expected and procedures that put policies into action.

Sources:
COSO Enterprise Risk Management: Establishing Effective Governance, Risk, and Compliance (GRC) Processes, Robert R Moeller
COSO: How the COSO Frameworks Can Help, James DeLoach and Jeff Thomson

- Board Resolution R2012-05-01 authorizes the Chair, Vice Chair, Secretary, General Manager, General Counsel, Deputy Treasurer, and Comptroller to settle Authority debts, obligations, and liabilities.
- UTA Policy 3.1.1 *Spending Authority* assigns the Comptroller the responsibility to develop procedures for disbursement guidelines and internal controls for issuance of funds for Petty Cash, Requisitions, P-Card Purchases and Monthly Statement Approval, and Other Disbursements. The Policy also assigns the Senior Supply Chain Manager the authority to purchase replacement inventory without obtaining authorizations otherwise required by the policy.
- UTA Policy 3.1.6 *Contracting Authority* states that "The Accounting Department will make payments as authorized by the Contract Administrator and Project Manager", as they relate to contract payments.

Condition:

- The scope, authority, and responsibility for the accounts payable process has not been clearly documented, including, but not limited to:
  - Due to the absence of a management policy establishing authority for AP, Board Resolution R2012-05-01 may be interpreted to allow any of the following employees the authority to make AP payments: Chair, Vice Chair, Secretary, General Manager, General Counsel, Treasurer, Deputy Treasurer, and Comptroller
  - The extent to which the Comptroller has the overall responsibility to assure that all payments follow disbursement guidelines and have valid and sufficient approval
  - Delineation of responsibilities between Accounting and Supply Chain for areas such as:
    - Follow up with vendors on invoice discrepancies
    - Vendor management maintenance issues
    - Maintaining an accurate vendor record without duplication

- UTA Policy 3.1.6 Contracting Authority only addresses contract related payments as authorized by the Contract Administrator and Project Manager, which does not include payments related to the following:

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  - Standard invoice payments
  - Non-project and/or non-grant related 2-way match invoice payments
  - Three-way match invoices
- UTA Policy 3.1.1 Spending Authority lacks clarity for the following:
  - The lowest documented approval authority is with the title “Manager”. It is unclear whether the spending authority allows for Assistant Managers to approve any spending implicitly or through delegation of authority
  - Does not indicate the ability for approval authority to be delegated, such as in the event of an approver’s absence
  - Does not define what constitutes sufficient documentation for approval
  - Does not identify repercussions for not following or enforcing the policy
  - Does not indicate whether approvers can approve disbursements for budgets that are not within their area of responsibility
- Accounting Policy ACC-008-101 identifies AP segregation of duties (SOD) by title and by employee name increasing the risk that the document becomes outdated more quickly due to change management. IA noted one employee no longer held the position as identified in the responsibility chart
- The responsibility chart, identified above, did not identify responsible parties for critical duties relating to AP such as, but not limited to, physical custody of checks, review of aged AP, as well as review and acceptance of manually approved (standard and 2-way match processes) invoices
- The current Accounting Policy Manual (APM) is not up to date or necessarily reflective of current accounts payable practices

Root/Cause Analysis:

- The AP process is broad and complicated. While the Accounts Payable department and Supply Chain play the most significant roles in the AP process, every department and business unit at UTA are stakeholders in the process
- Authority to perform accounts payable is not sufficiently defined by UTA policies

Effect:

- Unauthorized or invalid disbursements may not be prevented or detected
- Gaps in the AP control environment may not be identified and those identified may not be addressed
- Personnel may develop their own practices rather than to follow best practices
- Insufficient audit trail for disbursement approval

Recommendations

- Management should consider creating a single policy for spending and contracting authority that also addresses the following:
  - Defines the authority, responsibility, and scope of the accounts payable process in order to adequately assign the role and communicate that assignment throughout UTA
  - Clarifies the acceptable methods, if any, for the delegation of contracting and spending authority
  - Establishes what is required to sufficiently evidence approval related to the spending authority
- Management should perform a risk assessment to identify the key risks for the AP process and decide how to best design controls and assign responsibilities

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- Accounting should update the APM to reflect current AP practices and to address any gaps identified
- Accounting should consider removing individual's names from SOPs and using only job titles

Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	3/31/2019

Accounting understands and will start to create a policy that defines authority, delegation of duties, and controls to show evidence of proper approval of invoices. Accounting will update the APM to define these points and improve the identified controls in the AP process.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.

Final Status	**High**

Implemented:

- The Comptroller and Senior Supply Chain Manager created and distributed the Purchasing and Approval Guidelines Memo to assist responsible parties in using appropriate procurement methods and their respective payment approval processes
- Board Resolution R2012-05-01 was replaced by Board of Trustees Policy No. 2.2 Contract Authority and Procurement. This change more clearly delegates responsibility to carry out procurement related activity to the Chief Financial Officer
- Management updated the Accounting Policy Manual related to accounts payable segregation of duties

Areas of risk within the Accounts Payable Governance process remain, including:

- UTA Policies 3.1.1 Spending Authority and 3.1.6 Contracting Authority may be seen as in conflict as the Contracting Authority allows a contract originator the ability to delegate authority to approve invoice payments while the Spending Authority specifically requires an approval authority to be followed and being silent on designation of authority. The Spending Authority has not been revised to include guidance on delegation of authority, documentation of approval, repercussions for non-compliance, or approvals for areas outside of one's budget
- Although the Comptroller has issued a memo to provide guidance for some Accounts Payable payment processes, his authority to do so is unclear as it has not been established by Management through a policy or other delegation of authority

No Policy or standard operating procedure (SOP) has been implemented to address the following:

- Roles and responsibilities for vendor management is not clear between Accounting and Procurement as the process for approval, review, or monitoring of the vendor management system, including the process to add or change vendor data, has not been defined
- Assignment of overall responsibility to assure that all payments follow disbursement guidelines with valid and sufficient approval
- The minimum standards for making payments with and without a purchase order (PO)

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<table>
<tr><td colspan="3">Recommendations:
• Assign ownership of disbursements with sufficient authority and accountability to develop a well-controlled process that meets UTA policy standards and legal requirements. Sufficient authority may include having the ability to direct all approvers in the organization to follow best practices and to reject requests that do not meet the standards set forth
• Assigned owner should perform a risk assessment of the accounts payable process, including vendor management:
    o Identify the critical risks to achieving management's objectives and assess the existing control environment to determine the most significant residual risk that should be addressed
• Based on the risk assessment results, the assigned owner of disbursements should amend the current process, including redesign as needed of procurement practices intended to convey disbursement approval, that assures a well-controlled system of payments with adequate approval and retention of evidence that controls are followed
• Management should review UTA Policies 3.1.1 and 3.1.6 to determine whether additional clarity and guidance is needed for delegation of invoice approvals</td></tr>
<tr><th>Management Agreement</th><th>Owner</th><th>Target Completion Date</th></tr>
<tr><td>Yes</td><td>Chief Financial Officer</td><td>12/31/2020</td></tr>
<tr><td colspan="3">Accounting will work with Supply Chain to perform a risk assessment, redesign procurement and accounts payable practices to enhance internal controls, and clarify disbursement related policies (3.11, 3.16, and other related policies).

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, Phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete by April 30, 2020 and will include documentation of SOPs. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.</td></tr>
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2. General Invoice Processing

<table>
<tr><th>Preliminary Finding R-18-6-2</th><th>High</th></tr>
<tr><td colspan="2">Criteria:
Executive Limitations Policy No. 2.2.1 “Asset Protection,” states, “Assets of the Utah Transit Authority shall not be unprotected, inadequately maintained, or unnecessarily risked. Accordingly, the General Manager shall not:
1. Fail to protect against:
   a. Property and casualty losses;
   b. Public officials' errors and omissions and fiduciary liability;
   c. Theft and fraud;
   d. Loss of value, appearance, and utility of assets and</td></tr>
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e. Loss of or significant damage to intellectual property, systems, and records essential to the well-being of the Authority."

Condition:

- The following risks related to duplicate payments were noted:
  - Although there was some evidence that items within management reports, flagging potential duplicate AP payments, had been followed up on, there was not sufficient evidence demonstrating that all items had been reviewed
  - Even though there was a process to identify potential duplicate AP payments, there was no process to detect when an invoice was paid by AP and by another method such as a [redacted]
- Although vendor statements are periodically reviewed the process is not documented when performed

Root/Cause Analysis:

- Staff turn-over contributed to findings such as failure to review potential duplicates
- Acceptable methods to document vendor statement review have not been included in an SOP

Effect:

- Unauthorized or invalid disbursements, including duplicate payments, may not be or detected
- Invoices may not be processed or processed late because vendor statements may not be reviewed

Recommendations

- Management should design exception reports to identify possible duplicate payments and should implement a process to follow up on any such items
- Management should document retention requirements and minimum evidence of review for the vendor statement review process

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	11/30/2018

Accounting will include in its new policy, standards that define how an invoice number is entered in the financial system that already monitors duplicate numbers. Accounting will also release a memo to clarify and define when a check request is needed or when Procurement Card should be used, that will hopefully reduce the potential for duplicate payments. This step will assist in preventing duplicate payments enough to warrant dropping the AP Forensics system, which currently is monitoring for duplicate payments after the payment has been made.

Accounting will define a process to document the review of vendor statements, dissemination to interested departments, and retention standards for these documents.

Final Status	High

Implemented:
Accounts Payable Supervisor implemented a review of each item selected for payment against back up provided to confirm that the payment agreed to its support

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The following items represented risk identified during audit procedures:

- Although a review of invoices is performed for all batches being processed for payment, it does not include review of items paid in other batches or by other payment methods such as [redacted]
- Almost all utilities payments were paid directly by accounts payable without approval. For the 10 months ending 10/31/2019 IA identified over $9.85M in utilities related expenses
- Although a process was in place to track and report electricity and natural gas usage from bills paid, no review process could be identified that reviewed utilities' expenses for reasonability or reported flagged items for further research
- Management has not documented best practices or minimum standards expected in the vendor statement review process which may elevate the risk that it is not performed consistently

Test results:
For a sample of 25 items, 22 were not paid on time. The primary causes of late payments identified by management were:

- Invoices sent by vendors directly to other departments where they were held up
- Waiting for invoice approvals before processing

Recommendations:

- Accounts Payable should continue to pursue its proposed project for electronic workflow approval of invoices as well as adding the requirement of electronic receipt of invoices from vendors
- Management should develop an exception report to flag potential duplicate payments and perform a periodic review and investigation of flagged items
- UTA Management should perform a risk assessment for utilities payments to identify and measure the associated risks. For any risks deemed unacceptable Management should assign the authority and accountability to develop a controlled process to address these risks for utilities payments
- If Management's intention is to continue the practice of paying utilities invoices without approval, then the UTA Policy 3.1.1 should be revised or replaced to address utilities payments paid without approval
- Management should document the expectations and standards for the vendor statement review process as this would mitigate the risk that the process is inconsistent as well as facilitate training when staff turnover occurs

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

Accounting will work with Supply Chain to perform a risk assessment, redesign procurement and accounts payable practices to enhance internal controls, and clarify disbursement related policies (3.11, 3.16, and other related policies).

