CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

TRANSIT AUTHORITY OF NORTHERN KENTUCKY

Financial Statements

June 30, 2022

(with Independent Auditors' Report)

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CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Transit Authority of Northern Kentucky
Ft. Wright, KY 41017

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Transit Authority of Northern Kentucky (the "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Ft. Mitchell, KY
March 15, 2023

This discussion and analysis provides key information from management highlighting the overall financial performance of the Transit Authority of Northern Kentucky (the "Authority" or "TANK") for the year ended June 30, 2022. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the financial statements as a whole.

Financial highlights

Major financial highlights for fiscal year 2022 are listed below:

- ✓ The Authority's total net position at the end of fiscal year 2022 was $27,115,578, which represents a decrease of $2,286,687, or 7.8%, compared to the balance at end of the prior year.
- ✓ Operating revenue for the year was $3,157,767, which represents an increase of $763,934, or 31.9%, from fiscal year 2021.
- ✓ Operating expenses for the year (excluding depreciation) were $25,158,022 which represents an increase of $2,666,147, or 11.9%, over the prior year.
- ✓ Non-operating revenues, including federal, state and local reimbursements (excluding pass-through grants), were $22,837,800 in fiscal year 2022, which represents a decrease of $1,794,627, or 7.3%, compared to fiscal year 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which includes the basic financial statements and the notes to the financial statements.

Required Financial Statements

The financial statements of the Authority are designed to provide readers with a broad overview of the Authority's finances in a manner similar to private-sector business. The statement of net position presents financial information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of revenues, expenses and changes in net position presents information about how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, capital, and financing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Net Position for the years ending June 30, 2022 and 2021:

The following is a summary of the major components of net position of the Authority as of and for the years ended June 30:

Net Position
As of June 30

	2022	2021
Current assets	$ 2,840,429	6,412,791
Noncurrent assets:		
Investments	9,038,716	5,105,473
Capital assets (net of depreciation)	32,522,395	35,762,464
	44,401,540	47,280,728
Deferred outflows of resources	1,156,574	1,690,679
Current liabilities	3,294,490	2,944,647
Noncurrent liabilities:		
Net pension liability	13,297,058	14,231,321
	16,591,548	17,175,968
Deferred inflows of resources	1,850,988	2,393,174
Net position:		
Net investment in capital assets	32,522,395	35,762,464
Unrestricted	(5,406,817)	(6,360,199)
	$ 27,115,578	29,402,265

As noted earlier, net position over time may serve as a useful indicator of the Authority's financial position. As of June 30, 2022, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $27,115,578, which is a decrease in net position of $2,286,687, or 7.8%, from fiscal year 2021.

The largest portion of the Authority's net position is its investment in capital assets. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. The Authority uses these capital assets to provide public transportation service in Northern Kentucky and Downtown Cincinnati. These assets are not available to liquidate liabilities or for other spending. The Authority's investment in capital assets as of June 30, 2022, amounts to $32,522,395, net of accumulated depreciation, which is a decrease of $3,240,069, or 9.1%, from fiscal year 2021. Major capital asset additions during fiscal year 2022 included the purchase of 7 new RAMP vehicles, the replacement of a boiler and garage doors, as well as miscellaneous shop equipment. Total acquisitions for the year were $2,321,138. These additions were offset by depreciation expense for the year of $5,421,873.

Operating Results
For the Year Ended June 30

		2022	2021
Operating revenues	$	3,157,767	2,393,833
Operating expenses other than depreciation		25,158,022	22,491,875
Depreciation		5,421,873	5,150,673
Total operating expenses		30,579,895	27,642,548
Operating loss		(27,422,128)	(25,248,715)
Nonoperating revenues, net		22,837,800	24,632,427
Net Loss before capital grant activity		(4,584,328)	(616,288)
Capital grant revenue		2,297,641	6,112,147
Change in net position		(2,286,687)	5,495,859
Net position - beginning of year		29,402,265	23,906,406
Net position - end of year	$	27,115,578	29,402,265

Operating Revenues

The Authority's operating revenues were $3,157,767 in fiscal year 2022, which represents an increase of $763,934, or 31.9%, compared to fiscal year 2021. Overall ridership demand began to increase during fiscal year 2022 since the significant decline as a result of the COVID-19 pandemic. In March of 2020, the Authority began operating on a reduced schedule and stopped collecting fares from riders until August of 2020, as result the pandemic.

Operating Expenses

The Authority's operating expenses other than depreciation were $25,158,022 in fiscal year 2022, which represents an increase of 2,666,147, or 11.9%, compared to fiscal year 2021. The increase from the prior fiscal year is primarily due to increased personnel costs and rising fuel prices as well as reimplementing the routes reduced in the prior year due to the global pandemic.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, significantly revised accounting for pension costs and liabilities. GASB Statement No. 68 dictates the net pension liability of Authority equals the present value of estimated future pension benefits attributable to active and inactive employees' past service minus pension plan assets available to pay these benefits.

