

**METROPOLITAN TRANSIT AUTHORITY
NASHVILLE, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

**JUNE 30, 2022 AND 2021
(As Reissued)**

METROPOLITAN TRANSIT AUTHORITY

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METROPOLITAN TRANSIT AUTHORITY

INTRODUCTION

The Nashville Metropolitan Transit Authority (“MTA”) is pleased to present its Annual Financial Report for the years ended June 30, 2022 and 2021.

Responsibility and Controls

MTA has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

MTA’s system of internal accounting controls is evaluated on an ongoing basis by MTA’s internal financial staff. Crosslin, PLLC, our external auditors, also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that MTA’s operations are conducted according to management’s intentions and to a high standard of business ethics. In management’s opinion, the financial statements present fairly, in all material respects, the financial position of MTA as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unmodified opinion of our independent external auditors, Crosslin, PLLC, is included in this report.

METROPOLITAN TRANSIT AUTHORITY
JUNE 30, 2022

BOARD OF DIRECTORS

Gail Carr Williams	Chair
Janet Miller	Vice Chair
Jessica Dauphin	Member
Mary Griffin	Member
Walter Searcy	Member

EXECUTIVE STAFF

Stephen G. Bland	Chief Executive Officer
Edward W. Oliphant	Chief Financial Officer
Andy Burke	Chief Operating Officer
Trey Walker	Chief Development Officer



Independent Auditor's Report

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Metropolitan Transit Authority ("MTA") as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MTA as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note A to the financial statements, MTA adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 MTA'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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 MTA'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 MTA'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 audits.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension plan and other postemployment benefits schedules 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MTA's basic financial statements. The introductory section, the schedule of fiduciary net position, the schedule of changes in fiduciary net position, the schedule of changes in long-term debt by individual issue, the schedule of changes in lease obligations, and the schedule of lease requirements by year 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 and state financial assistance as listed in the table of contents 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 the State of Tennessee, and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of fiduciary net position, the schedule of changes in fiduciary net position, the schedule of changes in long-term debt by individual issue, the schedule of changes in lease obligations, the schedule of lease requirements by year, and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of MTA'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 MTA'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 MTA's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
October 31, 2022

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

This section of the MTA’s annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2022 and 2021 as compared to fiscal years 2021 and 2020, respectively. Please read it in conjunction with the introductory section of this report and the MTA’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2022

- The coronavirus pandemic continued to have a negative impact on the agency as it relates to ridership and consequently fare revenues. At the height of the pandemic, we saw ridership drop to approximately 35% of normal levels and, currently, we have recovered back to approximately 80% of pre-pandemic ridership levels. We have continued our enhanced cleaning protocols that were put in place to ensure the safety of our employees and customers and those practices have been made permanent. At the beginning of the fiscal year, we were operating at reduced service levels running at approximately 90% of regular service levels and returned to full service in October 2021. We also continue to utilize CARES Act funding to cover operating expenses not covered with fares and other federal, State, and local funding when necessary.
- With the passing of the CARES Act in March 2020, the agency was awarded approximately \$55.1 million, which represented 100% federal dollars with the goal of keeping the agency whole or no worse off than when they entered the pandemic. The agency also received an additional \$46.2 million from the American Rescue Plan (“ARP”) relief package which also represents 100% federal dollars that should be used primarily for operating expenses. The agency has programed the ARP dollars to be used in the current fiscal year and next fiscal year to replace preventive maintenance dollars that would have normally come from conversion of federal 5307 capital dollars historically used in the operating budget to cover preventive maintenance expenses. The federal 5307 grant dollars that would have been converted to operating will be used on other much needed capital projects in FY2023. We have the CARES dollars programed for some COVID related capital projects as well as for operating expenses through at least FY2024.
- Operating revenue for 2022 increased 46.4% from 2021 and totaled approximately \$9.5 million for fiscal year 2022 compared to \$6.5 million in 2021. The major contributing factor to the increase was the gradual increase in our average ridership ultimately reaching approximately 80% of pre-pandemic levels for the year.
- Operating expenses decreased approximately \$20.8 million, or 17.5%, to \$97.9 million in fiscal year 2022. This compared to total operating expenses of \$118.7 million in fiscal year 2021. The major contributing factor to the decrease involved reductions in other post-employment health benefits and pension costs based upon actuarial determinations.
- Net non-operating revenue and capital contributions decreased 11.1%, or \$11.6 million, to approximately \$93.4 million for fiscal year 2022. The primary reason for the decrease was a decrease in capital contributions utilized in fiscal year 2022 compared to 2021. While both fiscal years included grant funding for capital purchases for additional vehicles, equipment and improvements, the current year capital purchase activity decreased approximately 61.4% compared to prior year.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

Fiscal Year 2021

- The coronavirus pandemic continued to have a negative impact on the agency as it relates to ridership and consequently fare revenues. While we have seen some increases year over year in our ridership, the recovery toward pre-pandemic levels is extremely slow. At the height of the pandemic, we saw ridership drop to approximately 35% of normal levels and, currently, we are at approximately 65% to 70% of pre-pandemic ridership levels. We have continued our enhanced cleaning protocols that were put in place to ensure the safety of our employees and customers and those practices will likely stay permanent. To protect our employees, the agency also kept a memorandum of understanding with the Amalgamated Transit Union in place that allowed employees at risk or who did not feel safe due to possible exposure to the virus to utilize sick time without attendance penalties. For most of the year, we operated at reduced service levels running at approximately 78% of regular service levels and increased back to 90% in April 2021 with an intention to increase to full service in October 2021. We also continue to utilize CARES Act funding to cover operating expenses not covered with fares and other federal, State, and local funding when necessary utilizing approximately \$27.6 million in fiscal year 2021 after using approximately \$1.8 million in fiscal year 2020.
- With the passing of the CARES Act in March 2020, the agency was awarded approximately \$55.1 million, which represented 100% federal dollars with the goal of keeping the agency whole or no worse off than when they entered the pandemic. The agency also received an additional \$46.2 million from the ARP relief package which also represents 100% federal dollars that should be used primarily for operating expenses. The agency has programed the ARP dollars to be used over the next two fiscal years to replace preventive maintenance dollars that would have normally come from conversion of federal 5307 capital dollars historically used in the operating budget to cover preventive maintenance expenses. The federal 5307 grant dollars that would have been converted to operating will be used on other much needed capital projects over the next two years. We have the CARES dollars programed for some COVID related capital projects as well as for operating expenses through at least FY2024.
- Operating revenue for 2021 decreased 35.0% from 2020 and totaled approximately \$6.5 million for fiscal year 2021 compared to \$10.0 million in 2020. The major contributing factor to the decrease was the impact from the coronavirus causing our average ridership to drop to approximately 65% of pre-pandemic levels throughout the fiscal year
- Operating expenses increased approximately \$6.7 million, or 6.0%, to \$118.7 million in fiscal year 2021. This compared to total operating expenses of \$112.1 million in fiscal year 2020.
- Net non-operating revenue and capital contributions increased 18.6%, or \$16.5 million, to approximately \$105.1 million for fiscal year 2021. The primary reason for the increase was an increase in capital contributions utilized in fiscal year 2021 compared to 2020. While both fiscal years included grant funding for capital purchases for additional vehicles, equipment and improvements, the current year capital purchase activity increased approximately 88.0% compared to prior year.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

- Net non-operating revenue and capital contributions increased 18.6%, or \$16.5 million, to approximately \$105.1 million for fiscal year 2021. The primary reason for the increase was an increase in capital contributions utilized in fiscal year 2021 compared to 2020. While both fiscal years included grant funding for capital purchases for additional vehicles, equipment and improvements, the current year capital purchase activity increased approximately 88.0% compared to prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of five parts: the introductory section, management’s discussion and analysis (this section), the basic financial statements and the notes to the financial statements, required supplementary information, and additional information.

The financial statements provide both long-term and short-term information about MTA’s overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The section of additional information includes schedules of federal, state and local awards and the notes thereto.

The financial statements include MTA’s blended component unit, Davidson Transit Organization (“DTO”). DTO is a section 501(c)(3) not-for-profit organization that was formed for the purpose of providing all the necessary labor for the operation of MTA’s transit system because of state laws. DTO is financially dependent on MTA and is reimbursed by MTA, at cost, for all salaries, wages and fringe benefits. According to generally accepted accounting principles, DTO is a blended component unit for financial reporting purposes. All interagency transactions and balances have been eliminated.

MTA’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred. MTA is a business-type entity and, as such, the basic financial statements consist of three statements and notes to the basic financial statements. The three basic statements are: (a) Statements of Net Position, which presents the assets, liabilities, deferred inflows and outflows of resources, and net position of MTA as of the end of the fiscal period; (b) Statement of Revenues, Expenses, and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal period; and (c) Statement of Cash Flows, which provides information on all the cash inflows and outflows for MTA by major category during the fiscal period. MTA, through DTO, also includes Fiduciary Funds to account for pension and other postemployment benefit trust funds.

FINANCIAL ANALYSIS OF MTA

Net Position

Fiscal year 2022 as compared to fiscal year 2021:

MTA’s net position at June 30, 2022 totaled approximately \$73.5 million, a 7.3% increase compared to June 30, 2021 as restated (See Table A-1). Total assets and deferred outflows of resources decreased 5.6% to approximately \$205.8 million and total liabilities and deferred inflows of resources decreased 11.5% to approximately \$132.3 million.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

Table A-1
Metropolitan Transit Authority's Net Position
(in thousands of dollars)

	2022	2021 (1)	Percentage Change 2022-2021
Current assets	\$ 11,718	\$ 14,674	(20.1%)
Restricted cash	382	-	100.0%
Property and equipment, net	151,912	167,024	(9.0%)
Designated assets held for self-insurance	350	350	-
Right of use lease asset, net	6,904	7,005	(1.4%)
Deferred outflows of resources	34,548	29,002	19.1%
Total assets and deferred outflows of resources	205,814	218,055	(5.6%)
Current liabilities	10,990	12,761	(13.9%)
Advance lease receipts	6,197	6,787	(8.7%)
Right of use lease liability	7,050	7,050	-
Net pension liability	4,207	16,130	(73.9%)
Net other postemployment benefits	79,109	103,169	(23.3%)
Deferred inflows of resources	24,716	3,625	581.6%
Total liabilities and deferred inflows of resources	132,269	149,522	(11.5%)
Net position:			
Net investment in capital assets	144,967	159,660	(9.2%)
Restricted	382	-	100.0%
Unrestricted	(71,804)	(91,127)	(21.2%)
Total net position	\$ 73,545	\$ 68,533	7.3%

(1) As restated for GASB Statement No. 87.

The 5.6% decrease in total assets and deferred outflow of resources was primarily due decreases in property and equipment because of incurring depreciation expense of approximately \$24.3 million during the year with asset additions of approximately \$9.5 million. There were also decreases in cash in hand of approximately \$1.5 million and decreases in grant receivables of approximately \$2.7 million. These decreases were partially offset by increases in restricted cash, accounts receivables, materials and supplies and prepaid insurance. On additional offsetting increase was in deferred outflows related to pensions and other post-employment benefits of approximately \$5.5 million.