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, Phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete by April 30, 2020 and will include documentation of SOPs. Phase 2 will include automation tools to

further improve accuracy and documentation and should be complete by December 31, 2020. Accounting will work with IT to develop A/P exception reports. Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

3. Three Way Match Invoices

Preliminary Finding R-18-6-3	**High**

Criteria:
Three-way match validation is comprised of matching the following documents against each other for aspects such as specific items, quantities, and price per unit based on a negotiated agreement between UTA and its vendors:

- Vendor invoice
- A PO processed by the UTA Purchasing staff, based on an approved purchase requisition
- The receipt of goods recorded in JDE by the warehouse staff

Condition:

- Although a goods received but not vouchered (GRNV) report is available in JDE, a review thereof was not performed to identify potential missing invoices and unpaid vendors
- Exception testing of three-way match invoices revealed the following:
  - For 7 (out of 15) items sampled, the invoice was dated prior to the received or ordered date entered into JDE
  - For 1 (out of 15) item sampled, a different PO was used to pay the invoice than the one listed on the invoice
  - For 7 (out of 15) invoices tested, dates examined were not entered correctly in JDE
  - For 1 (out of 15) invoices tested, the price and quantity were greater than the two matched PO lines with the difference charged to inventory repair and repair parts
  - For 1 (out of 15) invoices tested no documentation could be found to support the payment
- Based on exception tests, 19 (out of 17,687) payment vouchers were noted to have vendor payments exceeding amounts receipted. 2 of the 19 items were selected for additional review and the following were noted:
  - For 1 item (out of 2) tested the invoice did not match the PO or received amount
  - For 1 item (out of 2) tested the PO did not match the invoice or received amount

Root/Cause Analysis:

- Human error
- For payments under $5,000, there is limited review of system information to the supporting documentation
- AP coordinators had the following capability in JDE:
  - Override the unit price or overall amount from the received price
  - Override the unit quantity of what was received

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- Add additional lines for freight and non-inventory items without any approval requirement

Effect:

- Missing invoices resulting in late payments may go undetected
- Payments may be made without being matched to the appropriate receiving document, resulting in overpayment to vendors
- Inventory may not be appropriately valued
- Audit trail for adjustments may not be complete
- Orders not following the expected process may result in unapproved orders placed with vendors and paid with UTA funds

Recommendations

- Management should review and, where appropriate, activate existing JDE AP system functionality that could be used to restrict users' abilities to perform actions that are currently controlled manually, such as, but not limited to:
  - Overriding the unit price or overall amount from the received price
  - Overriding the unit quantity from what was received
  - Adding additional lines for freight and non-inventory items without limitation of amount or any approval requirement
- Where system functionality cannot restrict users' abilities Accounting should implement a review of information entered by AP coordinators
- Management should implement a regular periodic review of GRNV, including documenting what the minimum level of review should include, how often it should be performed, and what evidence of review should be retained
- Decisions taken between AP staff and Procurement regarding invoices and POs should be documented and included with invoice payments where necessary, such as use of a different PO than that specified on the invoice
- Management should document the standard of review for AP payments including, but not limited to:
  - What reviewers should be checking for
  - What constitutes evidence of review
  - What, at a minimum, the reviewer is asserting by evidencing that their review is complete

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	3/31/2019

Accounting will research the ability to activate existing system controls within JDE, and where possible activate system controls to prevent overriding price and quantity. If system controls will not work, Accounting will define a subsequent control to monitor price and quantity changes.

Accounting will work with the Supply Chain to add segregation of duties controls for freight, and research other methods of paying these types of items. If new controls will not work, Accounting will define a subsequent control to monitor freight added to an invoice.

Accounting will include in the new AP policy a method and timeline for reviewing information entered by AP, receiving, and Supply Chain personnel along with other pertinent reports and balance sheet accounts (GRNV).

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Accounting will work with Supply Chain to document the new PO policy and define the most advantageous controls on PO and management approval to deviate from defined PO types. Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.

Final Status		Low
Implemented: • System tolerances have been implemented, which restrict AP coordinators from matching invoice unit quantities and prices for more than what was approved on the purchase order as well as restricts the ability to add additional PO lines outside the tolerance amounts • A periodic review process of GRNV has been implemented to manage late paid invoices • A process of reviewing all AP payment batches to invoice support was implemented by the AP Supervisor A remaining area of risk identified for 3 way match invoice process in that Management is not able to assess the effectiveness of the automated tolerance control as no system report was available showing unit quantities and prices for items paid compared to the purchase order line items they were matched against. Additionally, although evidence of a payment batch review process was noted, the minimum standard of the review as well as any assertions associated with completion of the review have not been clearly defined. Recommendations: • Management should develop a report to review payment information against purchase order information to confirm that system tolerances are functioning as intended • Management should document the minimum standards and assertions for all review processes in order to assure consistency and clear understanding of roles and responsibilities for reviewers • Although the implementation of a system PO tolerance control will reduce the number of exceptions, decisions taken between AP staff and Procurement regarding invoices and POs should be documented and included with invoice payments where necessary, such as use of a different PO than that specified on the invoice • AP should notify Procurement management when invoices are dated prior to PO date as that could be an indication of non-compliance		
Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020
An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will include a process to document how exceptions were handled and ensure that reasons for changes made to invoices and related documents are noted. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs		

and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

The process to review AP related Balance Sheet accounts will also be documented and standards of review set forth. This will help to mitigate the risk surrounding the use of the system tolerance functions.

Accounting has several major projects underway (e.g. asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

4. Two Way Match Invoices

Preliminary Finding R-18-6-4	**High**

Criteria:
Two-way match validation is comprised of matching the following documents against each other for aspects such as specific services, items, quantities, and/or price per unit based on a negotiated agreement between UTA and its vendors:

- Vendor invoice
- A PO prepared by the UTA Purchasing staff and based on an approved purchase requisition
- The receipt of goods or services acknowledged via signed approval by an authorized approver on the invoice, as opposed to Warehouse staff entering receipt information into JDE

Condition:

- AP coordinators did not review the validity of invoice approval [redacted] to determine if they were in line with UTA Policy 3.1.1 Spending Authority or budgeting authority
- Although vendor statements are periodically reviewed the process is not documented when performed
- Testing of 2 way match invoices revealed the following:
  - For 2 (out the 4 tested) payments had amounts paid greater than the related amounts received
  - For 2 (out the 4 tested) payments, related invoices were not signed indicating approval

Root/Cause Analysis:

- Human error
- No tool was available to assist AP coordinators in determining if an approval [redacted] was appropriate or valid
- For payments under $5,000, there is limited review of system information to the supporting documentation
- Where system functionality cannot restrict users' abilities Accounting should implement a review of information entered by AP coordinators
- The following JDE AP system attributes represent added risk:

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<table>
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- No restriction for users responsible for processing AP from overriding the unit price or overall amount from the received price
- Users responsible for processing AP can add additional lines for freight and non-inventory items without any approval requirement

Effect:

- Unauthorized or invalid disbursements, including duplicate payments, may not be prevented or detected
- Orders not following the expected process may result in unapproved orders placed with vendors and paid with UTA funds
- Although budget owners may note general ledger (GL) expenses outside of what was expected, the control is not sufficient to assure that all expenses are valid and appropriately accounted for
- Audit trail for adjustments may not be complete

</td></tr>
<tr><th colspan="3">Recommendation</th></tr>
<tr><td colspan="3">

- Management should consider implementing an electronic workflow system to automate the process of invoice approval. Alternatively, [redacted] should be provided to AP coordinators for all approvers to enable a review for validity [redacted]. If neither alternative is viable, management should communicate to all UTA employees that AP does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner
- Management should review and, where appropriate, activate existing JDE AP system functionality that could be used to restrict users' abilities to perform actions that are currently controlled manually, such as, but not limited to:
  - Overriding the unit price or overall amount from the received price
  - Adding additional lines for freight and non-inventory items without limitation of amount or any approval requirement
- Where system functionality cannot restrict users' abilities Accounting should implement a review of information entered by AP coordinators
- Decisions taken between AP staff and Procurement regarding invoices and POs should be documented and included with invoice payments where necessary, such as use of a different PO than that specified on the invoice
- Management should document the standard of review for AP Payments including, but not limited to:
  - What reviewers should be checking for
  - What constitutes evidence of review
  - What, at a minimum, the reviewer is asserting by evidencing that their review is complete

</td></tr>
<tr><th>Management Agreement</th><th>Owner</th><th>Target Completion Date</th></tr>
<tr><td>Yes</td><td>Comptroller</td><td>3/31/2019</td></tr>
<tr><td colspan="3">

Accounting is currently working with IT to research and implement an electronic workflow process of invoice approvals. Accounting believes this electronic routing will alleviate the need to monitor [redacted].

Accounting will research the ability to activate existing system controls within JDE, and where possible activate system controls to prevent overriding price and quantity. Where system controls are not possible Accounting will define a review process for information entered by AP staff. This will include setting standards for documentation and evidence of review.

</td></tr>
</table>

APPENDIX 1

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.

<table>
<tr><th colspan="2">Final Status</th><th>High</th></tr>
<tr><td colspan="3">Implemented:
A process of reviewing all AP payment batches to invoice support was implemented by the AP Supervisor
System tolerances have been implemented, which restrict AP coordinators from matching invoice unit quantities and prices for more than what was approved on the purchase order as well as restricts the ability to add additional PO lines outside the tolerance amounts
Significant risk still remains in the AP process when approvals are required for payment given that approvals are obtained in hard copy, for the most part. AP coordinators do not have adequate resources to review [redacted] for appropriateness or validity. Additionally, approval for disbursement may be sought from requisition initiators rather than approvers, resulting in the risk that goods delivered, or services rendered were not consistent with what was understood or intended when the requisition was approved.

As noted in the final status for the Three Way Match (finding 3 above), although there was evidence of a payment batch review process, the minimum standard of the review as well as any assertions associated with completion of the review have not been clearly defined.

Recommendations:
Management should continue to pursue implementation of an electronic invoice approval workflow
Until a viable electronic workflow can be implemented to replace [redacted], Management should establish standards for approvals [redacted]
If neither alternative is viable, management should communicate to all UTA employees that the Accounts Payable department does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner
Management should document the minimum standards and assertions for all review processes in order to assure consistency and clear understanding of roles and responsibilities for reviewers
Although the system tolerances may reduce the need for decisions to be taken between AP and Procurement, wherever decisions are made between the two departments in how to address items that cannot follow the correct procurement process they should be clearly documented including who is giving the direction and why</td></tr>
<tr><th>Management Agreement</th><th>Owner</th><th>Target Completion Date</th></tr>
<tr><td>Yes</td><td>Comptroller</td><td>12/31/2020</td></tr>
<tr><td colspan="3">An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to</td></tr>
</table>

document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

As we work to prepare these SOPs the standards for the review process, and documentation requirements will be defined for the process and exceptions to the defines process.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

5. Standard Invoices

Preliminary Finding R-18-6-5	**High**

Criteria:
Standard invoices are those that do not go through Procurement and do not have a related PO. They are signed by the approver and submitted to AP without any additional review or approval by management.

Condition:
- AP coordinators did not review the validity of invoice approval [redacted] to determine if they were in line with UTA Policy 3.1.1 Spending Authority or budgeting authority
- Although vendor statements were periodically reviewed the process was not documented when performed
- For 1 (of 25) standard invoice tested there was no evidence of approval and for 1 other invoice tested it was unclear whether the approval was valid
- The following risks related to duplicate payments were noted:
    - There was no process to detect when an invoice has been paid by AP as well as by a different method [redacted]
    - Although there was some evidence that items within management reports flagging potential duplicate AP payments had been followed up on, there was no sufficient evidence demonstrating that all items had been reviewed

Root/Cause Analysis:
- Human error
- No tool is available to assist AP coordinators in determining if an approval [redacted] is appropriate or valid
- For payments under $5,000, there is limited review of system information to the supporting documentation

Effect:
- Although budget owners may note general ledger (GL) expenses outside of what was expected the control is not sufficient to assure that expenses are valid and appropriately accounted for

APPENDIX 1

- Insufficient audit trail for disbursement approval

Recommendation		

• Management should implement an electronic workflow system to automate the process of invoice approval. Alternatively, [redacted] should be provided to AP coordinators for all approvers to enable a review for validity [redacted]. If neither alternative is viable, management should communicate to all UTA employees that AP does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner
• Management should document the standard of review for AP Payments including, but not limited to:
  ○ What reviewers should be checking for
  ○ What constitutes evidence of review
  ○ What, at a minimum, the reviewer is asserting by evidencing that their review is complete		

Management Agreement	**Owner**	**Target Completion Date**
Yes	Comptroller	3/31/2019
Accounting is currently working with IT to research and implement an electronic workflow process of invoice approvals. Accounting believes this electronic routing will alleviate the need to monitor [redacted]. Accounting will research the ability to activate existing system controls within JDE, and where possible activate system controls to prevent overriding price and quantity. Where system controls are not possible Accounting will define a review process for information entered by AP staff. This will include setting standards for documentation and evidence of review. Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.		