GASB notes pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit for the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. The contributions to and benefits paid by the pension plan are negotiated with the employee bargaining unit, and extended to exempt employees. Employees share the obligation of funding pension benefits with the Authority. The annual contribution amount by the Authority to the pension plan is established within the negotiated agreement and no other provisions exist which would require the Authority to provide additional contributions. The responsibility for management of the pension fund rests exclusively with the pension committee.

Nonoperating Revenues

In fiscal year 2022, nonoperating revenues were $22,837,800 which represents a decrease of $1,794,627 or 7.3%, from fiscal year 2021, primarily due to a reduction in local grant reimbursements received and a decrease in investment earnings due to the significant decrease in the fair value of investments at the end of fiscal year 2022 compared to fiscal year 2021.

Statement of Cash Flows

Another way to assess the financial health of the Authority is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing.

A comparative summary of the Authority's cash flows are as follows:

Cash Flows
For the Year Ended June 30

		2022	2021
Net cash from:			
Operating activities	$	(23,283,464)	(21,229,959)
Noncapital financing activities		23,791,582	25,311,724
Capital and related financing activities		181,976	(142,399)
Investing activities		(4,868,740)	(1,058,862)
Change in cash and cash equivalents		(4,178,646)	2,880,504
Cash and cash equivalents - beginning of year		4,809,057	1,928,553
Cash and cash equivalents - end of year	$	630,411	4,809,057

Operating activities decreased due to increases in personnel costs and rising fuel prices. The decrease in noncapital financing activities was due to reduction in local grant reimbursements received. The increase in capital and related financing activities is associated with fewer vehicle purchases made during fiscal year 2022 compared to 2021. The decrease in investing activities is due to the Authority's significant purchases of long-term investments during fiscal year 2022 as well as investment losses during the year.

Capital assets
At June 30, 2022, the Authority had $84.9 million invested in capital assets, net of accumulated depreciation of $52.4 million. Depreciation charges totaled $5.4 million for the current fiscal year. A comparative summary of these assets is as follows:

Capital Assets, Net of Accumulated Depreciation
As of June 30

		2022	2021
Land	$	2,252,930	2,252,930
Construction in progress		36,432	152,272
Buildings and improvements		4,323,324	3,648,143
Revenue vehicles		23,486,421	26,970,947
Transportation equipment		404,405	362,625
General equipment		2,018,883	2,375,547
	$	32,522,395	35,762,464

More detailed information about the Authority's capital assets is presented in note 4 to the financial statements.

Economic factors that will affect the future
Despite the generally inflationary economic outlook, TANK expects only minor changes in net position over the next 12 to 24 months. This is due to the availability of ARPA and CRRSAA funding, and incremental changes to County funding levels required to meet upcoming operating expenses. On the capital side, TANK's Transit Asset Management Plan (TAM) calls for the continued routine replacement of vehicles and equipment, along with budgeted capital projects related to the rehabilitation of the Ft. Wright facilities.

Request for Additional Information
This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the TANK's finances and to show TANK's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Transit Authority of Northern Kentucky, 3375 Madison Pike, Ft. Wright, Kentucky, 41017.

Assets	
Current assets	
Cash and cash equivalents	$ 594,954
Investments	978,599
Receivables:	
Trade	56,355
Grants and reimbursements	59,480
Capital assistance	8,258
Materials and supplies inventory	1,013,783
Prepaid items	93,543
Board designated assets:	
Cash and cash equivalents	35,457
Total current assets	2,840,429
Noncurrent assets	
Investments	8,724,932
Board designated assets:	
Investments	313,784
Capital Assets:	
Capital assets not being depreciated	2,289,362
Capital assets being depreciated, net	30,233,033
Capital assets, net	32,522,395
Total noncurrent assets	41,561,111
Total assets	44,401,540
Deferred Outflows of Resources	
Pension	1,156,574
Liabilities	
Current liabilities	
Advances from state governments	1,271,930
Accounts payable	326,237
Accrued payroll and payroll taxes	298,181
Other accrued expenditures	1,087,642
Accrued liability for accident claims	310,500
Total current liabilities	3,294,490
Noncurrent liabilities	
Net pension liability	13,297,058
Total liabilities	16,591,548
Deferred Inflows of Resources	
Pension	1,850,988
Net Position	
Net investment in capital assets	32,522,395
Unrestricted	(5,406,817)
Total net position	$ 27,115,578

See accompanying notes to the basic financial statements.