In June 2017, the GASB issued Statement No. 87, *Leases*. Under the guidance, lessees are required to recognize lease assets (right-of-use) and lease liabilities on the statements of net position, unless the lease is a short-term lease or it transfers ownership of the underlying asset. A lessee should reduce the lease liability over the lease term as payments are made and recognize an expense for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the lease asset. The land lease related to MTA's North Nashville transit center project is subject to this new statement. The statement is effective for fiscal years beginning after June 15, 2021 and have been applied retrospectively. See Note E of the financial statements for a more detailed schedule about MTA's right-of-use lease asset and liability.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

The changes in cash, federal, and state and local grant receivables, accounts receivable, materials and supplies and prepaid expenses were primarily due to timing differences when compared to the prior year. The change in restricted cash mainly relates to insurance proceeds received from a bus totaled due to damage sustained from an engine fire. See the Capital Assets section of this analysis for the explanation for the decrease in Property and Equipment.

These financial statements also include the required accounting and financial reporting under GASB Statement No. 68 related to the accounting and financial reporting of pension plan liabilities as well as Statement No. 75 related to the accounting and financial reporting for other non-pension postemployment benefits ("OPEB"). Since MTA guarantees the pension obligations and payments of the pension plan in place for DTO and the Amalgamated Transit Union, the impact of GASB statement No. 68 is reflected in the current financial statements. The deferred outflows related to our pension plan represents employer pension contributions made during each fiscal year as well as certain differences between expected and actual results of the pension plan. This item is required to be recorded based upon the implementation of GASB Statement No. 68. See Note K in the notes to the financial statements. Deferred outflows were also impacted by the effects of GASB Statement No. 75 as it relates to estimated healthcare payments to be made in the future to employees who are or eventually will be retired with the company. Two factors resulted in a significant decrease of approximately \$24.1 million in the estimated obligations related to non-pension estimated expenses as calculated by an actuary. The first factor was a significant increase in the discount rate that is required to be used from 2.8% to 4.09%, which has an inverse relationship on the estimated future value of money causing a decrease in our OPEB liability and consequently, an increase in estimated future inflows and outflows. The other factor causing the decrease was the ongoing impact resulting from the change of rules implemented in 2015 that requires employees to attain 20 years of service in order to receive health benefits in retirement. This item is required to be recorded based upon the implementation of GASB Statement No. 75. See Note L in the notes to the financial statements.

The 11.5% decrease in total liabilities and deferred inflows of resources was primarily due to a \$24.1 million, or 23.3%, decrease in estimated other postemployment benefits obligations previously explained above and a \$11.9 million, or 73.9%, decrease related to our net pension liability primarily as a result of significant increases in pension plan assets from market performance. There were also decreases in current liabilities of \$1.8 million and advanced lease receipts of \$0.6 million. These decreases were partially offset by increases in deferred inflows of \$21.1 million, or 581.8%, which is recorded based upon the requirements of GASB No. 75 as previously explained above.

The decrease in current liabilities was due primarily to timing differences compared to the prior year. The decrease in advance lease receipts represents the continued amortization of capital received from the State of Tennessee in 2008 as it relates to contributions made to construct WeGo Central and cash received from Metropolitan Government in 2010 related to the purchase of our Myatt property after the flood in 2010. Both arrangements require MTA to provide certain facilities for a specified period in exchange for the advance receipts. See Note K in the notes to the financial statements. Net pension liability represents the actuarially determined net pension liability using the discounted rate of return of 7.25%, which is the assumed long-term rate of return on the pension plan assets. Net other postemployment benefits, which decreased approximately \$24.1 million, are recorded based upon the requirements of GASB No. 75 as previously explained above.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

Fiscal year 2021 as compared to fiscal year 2020:

MTA's net position at June 30, 2021 totaled approximately \$68.6 million, a 9.3% decrease compared to June 30, 2020 (See Table A-2). Total assets and deferred outflows of resources increased 1.3% to approximately \$211.0 million and total liabilities and deferred inflows of resources increased 7.4% to approximately \$142.4 million.

Table A-2
Metropolitan Transit Authority's Net Position
(in thousands of dollars)

	2021 (2)	2020	Percentage Change 2021-2020
Current assets	\$ 14,674	\$ 17,099	(14.2%)
Restricted cash	-	535	(100.0%)
Property and equipment, net	167,024	164,446	1.6%
Designated assets held for self-insurance	350	350	-
Deferred outflows of resources	29,002	25,849	12.2%
Total assets and deferred outflows of resources	211,050	208,279	1.3%
Current liabilities	12,705	16,439	(22.7%)
Advance lease receipts	6,787	7,377	(8.0%)
Refundable grants	-	432	(100.0%)
Net pension liability	16,130	11,835	36.3%
Net other postemployment benefits	103,169	92,575	11.4%
Deferred inflows of resources	3,626	3,916	(7.4%)
Total liabilities and deferred inflows of resources	142,417	132,574	7.4%
Net position:			
Net investment in capital assets	159,660	156,239	2.2%
Restricted	-	60	(100.0%)
Unrestricted	(91,027)	(80,594)	12.9%
Total net position	\$ 68,633	\$ 75,705	(9.3%)

(2) Not restated for GASB Statement No. 87 in order to compare to 2020.

The 1.3% increase in total assets and deferred outflow of resources was primarily due to a \$3.2 million, or 12.2%, increase in deferred outflow of resources related to an increase in estimated other postemployment benefits related to our pension plan. There were also increases in property and equipment of \$2.6 million, parts inventory on hand of approximately \$0.3 million and \$0.4 million in prepaid expenses related to the timing of early payments on our insurance policies. These increases were partially offset by decreases in receivables from federal, state, and local governments of approximately \$3.1 million and a \$0.6 million decrease in cash and restricted cash.

The changes in cash, federal, and state and local grant receivables, accounts receivable, materials and supplies and prepaid expenses were primarily due to timing differences when compared to the prior year. The change in restricted cash mainly relates to Federal Emergency Management Agency ("FEMA") funding from the 2010 flood and proceeds from the past sale of the Clement Landport being used up during fiscal year 2021 for designated transit bus replacement purchases as well as designated improvements to our Nestor and WeGo Central

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

properties as approved by the Federal Transit Administration (“FTA”). See the Capital Assets section of this analysis for the explanation for the increase in Property and Equipment.

These financial statements also include the required accounting and financial reporting under GASB Statement No. 68 related to the accounting and financial reporting of pension plan liabilities as well as Statement No. 75 related to the accounting and financial reporting for other non-pension postemployment benefits (“OPEB”). Since MTA guarantees the pension obligations and payments of the pension plan in place for DTO and the Amalgamated Transit Union, the impact of GASB statement No. 68 is reflected in the current financial statements. The deferred outflows related to our pension plan represents employer pension contributions made during each fiscal year as well as certain differences between expected and actual results of the pension plan. This item is required to be recorded based upon the implementation of GASB Statement No. 68. See Note K in the notes to the financial statements. Deferred outflows were also impacted by the effects of GASB Statement No. 75 as it relates to estimated healthcare payments to be made in the future to employees who are or eventually will be retired with the company. Two factors resulted in a significant increase of approximately \$10.6 million in the estimated outflows related to non-pension estimated expenses as calculated by an actuary. The first factor was a significant decrease in the discount rate that is required to be used from 2.66% to 2.18%, which has an inverse relationship on the estimated future value of money causing an increase in our OPEB liability and consequently, an increase in estimated future outflows. The other factor causing the increase was the ongoing trend of increased healthcare expenses being higher than what was anticipated in the actuarial assumptions from the prior year. This item is required to be recorded based upon the implementation of GASB Statement No. 75. See Note L.

The 7.4% increase in total liabilities and deferred inflows of resources was primarily due to a \$10.6 million, or 11.4%, increase in estimated other postemployment benefits obligations and a \$4.3 million, or 36.3%, increase related to our net pension liability. These increases were partially offset by decreases in current liabilities of approximately \$3.7 million, a \$0.6 million decrease in advanced receipts and \$0.4 million in refundable grants.

The decrease in current liabilities was due primarily to timing differences compared to the prior year. The decrease in advance lease receipts represents the continued amortization of capital received from the State of Tennessee in 2008 as it relates to contributions made to construct WeGo Central and cash received from Metropolitan Government in 2010 related to the purchase of our Myatt property after the flood in 2010. Both arrangements require MTA to provide certain facilities for a specified period in exchange for the advance receipts. The decrease in refundable grants represent \$0.4 million in restricted cash from FEMA grants that was used for vehicle replacement purchases or building improvements that took place in 2021. Net pension liability represents the actuarially determined net pension liability using the discounted rate of return of 7.75%, which is the assumed long-term rate of return on the pension plan assets. Net other postemployment benefits, which increased approximately \$10.6 million, are recorded based upon the requirements of GASB No. 75 as previously explained above.

Revenues, Expenses, and Changes in Net Position

While the Statements of Net Position show the financial position of MTA at year-end, the Statements of Revenues, Expenses, and Changes in Net Position provide answers to the nature and source of the changes in MTA’s financial position.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

Fiscal year 2022 as compared to fiscal year 2021:

The excess of revenue and capital contributions over expenses for the year ended June 30, 2022 was approximately \$5.0 million compared to an excess of expense over revenue and capital contributions of approximately \$7.2 million for the year ended June 30, 2021 (See Table A-3). MTA’s total operating revenues increased \$3.0 million to approximately \$9.5 million, or 46.4%, from approximately \$6.5 million in the prior fiscal year. Total operating expense, including depreciation and amortization, decreased 17.5% to approximately \$97.9 million from approximately \$118.7 million in the prior fiscal year.

Table A-3
Changes in Metropolitan Transit Authority’s Net Position
(in thousands of dollars)

	2022	2021 (1)	Percentage Change 2022-2021
Operating revenue:			
Passenger fares	\$ 5,756	\$ 3,740	53.9%
Contracts and other revenue	3,792	2,784	36.2%
Total operating revenue	9,548	6,524	46.4%
Operating expense:			
Operating expense	73,538	96,999	(24.2%)
Depreciation and amortization	24,372	21,700	12.3%
Total operating expense	97,910	118,699	(17.5%)
Operating loss	(88,362)	(112,175)	(21.2%)
Net non-operating revenue and capital contributions	93,374	105,003	(11.1%)
Increase (decrease) in net position	5,012	(7,172)	169.9%
Total net position, beginning of year	68,533	75,705	(9.5%)
Total net position, end of year	\$ 73,545	\$ 68,533	7.3%

(1) As restated for GASB Statement No. 87.

The 46.4% overall increase in operating revenue was primarily due to gradual recovery in ridership that was experienced during the fiscal year as we continue to emerge from the pandemic. Prior year ridership losses were as high as 65% off pre-pandemic ridership numbers. For the current year, ridership has seen significant recovery to approximately 80% of pre-pandemic ridership numbers. Additionally, contract revenues also increased as the Regional Transportation Authority (“RTA”) also saw some recovery in ridership resulting in additional contract service compared to the prior year being provided to RTA during this fiscal year. Net non-operating revenue and capital contributions decreased 11.1%, or \$11.6 million, to approximately \$93.4 million for fiscal year 2022.