Final Status	High
Implemented: Accounts Payable Supervisor implemented a review of each item selected for payment against back up provided to confirm that the payment agreed to its support • Significant risk remains in the standard invoice process when approvals are required for payment given that approvals are obtained in hard copy, for the most part. AP coordinators do not have adequate resources [redacted] • The standard invoice process allows circumvention of spending controls for purchase orders • Although a review of invoices is performed for all batches being processed for payment, it does not include review of items paid in other batches or by other payment [redacted], due to standard invoice processing. Nor does Management have a report to flag potential duplicate payments within the accounts payable process for further investigation	

APPENDIX 1

Testing of 25 standard invoices revealed:

- 16 items tested did not have evidence of approval in line with UTA Policy 3.1.1 Spending Authority
- 1 item had a delegated approval which was not explicitly authorized by UTA Policy 3.1.1 Spending Authority
- 1 item was approved as required by the Executive Director but was lacking other approvals required by UTA Policy 3.1.1 Spending Authority
- 8 items were identified as requiring Board approval and of those, 3 did not have evidence of Board approval

For the 16 items without evidence of management approval, IA noted that 12 of those items were related to payments for benefits vendors totaling more than $3.5M. Additional review of the these items revealed that they went outside the standard accounts payable process in a longstanding practice for which no review or approval of the underlying calculation or final payment was obtained. Furthermore, the calculation of the payment was performed by the same staff who created the payment, which elevated the risk of errors not being prevented or detected.

Recommendations:

- Accounts Payable should define acceptable use, if any, for the standard invoice process. Controls should be implemented to assure that payments have been appropriately approved and the process is not being used to circumvent the use of a purchase order. Furthermore, Accounts Payable should reject requests for standard invoice payment that do not meet acceptable use
- Management should identify the responsible party for benefits vendor payments being made through the alternative accounts payable process and determine whether to require approval in line with UTA Policy 3.1.1 Spending Authority or document exceptions to the policy, as needed
- Management should continue to pursue implementation of an electronic invoice approval workflow
- Until a viable electronic workflow can be implemented to replace [redacted], Management should establish standards for approvals [redacted]) to enable a review for validity [redacted], or email approvals
- If neither alternative is viable, management should communicate to all UTA employees that the Accounts Payable department does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner
- Management should develop an exception report to flag potential duplicate payments and perform a periodic review and investigation of flagged items

Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	12/31/2020

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

APPENDIX 1

As we work to prepare these SOPs the standards for the review process will be defined. We will also work to define standards for using this payment option. Management will perform a risk assessment related to benefit vendors and duplicate payments, and then determine the best course of action to mitigate risk. Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

6. Vendor Payments

Preliminary Finding R-18-6-6	**High**
Criteria: Executive Limitations Policy No. 2.2.1 “Asset Protection,” states, “Assets of the Utah Transit Authority shall not be unprotected, inadequately maintained, or unnecessarily risked. Accordingly, the General Manager shall not: 1. Fail to protect against: a. Property and casualty losses; b. Public officials’ errors and omissions and fiduciary liability; c. Theft and fraud; d. Loss of value, appearance, and utility of assets and e. Loss of or significant damage to intellectual property, systems, and records essential to the well-being of the Authority.” Condition: • During the assessment IA noted the following segregation of duties issues related to paying vendors: o AP coordinators entered invoices and had physical custody of checks, including all checks under $5,000, which may receive only limited review o Check requesters may have received checks for further delivery • There was no process to assure that vendor credits were taken timely, or at all, or that a refund was requested if the credit was not likely to be used • IA identified over 1,600 invoice payments (out of over 34,000), by exception testing, for which the paid date was 90 days past the due date. Twenty-five invoices were selected for further testing. IA noted the following: o 24 (out of 25) were confirmed to not have been paid by the due date o 7 (out of 25) had payment terms in the system that differed from the invoice o 2 (out of 25) had the incorrect invoice date entered into the system o 1 (out of 25) did not have a scanned copy on file Root/Cause Analysis: • Lack of resources to adequately segregate duties • There was no review of GRNV	

APPENDIX 1

- There was no review of Accounts Payable Aging reports
- Until April of 2018, there was no practice to date stamp invoices when received, making it difficult to identify the underlying cause for late payments
- Payment terms on invoices may conflict with terms on UTA contracts or terms may have been entered into the system incorrectly

Effect:

- Unpaid or missing invoices may go undetected leading to late payments, resulting in strained relationships with vendors
- Unpaid invoices entered into the system may not be appropriately identified for follow up leading to late payments, resulting in strained relationships with vendors
- Credits may not be taken timely or at all, resulting in financial loss to UTA
- Where inadequate SOD exists there is an increased risk of errors and fraud not being prevented or detected

Recommendations

- Management should segregate duties, wherever possible to ensure that individuals responsible for requesting or creating payments do not have physical custody to the related check.
- Management should document the standard of review for AP Payments including, but not limited to:
  - What reviewers should be checking for
  - What constitutes evidence of review
  - What, at a minimum, the reviewer is asserting by evidencing that their review is complete
- Management should implement a regular periodic review of GRNV, including documenting what the minimum level of review should include, how often it should be performed, and what evidence of review should be retained
- Management should implement a regular periodic review of Accounts Payable Aging reports, including documenting what the minimum level of review should include, how often it should be performed, and what evidence of review should be retained
- Management should develop and document a system of tracking vendor credits and ensuring they are used to offset existing payments or otherwise remitted to UTA
- Management should document the responsibilities of departments and business units versus AP in the AP process and how best to communicate those responsibilities across the organization
- Management should continue the practice of date stamping invoices when they are received by the Accounts Payable Department

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	3/31/2019

Accounting will create new policies that identifies controls concerning vendor management and segregation of check cutting. This will include defining who has access to checks, printing of checks, and who can create or change vendor information. This will also define the qualifications for a vendor to ensure accuracy of the vendor list and 1099 reporting.

Accounting will define a process for documenting the review of the AP aging report and GRNV and set standards detailing what and when the reviewer should be looking at these documents.

APPENDIX 1

Once the AP policies and existing procedures are updated with all changes Accounting will publish the policy/procedures to communicate responsibilities throughout the organization.

Final Status	**Medium**

Implemented:

- A process for reviewing all AP payment batches to invoice support was implemented by the AP Supervisor
- The AP supervisor performs a review of overdue items in the system through a dashboard report, which reduces the risk of late payments and unused credits
- The AP supervisor performs periodic review of GRNV which also reduces the risk of late payments and unused credits
- Comptroller issued memo guidance to responsible parties throughout UTA on the responsibilities of departments and business units versus AP in the AP process and how best to communicate those responsibilities across the organization

Areas of risk include:

- Positive pay files are generated and sent to the bank by the approver of pay batches
- [redacted]
- Parties responsible for generating and sending of positive pay files also have access to check stock as well as ability to print checks
- Checks are not kept secure through the process of printing up to being picked up by the post office
- Checks distributed directly to employees are not tracked
- Checks are not physically tracked to determine if any may be lost or missing during the process of matching to backup, putting into envelopes, posting, and waiting for pick up
- Minimum review standard as well as any assertions associated with completion of the review have not been clearly defined
- Vendor credits are identified in the AP aging review, however, they are typically left unused until they can be used against a valid invoice regardless of whether that is a certainty

Recommendations:

- Management should pursue electronic receiving of invoices by vendors
- Management should communicate to UTA vendors and staff that all invoices should be sent directly to Accounts Payable by the vendor to reduce the risk of lost, delayed, or forgotten invoices
- Management should include physical checks in its risk assessment process and implement controls to address unacceptable risks
- Management should document the minimum standards and assertions for all review processes in order to assure consistency and clear understanding of roles and responsibilities for reviewers
- Management should develop and document a system of tracking vendor credits and ensuring they are used to offset existing payments or used to obtain refunds in a timely manner
- Management should continue the practice of date stamping invoices when they are received by the Accounts Payable Department

APPENDIX 1

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

As we work to prepare these SOPs the process for submitting invoices to AP will be defined, including that invoices should be submitted to AP electronically by the vendors, and defining the standards and assertions for the review process.

Management will perform a risk assessment related to custody of physical checks and the positive pay file, and then determine the best course of action to mitigate risk.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

7. Employee Reimbursement

Preliminary Finding R-18-6-7	**High**

Criteria:

- UTA Policy No. 3.1.1 Spending Authority outlines the minimum required approvals for disbursements
- UTA Policy No. 1.1.8 UTA Travel and Reimbursement states: “Advances are discouraged but may be made with approval from the employee’s Chief Officer”.

Condition:

- AP coordinators do not review the validity of invoice approval [redacted] to determine if they were in line with UTA Policy 3.1.1 Spending Authority or budgeting authority
- IA judgmentally selected 10 reimbursements for additional review based on overall amounts and frequency by employee and noted the following:
  - For 5 (of 10) reimbursements IA could not [redacted] for appropriateness of approval for employee reimbursement
  - For 2 (of 10) IA noted that they were for cash advances which were not approved by the Executive, as required by Corp Policy 1.1.8 Travel and Reimbursement

Root/Cause Analysis:

- No tool is available to assist AP coordinators in determining if an approval [redacted] is appropriate or valid
- Staff may not have been aware of the cash advance Chief Officer approval requirement

APPENDIX 1

Effect: Invalid or inappropriate employee reimbursements may not be prevented or detected		
Recommendation		

• Management should implement an electronic workflow system to automate the process of employee reimbursement approval. [redacted] If neither alternative is viable, management should communicate to all UTA employees that AP does not assess validity of employee reimbursement approvals and responsibility to ensure that spending is appropriate rest with each budget owner
• Management should redesign the employee reimbursement form to clarify the requirement of Executive Officer approval requirement for cash advance
• Management should implement a review of submitted employee reimbursement forms including:
  ○ Identifying the appropriate level of the review
  ○ Documenting the standard of the review
  ○ Establishing what constitutes evidence of review and what is being attested to by the reviewer when a review is evidenced as completed		

Management Agreement	**Owner**	**Target Completion Date**
Yes	Comptroller	3/31/2019
Accounting will work to develop an employee reimbursement form in Laserfiche to allow for an electronic workflow. The workflow will be defined to include appropriate approval levels for travel and appropriate approvals and monitoring for cash advances for each reimbursement type. Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.		

Final Status	**High**
Significant risk remains in [redacted] for employee reimbursements being accepted but not authenticated. Recommendations: • Management should continue to pursue implementation of an electronic invoice approval workflow • Until a viable electronic workflow can be implemented to [redacted], Management should establish standards for approvals [redacted] to enable a review for validity [redacted] • If neither alternative is viable, management should communicate to all UTA employees that the Accounts Payable department does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner • Management should develop an exception report to flag potential duplicate payments and perform a period review and investigation of flagged items	

APPENDIX 1

• Management should redesign the employee reimbursement form to clarify the requirement of Executive Officer approval requirement for cash advance
• Management should document the level of review of submitted employee reimbursement forms including:
  o Identifying the appropriate level of the review
  o Establishing what constitutes evidence of review and what is being attested to by the reviewer when a review is evidenced as completed

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

The travel policy is currently under review. Once it is finalized the SOPs surrounding employee reimbursements will be updated accordingly.

Management will perform a risk assessment related to duplicate payments, and then determine the best course of action to mitigate risk.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

8. Vendor Management

Preliminary Finding R-18-6-8	**Medium**

Criteria:
Executive Limitations Policy No. 2.2.1 “Asset Protection,” states, “Assets of the Utah Transit Authority shall not be unprotected, inadequately maintained, or unnecessarily risked. Accordingly, the General Manager shall not:

1. Fail to protect against:
   a. Property and casualty losses;
   b. Public officials’ errors and omissions and fiduciary liability;
   c. Theft and fraud;
   d. Loss of value, appearance, and utility of assets and
   e. Loss of or significant damage to intellectual property, systems, and records essential to the well-being of the Authority.”