Operating revenues:		
Passenger fares	$	1,900,345
Special transit fares		930,758
Advertising revenue		326,664
Total operating revenues		3,157,767
Operating expenses:		
Labor		12,555,551
Employee benefits		5,354,457
Materials and supplies		3,573,596
Services		1,043,358
Utilities		405,280
Casualty and liability insurance		1,025,315
Leases and rentals		223,868
Fuel taxes		353,196
Miscellaneous		623,401
Total operating expenses		25,158,022
Operating loss before depreciation		(22,000,255)
Depreciation expense:		
On assets acquired with capital grants		5,421,873
Operating loss		(27,422,128)
Nonoperating revenues:		
Federal grants and reimbursements		7,208,907
Commonwealth of Kentucky grants and reimbursements		444,119
Local grants		15,818,562
Investment income		(688,753)
Gain on disposal of capital assets		49,359
Other nonoperating revenue		5,606
Total nonoperating revenues		22,837,800
Loss before other revenues, expenses, gains or losses		(4,584,328)
Capital grant revenue		2,297,641
Change in net position		(2,286,687)
Net position - beginning of year		29,402,265
Net position - end of year	$	27,115,578

See accompanying notes to the basic financial statements.

Cash flows from operating activities:		
Cash received from customers	$	3,113,656
Cash payments to suppliers for goods services		(7,407,046)
Cash payments to employees for services		(12,801,276)
Cash payments for employee benefits		(6,188,798)
Net cash used in operating activities		(23,283,464)
Cash flows from noncapital financing activities:		
Operating grants received		23,785,976
Other		5,606
Net cash provided by noncapital financing activities		23,791,582
Cash flows from capital and related financing activities:		
Capital grants received:		
Federal		1,925,783
State		388,638
Proceeds from sale of capital assets		188,693
Capital asset purchases		(2,321,138)
Net cash provided by capital and related financing activities		181,976
Cash flows from investing activities:		
Investment income		(688,753)
Purchases of investments		(5,703,937)
Proceeds from sale of investments		1,523,950
Net cash used in investing activities		(4,868,740)
Change in cash and cash equivalents		(4,178,646)
Cash and cash equivalents - beginning of year		4,809,057
Cash and cash equivalents - end of year	$	630,411

Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents - current	$	594,954
Cash and cash equivalents - board designated		35,457
Cash and cash equivalents on statement of cash flows	$	630,411

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(27,422,128)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense		5,421,873
Changes in assets and liabilities:		
Accounts receivable - trade		(44,111)
Materials and supplies inventory		(347,483)
Prepaid items		(260)
Deferred outflows of resources		534,105
Accounts payable		39,211
Accrued payroll and payroll taxes		(245,725)
Other accrued expenditures		108,003
Accrued liability for accident claims		149,500
Net pension liability		(934,263)
Deferred inflows of resources		(542,186)
Net cash used in operating activities	$	(23,283,464)

See accompanying notes to the basic financial statements.

1. ORGANIZATION AND DEFINITION OF THE ENTITY

The Transit Authority of Northern Kentucky (the "Authority" or "TANK") was created pursuant to section 96A of the Kentucky Revised Statute for the purpose of providing the public transportation in Boone, Campbell and Kenton Counties. As a political subdivision, it is distinct from, and is not an agency of the State of Kentucky, or any other local governmental unit. The Authority is not subject to federal or state income taxes.

The Authority has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), "The Financial Reporting Entity, as amended by 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 Statement No. 14 and 39, the Authority has no component units nor is it considered a component unit of any other governmental entity. The Authority is, however, considered to be a related organization to the counties of Boone, Campbell and Kenton (collectively the "Counties") by virtue of the County/TANK agreements (see Note 5) and the fact that the Authority's Board of Directors is appointed by the Judge Executives of their respective county.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization nor are the Counties accountable for the Authority. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Kentucky Revised Statute.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

Budgetary Basis of Accounting

The Authority prepares an annual budget for internal use covering the period July 1 through June 30. A significant funding source of the Authority is federal and local grants that have grant periods that may or may not coincide with TANK's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months. The TANK's Board of Directors formally approves the annual budget with emphasis on complying with grant budgets, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances. Although the annual budget is reviewed and approved by the Authority, it is not a legally adopted budget.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with maturity, at the date of purchase, of three months or less to be cash equivalents.

Fair Value Measurement

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

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

Materials and Supplies Inventory
Materials and supplies inventory are stated at cost using the average cost method. Inventory generally consists of maintenance parts and supplies for rolling stock, other transportation equipment and fuel.

Board Designated Assets
These assets are designated for the payment of accident claims under the Authority's self-insurance Program.

Capital Assets
Property, facilities and equipment are stated at historical cost. Donated capital assets are recorded at their acquisition value as of the date received. The cost of normal maintenance and repairs is charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related properties.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective capital assets, as follows:

Buildings and improvements	20 – 40 years
Transportation equipment	5 – 12 years
General equipment	3 – 15 years
Revenue vehicles	5 – 12 years

Recognition of Revenue, Receivables and Advances from Governments
The Authority considers passenger fares, special transit and bus advertising revenues as operating revenues. Non-operating revenues are subsidies received from federal, state and local sources. Expenses incurred for the daily operations of the transit system are considered operating expenses. Passenger fares are recorded as revenue at the time services are performed and revenues pass through the farebox.

The Authority grants credit to advertising customers and passenger groups. The Authority considers all accounts receivable to be collectible; therefore, an allowance for doubtful accounts is not considered necessary by management. Accounts are charged to bad debt expense at the time they are determined to be uncollectible.