The primary reason for the decrease was a decrease in eligible capital grant contributions being utilized this year compared to the prior year. One of the reasons for the decrease related to no scheduled replacement vehicles being added due to the on-going supply chain and delivery issues being experienced across the nation. Based upon our fleet replacement schedule and outstanding orders, we should have received 25 WeGo access vans during 2022. We now anticipate to possibly receive them in fiscal year 2023. While WeGo did successfully open its Hillsboro neighborhood transit center in March 2022, most of capital grant expenditures related to the project were incurred prior to the current fiscal year. See the discussion of capital additions later in this discussion and analysis section.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

Table A-4
Metropolitan Transit Authority's Operating Expense
(in thousands of dollars)

Bus:	2022	2021 (1)	Percentage Change 2022-2021
Labor and fringes	\$ 43,530	\$ 71,177	(38.8%)
Purchased services	7,290	6,508	12.0%
Materials and supplies	8,520	8,069	5.6%
Other	4,552	3,661	24.3%
Depreciation	24,372	21,700	12.3%
Elderly and disabled	9,398	7,340	28.0%
Planning	248	244	1.6%
Total operating expense	\$ 97,910	\$ 118,699	(17.5%)

(1) As restated for GASB Statement No. 87.

Labor and fringe expenses decreased approximately \$27.6 million, or 38.8%, compared to the prior year. The primary reason for the decrease relates to two significant adjustments involving OPEB and pension expense. OPEB expenses decreased approximately \$26.6 million compared to the prior year due to a decrease in our OPEB liability as calculated by actuaries as previously discussed. Our pension expenses saw a decrease of approximately \$3.6 million compared to the prior year as a result of the pension plan assets performing well in the market during the fiscal year and covering approximately 94% of our pension liability as of June 30, 2022 based upon actuarial calculations. Actual labor expenses saw a modest increase resulting from a 4% increase in wages related to our bus operators and maintenance employees covered under our collective bargaining agreement. There were also increases in overtime compared to the prior year due to ongoing labor shortages, returning to full bus service in October 2021 and implementing service increases in April 2022.

The 12.0% increase in purchased services was primarily the result of an increase in operating contracts due to contractual increases as well as increases due to returning to full service in October 2021. We also added a new contract at the beginning of the fiscal year surrounding COVID protocols and testing put in place due to the pandemic. There were also additional software maintenance support contracts and increases in internal support service fees from Metropolitan Government related to our new fare collection system implementation. These increases were partially offset by decreases in one service contract associated with transportation services for any citizen of Davidson County needing transportation to COVID testing sites. This service was discontinued before the current fiscal year.

The 5.6% increase in materials and supplies was primarily due to increases in replacement parts and tires compared to the prior year stemming from a return to full service in October 2021 after operating at reduced services for more than a year as a result of the pandemic. These increases were partially offset by more favorable fuel pricing due to lower fuel hedging pricing compared to the prior year.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

The 24.3% increase in other expense was primarily due to increased liability insurance expenses related to several accidents sustained during the year including one accident involving the death of a pedestrian. Additionally, there were increased expenses incurred from the adoption of GASB Statement No. 87 related to our North Nashville transit center land lease resulting in new interest expense related to the lease. See Note E.

The 12.3% increase in depreciation and amortization expense is primarily related to capital additions and transfers from work-in-progress of approximately \$11.7 million during fiscal year 2022 including building improvements and the new Hillsboro neighborhood transit center that opened in March 2022. There was also an increase in new amortization expense associated our new land lease resulting from the implementation of GASB Statement No. 87. See the discussion of capital additions later in this discussion and analysis section.

Elderly and Disabled expense increased approximately \$2.1 million, or 28.0%, primarily as a result of increased ridership with our in-house paratransit services as we continue to recover from the pandemic and return to more normal service levels. Paratransit overflow services also increased as a result of more demand and a significant amount of money was spent with our third-party overflow contract services compared to the prior year.

Fiscal year 2021 as compared to fiscal year 2020:

The excess of expense over revenues and capital contributions for the year ended June 30, 2021 was approximately \$7.1 million compared to approximately \$13.3 million for the year ended June 30, 2020 (See Table A-5). MTA’s total operating revenues decreased \$3.5 million to approximately \$6.5 million, or 35.0%, from approximately \$10.0 million in the prior fiscal year. Total operating expense, including depreciation, increased 6.0% to approximately \$118.7 million from approximately \$112.1 million in the prior fiscal year.

Table A-5
Changes in Metropolitan Transit Authority’s Net Position
(in thousands of dollars)

	2021 (2)	2020	Percentage Change 2021-2020
Operating revenue:			
Passenger fares	\$ 3,740	\$ 6,089	(38.6%)
Contracts and other revenue	2,784	3,947	(29.5%)
Total operating revenue	6,524	10,036	(35.0%)
Operating expense:			
Operating expense	97,099	91,418	6.2%
Depreciation	21,640	20,634	4.9%
Total operating expense	118,739	112,052	6.0%
Operating loss	(112,215)	(102,016)	10.0%
Net non-operating revenue and capital contributions	105,143	88,680	18.6%
Decrease in net position	(7,072)	(13,336)	(47.0%)
Total net position, beginning of year	75,705	89,041	(15.0%)
Total net position, end of year	\$ 68,633	\$ 75,705	(9.3%)

(2) Not restated for GASB Statement No. 87 in order to compare to 2020.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

The 35.0% overall decrease in operating revenue was primarily due to the impact of the coronavirus that initially resulted in a 65% average decrease in ridership and that has seen a slow recovery during this fiscal year. Additionally, contract revenues also decreased because of the Regional Transportation Authority (“RTA”) also seeing even more significant decreases in ridership resulting in reduced contract service being provided to RTA during this fiscal year. Net non-operating revenue and capital contributions increased 18.6%, or \$16.5 million, to approximately \$105.1 million for fiscal year 2021. The primary reason for the increase was an increase in eligible capital grant contributions being utilized this year compared to the prior as it related to more replacement buses based upon our fleet replacement schedule, our new fare collections system project, shelters along our Nolensville Road corridor, improvements at our Nestor property and ongoing construction of our Hillsboro neighborhood transit center. See the discussion of capital additions later in this discussion and analysis section.

Table A-6
Metropolitan Transit Authority’s Operating Expense
(in thousands of dollars)

Bus:	2021 (2)	2020	Percentage Change 2021-2020
Labor and fringes	\$ 71,177	\$ 63,128	12.8%
Purchased services	6,648	5,722	16.2%
Materials and supplies	8,069	9,851	(18.1%)
Other	3,620	3,654	(0.9%)
Depreciation	21,641	20,634	4.9%
Elderly and disabled	7,340	8,824	(16.8%)
Planning	244	239	2.1%
Total operating expense	\$ 118,739	\$ 112,052	6.0%

(2) Not restated for GASB Statement No. 87 in order to compare to 2020.

Labor and fringe expenses increased approximately \$8.1 million, or 12.8%, compared to the prior year. While bus services ran at reduced schedules most of the year due to the coronavirus, the agency kept all employee wages whole while also utilizing additional labor and overtime to fulfill enhanced cleaning protocols put in place due to COVID. There were also significant increases in health expenses and sick time related to employees who contracted COVID or received company paid sick time for being placed in quarantine from potential exposure to COVID. Additionally, there were increases in OPEB costs as previously explained along with increases in health expenses not COVID related.

The 16.2% increase in purchased services was primarily due to an increase in operating contracts put in place toward the end of last fiscal year related to transportation services for any citizen of Davidson County needing transportation to COVID testing sites as well as additional software maintenance support contracts and increases in internal support service fees from Metropolitan Government related to our new fare collection system implementation. One additional new expense was related to a new long-term lease of property related to the pending construction of our new North Nashville neighborhood transit center on Clarksville Pike. These increases were partially offset by decreases in several other service expenses as a result of reduced ridership and bus services caused by the coronavirus.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

The 18.1% decrease in materials and supplies was primarily due to a decrease of approximately \$1.4 million in fuel related expenses in part due to lower fuel hedging pricing and overall lower fuel pricing compared to last year. Besides the additional cleaning materials related to cleaning protocols required to combat the coronavirus, the overall materials and supplies category is down due to reduced service levels being operated during the fiscal year compared to last year.

Other expense was basically flat with a small 0.9% variance in fiscal year 2021 compared to the prior year. There were savings in all travel and training especially since the onset of the pandemic. Utilities also continued to show improvement with the installation of new energy saving lighting two years ago. One increase that offset some of the savings related to insurance expense mainly due to the addition of new revenue equipment added in this fiscal year and toward the end of last year.

The 4.9% increase in depreciation expense is primarily related to capital additions and transfers from work-in-progress of approximately \$20.5 million during fiscal year 2021 including replacement buses and vans and building improvements at our Nestor and WeGo Central locations. See the discussion of capital additions later in this discussion and analysis section.

Elderly and Disabled expense decreased approximately \$1.5 million, or 16.8%, primarily as a result of the coronavirus pandemic significantly impacting ridership during the fiscal year. Paratransit services were reduced based upon lack of demand and a significant amount of money was saved from our third-party overflow contract services not being needed as much compared to the prior year.

Capital Assets

Fiscal year 2022 as compared to fiscal year 2021:

At the end of fiscal year 2022 MTA had invested approximately \$151.9 million in a broad range of land, buildings, neighborhood transit centers, shelters and benches, revenue vehicles, equipment and ongoing projects as shown in Table A-7.

Table A-7
Metropolitan Transit Authority’s Capital Assets
(in thousands of dollars)

	2022	2021	Percentage Change 2022-2021
Land	\$ 14,733	\$ 14,733	-
Buildings, shelters and benches	118,893	110,515	7.6%
Revenue vehicles	136,049	146,036	(6.8%)
Equipment and parts	16,382	14,485	13.1%
Work in progress	5,655	8,729	(35.2%)
Office furniture and equipment	6,377	6,146	3.8%
Miscellaneous other	34,620	32,668	6.0%
Subtotal	332,709	333,312	(0.2%)
Less accumulated depreciation	(180,797)	(166,288)	8.7%
Net capital assets	\$ 151,912	\$ 167,024	(9.0%)

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

The decreases in net capital assets were primarily due to having \$24.3 million of depreciation recorded with only \$9.5 million in capital additions. While we would normally have had replacement revenue vehicles added during the year, due to the supply chain delays being experienced across the country, there were no replacement vehicles received during the year. We currently have 25 WeGo Access vans on order since 2021. See Note M for additional purchase commitments. Some of the \$9.5 million in additions related to our North Nashville Transit Center on Clarksville Pike, additional expenditures for the new fare collection system project, shelter upgrades and installations along our Nolensville Pike corridor and some facility improvements at all three of our properties at Nestor, WeGo Central and Myatt.

Fiscal year 2021 as compared to fiscal year 2020:

At the end of fiscal year 2021 MTA had invested approximately \$167.0 million in a broad range of land, buildings, shelters and benches, revenue vehicles, equipment and ongoing projects as shown in Table A-8.