APPENDIX 1

Condition:

- No review or approval was in place for vendors added to the system. Although a report was identified to enable review of quarterly changes to vendor information it was not being reviewed
- Quarterly user access review performed by the ERP Admin did not include a review of users with vendor management rights in JDE
- Although inactive vendors were periodically identified and their status was changed to “inactive” there was no formal process in place to periodically identify obsolete or unused vendors nor was there a preventative control to stop duplicate vendors from being added
- Two SOD issues were also noted:
  - Contract Buyer had ability to add/edit vendors, which conflicted with ability to create POs
  - Accounting ERP Admin had ability to add/edit vendors, which conflicted with responsibility to review changes to vendor information. Additionally, Accounting ERP Admin has extensive rights and abilities in the Accounting System, and thus, represents a unique risk
- The following issues were identified during review of vendor records:
  - 9 current employees were found to have a vendor as well as an employee record
  - 129 vendors were identified in the system with names that matched or closely matched another vendor and for the 13 selected for additional review, 6 were identified to be duplicates vendors who had received payment during the period
  - 37 vendor records contained the same address as at least one other vendor record
  - 3 vendor records were identified with empty address fields with one of those records containing an address in the vendor name field
  - 6 vendor records had UTA’s listed address as the vendor’s address
- The following issues were identified during review of supplier records:
  - 925 were identified as having no tax ID
  - 3 were identified with invalid tax IDs (wrong format)

Root/Cause Analysis:

- Assigned responsibilities for vendor management have not been documented. Two departments have the ability to add and edit vendors in the system, contributing to the lack of clarity regarding ultimate responsibility
- The report of changes to vendor information was deemed too large to adequately review
- Supply Chain has assigned the buyer to have vendor management responsibilities due to a lack of additional available personnel

Effect:

- Invalid or inappropriate vendors and/or vendor details may not be prevented or detected
- Invalid or inappropriate payments may not be prevented or detected
- UTA may not be able to fulfill its responsibilities to accurately report vendor tax information to the Federal Government
- UTA may not be able to adequately report tax information to vendors

Recommendations

- Management should implement a review process for new vendors and changes to vendor details
- Management should require inclusion of users with vendor management rights in JDE in the ERP Admin’s quarterly access review
- Management should formalize the review of changes to the vendor database including:

APPENDIX 1

- Assigning the review to the appropriate level of supervision, preferably to a user who does not also have access to make additions/edits/deletions to the vendor Masterfile
  - Identifying the critical exceptions to be included as part of the review and excluding items that present little or no risk
- Management should consider supervisory monitoring controls for vendor changes from users with identified SOD issues
- Management should document when Tax IDs are required and when they may not be required
- Management should continue to review vendor records and deactivate or remove duplicate as well as inactive vendors

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	6/30/2019

Accounting will work with the Accounting ERP System Tech to streamline and set more appropriate controls for vendor management. Accounting will also define and set standards for proper documentation when creating or changing vendor information. Accounting will research segregating the vendor file into areas of control for UTA (employees, solicitation vendors and vendors), which will ensure the growth of these records are being monitored by the correct group (HR, Supply Chain, Accounting) as to the growth and duplication of vendors in the system. Those groups would be responsible for managing their own records according to their own needs.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe June 30, 2019 is a more realistic date to complete the work.

Final Status	**Medium**

Implemented:
Vendor name changes now require supervisor review and approval in the ERP system

Areas of risk remaining include:

- Vendor fields such as banking and address information did not require approval in the system
- No report was obtained from the ERP system to periodically review changes or additions to vendor records
- Personnel responsible for monitoring vendor record changes also had access to make additions and changes
- Although there was a monitoring process in place for monitoring vendor record changes, no evidence of review was retained
- The monitoring process for vendor changes did not include vendor data changes made by the authorized staff
- Supply Chain personnel had abilities to create vendors, change vendor information, and create purchase orders, which is a SOD risk

Recommendations:

- Management should implement further system controls where appropriate over critical vendor fields e.g. banking and address information

APPENDIX 1

- Monitoring software should be further refined to better report on changes to critical vendor information

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

System controls and a review process will be implemented in order to ensure vendor management best practices.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

APPENDIX 2

RATING MATRIX

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**
Executive Director	*		*
Chief Financial Officer	*		*
Comptroller	*		*
Accounts Payable Supervisor	*		*
Senior Supply Chain Manager		*	

[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

Payroll Management

R-19-07

June 1, 2020

This record contains information that is classified as protected pursuant to Utah Code 63G-2-305(12). This record may not be released without appropriate authorization from a UTA records officer.
This information has been redacted from this report.

Executive Summary

Introduction

In conjunction with the UTA 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
- Oversight of governance, control and risk management is strengthened

As part of the 2019 internal audit plan, IA was directed by the Audit Committee to perform an audit to determine if controls over payroll management are designed adequately and operating effectively to ensure compliance with key federal regulations, state laws, and internal policies and procedures as well as to support the achievement of management objectives. The preliminary stage of the audit was concluded in March 2018 and the final audit was completed in December 2019.

Background and Functional Overview

Management provided a functional overview of the timekeeping and payroll processes to provide context to this report. Please note that all of the statements made are assertions by Management and were not assessed by Internal Audit.

UTA's payroll function pays between 2,500-3,000 employees bi-weekly, 26 times a year. The Authorities' employees are made up of administration employees and bargaining unit employees. Bargaining unit employee pay policies are covered by the Collective Bargaining Agreement, while administration employee pay policies are covered by the personnel policy. Employees are responsible for having their time entered and approved by the Monday morning of a payroll week. The payroll process is responsible for making sure all employees are paid correctly (according to the approved time entered) and on time each pay period. This process is dependent on many hard working groups imputing and reconciling 4 different timecard modules throughout the company into one payroll system.

The Payroll group, which is part of the Accounting department, is responsible for payroll processing and works diligently with many other groups to coordinate that payroll gets out each pay period. The various groups include HR, who set up the employee's information, supervisors and managers who review and approve time in various systems and office specialists who remit timesheets and information to Payroll. The timekeeping systems outside of the Enterprise Resource Planning system (ERP) are maintained by various groups in Operations Analysis and Support and Customer Service who make sure the systems that are used for time entry are properly functioning and reporting. The 4 systems used to gather and calculate employee time entered and pay rates are as follows:

- TC-1 – 340 maintenance and customer service employees
- OWATS – 1,125 operations staff
- Paper time cards – 220 train hosts, trainers, LR MTC staff, and system monitor employees
- ERP – 850 administrative employees

TC-1, OWATS, and the paper time cards are loaded into the ERP for final processing and payment generation.

Some initiatives, which have been put in place to improve timeliness and accuracy, include:

- Deadlines for employee information set up and changes

- Deadlines for time entry and approval
- Deadlines for division time remittance
- Check figure to ensure number of employees and hours remitted are loaded correctly
- Numerous variance reports are generated and reviewed for a number of criteria, prior to payments going out. This is to catch any mistake or anomalies that may come through in processing
- Employees are given paystubs to review for accuracy and payroll correction memos are available to remit any identified corrections

The performance goal of the payroll process is to pay every eligible employee correctly and on time, all 26 pay periods each year. UTA's current payroll staffing level can only allow for minimal rework of timecards in the cases where employees are paid incorrectly for the pay period, so the tolerance for errors or omissions are not possible.

Yearly our external auditors review payroll when they perform their annual audit and test controls as they relate to current policies. Utah State Work Force Services has also reviewed the payroll policies, and worker compensation classes and rates in the past. No findings have been noted by any of these groups.

Objectives and Scope
The period of the preliminary assessment was January 1, 2017, through December 31, 2017 with the completion of the audit work focusing on January 1, 2019 through July 31, 2019.

The primary areas of focus for the payroll audit were:

- Governance
- Payroll accounting and payments
- People Office, Total Rewards, and HR Services & Labor Relations, as it relates to the payroll process
- Payroll processing
- Enterprise resource planning system (ERP) master files, as it relates to the payroll process
- Bargaining Unit employee timekeeping
- Bargaining Unit timekeeping application administration

Internal audit excluded from the scope of this audit areas such as:

- Compliance with the Collective Bargaining Agreement, with the exception of potential impact on certain timekeeping and payroll controls
- Withholding calculations (taxes)
- W-2 reporting
- Compliance with the Fair Labor Standards Act (FLSA)

Audit Conclusion

Conclusion
The audit revealed that Management made progress in addressing risks identified in the preliminary assessment by adding more structure such as implementing stronger payroll and timekeeping policies and standard operating procedures for UTA overall. Standard operating procedures were also created for the various timekeeping applications used outside of the Enterprise Resource Planning system. As a result of the work Management performed since the preliminary assessment was completed, Internal Audit was in a position to assess the remaining risk in more detail and add additional recommendations to mitigate those risks. In summary, the audit found that [redacted] had abilities within the Enterprise Resource Planning system unrelated to payroll processing, which included employee masterfile creation and changes as well as payment and banking activities. The risks related to these abilities were elevated considering that oversight and monitoring controls for changes to master data, and the processing and payment of interim checks were not established. The overall responsibility for timekeeping systems was not assigned, which resulted in a risk that the systems were not adequately administered or maintained. A legacy timekeeping system that was planned to be replaced prior to the assessment had still not been replaced at the time of the audit nor was a clear timeline for its replacement available. Further work needed to be done on the operations timekeeping systems, including incorporating in the standard operating procedures an independent review and approval procedure for operator timekeeping, and assessing the practices that the legacy timekeeping system used for facilities maintenance, customer service, and other personnel. 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.

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

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1. Payroll Process Governance

Preliminary Finding R-18-1-1	**High**

Criteria:

Enterprise governance is an overarching system, which seeks to align priorities, funding, and resources and elevates decision-making responsibility, authority, and accountability to the appropriate levels. Governance principles include:

- Management establishes reporting lines, with board oversight, of the development and performance of internal control
- Individual accountability is in place for internal control responsibilities that support entity objectives

Sources:
COSO Enterprise Risk Management: Establishing Effective Governance, Risk, and Compliance (GRC) Processes, Robert R Moeller
COSO: How the COSO Frameworks Can Help, James DeLoach and Jeff Thomson

Condition:

UTA payroll processing required coordination and input from multiple business units, departments and divisions. The assessment found that there was no corporate level policy laying out the roles and responsibilities of each participant in the process. Some examples of areas which lacked the establishment of roles, responsibilities and accountability, included:

- Responsibility for data and applications between People Office, Payroll, business units and the Operations and Analysis division was not defined, [redacted]
- Responsibility for 457 plan procedures were not defined, including the accuracy and validity of the calculation and subsequent payments between Payroll, Accounting and People Office
- Responsibility for timecard and leave accuracy, approval, and retention between business units, divisions, and Payroll administration was not defined
  - The majority of UTA timecards [redacted] to ensure accuracy and validity prior to payroll processing
  - Payroll administrators entered over 200 Bargaining Unit manual timecards each pay period, in addition to carrying out their payroll processing responsibilities
  - While Payroll retained copies of printed and manual timecards, and some business units retained copies as well, overall responsibility for timecard retention was not assigned in a policy
  - Copies of four timecards requested in conjunction with the assessment were not provided

Root/Cause Analysis:

- Payroll processes, roles and responsibilities developed over time, as business needs arose
- Management relied on the expertise of existing staff rather than oversight in the form of written governance

Effect:

- Payroll administrator time may not be used most efficiently
- UTA and employees are unprotected in the event of errors, omissions, and accusations of wrong doing

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Recommendations		
• People Office, Accounting, Payroll, division, department and business units payroll responsibility, authority, and accountability should be established in a Corporate level policy, including the following: o Employee timecards and leave accuracy, approval and retention o ERP and timekeeping data and applications, including user access rights • The policy should be reviewed and updated on at least an annual basis to ensure it remains relevant		
Management Agreement	**Owner**	**Target Completion Date**
Yes	Chief Financial Officer	September 30, 2018
Accounting accepts responsibility for establishing a corporate-wide policy that will serve as a coordination document with the Chief People Office, IT, and designated Operations personnel in charge of timekeeping. Accounting has already begun meeting and brainstorming processes that would provide for segregation of duties and guaranteed accuracy of the payroll process.		