The Federal Transit Administration ("FTA") provides financial assistance and makes grants directly to the Authority for operation and acquisition of property, facilities and equipment. The Kentucky Transportation Cabinet ("Cabinet") provides reimbursement for a portion of the fuel tax paid by the Authority and provides grants for the acquisition of property, facilities and equipment. Operating grant awards made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement period. Cabinet grants for the acquisition of property, facilities and equipment (reimbursement type grants) are recorded as grants receivable and credited to capital contributions when the related qualified capital outlay are incurred.

Historically, differences between capital outlay incurred and amounts received have been insignificant. Accordingly, no provision for uncollectible amounts is considered necessary by management. Capital assistance receivable from the local counties is adjusted for any differences determined to be uncollectible and charged to bad debt expense. For the year ended June 30, 2022, all receivables were deemed collectible and there was no bad debt expense.

Compensated Absences
The Authority accrues vacation as earned by its employees. Because rights to sick pay do not vest, TANK recognizes such costs when they are incurred.

Pension
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 Transit Authority of Northern Kentucky Disability and Retirement Allowance Plan (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 benefit terms. Investments are reported at fair value.

Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Passenger Fares
Passenger fares are recorded as revenue at the time services are performed.

Advertising Costs
Advertising and sales promotion costs are expensed as incurred. Advertising expense totaled $421,280 for the year ended June 30, 2022, and is included in miscellaneous operating expenses in the statement of activities.

Nonexchange Transactions
Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, primarily include reimbursement-type grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Net Position
Net position classifications are defined as follows:

Investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Unrestricted – This consists of net position that does not meet the definition of “investment in capital assets”.

Adoption of New Accounting Pronouncements
For the fiscal year ended June 30, 2022, the Authority implemented GASB Statement No. 87, *Leases*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

GASB Statement No. 87 establishes criteria for the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 did not impact the Authority's financial statements as the existing leases have been deemed insignificant to the financial statements by management.

GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement had no effect on beginning net position.

GASB Statement No. 92 was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement had no effect on beginning net position.

GASB Statement No. 97 requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This statement had no effect on beginning net position.

Upcoming Accounting Pronouncements
The Authority is currently evaluating the impact that the following GASB Statements, effective for fiscal year 2023, may have on its financial statements:

GASB Statement No. 91, *Conduit Debt Obligations*. This statement clarifies the definition of conduit debt and provides a single method of reporting these obligations (disclosure only). This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* (Paragraph 11b only). This statement replaces citations of the London Interbank Offered Rate (LIBOR) with one or more acceptable benchmark reference rates.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement addresses the gap in current accounting guidance related to public-private and public-public partnerships (both referred to as PPPs) that do not meet the definition of a service concession arrangement.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement addresses accounting and financial reporting for subscription-based information technology arrangements (SBITAs), a type of information technology (IT) arrangement (i.e. software licensing). This Statement also defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability, provides capitalization criteria, and requires footnote disclosure. The standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

3. CASH AND INVESTMENTS

A summary of cash and investments at June 30, 2022 is as follows:

Operating Accounts:		
Cash and cash equivalents	$	606,301
U.S. Government money market		24,110
Total cash and cash equivalents		630,411
Municipal bonds		4,870,663
U.S. Treasury/agency securities		498,050
Certificates of deposit		4,648,602
Total investments		10,017,315
Total	$	10,647,726

The bank balance of cash and cash equivalents as of June 30, 2022 was $980,619. The difference representing outstanding checks and deposits. In addition, the Authority had $500 of cash on hand.

Custodial Credit Risk: Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Authority may not be able to recover the value of its deposits and investment or collateral securities that are in the possession of the financial institution. The Authority's investment policy dictates that all cash and investments maintained in any financial institution named as a depository be collateralized and the collateral held in the name of the Authority. The Authority cash deposits at June 30, 2022 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Investment Policy: Statutes authorize the Authority to invest in various instruments. These are obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, obligations of any corporation of the United States government, collateralized and uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency, Commercial Paper rated in the highest category by a nationally recognized rating agency, bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities, and securities issued by a state or local government in the United States rated in one of the three highest categories by a nationally recognized rating.

The Authority's investments in negotiable certificates of deposits (CDs) are held in the Authority's name by the Trustees and are fully covered by FDIC.

Interest Rate Risk: Interest rate risk is the risk that the fair value of an investment may decline based on changes in market interest rates. This risk can be reduced, but not eliminated, through the use of common portfolio strategies such as structure (maintaining laddered maturity dates) and diversification (by type of investment, by issuer or by maturity date). Generally, the Authority utilizes a strategy of diversifying its investments while maintaining sufficient liquidity to cover anticipated operating expenses. The KRS limits the investment options for all Kentucky public entities, including TANK.

The following table presents the Authority's investments as of June 30, 2022, by length of maturity.