Table A-8
Metropolitan Transit Authority’s Capital Assets
(in thousands of dollars)

	2021	2020	Percentage Change 2021-2020
Land	\$ 14,733	\$ 14,733	-
Buildings, shelters and benches	110,515	109,841	0.6%
Revenue vehicles	146,036	135,862	7.5%
Equipment and parts	14,485	14,540	(0.4%)
Work in progress	8,729	22,625	(61.4%)
Office furniture and equipment	6,146	5,931	3.6%
Miscellaneous other	32,668	19,067	71.3%
Subtotal	333,312	322,599	3.3%
Less accumulated depreciation	(166,288)	(158,153)	5.1%
Net capital assets	\$ 167,024	\$ 164,446	1.6%

The increases in net capital assets were primarily related to the addition of new replacement vehicles consisting of nineteen 40-foot buses, five 60-foot buses and nineteen WeGo Access vans. There were also additional new projects as well as additions to existing projects from fiscal year 2020. Some of these projects included construction costs related to our two new neighborhood transit centers at Hillsboro Highschool in Green Hills and our North Nashville Transit Center on Clarksville Pike, additional expenditures for the new fare collection system project, shelter upgrades and installations along our Nolensville Pike corridor and some facility improvements at all three of our properties at Nestor, WeGo Central and Myatt.

**METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

Economic Factors and Next Year’s Budget

MTA’s Board of Directors and management considered many factors when setting the fiscal year 2023 budget. The most significant factors relate to the impact that the pandemic has had on MTA’s budget. Also, the ability of Metro to continue providing the agency’s annual subsidy needed to sustain the status quo and the city’s ability to fund service improvements. MTA was awarded approximately \$55.1 million in federal funding through the CARES Act as well as an additional \$46.2 million from the American Rescue Plan both of which are programmed into the current fiscal year and next year’s budget. Metro was able to increase MTA’s annual subsidy for FY2023 to \$61.6 million, which included inflation plus seed funding for the next round of Better Bus service increases.

Other factors considered by the Board and management included the slow recovery in ridership due to the ongoing pandemic and the impact of a fare increase to help off-set decreased fare revenues due to decreased ridership. Also considered were anticipated capital grant funding for bus and van replacements, continued progress on repainting of existing buses and vans to match our WeGo branding initiative and any facility maintenance or rehab needed at our Nestor Street, Myatt Drive and WeGo Central facilities. This will help reduce Nashville MTA exposure to potential asset impairment and will improve operating efficiencies. Consideration was also given to the ongoing supply chain delays in receiving fleet replacement vehicles and the impact that will have on maintenance expenses incurred to maintain an older fleet beyond normal service life.

This financial report is designed to provide our patrons, granting agencies and other interested parties with a general overview of MTA’s finances and to demonstrate MTA’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Nashville Metropolitan Transit Authority’s Finance Department, 430 Myatt Drive, Nashville, TN 37115.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF NET POSITION

	June 30,	
	2022	2021 (As Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,784,772	\$ 5,291,154
Receivables from federal, state and local governments	1,483,679	4,232,776
Accounts receivable, less allowances of \$6,000 in both years	1,509,507	746,944
Materials and supplies, net	3,288,783	2,982,464
Prepaid expenses and other current assets	1,651,572	1,420,871
Total current assets	11,718,313	14,674,209
Restricted funds:		
Cash and cash equivalents	381,607	-
Property and equipment, net	151,911,521	167,024,166
Other assets:		
Designated assets - cash and investments held by custodians for self-insurance	350,000	350,000
Right of use lease asset, net	6,903,989	7,004,900
	7,253,989	7,354,900
Total assets	171,265,430	189,053,275
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	4,693,293	7,461,186
Other postemployment benefits	29,855,046	21,540,363
Total deferred outflows of resources	34,548,339	29,001,549
Total assets and deferred outflows of resources	\$ 205,813,769	\$ 218,054,824

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF NET POSITION

	June 30,	
	2022	2021 (As Restated)
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,085,231	\$ 1,929,138
Notes payable	-	3,000,000
Accrued expenses:		
Salaries, wages and payroll taxes	1,648,332	1,346,677
Accident losses	828,256	732,662
Compensated absences	1,530,410	2,080,455
Medical benefit claims	1,082,714	1,639,126
Workers' compensation	2,297,743	1,726,976
Other current liabilities	517,335	305,478
Total current liabilities	10,990,021	12,760,512
Non-current liabilities:		
Advance lease receipts	6,197,445	6,787,449
Right of use lease liability	7,049,599	7,049,599
Net pension liability	4,206,838	16,130,285
Net other postemployment benefits obligation	79,108,586	103,168,732
Total non-current liabilities	96,562,468	133,136,065
Total liabilities	107,552,489	145,896,577
DEFERRED INFLOWS OF RESOURCES		
Effective portion of fuel hedge program	136,166	493,049
Pensions	8,665,928	2,078,716
Other postemployment benefits	15,914,496	1,053,714
Total deferred inflows of resources	24,716,590	3,625,479
NET POSITION		
Net investment in capital assets	144,966,735	159,659,606
Restricted for capital purchases	381,607	-
Unrestricted	(71,803,652)	(91,126,838)
Total net position	73,544,690	68,532,768
Total liabilities, deferred inflows of resources, and net position	\$ 205,813,769	\$ 218,054,824

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended June 30,	
	2022	2021 (As Restated)
OPERATING REVENUES		
Passenger fares	\$ 5,755,863	\$ 3,739,959
Contract revenues	2,477,806	1,703,019
Elderly and disabled passengers	650,765	513,902
Advertising	663,515	567,431
Total operating revenues	9,547,949	6,524,311
OPERATING EXPENSES		
Bus:		
Labor and fringe benefits	43,530,338	71,177,288
Purchased services	7,290,255	6,507,577
Materials and supplies	8,520,373	8,069,495
Other	4,552,188	3,661,100
Elderly and disabled passengers	9,397,534	7,339,695
Planning	247,764	244,378
Depreciation and amortization	24,371,644	21,699,761
Total operating expenses	97,910,096	118,699,294
Operating loss	(88,362,147)	(112,174,983)
NON-OPERATING REVENUES (EXPENSE)		
Operating assistance:		
Local	51,835,900	27,315,700
State	5,170,200	5,098,600
Planning and other assistance	1,775,101	1,493,232
Sub-recipient pass-through	(1,774,529)	(1,426,883)
(Loss) gain on disposal of property and equipment	(298,624)	(111,022)
Interest expense, net	(280,489)	(211,954)
Other	2,017,631	1,018,884
Total non-operating revenues	58,445,190	33,176,557
DECREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(29,916,957)	(78,998,426)
CAPITAL CONTRIBUTIONS	34,928,879	71,825,773
CHANGE IN NET POSITION	5,011,922	(7,172,653)
NET POSITION AT BEGINNING OF YEAR	68,532,768	75,705,421
NET POSITION AT END OF YEAR	\$ 73,544,690	\$ 68,532,768

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2022	2021 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 8,785,386	\$ 6,455,806
Cash payments to or on behalf of employees	(63,846,762)	(60,557,355)
Cash payments to suppliers	(29,608,164)	(26,617,478)
Net cash used in operating activities	(84,669,540)	(80,719,027)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Planning assistance and other grant collections	1,775,101	1,493,232
State operating grant collections	5,170,200	5,098,600
Local operating grant collections	51,835,900	27,315,700
Net (repayments) borrowings on revolving credit lines	(3,000,000)	(2,500,000)
Interest payments	(280,520)	(226,137)
Payments to sub-recipients	(1,774,529)	(1,426,883)
Net cash provided by non-capital financing activities	53,726,152	29,754,512
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposal of property and equipment	29,533	33,348
Payment of accounts payable for property and equipment	(577,111)	(829,709)
Cash purchases of property and equipment	(8,738,904)	(23,785,902)
Capital contributions and other capital related collections	37,677,976	74,910,280
Refundable grants	-	(431,663)
Net cash provided by capital and related financing activities	28,391,494	49,896,354
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income collected	1,427,119	428,358
Net cash provided by investing activities	1,427,119	428,358
DECREASE IN CASH AND CASH EQUIVALENTS	(1,124,775)	(639,803)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,291,154	5,930,957
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,166,379	\$ 5,291,154

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2022	2021 (As Restated)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (88,362,147)	\$ (112,174,983)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	24,371,644	21,699,761
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(762,563)	(68,505)
Materials and supplies, net	(306,319)	(306,905)
Prepaid expenses and other	(230,701)	778,059
Increase (decrease) in:		
Accounts payable	985,863	(588,723)
Accrued salaries, wages, and payroll taxes	301,655	(488,254)
Accrued accident losses	95,594	(119,944)
Accrued compensated absences	(550,045)	693,181
Accrued medical benefit claims	(556,412)	573,200
Accrued workers compensation	570,767	(437,571)
Accrued other liabilities	(144,487)	(557,720)
Net other postemployment benefits obligation and related amounts	(17,514,047)	9,043,550
Net pension liability and related amounts	(2,568,342)	1,235,827
Net cash used in operating activities	\$ (84,669,540)	\$ (80,719,027)
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Acquisition of property and equipment	\$ 9,486,245	\$ 24,363,013
Amounts included in accounts payable at year end	(747,341)	(577,111)
Total cash paid for property and equipment	\$ 8,738,904	\$ 23,785,902

The estimated fair value of fuel hedges were (\$136,166) and (\$493,049) at June 30, 2022 and 2021, respectively. The changes in the fair values of the fuel hedges of (\$356,883) and (\$1,166,424) for 2022 and 2021, respectively, are included in deferred inflows of resources and deferred outflows of resources, respectively.

During fiscal year 2020, MTA entered into a lease agreement for a ground lease with the present value of future lease payments totaling \$7,063,765.

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
	Pension and Other Post- Employment Trust Funds	Pension and Other Post- Employment Trust Funds
ASSETS		
Cash and cash equivalents	\$ 3,504,870	\$ 2,348,135
Investment income receivable	70,298	67,980
Investments, at fair value		
Common stocks	23,823,281	17,181,062
U.S. government obligations	5,272,714	5,206,659
Mortgage backed securities	3,585,193	4,171,971
Corporate bonds	3,574,320	3,563,910
Mutual funds	26,929,007	19,723,573
Interest in limited liability company	1,591,239	1,610,093
Total investments	64,775,754	51,457,268
Total assets	68,350,922	53,873,383
NET POSITION		
Restricted for:		
Pensions	68,350,922	53,873,383
Other postemployment benefits	-	-
Total net position	\$ 68,350,922	\$ 53,873,383

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
	Pension and Other Post- Employment Trust Funds	Pension and Other Post- Employment Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 6,842,980	\$ 8,072,248
Member	<u>1,742,995</u>	<u>1,732,867</u>
Total contributions	<u>8,585,975</u>	<u>9,805,115</u>
Investment income:		
Net appreciation in fair value of investments	13,171,787	246,109
Dividend and interest income	1,223,649	1,274,364
Other investment income	92,647	21,806
Less investment expenses	<u>(10,226)</u>	<u>(10,274)</u>
Net investment income	<u>14,477,857</u>	<u>1,532,005</u>
Other income	<u>18,592</u>	<u>-</u>
Total additions	<u>23,082,424</u>	<u>11,337,120</u>
DEDUCTIONS		
Benefit payments, including refunds of member contributions	8,344,497	9,358,452
Administrative expenses	<u>260,388</u>	<u>223,655</u>
Total deductions	<u>8,604,885</u>	<u>9,582,107</u>
CHANGE IN FIDUCIARY NET POSITION	14,477,539	1,755,013
NET POSITION - BEGINNING OF YEAR	<u>53,873,383</u>	<u>52,118,370</u>
NET POSITION - END OF YEAR	<u>\$ 68,350,922</u>	<u>\$ 53,873,383</u>

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying financial statements encompass the financial activities of the Metropolitan Transit Authority (“MTA”), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee (“Metropolitan Government”). MTA is governed by a Board of Directors, which is appointed by the Mayor of the Metropolitan Government and approved by the Metropolitan Council. The Metropolitan Government is financially accountable for MTA in that the Metropolitan Government provides significant financial support to MTA. MTA is also financially assisted by the U.S. Department of Transportation, Federal Transit Administration (“FTA”), and the Tennessee Department of Transportation (“TDOT”).