Final Status	High

Implemented:

- The responsibility, authority, and accountability of the payroll process was found to be better established through the design and implementation of policy 3.1.10 Pay Processing and Management and 3.1.10 Pay Processing and Management Procedures.
- The following responsibilities were found to be specifically assigned
  - ERP data and user access rights
  - Responsibility to calculate 457 benefits
  - Employee timecards and leave accuracy, approval, and retention

The following items represent areas of continued risk:

- Outside of user access there was a lack of defined roles and responsibilities identified in policies and procedures for ownership of the Maintenance and Operator timekeeping systems between Analysis and Solutions (OAS); Operations; Accounting, and others
- [redacted]
- No procedures [redacted] outside of changes to the CBA identified by Labor Relations, had been created by Benefits and Compliance office

Segregation of duties risks

Segregation of duties is one of the fundamental building blocks of internal controls and its inclusion in control design mitigates errors as well as fraud risk. Functions within a process to be separated for adequate segregation of duties include initiation, custody, recording, and reconciling. For example, in an ideal environment an employee would enter their time, their supervisor would review the employee's time entry to confirm it reflects what was worked, Payroll would process the approved instructions without any adjustments, and Accounting would reconcile the accounts.

Where segregation of duties is not practical, management selects and develops alternative control activities. (COSO Integrated Framework, 2013).

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A number of responsibilities assigned to Payroll personnel by policy would generally be seen as HR responsibilities due to underlying accountability of the processes falling under People Office, including:

- Significant segregation of duties concerns included the payroll staff each having had the ability to process payroll as well as add new employees, create payments, create positive pay files, and enter direct deposit information
- processing non-Department of Transportation (DOT) verifications of employment
- calculation of:
  - 457 match at year end and at termination
  - severance payments
  - pay adjustments from HR memos on pay rates and benefit pay adjustments
- Checks to benefits providers are currently processed by the Payroll Department but should follow the AP process as they are payments to vendors

Recommendations

- A risk assessment should be performed to identify key risks in the payroll process and design mitigating controls, with specific emphasis on roles and responsibilities. The risk assessment should incorporate the functioning of the ERP, where relevant to the payroll process
- Management should limit payroll personnel system abilities, based on the results of the risk assessment, to those needed to perform their responsibilities. Where additional access is needed and presents risk, management should consider compensating controls such as periodic monitoring of activities and read only access
- Ownership of each timekeeping application should be fully assigned to a logical owner who is responsible for the employee timekeeping performed on that application. Identified owners should assign administrative responsibility for each system as well as define roles for administrators. The results of the risk assessment should aid in addressing this recommendation
- Roles and responsibilities for all pay code changes should be assigned and procedures implemented that include review and approval of changes to ensure that they are valid, complete, and correct
- Responsibility for performing all employment verifications (both DOT and Non-DOT) as well as assuring correct calculation of 457 matches, severance payments, and pay adjustments related to HR issues should be assigned clearly by HR
- Checks to benefit providers should be routed through Accounts Payable, identical to all other vendor payments

Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	December 31, 2020

- The payroll group and the CPO's ERP specialist will perform a risk assessment with a specific emphasis on roles and responsibilities and use the results to better align access and internal controls
- Timekeeping ownership is being clarified as we put Kronos into production scheduled for July 2020. Payroll has been working closely with the CPO staff to provide more documentation and gain approval on pay and benefit code changes and additions
- Non-DOT employment verifications are still being performed by the payroll department with any non-pay questions being sent to the people's office

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- Payroll is in the beginning phases of exploring what would be required to have AP take over benefit provider payments

2. Accounting and Payments

Preliminary Finding R-18-1-2	High

Criteria:

- Accounting Manual 6 “Payroll Accounting and Controls” Section 6.5 states, “Payroll transactions have a separate bank account and require reconciliation on a monthly basis. This reconciliation is prepared by the staff accountant and includes a list of outstanding transactions due to timing. Checks were void if not cashed within 90 days of the date of issuance. The staff accountant is responsible for notifying employees and/or vendors when transactions were not cleared within the 90 days. If the accountant is not able to clear the transaction within 180 days, the funds will be transmitted to the State of Utah as unclaimed property.”
- Accounting SOP ACC-006, Section 6.6, states, “The payroll liability accounts were reconciled once a quarter by one of the Accountants. As a general internal control, account reconciliation assignments were rotated on an annual basis. The Assistant Comptroller reviews the reconciliations on a quarterly basis.”
- Accounting Manual 6 “Payroll Accounting and Controls” stated, “The ACH request form must be authorized by a signer on the account in order for the ACH to be funded. The only authorized signers are the President/CEO; Vice President, Finance; Comptroller; and Deputy Treasurer. Normally the Comptroller reviews and signs off on the payroll ACH request. In absence of the Comptroller, the Deputy Treasurer performs this review. Once approved, the ACH request form is sent to the bank and the funds are released to employees’ bank accounts.”
- The Accounting Procedure Payroll manual stated that a “comprehensive annual review of the manual will be conducted in the third quarter of each fiscal year to ensure it reflects current policies and procedures.”

Condition:

IA reviewed payroll-related accounting functions, including the payroll bank account reconciliation process and oversight of ACH payments and journal entries. The review found the following:

- Employees and benefit providers were paid using ACH payments. IA confirmed that the Comptroller reviewed and signed off on the ACH report. However, the Comptroller’s review was based on perceived reasonability of the payment amount and did not include a more meaningful review, such as reviewing a sample of payments or unusual payment amounts and corresponding documentation. IA also noted that Payroll was notified when ACH transactions are rejected, but there was no follow-up performed to ensure that ACH errors are resolved
- IA reviewed the payroll bank account reconciliations for May, November, and December 2017 and noted the following:
  - The Comptroller had not initialed one of three reconciliations after review and one review was not dated
  - Reconciliations included the checks that had been outstanding longer than 180 days, including six stale checks on the May 2017 reconciliation and four on the December 2017 reconciliation

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- The May 2017 reconciliation general ledger balance did not agree with the ERP system balance seeing that it did not include subsequent journal entries
- While the detail activity and ending balance on the December reconciliation was correct, the debit and credit summary totals had been brought forward from the November 2017 bank statement in error

- The payroll process kicked off a series of automated journal entries. Manual journal entries were performed but did not go through a documented review and approval process prior to posting for two of the three months sampled and evidence supporting journal entries was not retained
- 457 UTA match calculations were verbally conveyed to the Senior Accountant by Total Rewards, rather than through written documentation, resulting in a weak audit trail. In addition, a system report produced from the ERP system for 457 UTA matching amounts was unreliable for some employees and contributions were not reconciled
- Reconciliations of payroll-related balance sheet accounts, with the exception of the payroll bank account, occurred annually, not quarterly as indicated in Accounting's standard operating procedure
- No payroll liability reconciliations were performed in 2017. However, a reconciliation of 2017 activity was expected to be completed by February 2018
- Timing and responsibility for VERTEX updates to the ERP system tax withholding table was not clear and no monitoring was in place to ensure that changes were up-to-date
- The Accounting Procedure Payroll manual stated that a "review of the manual will be conducted in the third quarter of each fiscal year to ensure it reflects current policies and procedures." However, Accounting policies were more than one year old and have not been reviewed in line with the manual

Root/Cause Analysis:

- Accounting and payroll processes, roles and responsibilities have developed over time, as business needs arose, in conjunction with turnover in comptroller staffing during the audit period
- Management relied on the expertise of existing staff rather than oversight in the form of written governance

Effect:

Errors and omissions were more likely to occur. For example, a net overpayment of $25.5K 457 matching bonus was made. The error was detected by a UTA employee and not through internal controls. UTA is at increased risk of this and similar errors in the absence of additional controls.

Recommendations

Accounting's standard operating procedures should be reviewed and updated to include procedures, required documentation, review and approval of the following key payroll processes:

- ACH payment accuracy, validity and completeness
- Bank account reconciliations
- Stale dated checks
- Automatic and manual journal entries
- 457 UTA match calculations and accounting
- Reconciliations of payroll-related balance sheet accounts
- Timing and responsibility for the ERP System tax withholding table updates

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Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	August 31, 2018
Accounting's payroll staff will review standard operating procedures and update the procedures to reflect current operations and understandings. Accounting over the next few months will redistribute reconciliation and banking work amongst existing staff and provide for more diligent oversight, approval, and system testing for payroll.		

Final Status	**High**

Improvements were noted in the following areas for procedures, required documentation, review and approval:

- System control implemented to require independent approval of journal entries
- ERP System tax withholding table updates
- Bank account reconciliations
- Stale dated checks

IA noted the following areas of risk outstanding:

- ACH
    - ACH payment review and audit trail requirements had not been documented in governance documentation such as policies or standard operating procedures
    - A formal process could not be identified, such as a comprehensive independent review, to verify the accuracy, validity, and completeness of ACH payments as follow up on ACH errors was an ad hoc process on a case by case basis
- Bank Account Reconciliations and Stale Checks
    - Outstanding deposits included an item going back to June 2018 and 3 items from January 2019 for both the April 2019 and June 2019 bank reconciliation for account 1.10101
    - Stale dated check documentation support was not defined for evidencing follow up or remittance
- 457 UTA match calculations and accounting did not include any review or approval process, or any requirement for one
- Reconciliations of payroll-related balance sheet accounts
    - The payroll related balance sheet reconciliation performed by the Senior Accountant is not reviewed or approved. This was likely due to the absence of a documented requirement for review and approval, including the requirement for documentation to support payroll liability account reconciliations
    - Testing revealed that for one sampled pay period, reconciliation balances tested were agreed to standard payroll processing activity. However, 7 (of the 22) reconciliations tested could not be agreed to the overall general ledger balance, which included items outside the standard payroll process, resulting in non-detection of reconciling items
- Timing and responsibility for the ERP System tax withholding table updates was not found in the payroll governance documentation

Recommendations:

- ACH payment review standards and document retention requirements should be documented in Accounting department policy or procedures

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- Outstanding deposits greater than 1 month should be investigated and remediated. Where investigation and remediation need additional time, updates should documented on the account reconciliation to inform reviewers of status and progress of unreconciled deposit
- Payroll should confirm documented HR management review and approval for the 457 match calculation prior to completing the process in the system. This should be incorporated in the policies and procedures
- The existing payroll balance sheet reconciliation process should be modified to include the entire account balance as well as a review and sign off to monitor completeness of the reconciliations and timely follow up on outstanding items
- Timing requirements should be added to departmental policies or procedures for tax table updates to comply with applicable laws and regulations
- The documentation needed to support stale dated check processes should be included in the Accounting Policy Manual

Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	December 31, 2020

- ACH payment review section will be updated in the payroll policies manual
- A process will be created with action steps for reviewing and remediating deposits older than 1 month
- For the 457 match calculation the Senior Accountant will work closely with Total Rewards staff on the calculation and retain written approval from both groups
- More detailed balance sheet reconciliations will be created with timely follow up on outstanding items
- A section will be added to the payroll policies manual for timing and type of tax table updates
- The stale dated check documentation will be added to the payroll manual

3. People Office

Preliminary Finding R-18-1-3	**High**

Criteria:

- Enterprise governance is an overarching system, which seeks to align priorities, funding, and resources and elevates decision-making responsibility, authority, and accountability to the appropriate levels. Governance principles include:
  - Management establishes reporting lines, with board oversight, of the development and performance of internal control
  - Individual accountability is in place for internal control responsibilities that support entity objectives
- COSO Framework stipulates control activities should be deployed through policies that establish what is expected and procedures that put policies into action

Sources:
COSO Enterprise Risk Management: Establishing Effective Governance, Risk, and Compliance (GRC) Processes, Robert R Moeller
COSO: How the COSO Frameworks Can Help, James DeLoach and Jeff Thomson

- Utah Transit Authority Technology Office, No. 11.1.0, ERP Technology Standard Operating Procedure (SOP) states in section IV User access rights states, *"D. End User Access Review*

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Procedure 1. On a Quarterly basis… the ERP Developer will email the designated Super Users the following to be reviewed ... A list of all roles used in their area of responsibility, with sensitive roles being highlighted… [and]... A list of all Users in each role…Unless otherwise specified, the Super User will have one week to respond with either changes or acknowledgement that the report was correct."