Investment Type	Fair Value	Rating*	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Municipal bonds	$ 4,870,663	A/AA	-	1,032,410	932,743	2,905,510
U.S. Treasury/agency securities	498,050	AA+	-	498,050	-	-
Negotiable certificates of deposit	4,648,602	N/A	978,599	1,882,534	1,787,469	-
Total investments	$ 10,017,315		978,599	3,412,994	2,720,212	2,905,510

* Ratings per Standard and Poors' and negotiable CD's are fully insured by FDIC.

Fair value hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs such as quoted prices for similar assets in active markets. Level 3 inputs are significantly unobservable inputs. At June 30, 2022, the Authority categorized fair value measurements of its municipal bonds, U.S. Treasury/agency securities, and negotiable CDs totaling $10,017,315 as Level 2 inputs as fair value measures were obtained from trustees who use various pricing services.

Investment income includes all realized and unrealized gains and losses. The negative investment income of $688,753 reported for the year ended June 30, 2022 resulted from reporting the change in the fair value of the Authority's investments.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Transfers/ Disposals	Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 2,252,930	-	-	2,252,930
Construction in progress	152,272	36,432	152,272	36,432
Subtotal	2,405,202	36,432	152,272	2,289,362
Capital assets being depreciated:				
Building improvements	13,597,078	1,113,625	-	14,710,703
Revenue vehicles	52,684,206	548,869	343,703	52,889,372
Transportation equipment	3,361,610	152,622	-	3,514,232
General equipment	11,074,630	621,862	139,334	11,557,158
Subtotal	80,717,524	2,436,978	483,037	82,671,465
Accumulated depreciation				
Building improvements	9,948,935	438,444	-	10,387,379
Revenue vehicles	25,713,259	4,033,395	343,703	29,402,951
Transportation equipment	2,998,985	110,842	-	3,109,827
General equipment	8,699,083	839,192	-	9,538,275
Subtotal	47,360,262	5,421,873	343,703	52,438,432
Net capital assets being depreciated	33,357,262	(2,984,895)	139,334	30,233,033
Net capital assets	$ 35,762,464	(2,948,463)	291,606	32,522,395

5. FUNDING FROM LOCAL GOVERNMENTS

Boone, Campbell and Kenton counties provide capital and operating assistance annually to the Authority. Boone County funds its assistance from its general fund. Campbell and Kenton counties fund their portion from revenues of a payroll tax. Operating assistance is provided in an amount equal to the Authority's budgeted net loss before such assistance, excluding depreciation and losses (as defined) on the disposal of assets purchased with capital grants. As the year progresses, the operating assistance is allocated to cover the actual financial deficit of the Authority's operations during the year. Since the level of funding provided for any particular year is based on anticipated results, at the end of any particular year, the actual amount allocated may be more or less than the operating assistance provided for that year by the counties.

At June 30, 2022, unallocated operating assistance provided by each of the participating counties was as follows:

County:		
Boone	$	1,974,990
Campbell		2,981,471
Kenton		3,695,129
Total	$	8,651,590

6. DEFINED BENEFIT PENSION PLAN

Plan description. The Transit Authority of Northern Kentucky Disability and Retirement Allowance Plan (the "Plan") is a single employer defined benefit plan covering all employees of the Authority. The Plan was established in 1977 and is administered through a trust agreement with U.S. Bank. The Plan is administered by the Pension Committee, comprised of 4 members serving 4-year terms; 2 members appointed by Amalgamated Transit Union Local No. 628 and 2 members appointed by the Authority. The Plan issues a stand-along financial report that can be obtained by contacting the Transit Authority of Northern Kentucky, 3375 Madison Pike, Fort Wright, Kentucky 41017.

Benefits provided. The Plan provides retirement, disability and death benefits. Employees are entitled to pension benefits beginning at normal retirement age (65). The pension benefit is equal to 1.4% or 0.9% (depending on the option chosen by the employee) of the highest monthly wage paid under the terms of the labor contract in effect in the year of retirement, multiplied by the number of years of service. The hourly pay rate used in the calculation for technical employees has been frozen at $19.63, which was the rate in effect at December 31, 2007. The Plan permits early retirement at age 62, or age 55 with the completion of at least 30 years of service for employees hired prior to June 25, 2015.

No member, or beneficiary, entitled to a refund of contributions as stipulated under the Plan's provisions, shall in any way claim or have refunded any contribution made by the Authority into the Plan, such contributions of the Authority insuring to the benefit of the remaining participating members.

Upon leaving the service of the Authority for any cause (other than retirement or disability retirement), a member shall be paid a refund equal to 100% of contributions made, plus 6% interest.

Active employees who become totally disabled after 10 years of continuous service receive monthly disability benefits equal to normal retirement benefits. Upon death of a member, prior to their benefit commencement date, the estate shall be paid an amount equal to 100% of employee contributions, plus interest of 6%. With respect to a member who has a non-forfeitable right to their accrued benefit in accordance with Plan provisions, who dies prior to their commencement date, and has a surviving spouse, the surviving spouse shall be entitled to a survivor annuity for the life of the surviving spouse.