Services Rendered by Davidson Transit Organization

The financial statements include the accounts and operations of a blended component unit, Davidson Transit Organization (“DTO”), a section 501(c)(3) not-for-profit organization. Although it is legally separate from MTA, DTO was formed for the purpose of providing all the necessary labor for the operation of MTA’s transit system. DTO is financially dependent on MTA and is reimbursed by MTA, at cost, for all salaries, wages and fringe benefits. Additionally, MTA appoints the Board of Directors of DTO and MTA’s management has operational responsibility for DTO. DTO has no operations outside of MTA. Accordingly, DTO is a blended component unit for financial reporting purposes. All significant interagency transactions and balances have been eliminated. No separate financial statements are issued for DTO (See Note P).

Fiduciary Activities

As defined by the GASB, MTA, through DTO, reports the operations of the pension and other post-employment benefits (“OPEB”) trust funds in the fiduciary fund financial statements. The pension and OPEB trust funds provide retirement and health benefits for qualified DTO employees and retired employees. The pension trust funds are in a legally separate entity and the resources of the trust funds cannot be used to finance MTA’s operations. The assets of the trust funds are held and administered in trust arrangements, which are governed by a pension administration committee (see Note K). At this time, there are no OPEB trust funds as OPEB is funded by monthly employer contributions, which are made on a pay-as-you-go basis (see Note L).

MTA, through DTO, is committed to making contributions to the pension trust, and therefore, assumes a financial burden for the trust funds and thus has financial accountability. The assets in the pension trust are held for only for DTO employees’ benefit.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting

The basic financial statements and fiduciary statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Use of Estimates in the Preparation of Financial Statements

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful lives and valuation of property and equipment, the valuation of accounts receivable, pension and other postemployment benefit liabilities, and self-insurance accruals. Actual results could differ from those estimates.

Operating and Non-Operating Revenues and Expenses

MTA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The principal operating revenues of MTA include passenger fares, revenues from contracted services, and advertising. Operating expenses include the cost of services, administrative expenses, and depreciation on property and equipment assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Significant non-operating revenues relate primarily to operating assistance grants from state and local sources.

Cash Balances and Statements of Cash Flows

For purposes of the statements of cash flows, MTA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Materials and Supplies

Materials and supplies consist primarily of vehicle parts and are stated at cost as determined on the average cost method. At June 30, 2022 and 2021, a valuation allowance of \$490,627 and \$370,627, respectively, was deemed necessary.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment and Depreciation

Property and equipment is stated at cost, except for contributions of property received from governmental agencies, which is recorded at fair value at the time of contribution. Capitalized cost of property and equipment includes improvements that significantly add to utility or extend useful lives. MTA maintains an Asset Management Policy, which generally classifies capital assets as tangible items with a purchase price of \$1,000 or more. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is calculated on the straight-line method to allocate the cost of the assets over their estimated economic lives (see Note D).

Impairment of Long-Lived Assets

The carrying value of long-lived assets held and used are reviewed whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For purpose of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows before consideration of interest expense. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The evaluation of asset impairment requires MTA to make assumptions about future cash flows over the life of the asset being evaluated. Assets to be disposed of are reported at the lower of their carrying amount or fair value less costs to sell and are no longer depreciated. No impairment losses were recorded in fiscal years 2022 or 2021.

Leases

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for lease 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use ("ROU") an underlying asset.

MTA determines whether an arrangement is or contains a lease at lease inception. On the commencement date, leases are recorded as ROU assets and lease liabilities in the statements of net position. ROU assets represent MTA's right to use leased assets over the term of the lease. Lease liabilities represent MTA's contractual obligation to make lease payments over the lease term.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or MTA's incremental borrowing rate if the implicit rate is not determinable. ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense, an outflow of resources, is recognized on a straight-line basis over the lease term. MTA has elected not to recognize a ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expense associated with short-term leases in lease expense in the statements of revenues, expenses, and changes in net position.

ROU assets are assessed for impairment in accordance with MTA's capital asset policy. Management reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with GASB No. 87. MTA's leases are described in Note E.

Compensated Absences

Accumulated unpaid vacation is accrued when earned on a calendar year basis. Employees earn ten or more days of vacation each year depending on length of service. Unused vacation time may not be carried forward after the end of the calendar year.

In December each year, an employee who has been employed for the entire previous twelve-month period and has accumulated sick leave is entitled to a cash payment for a portion of his or her accumulated sick leave balance. The employee may request a lump sum payment for a maximum of six days, to be paid at 80% of his or her regular hourly rate.

Sick leave is paid on the basis of straight-time and may not be used to compute overtime pay. Except for retirement, there is no compensation for accrued sick leave when an employee's service is terminated. In the case of retirement, MTA purchases one-half of the retiree's accrued sick leave at the rate of 100% of wages, or the employee may opt for no pay and full credit for pension purposes. The maximum allowable number of days accruable for this benefit is 200.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Self-insurance

MTA is primarily self-insured, up to certain limits, for automobile and general liability, workers' compensation, and employee group health insurance claims. MTA has purchased reinsurance in order to limit its exposure. The reinsurance limits are described in Note G. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported. Liabilities for unpaid workers' compensation and employee group health insurance claims, including incurred but not reported losses, are actuarially determined and reflected in the accompanying statements of net position as accrued liabilities. Self-insurance losses for automobile and general liabilities are accrued based on MTA's consultation with its risk management service provider and attorneys. The determination of self-insurance claims and expenses, and the appropriateness of the related liability, are continually reviewed and updated by management. Self-insurance claims are described further in Note G.

Operating Assistance Grants

Revenue from government operating assistance grants is recognized as non-operating revenue in the period to which the grant applies.

Capital Contributions

Capital contributions are not recognized until the period a liability for the related expenditure is incurred, at which time such amounts are recognized in the statements of revenues, expenses and changes in net position as a separate line item after non-operating revenues and expenses.

Restricted Assets

Restricted assets consist of cash and cash equivalents which are restricted for specific purposes under grant agreements or as otherwise approved by federal agencies.

When restricted and unrestricted resources are available for use, it is MTA's policy to use restricted resources first, then use unrestricted resources as needed.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MTA reports deferred outflows or deferred inflows relating to its hedge program. MTA's fuel hedges are considered to be derivatives, the effective portion of which is accounted for as deferred inflows/deferred outflows of resources at June 30, 2022 and 2021.

At June 30, 2022 and 2021, MTA also reports deferred outflows and inflows of resources related to both the pension and other postemployment benefit ("OPEB") plans. Deferred outflows of resources relate to pension contributions made after the measurement date as well as deferred outflows and inflows of resources relating to differences between actual and expected experience, differences between projected and actual earnings related to the pension plan investments, and, when applicable, changes in assumptions used in the actuarial valuations (See Notes K and L).

Unearned Revenues and Refundable Grants

MTA's unearned revenues represent lease rentals, received in advance, for certain leases entered into with the State of Tennessee and the Metropolitan Government. The unearned rental income is being recognized in nonoperating income on a straight-line basis over the terms of the related agreements. Unearned revenues for advance lease receipts are included within liabilities in the accompanying statements of net position as such amounts may be returned to the counterparty if the related agreements were to be terminated.

Amounts received from grants in advance of meeting certain eligibility requirements are recorded within liabilities as refundable grants until the eligibility requirements are met (See Note F).

Postemployment Benefits

Postemployment pension benefits are accounted for under Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, note disclosures, and required supplementary information.

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 pension plan and additions to/deductions from pension plan's fiduciary net position have been determined on the same basis as they are reported by pension 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.

METROPOLITAN TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Employer accounting for postemployment healthcare benefits other than pension benefits is under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and display of postemployment healthcare benefits expense and related liabilities, assets, net disclosure, and required supplementary information.

Net Position

MTA's net position classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted - This component consists of net position restricted by grantors, contributors, or laws and regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted - This component consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

Change in Accounting Principle and Restatement

During fiscal year 2022, MTA implemented GASB No. 87, *Leases*. GASB No. 87 enhances the relevance and consistency of information of MTA's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. These changes were incorporated in MTA's 2022 financial statements and had an effect on the beginning net position. MTA recognized \$7,004,900 in net book value for the intangible right to use and a lease liability of \$7,049,599 plus interest payable of \$55,164 for a ground lease, which began in December 2020 (see Note E). The implementation of GASB No. 87 had the following effect on net position as reported June 30, 2021:

Net position as of June 30, 2021	\$68,632,631
Adjustments:	
Net book value leased land	7,004,900
Lease liability	(7,049,599)
Interest payable	<u>(55,164)</u>
Restated net position as of June 30, 2021	<u>\$68,532,768</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

B. CASH AND CASH EQUIVALENTS

MTA’s deposit policy is governed by the laws of the State of Tennessee. Deposits in financial institutions are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount covered by federal depository insurance. MTA’s financial institutions participate in the State of Tennessee Bank Collateral Pool. Banks participating in the Collateral Pool determine the aggregate balance of their public fund accounts and the required collateral for MTA.