Condition:

- There were no standard operating procedures regarding the application of the Collective Bargaining Agreement
- [redacted]
- Responsibility for interpreting and overseeing the consistent application of Collective Bargaining Unit Agreement (CBA) compensation rules were not defined
- Responsibility for benefit accrual codes, benefit deductions, benefit reconciliations, and payments to benefit providers between Payroll, Accounting and Total Rewards were not defined
- The same Total Rewards employee that entered deductions for health insurance and other benefits also reconciled amounts billed by providers, resulting in poor segregation of duties
- There was no review in place to ensure that employee deductions were valid or accurate
- Responsibility for aspects of 457 accrual and matching payments were not well defined and, as noted previously, Total Rewards verbally conveyed UTA's matching contribution to Accounting
- Oversight of master data changes was not adequate. The ERP Technology Systems Admin in Total Rewards maintained tables of pay codes (types of time such as overtime and straight time, as well as accruals, benefits, deductions, and automatic accounting instructions). Changes were manually tracked on an Excel spreadsheet, along with screen shots from the system. However, there was no formal request process for making changes to the master data and no monitoring oversight, review [redacted]
- [redacted]

Root/Cause Analysis:

- The People Office processes, roles and responsibilities were developed over time, as business needs arose
- While the People Office had developed multiple standard operating procedures, some key areas were not included or had changed over time
- [redacted]

Effect:

- [redacted]
- [redacted]

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- [redacted]

Recommendations

- People Office and Payroll roles and responsibilities should be reviewed and aligned to strengthen segregation of duties
- People Office standard operating procedures should be reviewed and updated to include:
  - A process for the consistent interpretation and application of the Collective Bargaining Agreement compensation rules
  - [redacted]
  - Maintenance, accuracy, and validity of benefit accruals and accrual codes
  - Benefit deductions, benefit reconciliations, and payments to benefit providers
  - Roles and responsibilities for entering deductions for health insurance and other benefits, reconciliations of amounts deducted to amounts billed, and review that employee deductions are valid or accurate
  - Roles and responsibilities for 457 accrual and matching payments
  - [redacted]

Management Agreement	Owner	Target Completion Date
Yes	Chief People Officer	August 1, 2018

Labor Relations in consultation with the ERP Systems Administrator will develop a standard operating procedure that will document in writing how the Systems Administrator will be informed of changes to the CBA. Changes will be communicated in a written document with clear examples of how to apply the change. This will be complete by August 1, 2018 by the Director of HR Services and Labor Relations, HR Business Partner and the ERP Technology Systems Admin.

ERP Systems Administrator and the Benefits and Compliance Manger in consultation with internal customers will develop an SOP that outlines how system changes need to be authorized, requested monitored & audited. This will be completed by August 1, 2018 by the Director of Total Rewards, the Benefits and Compliance Manager and the ERP Technology Systems Admin.

People Office currently has HR 810, HR820 and HR 830 in place that outline the process for enrolling and terminating an employee benefit, reconciling the monthly bills to the benefits vendors as well as making deposit and disbursements into and from the Joint Insurance Account which the bargaining unit bills are paid. The Benefits Administrator, the Benefits and Compliance Manager, and the Chief People Officer will review these SOP for accuracy and update if needed by July 1, 2018.

A standard operating procedure is in development to address how one-time-overrides are done which defines roles and responsibilities. The Benefits Administrator will update this by July 1, 2018.

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Roles and responsibilities for 457 accrual and matching payments. The Benefits Administrators in consultation with accounting and the Benefits and Compliance Manger will determine the new process and develop Standard Operating Procedures to outline the process. The Benefits Administrator, the Benefits and Compliance Manager and the Comptroller will complete this by August 1, 2018.

Cleanup of the Security Report has been completed and a quarterly audit will be performed at the end of each quarter. Quarter one audit for 2018 has been completed.

Final Status	High

Implemented:

- Management implemented a review process for user access to HRIS applications and data
- Collective Bargaining Agreement (CBA) changes to HRIS was assigned through the implementation of policy 3.1.10 Payroll Processing Management and 3.1.10 Pay Processing and Management Procedures
- Supervisor training includes self-identification by Labor Relations as responsible for CBA interpretation

Partially Implemented:

- Total Rewards and Payroll roles and responsibilities were reviewed by the Comptroller and aligned to strengthen segregation of duties, however some SOD risks were identified below as well as in finding 1

Audit procedures revealed the following risks:

- [redacted]
- Roles and responsibilities related to benefit deductions (e.g. health insurance), related reconciliations, and review of employee deductions were not assigned
- Roles and responsibilities for 457 accrual and matching payments have not been defined

Audit test results revealed the following:

- [redacted]
- [redacted]

Recommendations

- [redacted]
- [redacted]

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- [redacted]
- An owner should be assigned to oversee that a benefit reconciliation process is designed, implemented, and monitored to assure that benefits and deduction amounts are correctly calculated or applied, which should include a management review
- An owner should be assigned to calculate 457 accrual and matching payments and a process should be designed to assure that calculations are timely, complete, and correct prior to submission to the payroll department.
- [redacted]
- Management should review existing HR SOPs implemented to confirm that the current process and the SOPs are aligned

,Management Agreement	Owner	Target Completion Date
Yes	Chief People Officer	July 31, 2020

Management will take the following actions:

- Approval Process for Pay Codes
  - The process will be changed to ensure there is an electronic record of all pay code requests and approvals. The HRIS Administrator will facilitate an email request to the Manager of Total Rewards, and approval/denial will be provided for applicable pay codes. The HRIS Administrator will document the requestor and approver on a Spread Sheet to ensure an overall record is kept for these requests.
- Benefit Payment/Reconciliation Duties
  - The Sr. Benefits Administrator will prepare and reconcile the monthly benefits payments for both bargaining and admin. Once prepared, these will be forwarded to the Manager of Total Rewards for a final review and reconciliation before they will be signed. Once approved the Sr. Benefits Administrator will retain a record of approval.
- 457 Match Review/Approval
  - The Finance Department will calculate and prepare the annual 457 Matches for those who have participated and qualify for the match. Once the calculations have been completed, a sample will be forwarded to the Total Rewards Team to be spot-checked. The goal is to spot-check a 10% sample to ensure calculations have been completed accurately.
- SOP Review
  - HR SOP's will be reviewed and edited to ensure compliance as required. The overall goal is to review all HR SOP's by 12/31/2021 to ensure they reflect correct duties, parties responsible, and governance.
- [redacted]
  - [redacted]

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4. Payroll Processing

Preliminary Finding R-18-1-4	High

Criteria:

- Enterprise governance is an overarching system, which seeks to align priorities, funding, and resources and elevates decision-making responsibility, authority, and accountability to the appropriate levels. Governance principles include:
  - Management establishes reporting lines, with board oversight, of the development and performance of internal control
  - Individual accountability is in place for internal control responsibilities that support entity objectives
- COSO Framework stipulates control activities should be deployed through policies that establish what is expected and procedures that put policies into action

Sources:
COSO Enterprise Risk Management: Establishing Effective Governance, Risk, and Compliance (GRC) Processes, Robert R Moeller
COSO: How the COSO Frameworks Can Help, James DeLoach and Jeff Thomson

Condition:

- Segregation of duties, oversight and physical controls over payroll processing were not adequate.
- Not all payroll roles and responsibilities were properly segregated:
  - Payroll administrators had responsibilities that include ad/hoc ERP timecard entry and approval for administrative employees, creating and printing checks, input and review of direct deposit information, making adjustments to employee pay, and entering wage attachments and deductions
  - Payroll administrators had super user access to Payroll and Human Resource ERP data and applications
- Payroll administrators monitored their work each pay period by completing a standardized checklist and signing off on key tasks. They also produced and reviewed a series of exception reports. However, IA noted that not all key items were included on the checklist and one out of three selected for review was not fully completed. IA also noted that some exception reports were retained, while others were not retained. Those retained did not always include evidence that they were reviewed and followed up on. Finally, exception reports for potential errors such as employees paid before their start date, were not in place
- Some controls were performed visually, and therefore, lacked a sufficient audit trail to support their effectiveness, including the following:
  - [redacted]
  - Comparison of gross pay for administrative employees to that of the prior period
  - Comparison of benefit payment amounts to system generated reports
  - Exception reports for employees paid less than $500 and pay related to terminated employees
- There was not always adequate documentation to support payroll adjustments. Business units generally completed a payroll adjustment memo, signed by a supervisor, when requesting an employee pay correction. Other corrections, such as those initiated by Payroll, did not require an adjustment form. IA reviewed a sample of 24 payments made outside the normal payroll process and noted examples of adjustments that were lacking adequate documentation, such as:
  - In one instance, People Office entered a benefit deduction in error that was more than the employee's paycheck. Employee pay was done on an interim check. While Payroll staff was

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able to provide an explanation, IA noted a lack of clear documentation, such as system notes or a form used by Payroll and/or People Office, documenting what occurred and what steps were taken to fix the problem

- In another instance, according to the Payroll administrator, an interim check was issued to process time submitted to Payroll late. However, there was no email or other correspondence to support that the submission was late. The Payroll administrator did not retain all related emails once the payroll was processed
- A correction was required after People Office changed an employee's pay rate to the wrong amount and then corrected it later, impacting two paychecks. IA noted a lack of clear documentation, such as system notes or a form used by Payroll and/or People Office, documenting what occurred and what steps were taken to fix the problem
- [redacted]

- Payroll administrators did not retain all emails supporting the submission of timecards and other correspondence regarding payroll. An email regarding the completeness of Bargaining Unit TC-1 employee timecards was not in place for the entire audit period
- Oversight, review and approval of payroll processing and documentation was not adequate, including review and approval of interim checks, adjustments, overrides, wage attachments, direct deposit account changes, exception reports and checklists
- There was no business unit, department, or division review and approval of the accuracy of ERP payroll data or overall roster of employees paid
- There was no control in place to ensure that all garnishments entered into payroll were reviewed by the Office of General Counsel
- There were no standard operating procedures regarding timecard approvals, deadlines for payroll processing or required follow-up and accountability
- [redacted]
- IA also noted that payroll processing included several time-consuming, manual procedures which increased the likelihood of errors or omissions, including:
  - Each pay period, Payroll administrators printed, organized and distributed over 2,000 paychecks and paystubs
  - Light Rail maintenance, train hosts and trainees, Maintenance of Way, TVM maintenance, and system monitors used manual timecards. As mentioned in Finding 1, for every pay cycle Payroll administrators entered over 200 manual timecards
  - Each pay period the Payroll administrator manually separated a UTA-wide leave balance report from ERP into individual reports for each business unit and then manually distributed the individual files by email to office specialists and other payroll contacts
- [redacted]

Root/Cause Analysis:

- Payroll processes, roles, and responsibilities developed over time, as business needs arose
- Collective Bargaining Agreement rules and the nature of work performed may have fostered the development of satellite timekeeping system and manual timecards
- Management relied on the expertise of existing staff rather than oversight in the form of written governance or oversight
- Turn-over in key personnel

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Effect:
- Errors and omissions in payroll processing are more likely to occur
- Employees are left unprotected against false accusations
- Pay disputes may arise where documentation is inadequate
- Current manual procedures may not be the best use of payroll resources and Payroll administrator staff time

Recommendations

Management should design and implement Standard Operating Procedures that include:
- Key tasks that should be included on payroll checklists each pay cycle
- Supporting documentation that should be retained for items on the checklist
- Required retention periods for payroll documentation, including electronic communication such as email
- A method for identifying, reviewing and approving actions taken by [redacted]
- Adequate segregation of duties or compensating controls, such as periodic reviews
- Procedures and documentation requirements for adjustments
- Assign and perform reviews of access controls over payroll data and applications

Management should:
- Update or reassign manual processes, such as providing employees with a record of their pay stub and communicating leave balances
- Implement increased physical controls over check printing and payroll processing

Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	December 31, 2018

Accounting's payroll staff will develop a more robust payroll checklist and clear approval and oversight rules for procedures internal to Accounting. [redacted]

Final Status	**High**

Implemented:
Management expanded the existing payroll process guidance to include more key controls as well as timing and documentation/reporting requirements for completing the process.