All employees who become members on or after January 1, 2008, at any age, will be required at least 10 years of service credit to have their pension benefits vested. Retirees who are rehired by the Authority on or after January 1, 2008 will be required to earn an additional 10 years of service in order to have additional pension benefits vested.

Plan membership. At December 31, 2021, Plan membership consisted of the following:

Vested and non-vested current employees	220
Retirees and beneficiaries currently receiving benefits	171
Terminated employees entitled to but not yet receiving benefits	16
	407

Contributions. Employees who have not elected to contribute to the Kentucky Deferred Compensation Program are required to make weekly contributions to the Plan. Contribution requirements are established, and may be amended, by a collective bargaining agreement.

Plan members contributed 5.40% of the highest paid senior maintenance employee's weekly wages for full-time employees, or 2.70% for part-time employees. The Authority contributed 6.20% of the highest paid senior maintenance employee's weekly wages for each full-time member who has made their required mandatory contributions for the week; and 3.10% of the highest paid senior maintenance employee's weekly wages for each part-time work list member and part-time maintenance member who has made their required mandatory contributions for the week. The Authority contributed 653,672 and employees contributed $564,807 to the Plan for the year ended December 31, 2021.

Net Pension Liability

The Authority's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the entry age normal actuarial cost method, an investment rate of return of 5.92%, retirement ages based on experienced-based tables that are specific to the type of eligibility, and no future cost of living increases. The retirement rates, termination rates, discount rate and mortality projection scale assumptions were changed from the prior actuarial valuation.

Mortality rates were based on Pub-2010 tables, using generational projections using Scale MP-2021.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate Return
Fixed Income	33%	1.59%
Equity Funds	61%	8.46%
Real Assets	6%	6.38%
	100%	6.00%

Discount rate. The discount rate used to measure the total pension liability was 6.00% (an increase from the prior measurement date rate of 5.92%). The fiduciary net position is projected to be available to make all projected future benefit payments as of December 31, 2021. Therefore, the long-term expected rate of return on plan assets of 6.00% was used to measure the total pension liability.

Changes in the net pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2020	$27,786,307	$13,554,986	$14,231,321
Changes for the fiscal year:			
Service cost	640,170	-	640,170
Interest	1,586,864	-	1,586,864
Differences between expected and actual experience	(567,235)	-	(567,235)
Change in assumptions	193,298	-	193,298
Employer contributions	-	653,672	(653,672)
Employee contributions	-	564,807	(564,807)
Net investment income	-	1,639,777	(1,639,777)
Benefit payments, including refunds	(1,990,945)	(1,990,945)	-
Administrative expenses	-	(70,896)	70,896
Net changes	(137,848)	796,415	(934,263)
Balances at December 31, 2021	$ 27,648,459	$ 14,351,401	$ 13,297,058

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 6.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Authority's net pension liability	$ 16,323,481	$ 13,297,058	$ 10,750,601

Pension plan fiduciary net position. Detailed information about the Plan's fiduciary net position is available in the Plan's separately issued financial report.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the Authority recognized negative pension expense of $591,677. At June 30, 2022, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 400,465
Change in assumptions	805,907	-
Difference between projected and actual investment earnings	-	1,450,523
Contributions subsequent to the measurement date	350,667	-
	$ 1,156,574	$ 1,850,988

$350,667 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	
2023	$ 32,017
2024	(576,250)
2025	(338,439)
2026	(162,409)
	$ (1,045,081)

7. RISK MANAGEMENT

The Authority is exposed to various risks related to accident claims and has designated funds to finance portions of its uninsured risks of loss. The Authority is self-insured up to predetermined limits: individual accident claims up to $100,000 and amounts in excess of $1,000,000 per accident. The Authority carries commercial insurance coverage for damage to Authority property as well as workers' compensation benefits and public officials' and employees' liability exposure. Claim expenses and liabilities are recorded when it is probable that a loss has occurred and the amount of that loss is reasonably estimated.

The liability recorded includes the estimated incremental expenses to be incurred to settle the claims. Claims liabilities are based on evaluations of individual claims and a review of the experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The claims liabilities represent the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Estimated future recoveries on settled and unsettled claims, such as subrogation's, if any, are evaluated in terms of their estimated realizable value and deducted from the liabilities for unpaid claims. Any adjustments resulting from the actual settlement of the claims are reflected in earnings at the time the adjustments are determined.