The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

During fiscal years 2022 and 2021, MTA’s deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2022 and 2021, the carrying amount and corresponding bank balances of deposits were as follows:

<u>2022:</u>	<u>Deposits Per Bank</u>	<u>Carrying Amount Per Books</u>
Cash and cash equivalents, including restricted amounts	\$5,852,626	\$4,166,379
<u>2021:</u>	<u>Deposits Per Bank</u>	<u>Carrying Amount Per Books</u>
Cash and cash equivalents, including restricted amounts	\$6,026,812	\$5,921,154

The difference between the deposits per bank and the carrying amount of cash per the books is due primarily to checks outstanding at June 30, 2022 and 2021.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

C. RECEIVABLES FROM OTHER GOVERNMENTS

Receivables from federal, state, and local governments consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Capital related grants:		
FTA	\$ 878,470	\$1,941,163
TDOT	285,066	1,912,168
Metropolitan Government	<u>320,143</u>	<u>379,445</u>
	<u>\$1,483,679</u>	<u>\$4,232,776</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

D. PROPERTY AND EQUIPMENT

A summary of the changes in property and equipment and related accumulated depreciation for the year ended June 30, 2022, is as follows:

	<u>Estimated Economic Lives In Years</u>	<u>Balance at June 30, 2021</u>	<u>Additions</u>
Property and equipment:			
Motor buses	10 - 12	\$136,509,527	\$ -
Electric buses	12	9,526,938	-
Spare parts	5	281,943	-
Fare equipment	10 - 20	10,591,538	-
Service cars	3 - 10	1,466,669	-
Shop and garage equipment	10	2,144,664	-
Furniture and office equipment	10	1,053,651	11,660
Computer equipment	5 - 10	5,092,055	283,209
Miscellaneous equipment	10	32,668,095	262,064
Shelters and benches	10 - 20	10,268,993	247,400
Buildings	10 - 40	44,994,073	64,592
Music City Central	7 - 30	55,251,780	-
Transit centers	10 - 40	-	-
Land	-	14,733,025	-
Construction in-progress (Note M)	-	8,729,213	8,617,321
		<u>333,312,164</u>	<u>9,486,246</u>
Accumulated depreciation:			
Motor buses		71,549,281	10,319,483
Electric buses		3,939,863	793,912
Spare parts		281,942	-
Fare equipment		1,684,938	2,385,311
Service cars		1,374,715	63,833
Shop and garage equipment		1,649,687	199,935
Furniture and office equipment		900,456	46,837
Computer equipment		3,915,085	577,315
Miscellaneous equipment		13,682,122	4,232,071
Shelters and benches		8,239,149	695,490
Buildings		37,167,204	2,538,310
Music City Central		21,903,556	2,362,796
Transit centers		-	55,441
		<u>166,287,998</u>	<u>24,270,734</u>
Property and equipment, net		<u>\$167,024,166</u>	<u>\$(14,784,488)</u>

<u>Disposals</u>	<u>Reclassifications</u>	<u>Balance at June 30, 2022</u>
\$(9,987,739)	\$ -	\$126,521,788
-	-	9,526,938
(7,092)	-	274,851
-	1,904,258	12,495,796
-	-	1,466,669
-	-	2,144,664
-	-	1,065,311
(63,301)	-	5,311,963
(31,733)	1,721,687	34,620,113
-	3,868,853	14,385,246
-	870,543	45,929,208
-	-	55,251,780
-	3,326,472	3,326,472
-	-	14,733,025
-	(11,691,813)	5,654,721
<u>(10,089,865)</u>	<u>-</u>	<u>332,708,545</u>
(9,663,510)	-	72,205,254
-	-	4,733,775
(7,092)	-	274,850
-	-	4,070,249
-	-	1,438,548
-	-	1,849,622
-	-	947,293
(59,373)	-	4,433,027
(31,733)	-	17,882,460
-	-	8,934,639
-	-	39,705,514
-	-	24,266,352
-	-	55,441
<u>(9,761,708)</u>	<u>-</u>	<u>180,797,024</u>
<u>\$(328,157)</u>	<u>\$ -</u>	<u>\$151,911,521</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

D. PROPERTY AND EQUIPMENT - Continued

A summary of the changes in property and equipment and related accumulated depreciation for the year ended June 30, 2021, is as follows:

	<u>Estimated Economic Lives In Years</u>	<u>Balance at June 30, 2020</u>	<u>Additions</u>
Property and equipment:			
Motor buses	10 - 12	\$126,335,138	\$16,377,486
Electric buses	12	9,526,938	-
Spare parts	5	327,123	-
Fare equipment	10 - 20	10,622,489	13,918
Service cars	3 - 10	1,418,047	117,600
Shop and garage equipment	10	2,172,704	110,313
Furniture and office equipment	10	1,074,132	23,635
Computer equipment	5 - 10	4,856,900	333,568
Miscellaneous equipment	10	19,066,961	501,847
Shelters and benches	10 - 20	9,691,304	251,941
Buildings	10 - 40	44,987,627	13,374
Music City Central	7 - 30	55,162,228	23,216
Transit centers	10 - 40	-	-
Land	-	14,733,025	-
Construction in-progress (Note M)	-	<u>22,625,060</u>	<u>6,780,280</u>
		<u>322,599,676</u>	<u>24,547,178</u>
Accumulated depreciation:			
Motor buses		68,077,835	9,942,768
Electric buses		3,145,951	793,912
Spare parts		327,122	-
Fare equipment		6,932,617	874,064
Service cars		1,378,994	64,699
Shop and garage equipment		1,647,375	201,165
Furniture and office equipment		899,553	45,019
Computer equipment		3,571,440	606,458
Miscellaneous equipment		11,037,263	2,920,795
Shelters and benches		7,439,328	810,107
Buildings		34,129,690	3,044,442
Music City Central		19,566,089	2,337,467
Transit centers		-	-
		<u>158,153,257</u>	<u>21,640,896</u>
Property and equipment, net		<u>\$164,446,419</u>	<u>\$ 2,906,282</u>

<u>Disposals</u>	<u>Reclassifications</u>	<u>Balance at June 30, 2021</u>
\$(6,471,320)	\$ 268,223	\$136,509,527
-	-	9,526,938
(45,180)	-	281,943
(6,258,399)	6,213,530	10,591,538
(68,978)	-	1,466,669
(198,853)	60,500	2,144,664
(44,116)	-	1,053,651
(262,813)	164,400	5,092,055
(275,936)	13,375,223	32,668,095
(18,000)	343,748	10,268,993
(6,928)	-	44,994,073
-	66,336	55,251,780
-	-	-
-	-	14,733,025
<u>(184,167)</u>	<u>(20,491,960)</u>	<u>8,729,213</u>
<u>(13,834,690)</u>	<u>-</u>	<u>333,312,164</u>
(6,471,322)	-	71,549,281
-	-	3,939,863
(45,180)	-	281,942
(6,121,743)	-	1,684,938
(68,978)	-	1,374,715
(198,853)	-	1,649,687
(44,116)	-	900,456
(262,813)	-	3,915,085
(275,936)	-	13,682,122
(10,286)	-	8,239,149
(6,928)	-	37,167,204
-	-	21,903,556
-	-	-
<u>(13,506,155)</u>	<u>-</u>	<u>166,287,998</u>
<u>\$(328,535)</u>	<u>\$ -</u>	<u>\$167,024,166</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

D. PROPERTY AND EQUIPMENT - Continued

Construction in progress at June 30, 2022, is attributable to the following (See Note M):

Planning projects	\$1,027,391
Electric buses and charging stations	527,876
Transit centers	1,755,771
Fare technology upgrades	1,185,933
Other projects	<u>1,157,750</u>
Total construction in progress	<u>\$5,654,721</u>

During fiscal year 2022, the following projects were substantially completed and were transferred to capital assets:

Fare technology upgrades	\$ 1,904,258
Signal priority project	1,376,218
BRT lines	3,933,160
Transit centers	3,353,480
Other projects	<u>1,124,697</u>
	<u>\$11,691,813</u>

Construction in progress at June 30, 2021, is attributable to the following (See Note M):

BRT lines	\$3,814,468
Building and facilities	1,760,389
Signal priority project	1,373,780
Fare technology upgrades	1,323,338
Other projects	<u>457,238</u>
Total construction in progress	<u>\$8,729,213</u>

During fiscal year 2021, the following projects were substantially completed and were transferred to capital assets:

Fare technology upgrades	\$ 6,377,930
Signal priority project	12,706,608
Other projects	<u>1,407,422</u>
	<u>\$20,491,960</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

E. LEASES

The land located at 2501 and 2521 Clarksville Highway and 2122 26th Avenue North in Nashville, Tennessee is being leased to MTA for a transit facility and related uses. The initial lease term in fifty years with two options to renew the lease for consecutive periods for ten years each. Each renewal option shall be conditioned upon MTA providing the Landlord with written notice of their intent to exercise its option no later than 180 days prior to the expiration of the then current term of the lease. MTA anticipates renewing for both consecutive periods of ten year each. The interest rate on the lease is variable based on the incremental borrowing rate as of June 30 each fiscal year during the term of the lease. In fiscal year 2022, the MTA's incremental borrowing rate was 3.40%.

The components of lease expense for June 30, 2022 is as follows:

	<u>Year Ending June 30, 2022</u>
Lease Expense	
Amortization expense by class of underlying assets	
Land	<u>\$100,911</u>
Total amortization expense	100,911
Interest on lease liabilities	<u>242,198</u>
Total	<u>\$343,109</u>

2022:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Modifications and Remeasurements</u>	<u>Subtractions</u>	<u>End of Year</u>	<u>Amounts Due Within One Year</u>
Lease Assets						
Land	<u>\$ 7,063,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,063,765</u>	
Less: Accumulated Amortization						
Land	<u>(58,865)</u>	<u>(100,911)</u>	<u>-</u>	<u>-</u>	<u>(159,776)</u>	
Total Lease Asset, net	<u>\$ 7,004,900</u>	<u>\$(100,910)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,903,990</u>	
Lease Liabilities	<u>\$ 7,049,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,049,599</u>	<u>\$ -</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

E. LEASES - Continued

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	\$ -	\$ 170,000	\$ 170,000
2024	-	170,000	170,000
2025	-	170,000	170,000
2026	-	179,917	179,917
2027	-	187,000	187,000
2028-2032	-	964,589	964,589
2033-2037	-	1,061,028	1,061,028
2038-2042	-	1,167,176	1,167,176
2043-2047	-	1,283,894	1,283,894
2048-2052	-	1,412,283	1,412,283
2053-2057	-	1,553,511	1,553,511
2058-2062	-	1,708,863	1,708,863
2063-2067	-	1,879,749	1,879,749
2068-2072	95,756	1,971,967	2,067,223
2073-2077	1,184,495	1,090,001	2,274,496
2078-2082	1,650,760	851,186	2,501,946
2083-2087	2,228,004	524,136	2,752,140
2088-2092	<u>1,890,584</u>	<u>114,610</u>	<u>2,005,194</u>
Total future payments	<u>\$7,049,599</u>	<u>\$16,459,910</u>	<u>\$23,509,509</u>

The components of lease expense for June 30, 2021 is as follows:

	<u>Year Ending June 30, 2021</u>
Lease Expense	
Amortization expense by class of underlying assets	
Land	<u>\$58,865</u>
Total amortization expense	58,865
Interest on lease liabilities	<u>140,164</u>
Total	<u>\$199,029</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

E. LEASES - Continued

2021:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Modifications and Remeasurements</u>	<u>Subtractions</u>	<u>End of Year</u>	<u>Amounts Due Within One Year</u>
Lease Assets						
Land	\$ -	\$7,063,765	\$ -	\$ -	\$7,063,765	\$ -
Less: Accumulated Amortization						
Land	-	(58,865)	-	-	(58,865)	-
Total Lease Asset, net	<u>\$ -</u>	<u>\$ 7,004,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,004,900</u>	<u>-</u>
Lease Liabilities	<u>\$ -</u>	<u>\$ 7,049,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,049,599</u>	<u>\$ -</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2022	\$ -	\$ 170,000	\$ 170,000
2023	-	170,000	170,000
2024	-	170,000	170,000
2025	-	170,000	170,000
2026	-	179,917	179,917
2027-2031	-	945,901	945,901
2032-2036	-	1,040,446	1,040,446
2037-2041	-	1,144,549	1,144,549
2042-2046	-	1,259,004	1,259,004
2047-2051	-	1,384,904	1,384,904
2052-2056	-	1,523,395	1,523,395
2057-2061	-	1,675,735	1,675,735
2062-2066	-	1,843,308	1,843,308
2067-2071	-	2,027,639	2,027,639
2072-2076	996,630	1,233,773	2,230,403
2077-2081	1,548,032	905,410	2,453,442
2082-2086	2,101,245	597,542	2,698,787
2087-2091	<u>2,403,692</u>	<u>188,389</u>	<u>2,592,081</u>
Total Future Payments	<u>\$7,049,599</u>	<u>\$16,629,912</u>	<u>\$23,679,511</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

F. CAPITAL CONTRIBUTIONS AND REFUNDABLE GRANTS

Capital contributions consist of property, materials and supplies purchased with federal, state and local government capital grants. Unexpended available capital contribution awards totaled approximately \$104,733,471 as of June 30, 2022. These grant revenue amounts will be recognized in the financial statements when grant funds are utilized in accordance with the grant agreements.