Additional work is needed to mitigate the risk related to the following:
- [redacted]
  - [redacted]
  - [redacted]

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- [redacted]
- [redacted]
- [redacted]
- [redacted]

The items below, either on their own or in conjunction with others, represented risk due to inadequate segregation of duties:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

- Payments
  - [redacted]
  - [redacted]
  - [redacted]
- Checks
  - Paper check distribution did not have any formal standards and controls. Due to new hires and employees without bank accounts, some non-interim checks were still printed and distributed. IA noted 70 (out of 3321) non-interim checks, or 2%, were printed for the pay period ending (PPE) 07/27/19
  - Employees with payroll activity but no net pay did not receive paystubs which increased the risk that activities that result in changes to gross pay, benefits payments, or taxes were not communicated

APPENDIX 1

- Payroll did not perform a review or analytic to determine if all employees who had payroll activity received a paystub

- Testing of a sample of 25 interim checks revealed:
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]

- Interim Payments
  - [redacted]

Recommendations:

- Management should evaluate Payroll personnel responsibilities for adequate segregation of duties and where possible, remove responsibilities and security access that does not relate to the department's responsibilities. Where segregation of duties issues persist management should institute monitoring controls using existing monitoring software to determine whether transactions are correct, complete, and valid
- Where the ERP system is unable to report critical information a monitoring process should be created that incorporates the existing monitoring software to determine things such as whether payments are being initiated [redacted] appropriately
- [redacted]
- [redacted]
- [redacted]
- Payroll processes should be updated to align with any changes management makes to the process, e.g. should management follow the recommendation to establish requirements for interim check processing then policies and procedures should be updated accordingly
- All employees with payroll activity should receive a paystub with the results, not just employees with net pay. To ensure this, a review of pay stub distributions should be put in place to determine if all employees who had payroll activity received a pay stub

Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	December 31, 2020

- The payroll group and Accounting's ERP specialists will work on restricting access where it is not needed and formulating a way to track changes in areas of high risk. A number of areas that payroll personal had unneeded access has already been removed
- Payroll will look into a way to track payroll checks from creation to delivery, with an employee signature being required upon receipt
- A policy for interim checks is currently drafted. Payroll process will be updated when applicable.
- Payroll will research a way to get all paystubs regardless of net pay amount

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5. ERP System Master Files

Preliminary Finding R-18-1-5		Medium
Criteria: Utah Transit Authority Technology Office, No. 11.1.0, ERP Technology Standard Operating Procedure (SOP) states in section IV, "*C. New User Creation Procedure… The User, manager, supervisor or office coordinator will request that rights be granted via an e-mail to the Help Desk, or by entering their own POB ticket… A complete ERP Security Change Form must accompany the POB request. This form can be found on SharePoint on the Technology Page.*" Condition: ERP access forms were not always completed. IA requested ERP access forms for five users hired during 2017 that had ERP access rights to sensitive information. A signed form was not on file for 3 out of 5 employees. Root/Cause Analysis: • The Technology Office ERP System Developer stated that ERP system access forms were no longer required since ERP system access transitioned to being based on employee job title • The ERP policy has not been updated to reflect current practices Effect: • Confidential data may have been breached • Errors and omissions were more likely to occur		
Recommendations		
• The process for granting user access should be reviewed in conjunction with the current ERP Corporate policy • Current practices and the policy should be brought into alignment		
Management Agreement	Owner	Target Completion Date
Yes	Chief Safety, Security, & Technology Office	June 1, 2018
ERP Policy will be updated to reflect the current form of control. Positions in ERP will be reviewed to ensure appropriate levels are assigned and enforced.		

Final Status	Medium
Implemented: Management revised the ERP Policy to align with current practice of assigning ERP roles to users based on job title. Management self-identified two areas of potential risk: • The process of requesting and creating exception roles in ERP was not designed with clear roles, responsibilities, or delegations of authority [redacted]	

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- [redacted]

The quarterly security review performed by super users was regarded as a mitigating control to the lack of a clearly designed process for reviewing and approving the access of new users in the ERP as well as for adjusting existing access. [redacted]

Inspection of the quarterly security report related to the mitigating control revealed:

- 1 ERP user on the Q2 and Q3 2019 Security Access Report for Accounting had left UTA more than 1 year prior
- [redacted]
- [redacted]

[redacted]

- [redacted]
- ERP Tech Sys Admin- Accounting had access to P07230 Print Payments which does not appear to be consistent with the job responsibilities of initiating payroll payments

[redacted]

- [redacted]
- [redacted]

Recommendations:

- Application Support should communicate to owners of ERP modules what they are responsible for including those activities that may be perceived to have been delegated to the super users they supervise
- Management should define how exception roles should be requested [redacted] for ERP
- Management should consider how departmental ERP super users are managed as departmental management may not have the skill and training to adequately oversee their activities. Management should consider establishing minimum levels of ongoing training and certification for ERP super users

Management Agreement	Owner	Target Completion Date
Yes	IT Director	December 31, 2020
Responses to new recommendations (from Final Status – Feb 24, 2020):		

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1. Application Support should communicate to owners of ERP modules what they are responsible for including those activities that may be perceived to have been delegated to the super users they supervise a. Since the time of the audit, the 11.1.1 JDE SOP has been updated to better define the roles of the super-user and authorization from the Super Users Executive (Section C. 2-4). To address the new recommendations in the final status from IA, the SOP could be further updated to have the ERP Superuser acknowledge in writing the scope and impact of their associated Superuser responsibilities 2. Management should define how exception roles should be requested and approved for ERP a. Currently, a Super User creates a JDE Security Change Request in POB. This ticket is reviewed by a JDE Developer and processed i. This is already addressed by 11.1.1 JDE SOP, Sections C.3, C.4, and C.7 3. Management should consider how departmental ERP super users are managed as departmental management may not have the skill and training to adequately oversee their activities. Management should consider establishing minimum levels of ongoing training and certification for ERP super users a. ERP super users and the relevant departmental management (Finance, Procurement, HR, and OAS) will collaborate with the IT Department to develop ongoing training plans to meet the individual needs of the ERP super users.

6. Bargaining Unit Employee Timekeeping

Preliminary Finding R-18-1-6	High
Criteria: • Enterprise governance is an overarching system, which seeks to align priorities, funding, and resources and elevates decision-making responsibility, authority, and accountability to the appropriate levels. Governance principles include: o Management establishes reporting lines, with board oversight, of the development and performance of internal control o Individual accountability is in place for internal control responsibilities that support entity objectives • COSO Framework stipulates control activities should be deployed through policies that establish what is expected and procedures that put policies into action Sources: COSO Enterprise Risk Management: Establishing Effective Governance, Risk, and Compliance (GRC) Processes, Robert R Moeller COSO: How the COSO Frameworks Can Help, James DeLoach and Jeff Thomson Condition: • The majority of UTA staff, approximately 1,125 Bargaining Unit operations employees, used a customized application (OWATS) to track employee time. Around 340 Bargaining Unit maintenance staff used a different timekeeping application (TC-1), which was developed by a third party. IA noted that: o Bargaining Unit timecard approvals were not adequate: ▪ [redacted] ▪ [redacted]	

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[redacted]
- [redacted]
  - A completed timecard was not always available prior to payroll processing. Bargaining Unit employees may work up until midnight on Saturday when Payroll requests timecards on Friday due to a holiday. There were no procedures for handling lack of timecards
  - Timecards were not adequately protected from unauthorized changes, including:
    - [redacted]
    - [redacted]
    - Changes could be made to OWATS timecards at any time after they were approved, even after records were processed in ERP
    - There was no control in place in either OWATS or TC-1 to detect changes, nor a requirement that changes be reviewed and approved
  - SLBU Office Specialists did not retain OWATS timekeeping reports to support their communication to Payroll that the business unit timecards payroll process was complete
  - [redacted]
- [redacted]

Root/Cause Analysis:

- Payroll processes, roles and responsibilities have developed over time, as business needs arose
- Collective Bargaining Agreement rules and the nature of work performed may have fostered the development of satellite timekeeping system and manual timecards
- Management relied on the expertise of existing staff rather than oversight in the form of written governance or oversight
- Turn-over in key personnel

Effect:

- Dispatch supervisors and office specialists had the ability to change employee leave pay codes without review or approval by the impacted employee, an employee's supervisor, or other party
- Employees may have been under or over paid and pay disputes may be more likely to occur
- Confidential data may have been breached
- Errors and omissions were more likely to occur

Recommendations

Standard operating procedures should be reviewed and updated to include:

- Review and approval of Bargaining Unit OWATS and TC-1 employee timecards by a supervisor

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- A process to ensure that employee leave balances are reviewed prior to timecard approval and that the review is documented
- Controls to prevent undetected changes to timecards after they have been processed by Payroll
- Where changes to timecards are required, requirements that they be approved by an independent party with sufficient authority or, alternatively, implementation of a mitigating control, such as review of management reports
- Procedures for handling lack of timecards
- Required retention periods for payroll documentation, including electronic communication
- Guidelines regarding types of data stored and ongoing data reviews
- User access controls that support the approved procedures
- Segregation of duties over entering or modifying time and receipt of checks

Management Agreement	Owner	Target Completion Date
Yes	Executive Director	September 30, 2018

We will organize a group to address each of the conditions in the report to eliminate or mitigate the identified risks. We will find best practices and update needed policies and procedures to accomplish this objective. We will work toward completion of this project by end of third quarter, 2018.

Final Status	High

Implemented:
Draft SOPs included the following:

- Review and approval of OWATS and TC-1 timecards by business unit designees
- Requirement for review of Leave Balance Reports prior to timecard approval
- Reports and information to be retained as well as retention periods for payroll documentation
- User access controls that support the approved procedures
- Additionally, it was noted that the OWATS system restricted changes to data once it was forwarded to Payroll

Adequate segregation of duties were not designed for timekeeping roles and responsibilities which resulted in an elevated risk of inaccurate, invalid, and incorrect payment. Gaps in control design included the following:

- For many business units a blanket assignment of critical aspects of timekeeping had been assigned to the same users including preparing, reviewing, and approving timekeeping as well as review of timekeeping exceptions
- Some business units had also assigned the overall review responsibility to the same users who perform the preparation, proofing, and approval of timekeeping
- Office Admin/Specialists/Coordinators as well as supervisors that were responsible for adding and editing time in OWATS, TC-1, as well as for preparing payroll memos for interim checks, [redacted]

OWATS
Audit procedures revealed the following areas of risk for OWATS:

- [redacted]

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- The OWATS SOP requirement to run the Time Grid Extract and send it to the Operations Supervisor [redacted] For 3 of the Business Units subsampled, none of the Time Extract Grids were distributed or retained in line with the OWATS SOP
- [redacted]
- Manager reviews were intended to take place after timekeeping has been submitted but it was not clearly documented how timely or thorough the review need be nor what accountability is assigned as a result of their review

Testing of leave overage reports revealed:
- For 1 (of 2) employees who appeared on the Leave Overage Report, uncorrected vacation control entries in OWATs caused a leave overage balance
- 1 (of 2) employee subsampled the employee's vacation hours were approved even though the employee did not have vacation hours available, which should have been identified in a review of the department's Leave Balance Report

Inspection and review of the UTA wide OWATS operating procedures revealed:
- The OWATS SOP was considered in draft as of the beginning of field work and had not yet been reviewed or approved by management or implemented into operation
- The appropriate authority level and approval requirement for payroll corrections to OWATS was not defined
- [redacted]
- The treatment of a lack of timecards and for timekeeping approval not performed was not defined, resulting in the risk that paychecks are issued incorrectly or invalidly
- [redacted]

TC-1
Audit procedures revealed the following areas of risk for TC-1:
- Facilities Maintenance personnel might clock in at any time before their shift, in some cases hours beforehand, without compensation
- It is not clear that Facilities Maintenance personnel agreed to the hours paid as scheduled and gave up a claim to hours as punched on the signed off timecard
- There was no review of payroll processed to confirm that it matched the timekeeping approved and to ensure it was not changed in the period between approval and locking the system to changes
- In the period between when a Facilities Maintenance Supervisor had informed the Maintenance System ERP Admin that their process was complete until all had done so and the system could be locked, changes could have been made and not caught before payroll was processed
- The lack of an approved timecard was not addressed in the SOP, resulting in the risk that paychecks may have been issued incorrectly or invalidly