The changes in the liabilities for accident claims for the years ended June 30, 2022 and 2021 are as follows:

Balance, June 30, 2020	$	166,000
Claims, net of changes in estimates		113,477
Payments		(118,477)
Balance, June 30, 2021		161,000
Claims, net of changes in estimates		271,741
Payments		(122,241)
Balance, June 30, 2022	$	310,500

8. FEDERAL, STATE AND LOCAL GRANTS

Grants, reimbursements and special fare assistance in the statements of activities for the year ended June 30, 2022 consist of the following:

Federal:		
FTA operating assistance	$	2,765,446
Coronavirus Aid, Relief, and Economic Security Act		4,443,461
Total Federal	$	7,208,907
Commonwealth of Kentucky:		
Cabinet fuel tax reimbursement	$	123,487
State operating assistance		320,632
Total Commonwealth of Kentucky	$	444,119
Local:		
Boone	$	5,351,421
Campbell		3,733,180
Kenton		6,733,961
Total Local	$	15,818,562

9. LEASES AND MANAGEMENT SERVICE CONTRACT

The Authority has cancelable leases executed in one-year intervals for office space and a non-cancelable lease for bus tires that expires in September 2023. Future minimum lease payments for bus tires are based on type of vehicle and number of miles driven. Total rental expense for all operating leases was $223,868 for the year ended June 30, 2022.

10. COMMITMENTS AND CONTINGINCIES

Federal, State and Local Grants
Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2022 there were no significant questioned costs that had not been resolved with the applicable federal, state and local agencies. Questioned costs could still be identified during the audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

Legal Proceedings
The Authority has been named as a defendant in certain legal proceedings, including one matter in which a demand for settlement has been made in excess of the Authority’s insurance coverage. This case is still in the initial discovery period and the eventual outcome of these matters and the ultimate liability of the Authority cannot be predicted at this time.

For other ongoing legal proceedings in which the Authority has been named as a defendant, while the eventual outcome of these matters cannot be predicted, it is the opinion of management, based on the advice of legal counsel, that the ultimate liability is not expected to have a material effect on the Authority's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

TRANSIT AUTHORITY OF NORTHERN KENTUCKY

Schedule of Required Supplementary Information
Schedule of Changes in the Authority's Net Pension Liability
Last Six Measurement Years (1)(2)

	2021	2020	2019	2018	2017	2016
Total pension liability						
Service cost	$ 640,170	$ 647,105	$ 551,318	$ 844,495	$ 803,844	$ 821,316
Interest	1,586,864	1,471,034	1,594,918	1,578,036	1,611,692	1,556,727
Differences between expected and actual experience	(567,235)	(25,743)	(189,794)	(586,875)	(600,442)	-
Changes in assumptions	193,298	795,199	1,584,275	(5,664,414)	747,664	-
Benefit payments	(1,682,465)	(1,586,183)	(1,507,913)	(1,422,096)	(1,344,128)	(1,231,378)
Refunds of contributions	(308,480)	(296,323)	(169,072)	(167,255)	(140,865)	(96,208)
Net change in total pension liability	(137,848)	1,005,089	1,863,732	(5,418,109)	1,077,765	1,050,457
Total pension liability-beginning	27,786,307	26,781,218	24,917,486	30,335,595	29,257,830	28,207,373
Total pension liability-ending (a)	$ 27,648,459	$ 27,786,307	$ 26,781,218	$ 24,917,486	$ 30,335,595	$ 29,257,830
Plan fiduciary net position						
Contributions-employer	$ 653,672	$ 707,322	$ 680,819	$ 656,248	$ 654,481	$ 617,230
Contributions-employee	564,807	613,342	588,320	565,469	562,649	535,200
Net investment income	1,639,777	1,620,603	2,146,862	(758,356)	1,725,241	709,461
Benefit payments	(1,682,465)	(1,586,183)	(1,507,913)	(1,422,096)	(1,344,128)	(1,231,378)
Refunds of contributions	(308,480)	(296,323)	(169,072)	(167,255)	(140,865)	(96,208)
Administrative expense	(70,896)	(49,771)	(54,938)	(49,450)	(57,119)	(43,906)
Net change in plan fiduciary net position	796,415	1,008,990	1,684,078	(1,175,440)	1,400,259	490,399
Plan fiduciary net position-beginning	13,554,986	12,545,996	10,861,918	12,037,358	10,637,099	10,146,700
Plan fiduciary net position-ending (b)	$ 14,351,401	$ 13,554,986	$ 12,545,996	$ 10,861,918	$ 12,037,358	$ 10,637,099
Authority's net pension liability-ending (a) - (b)	$ 13,297,058	$ 14,231,321	$ 14,235,222	$ 14,055,568	$ 18,298,237	$ 18,620,731
Plan fiduciary net position as a percentage of the total pension liability	51.91%	48.78%	46.85%	43.59%	39.68%	36.36%
Covered payroll	$ 13,938,635	$ 12,782,255	$ 13,481,665	$ 12,858,457	$ 13,639,903	$ 13,394,200
Authority's net pension liability as a percentage of covered payroll	95.40%	111.34%	105.59%	109.31%	134.15%	139.02%

(1) Information prior to 2016 was not available. The Authority will continue to present information for years available unitl a full ten-year trend is compiled.

(2) The amounts presented for each fiscal year were determined as of 12/31.