During fiscal year 2014, MTA received \$3,642,082 from the Federal Emergency Management Agency (“FEMA”) and the Tennessee Emergency Management Agency (“TEMA”) for potential claims relating to the May 2010 historic flood experienced in Nashville. The flood was declared a federal disaster by President Obama. MTA experienced losses to assets and equipment, including damage to the Nestor Street facility, buses, other vehicles, and materials and supplies. Since the flood, MTA has worked with the FTA and FEMA to obtain funds for asset replacements. FEMA has advanced funds, subject to review and determination of certain reimbursements previously received by FTA. Accordingly, the advanced funds have been recorded as refundable grants in the statement of net position until final settlement with FEMA is made.

During fiscal year 2015, another \$206,614 was received and \$76,929 was spent for asset replacement. During fiscal year 2016, \$21,536 was spent for asset replacement. During fiscal year 2017, \$1,536,539 was received and \$100,819 was spent for asset replacement. During fiscal year 2018, \$281,685 was received and \$4,335,677 was spent for asset replacement. During fiscal year 2019, \$676,307 was spent for asset replacement. During fiscal year 2020, \$23,989 was spent for asset replacement. During fiscal year 2021, \$431,663 was spent for asset replacement; accordingly, refundable grants totaled \$-0- at June 30, 2021 as well as at June 30, 2022.

G. SELF-INSURANCE

Vehicle operation:

MTA is self-insured up to \$100,000 for all losses relating to the operation of any revenue vehicle. A provision of \$828,256 and \$732,662 has been made for all such known losses incurred as of June 30, 2022 and 2021, respectively. Accident losses exceeding \$100,000 on any revenue vehicle are covered under an insurance program subject to certain annual and aggregate limits.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

G. SELF-INSURANCE - Continued

Employee medical benefit claims:

MTA is self-insured for employee medical claims. MTA has purchased reinsurance, which provides for reimbursement of paid medical claims in excess of \$200,000 per participant per agreement year. The policy also provides certain maximums during the lifetime of a covered participant, and an aggregate maximum for total claims paid per year. The aggregate maximum each year fluctuates based on the number of employees under single or family coverage contracts. The maximum amount that the reinsurance carrier will pay out in a plan year is \$1,000,000. Total claims paid in fiscal years 2022 and 2021 did not exceed the aggregate maximum.

As required by a collective bargaining labor agreement, the Davidson Transit Organization Employee Benefit Trust (the “Trust”) was established to pay all medical claims for employees. The accrued medical claims and reinsurance amounts are recorded by the Trust. MTA funds the Trust, through DTO, on a break-even basis. At June 30, 2022 and 2021, MTA owed the Trust \$1,082,714 and \$1,639,126, respectively. Such amounts are included in accrued expenses. Medical claims are paid by the Trust through a third-party administrator, which was Blue Cross Blue Shield of Tennessee.

Changes in the medical claims liability for the years ended June 30, 2022 and 2021 are as follows:

	<u>Balance at Beginning of Year</u>	<u>Net Claims Expenses</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2022	\$1,639,126	\$17,048,209	\$17,604,621	\$1,082,714
2021	\$1,065,926	\$18,885,869	\$18,312,669	\$1,639,126

Workers’ compensation:

MTA is self-insured, up to certain limits, for its workers’ compensation claims. A provision has been made for all such known claims incurred as of June 30, 2022 and 2021. MTA has purchased reinsurance for workers compensation claims in excess of \$500,000 per employee. The maximum available for reinsurance in the contract period is \$1,000,000. During 2022 and 2021, MTA’s workers’ compensation claims did not exceed the maximum. At June 30, 2022 and 2021, provisions of \$2,297,743 and \$1,726,976, respectively are included in accrued expenses relating to workers’ compensation claims.

Self-insurance investments:

MTA has transferred funds to a third-party administrator to serve as collateral for its self-insured workers’ compensation bond. The balance of these funds was \$350,000 at both June 30, 2022 and 2021.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

H. DEBT

In March 2017, MTA entered into an \$11,200,000 revolving line-of-credit with Fifth Third Bank, to replace the previously outstanding credit line. In April 2020, the revolving credit line amount was increased to \$20,000,000 with a maturity date of March 31, 2021. In June 2021, the maturity date was extended to June 30, 2022. MTA has pledged certain assets under the line-of-credit, including all revenues, accounts receivable, investments, and machinery and equipment. The line-of-credit bears interest at one month LIBOR plus 1.65% (an effective rate of 3.40% and 1.78% at June 30, 2022 and 2021, respectively). On June 30, 2022, the maturity date was extended to June 30, 2023 and now bears interest at a per annum rate equal to the prime rate minus 135 basis points.

A summary of the borrowings and repayments under the credit line agreements for the years ended June 30, 2022 and 2021 is as follows:

2022:

	Balance at Beginning of Year	<u>Borrowings</u>	<u>Repayments</u>	Balance at End of Year
Fifth Third Bank	<u>\$3,000,000</u>	<u>\$5,000,000</u>	<u>\$(8,000,000)</u>	<u>\$ -</u>

2021:

	Balance at Beginning of Year	<u>Borrowings</u>	<u>Repayments</u>	Balance at End of Year
Fifth Third Bank	<u>\$5,500,000</u>	<u>\$8,900,000</u>	<u>\$(11,400,000)</u>	<u>\$3,000,000</u>

An event of default under the line-of-credit documents shall occur if (i) any representation or warranty made by MTA under or in connection with the most current line-of-credit amendment shall have been untrue, false, or misleading in any material respect when made or (ii) MTA shall fail to perform or observe any term, covenant, or agreement contained in the most current line-of-credit amendment.

In the event of a default, the principal indebtedness and any other sums advanced under the line-of-credit documents together with all unpaid interest accrued shall become due and payable regardless of the stipulated date of maturity. Should any such event of default occur, interest shall accrue on the outstanding principal balance regardless of whether or not there has been an acceleration of the indebtedness, at the lesser of (i) a rate equal to three percent (3%) per annum in excess of the interest rate or (ii) the maximum rate allowed by applicable law. All such interest shall be paid at the time of and as a condition precedent to the curing of such event of default.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

I. FUEL-HEDGING PROGRAM

MTA participates in the Metropolitan Government's fuel hedging program. MTA's objective is to hedge the changes in cash flows due to market price fluctuations related to a portion of expected purchases of diesel fuel. Details of MTA's participation in the fuel-hedging program for the years ended June 30, 2022 and 2021 are as follows:

<u>Monthly Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
53,008 gallons, diesel	7/1/20	6/30/21	Pay \$1.80 per gallon; Settlement based on NYMEX HO	A3
35,339 gallons, diesel	7/1/20	6/30/21	Pay \$1.815 per gallon; Settlement based on NYMEX HO	A3
29,954 gallons, diesel	7/1/20	6/30/21	Pay \$1.852 per gallon; Settlement based on NYMEX HO	A3
18,304 gallons, gasoline	7/1/20	6/30/21	Pay \$1.52 per gallon; Settlement based on NYMEX NYH RBOB	A3
9,152 gallons, gasoline	7/1/20	6/30/21	Pay \$1.54 per gallon; Settlement based on NYMEX NYH RBOB	A3
9,043 gallons, gasoline	7/1/20	6/30/21	Pay \$1.61 per gallon; Settlement based on NYMEX NYH RBOB	A3
35,339 gallons, diesel	7/1/20	6/30/21	Pay \$1.229 per gallon; Settlement based on NYMEX HO	A3
9,152 gallons, gasoline	7/1/20	6/30/21	Pay \$1.009 per gallon; Settlement based on NYMEX NYH RBOB	A3
35,339 gallons diesel	7/1/21	6/30/22	Pay \$1.2290 per gallon; Settlement based on NYMEX HO	A3

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

I. FUEL-HEDGING PROGRAM - Continued

<u>Monthly Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
9,152 gallons, gasoline	7/1/21	6/30/22	Pay \$1.0090 per gallon; Settlement based on NYMEX NYH RBOB	A3
29,954 gallons, diesel	7/1/21	6/30/22	Pay \$1.2300 per gallon; Settlement based on HO-NYMEX-FUTURES	Aa2
18,304 gallons, gasoline	7/1/21	6/30/22	Pay \$0.9490 per gallon; Settlement based on XB-NYMEX-FUTURES	Aa2
9,152 gallons, Gasoline	7/1/21	6/30/22	Pay \$1.0315 per gallon; Settlement based on XB-NYMEX-FUTURES	Aa2
17,459 gallons, Diesel	7/1/21	6/30/22	Pay \$1.2220 per gallon; Settlement based on HO-NYMEX-FUTURES	Aa2

The fair value of the fuel hedging instruments was an asset of \$136,166 and \$493,049 at June 30, 2022 and 2021, respectively. The fair value was estimated based on the present value of the estimated future cash flows. The fuel hedges were determined to be effective hedges based on regression analysis; accordingly, the change in fair value of the hedges is a corresponding outflow of resources.

MTA is exposed to credit risk on hedging derivative instruments that are in asset positions. This represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. MTA relies primarily on the credit rating of the counterparty. MTA is exposed to basis risk on its fuel hedging contracts because the expected commodity purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle (Nymex). As the fuel-hedging program is administered by the Metropolitan Government, the Metropolitan Government or its counterparts may terminate the contracts if the other party fails to perform under the terms of the contracts. If at the time of termination, a hedging derivative instrument is in a liability position, MTA, through the Metropolitan Government, would be liable to the counterparty for a payment equal to the liability.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

J. AGREEMENTS WITH THE STATE AND METROPOLITAN GOVERNMENTS

During fiscal year 2008, MTA entered into an agreement to lease certain parking facilities to the State of Tennessee. The term of the lease is approximately 25 years and commenced in October 2008. Under the provisions of the lease agreement, MTA received, in advance, the entire lease rental payments totaling \$6,500,000. The advance rental payments have been recorded as unearned revenue in the accompanying statements of net position and will be recognized as revenue over the term of the lease. MTA utilized the upfront cash payments to finance a portion of the construction costs for Music City Central. The remaining balance totaled \$2,924,945 and \$3,184,949 at June 30, 2022 and 2021, respectively.

During fiscal year 2012, MTA received \$6,600,000 from the Metropolitan Government for purchase of the Myatt Drive Facility. In connection with the contribution, the Metropolitan Government will share certain space at the facility. The Metropolitan Government took occupancy of its portion of the facility during fiscal year 2013. Accordingly, the \$6,600,000 has been recorded as unearned revenue in the accompanying statements of net position and will be amortized over the term of the agreement, which is expected to be 20 years. The remaining balance totaled \$3,272,500 and \$3,602,500 at June 30, 2022 and 2021, respectively.