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- It was also noted that the Facilities Maintenance department identified the Maintenance System ERP as responsible for ensuring time record accuracy which did not align with his responsibilities and per inquiry with him he did not perform
- [redacted]
- TC-1 SOP required that supervisors email communication of their completed review to the Maintenance System ERP Admin, however, testing of TC-1 timekeeping in practice revealed that no evidence of communication of supervisor review could be identified for the 7 supervisors selected for the two pay periods tested

Inspection and review of the UTA wide TC-1 SOP revealed the following:

- The SOP was in draft as of the beginning of field work and had not yet been reviewed or approved by management or implemented into operation
- The SOP did state that responsibilities are to be separated, however, it did not indicate which responsibilities required segregation e.g. the office specialist adding/editing time and receiving paychecks

Manual Process
Inspection and review of the UTA wide manual payroll processing SOP revealed the following:

- The policy was in draft as of the beginning of field work and had not yet been approved by Management
- It did not address how Payroll Administrators had to proceed when the timecards were not received for all employees

Recommendations:

- Management should consult with legal advisors to assess the risk of allowing employees to clock-in in advance of a shift and decide whether employees punching in at any time other than when they are starting or continuing a shift is appropriate. The practice of allowing employees to clock in for an extended period of time (<15 min+) before they begin working may put UTA at risk of owing back pay regardless of the original intent of the early punch in
- [redacted]
- Management should separate duties within the timekeeping and reporting process to assure that authorization, recording, and custody responsibilities are adequately separated. For example, the party responsible for entering time should not be the same party who reviews and approves the timekeeping. Ideally, neither the initiator nor the approver of timekeeping should take custody of a paper checks. Likewise, the duties of interim check request, approval, and custody should also be separated
- When an approved timecard is not available Management should define in an SOP what is necessary for paying an employee without an approved timecard
- OWATS timekeeping reviewers should include vacation control entries as part of their overall review of timekeeping
- Management should review departmental payroll activity from the ERP against timekeeping submitted to confirm that the timekeeping was the basis for the payroll as well as to identify any unusual or unexpected items

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- All timekeeping review processes should include confirmation that any paid leave requested is supported by the current Leave Balance Report
- [redacted]
- Management should finalize the timekeeping system specific SOPs and define how often they will be reviewed and approved

Management Agreement	Owner	Target Completion Date
Yes	Chief Operating Officer	December 31, 2020

Operations management agrees with the audit results and will take the necessary steps to mitigate risks to the greatest extent possible. Operations' management will work with other related departments to develop a work group to standardize processes and put necessary controls in place to mitigate the identified risks. Responses to recommendations are as follows:

- Employees have been instructed on clock-in procedures. Employees will not clock-in more than 15 minutes prior to schedule shift unless otherwise approved by their supervisor. Supervisors will audit clock-in times when completing bi-weekly timekeeping and coach/discipline as necessary. Additionally, we will develop a process to add a disclaimer to the timesheet explaining to employees that they are signing for the hours they worked and will be paid only for the hours signed for
- The IT department has created a report, which will be automatically generated at when OWATS passes to JDE, which reports pay codes from both systems. This report will be electronically sent to the person auditing payroll, Assistant Operations Manager, Manager and RGM for review prior to the end of the next pay period.
- Accounting Process – Accounting is currently working to develop a process to approve payment without an approved time card
- Operations management agrees and will confirm this expectation in regards to vacation control
- Operations management agrees to review OWATS reports as outlined in the SOP
- Operations management agrees with this recommendation for TC1. However, OWATS is the control system used unless we are auditing for sell back vacation. OWATS is the keeper of the data and is reflective of the information contained of the recommended reports.
- On a monthly basis, Payroll will provide the Operations Service Unit General Managers/RGM's a report of all interim payments made to departmental employees.
- SOPs have been created and in place
- Operations management agrees with this recommendation and will ensure appropriate personnel are responsible for timekeeping accuracy as outlined in the SOP

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7. Bargaining Unit Employee Timekeeping Application Administration

Preliminary Finding R-18-1-7	High

Criteria:

- Enterprise governance is an overarching system, which seeks to align priorities, funding, and resources and elevates decision-making responsibility, authority, and accountability to the appropriate levels. Governance principles include:
  - Management establishes reporting lines, with board oversight, of the development and performance of internal control
  - Individual accountability is in place for internal control responsibilities that support entity objectives
- COSO Framework stipulates control activities should be deployed through policies that establish what is expected and procedures that put policies into action

Sources:
COSO Enterprise Risk Management: Establishing Effective Governance, Risk, and Compliance (GRC) Processes, Robert R Moeller
COSO: How the COSO Frameworks Can Help, James DeLoach and Jeff Thomson

Condition:
Data generated from both Bargaining Unit OWATS and TC-1 systems was uploaded each pay period into ERP for payroll processing. The timekeeping systems were administered by Operations and Analysis division employees. IA noted that:

- TC-1 used by Bargaining Unit maintenance employees was no longer supported by the vendor
- IA found that access controls for both timekeeping systems were not adequate, based on the following:
  - There was no formal process for requesting, reviewing and approving new users or changes to user security levels
  - There was no routine, periodic review of employee access levels nor standard operating procedures regarding access controls
  - 112 (out of 373) OWATS users had the ability to create or change timekeeping data, although they did not appear to have clear timekeeping authority or responsibility
  - Users had excessive levels of access to TC-1:
    - IA noted that 4 out of 7 TC-1 users that were listed as supervisors, had excessive, administrative-levels access
    - 2 of the 4 users did not supervise employees, including an office specialist and a maintenance training administrator
    - With 1 exception, supervisor accounts sampled had supervisory access rights that exceeded the number of employees they supervised per the phone directory
  - Access for employees that had terminated or transferred departments was not always revoked or disabled
    - IA noted 22 former employees out of 373 users with access to OWATS timecards
    - While testing TC-1 supervisory access levels, IA observed 2 active employee user accounts for employees that left the employment of UTA
  - TC-1 system user logins and passwords were both set to the employee's badge number
  - There was no requirement to change assigned passwords
- Change management controls were not adequate, including:

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- There was no test environment for implementing Collective Bargaining Agreement or other business rules in TC-1
- Although there was a test environment for making business rules and other changes to OWATS, there was no SOP or policy to govern how changes should be requested, tracked, tested, approved, or moved into production
- Individual authority to request, implement, review and approve changes was not in place
- IT change control procedures, requiring application changes to be reviewed by the Technology Change Control Board prior to implementation, were not followed for the intermediary application that was used to convert bargaining unit systems timecodes to ERP timecodes
- There was no periodic monitoring of timecode conversion accuracy from the Bargaining Unit systems timecodes to ERP timecodes
- There were no periodic reviews of user access by the process owner to the intermediary application or network drive where bargaining unit timecard data was stored prior to conversion

Root/Cause Analysis:

- Payroll processes, and roles and responsibilities have developed over time, as business needs arose
- Collective Bargaining Agreement rules and the nature of work performed may have fostered the development of satellite timekeeping system and manual timecards
- Management relied on the expertise of existing staff rather than oversight in the form of written governance or oversight
- Turn-over in key personnel

Effect:

- Staff may be over or under paid
- Timekeeping records may not agree, resulting in pay disputes
- Errors and omissions are more likely to occur
- The risk of invalid or fraudulent entries is increased
- Unsupported software may result in interruption of payroll processes in the event that software stops functioning correctly

Recommendations

Standard operating procedures should be developed and implemented that include:

- A formal process for requesting, reviewing and approving new users or changes to user security levels for timekeeping systems
- Monitoring of existing user accounts for appropriate access levels
- Deactivating or removing accounts for users who no longer need access due to termination, department transfer, or other change in job duties
- Requirements for unique logins and passwords, known only to the user
- Change management controls, including authorizing, tracking, testing, approving and migrating changes into production within the timekeeping system and intermediary application
- Monitoring of timecode conversion accuracy and periodic reviews of user access to the intermediary application and data

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Management Agreement	Owner	Target Completion Date
Yes	Chief Safety, Security, & Technology Office	September 1, 2018

A Standard Operating Procedure (SOP) will be created for Operations and Maintenance timekeeping for Payroll processing. This SOP will address all Payroll related timekeeping system controls (ERP, TC-1, and OWATS). The SOP will establish a formal process to address the following:

- Requesting, reviewing and approving new users or changes to user security levels for timekeeping systems
- Monitoring of existing user accounts for appropriate access levels once a quarter starting by September 3, 2018
- Deactivating or removing accounts for users who no longer need access due to termination, department transfer, or other change in job duties as per HR notification and already established Human Resource Action Form (HRAF) notification
- Requirements for unique logins and passwords, known only to the user, by utilizing already in place, Active Directory network user authentication
- For Accounting Department to request changes, communicate requirements, and approve final testing
- Following TCCB (Technology Change Control Board) process for all Payroll changes (to include adding or changing conversion pay codes and programming changes for rules, etc.). This will include authorizing, tracking, testing, approving and migrating changes from development into production within the timekeeping system and intermediary ERP timesheet import application

Follow the Payroll SOP (to be written), to monitor timecode conversion accuracy and periodic reviews of user access to the intermediary application and data.

Final Status	High

Implemented:
SOP requirements included assigning ownership of review and approval of timekeeping application user accounts as well as the responsibility to periodically review access to systems to the Senior Accountant over Payroll. Additionally, change management controls were documented in the Payroll SOP including assignment of approval of changes to the Senior Accountant over Payroll and the requirement for changes to follow the Technology Change Control Board process.

[redacted]

OWATS

[redacted]

- [redacted]
- [redacted]

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<table>
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- [redacted]

Testing of OWATS Admin user accounts revealed:

- [redacted]
- [redacted]

TC-1
Testing of TC-1 user accounts revealed:

- [redacted]
- [redacted]
- Access accounts in TC-1, [redacted], had the ability to make editable changes that had unknown potential effects on timekeeping but could result in inability to complete timekeeping conversion or incorrect pay codes applied to employee time

Recommendations:

- After owners for the timekeeping systems have been identified (see Finding 1) they should assign the role and related responsibilities of administering the system
- [redacted]
- [redacted]
- [redacted]
- A timekeeping system administrator(s) should monitor timecode conversion accuracy for the intermediary application and data

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<tr><th>Management Agreement</th><th>Owner</th><th>Target Completion Date</th></tr>
<tr><td>Yes</td><td>Chief Operating Officer</td><td>December 31, 2020</td></tr>
<tr><td colspan="3">

Operations management agrees with the audit results and will take the necessary steps to mitigate risks to the greatest extent possible. Operations management will work with other related departments to develop a work group to standardize processes and put necessary controls in place to mitigate the identified risks. Responses to recommendations are as follows:

- The COO is the OWATS owner and will assign roles and responsibilities appropriately in coordination with Accounting and OAS
- This finding been corrected. Access is limited appropriately as only those with a legitimate business purpose have the ability to view sensitive Operator information

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- The Chief Operating Officer is the owner of OWATS and will appoint an individual to review appropriateness of access
- This item is complete. The assigned timekeeping administrator ensures the system requirements include unique logins and passwords, only known by the user. This was completed the latest OWATS upgrade
- Accounting Process –OAS and Accounting will work together to resolve any discrepancies

APPENDIX 2

RATING MATRIX

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**
Executive Director			*
Chief Financial Officer	*		*
Chief People Officer	*		*
Chief Operating Officer	*		*
Comptroller	*		*
IT Director	*		*
Senior Manager Operations Analysis & Solutions	*		*
Senior Accountant	*		*
Payroll Administrators	*		*
Director of HR Services and Labor Relations	*		*
Manager Total Rewards	*		*
HRIS – Technology System Admin	*		*
Manager of Operations Maintenance Systems Architecture & Solutions	*		*

[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.