TRANSIT AUTHORITY OF NORTHERN KENTUCKY

Schedule of Required Supplementary Information
Schedule of Authority Contributions
Last Six Fiscal Years (1)

	Fiscal Year Ended June 30,					
	2022	2021 (5)	2020	2019	2018	2017
Actuarially determined contributions (2)	$ 1,736,905	$ 1,719,119	$ 1,701,333	$ 1,722,674	$ 1,744,015	$ 1,744,015
Contributions in relation to the actuarial determined contributions (2) (3)	1,266,196	1,162,939	1,220,845	1,189,728	1,211,371	1,202,912
Contribution deficiency (excess)	$ 470,709	$ 556,180	$ 480,488	$ 532,946	$ 532,644	$ 541,103
Covered payroll (4)	$13,152,229	$12,318,488	$12,553,216	$12,587,854	$12,027,800	$12,033,784
Contributions as a percentage of covered payroll	9.63%	9.44%	9.73%	9.45%	10.07%	10.00%

(1) Information prior to 2017 was not available. The Authority will continue to present information for years available until a full ten-year trend is compiled.
(2) Actuarially determined contributions and contributions include contributions from both the Authority and its employees.
(3) Contributions reported for prior years were revised to include contributions from both the Authority and its employees.
(4) Covered payroll amounts reported for prior years were revised based on additional information.
(5) 2021 actuarially determined contributions were revised based on additional information.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll
Asset valuation method	Market value of plan assets
Investment rate of return	5.92% per year, compounded annually
Retirement age	Experience-based tables that are specific to the type of eligiblity
Mortality	Pub-2010 tables, projected generationally using Scale MP-2021
Cost of living adjustments	No increases

Change in assumptions:
In the 2017 valuation, the discount rate was decreased from 7.48% to 6.38%.

In the 2018 valuation, the retirement rates, termination rates, discount rate and mortality projection scale were changed.

In the 2019 valuation, the discount rate and mortality projection scale were updated.

In the 2020 valuation, the discount rate and mortality projection scale were updated.

In the 2021 valuation, the discount rate and mortality projection scale were updated.

Change in benefit terms:
In the 2018 valuation, the pay rate defining employee and employer contribution amounts were changed and the percentages of employee and employer contributions were increased.

In the 2020 valuation, the pay rate defining employee and employer contribution amounts were changed and the percentages of employee and employer contributions were increased.

In the 2021 valuation, the pay rate defining employee and employer contribution amounts were changed and the percentages of employee and employer contributions were increased.

SUPPLEMENTARY INFORMATION

TRANSIT AUTHORITY OF NORTHERN KENTUCKY

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Assistance Listing Number	Award Number	Federal Expenditures
U. S. Department of Transportation			
Federal Transit Cluster (Direct Program):			
Federal Transit Administration (FTA):			
COVID-19 - Federal Transit—Formula Grants	20.507	KY-2020-022	$ 4,500,000
Federal Transit—Formula Grants	20.507	KY-2017-006	769,734
	20.507	KY-2020-002	2,560,000
	20.507	KY-2016-005	17,395
	20.507	KY-2020-015	124,579
	20.507	KY-2021-003	490,525
			8,462,233
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	KY-2021-003	580,438
Total Federal Transit Cluster			9,042,671
Transit Services Programs Cluster (Direct Program):			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	KY-2020-021	53,996
Total Transit Services Programs Cluster			53,996
Total U. S. Department of Transportation			9,096,667
Total Expenditure of Federal Awards			**$ 9,096,667**

The accompanying notes are an integral part of this schedule.

TRANSIT AUTHORITY OF NORTHERN KENTUCKY

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) presents the activity of all federal financial assistance programs of Transit Authority of Northern Kentucky (the “Authority”). The Authority’s reporting entity is defined in Note 1 to the Authority’s financial statements.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S*. Code of Federal Regulations (CFR)* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the financial position, activities and cash flows of the Authority for the year ended June 30, 2022.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

The Authority did not pass-through any federal awards to subreceipients during the year ended June 30, 2022.

3. MATCHING REQUIREMENTS

Certain federal programs require the Authority to contribute non-federal funds (matching funds) to support federally-funded programs. The Authority has complied with the matching requirements. The expenditures of non-federal (matching) funds are not included on the Schedule.

4. RELATIONSHIP OF FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports.

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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

Board of Directors
Transit Authority of Northern Kentucky
Ft. Wright, KY 41017

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Transit Authority of Northern Kentucky (the "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Ft. Mitchell, KY
March 15, 2023

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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

Board of Directors
Transit Authority of Northern Kentucky
Ft. Wright, KY 41017

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Transit Authority of Northern Kentucky's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors’ Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Clark, Schaefer, Hackett & Co.

Ft. Mitchell, KY
March 15, 2023

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Federal Transit Cluster:

ALN 20.507 – Federal Transit - Formula Grants
ALN 20.507 – COVID-19 - Federal Transit - Formula Grants
ALN 20.526 – Buses and Bus Facilities Formula, Competitive, And Low or No Emissions Programs

Dollar threshold to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

None noted