K. PENSION PLAN

General Information About the Pension Plan

Plan Description

MTA offers, through DTO (the “Employer”), the Disability and Retirement Plan of Davidson Transit Organization and Local 1235 of the Amalgamated Transit Union, a single-employer defined benefit pension plan (“Pension Plan”) covering substantially all eligible employees of DTO (except part-time employees) and the Amalgamated Transit Union, Local 1235. The Pension Plan provides for retirement and disability benefits to members and their beneficiaries. Specific benefits are established in Articles XII and XIII of the Pension Plan document.

Oversight and administration of the Pension Plan is the responsibility of the Pension Administrative Committee (the “Committee”) with administrative support provided by DTO. The Committee consists of four persons; two appointed by the Union and two appointed by the Employer. This Committee has power to make and enforce such reasonable rules and regulations consistent with the provisions of the Pension Plan.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

K. PENSION PLAN - Continued

As of the most recent measurement date, June 30, 2021, the Pension Plan covered 255 retirees receiving benefits; 30 terminated vested; and 640 active participants.

The Pension Plan issues a publicly available report that includes the financial statements and certain required supplementary information. That report may be obtained by writing to MTA, 430 Myatt Drive, Madison, Tennessee, 37115, or by calling (615) 862 - 5969.

Benefits Provided

Upon termination of employment, for any reason, an employee with at least seven years of service is entitled to the full pension benefit accrued to the date of termination beginning at normal retirement age. Normal retirement age is the earlier of attainment of age 65, attainment of age 55 with 29 years of service, or when the sum of the employee's years of service and attained age is not less than 84. Early retirement can begin at age 55 with seven years of service and provides for reduced benefits.

Retirement benefits are calculated as 1.6% of the average monthly earnings of a member's highest five of the last eight years of salary plus one-half of any accrued sick days, multiplied by the number of years of service at retirement. The normal form of benefit is an annuity payable over the life of the participant with a guaranteed return of the participant's required contribution. Retirees receive a 1.0% cost-of-living adjustment per year, through fiscal year 2023, as contractually agreed upon in the labor union contract between the Employer and the Union.

Disability retirement benefits are provided for members with total and permanent disability after seven years of service. They are payable immediately and determined in the same manner as retirement benefits but without reduction. Death benefits are also provided for by the Plan.

A participant leaving employment with the Employer prior to seven years of service shall be refunded an amount equal to 100% of their required contributions plus four percent interest compounded annually.

METROPOLITAN TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 AND 2021

K. PENSION PLAN - Continued

Contributions

The Pension Plan is funded by monthly contributions from both DTO and plan members. Contribution requirements of the plan members and DTO are established in Article VII of the Pension Plan document. Plan members are required to contribute 4.50% of their covered payroll. DTO is required to contribute at an actuarially determined rate of payroll, which was 8.04% and 7.77% in fiscal years 2022 and 2021, respectively. The Employer’s contributions totaled \$3,261,009 and \$3,008,495, for fiscal years 2022 and 2021, respectively, which exceeded the required contribution rates in both years. The Employer’s actuarially determined contributions (“ADC”) and member contributions are expected to finance the cost of benefits earned by members, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

MTA’s net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of July 1, 2020, with rollforward procedures to the measurement date.

Actuarial Assumptions

Actuarial methods and assumptions as of July 1, 2020, based on a rollforward of the entry age normal liabilities to June 30, 2021, the measurement date, are detailed below:

Actuarial cost method	Entry age normal
Amortization method	Level dollar layered; 20 year amortization
Asset valuation method	5-Year phase-in of actuarial gains and losses, 20% corridor
Rate of investment return	7.25% per year net of pension plan investment expenses, compounded annually
Projected salary increases	Sliding scale based on years of service as determined from 2021 actuarial experience study. Rates range from 12.00% to 2.50% in the first 5 years of service and are assumed at 2.50% (hourly) and 3.50% (salaried) per year thereafter.
Cost of living adjustments	1% per for three years as of July 1, 2021, 2022, and 2023
Remaining amortization period	20 years
Normal retirement age	Various rates of retirement applied to ages 55 through 70. Rate applied to the normal retirement age of 65 is 50%.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

K. PENSION PLAN - Continued

Mortality rates	Healthy mortality: 115% of the RP-2014 base Mortality table with blue collar adjustments and generational future mortality improvements based on the Buck Modified 2020 improvement scale.
Disabled mortality	130% of the RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Buck Modified 2020 improvement scale.

Investment Policy and Rate of Return

The Committee is responsible for oversight of the Plan’s investments and has adopted investment policy and performance standards. The primary investment objective of the Plan is to achieve long-term returns while preserving principal after inflation and minimize risk. Actual investing is performed by an investment manager hired by the Committee. The Committee has developed investment guidelines and objectives for the investment manager to adhere to when managing investments which include the following asset allocation guidelines:

<u>Assets Class</u>	<u>Long-Term Target Allocation</u>
Total equities:	45%
Domestic large cap equities (30%)	
Domestic mid cap equities (5%)	
Domestic small cap equities (5%)	
International large cap equities (5%)	
Domestic investment-grade fixed income	35%
Alternative investments	<u>20%</u>
Total	<u>100%</u>

The investment guidelines provide for no single investment to be larger than 10% of total assets. Actual allocations outside of these ranges are to be reported to the Committee, and the trustee manager is expected to rebalance the portfolio to comply with these ranges within six months following such occurrence. As of June 30, 2022, the measurement date, the Plan was invested in a mutual fund, which represented 16.0% of total investments. The Committee has spoken with the trustee manager and expects this investment to be rebalanced within six months to comply with the investment policy.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

K. PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a simulation of capital markets using the Plan's long-term investment targets. Expected future real rates of return (expected returns, net of pension plan investment expense and inflation) were developed for each major asset class. Best estimates of the arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation (as discussed in the Pension Plan's investment policy) are summarized in the following table:

Assets Class	Long-Term Expected Real Rate of Return
Total equities:	
Domestic large cap equities	6.86%
Domestic mid cap equities	7.04%
Domestic small cap equities	7.46%
International large cap equities	5.57%
Intermediate U.S. government treasuries	0.78%
Mortgage backed securities	0.58%
Intermediate credit	1.52%
Private equity	9.65%
Cash	0.33%

Discount Rate

As of the measurement date, June 30, 2021, the single blended discount rate used to measure the total pension liability was updated from 7.75% in the prior year to 7.25% in the current year. The projection of cash flows used to determine the discount rate assumed that the Plan's contributions will be based on the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments of 7.25% in the current year and 7.75% in the prior year were applied to those projected benefit payments.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

K. PENSION PLAN - Continued

Changes in the Net Pension Liability

	Total Pension <u>Liability</u>	Increase (Decrease) Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
Balance at June 30, 2020 (June 30, 2019 measurement date)	\$ 63,953,713	\$ 52,118,370	\$ 11,835,343
Changes for the year:			
Service cost	2,392,999	-	2,392,999
Interest	4,975,892	-	4,975,892
Change of benefit terms	1,533,737	-	1,533,737
Differences between expected and actual experience	1,691,561	-	1,691,561
Change of assumptions	(179,481)	-	(179,481)
Contributions-employer	-	3,078,549	(3,078,549)
Contributions-employees	-	1,732,867	(1,732,867)
Net investment income	-	1,532,005	(1,532,005)
Benefit payments, including refunds of employee contributions	(4,364,753)	(4,364,753)	-
Administrative expense	-	(223,655)	223,655
Net changes	<u>6,049,955</u>	<u>1,755,013</u>	<u>4,294,942</u>
Balance at June 30, 2021 (June 30, 2020 measurement date)	<u>70,003,668</u>	<u>53,873,383</u>	<u>16,130,285</u>
Changes for the year:			
Service cost	2,497,016	-	2,497,016
Interest	5,449,809	-	5,449,809
Change of benefit terms	-	-	-
Differences between expected and actual experience	(388,049)	-	(388,049)
Change of assumptions	(560,620)	-	(560,620)
Contributions-employer	-	2,961,139	(2,961,139)
Contributions-employees	-	1,742,995	(1,742,995)
Net investment income	-	14,477,857	(14,477,857)
Benefit payments, including refunds of employee contributions	(4,444,064)	(4,444,064)	-
Administrative expense	-	(260,388)	260,388
Net changes	<u>2,554,092</u>	<u>14,477,539</u>	<u>(11,923,447)</u>
Balance at June 30, 2022 (June 30, 2021 measurement date)	<u>\$ 72,557,760</u>	<u>\$ 68,350,922</u>	<u>\$ 4,206,838</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

K. PENSION PLAN - Continued

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability as of June 30, 2022 and 2021, calculated using the applicable discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>June 30, 2022:</u>	1%	Current	1%
	Decrease	Discount Rate	Increase
	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
Net pension liability	<u>\$11,981,467</u>	<u>\$4,206,838</u>	<u>\$(2,401,006)</u>
 <u>June 30, 2021:</u>	 1%	 Current	 1%
	 Decrease	 Discount Rate	 Increase
	 <u>(6.75%)</u>	 <u>(7.75%)</u>	 <u>(8.75%)</u>
 Net pension liability	 <u>\$23,593,296</u>	 <u>\$16,130,285</u>	 <u>\$9,769,886</u>

Pension Plan Fiduciary Net Position

Detailed information about the Pension Plan's fiduciary net position is available in the separately issued plan financial statements. No significant changes have occurred since the measurement date.

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

Pension expense

For the years ended June 30, 2022 and 2021, MTA recognized pension expense of \$645,311 and \$4,330,155, respectively.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

K. PENSION PLAN - Continued

Deferred outflows of resources and deferred inflows of resources

As of June 30, 2022 and 2021, MTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2022:</u>		
Difference between projected and actual earnings on pension plan investments	\$ -	\$(6,441,668)
Difference between expected and actual experience	1,432,284	(705,270)
Changes of assumptions	-	(1,518,990)
Contributions subsequent to the measurement date	<u>3,261,009</u>	<u>-</u>
Total	<u>\$4,693,293</u>	<u>\$(8,665,928)</u>
<u>2021:</u>		
Difference between projected and actual earnings on pension plan investments	\$2,199,241	\$ -
Difference between expected and actual experience	2,002,848	(488,328)
Changes of assumptions	250,602	(1,590,388)
Contributions subsequent to the measurement date	<u>3,008,495</u>	<u>-</u>
Total	<u>\$7,461,186</u>	<u>\$(2,078,716)</u>

The amounts shown above for contributions subsequent to the measurement date will be recognized as a reduction to net pension liability in the following measurement period.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

K. PENSION PLAN - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2021 will be recognized in pension expense as follows:

Year Ended June 30,

2023	\$(1,704,239)
2024	(1,631,795)
2025	(1,725,121)
2026	(2,037,662)
2027	(104,230)
Thereafter	(30,597)

Payable to the Pension Plan

At June 30, 2022 and 2021, MTA’s payables for the outstanding amount of contributions to the pension plan required were not material.

L. OTHER POSTEMPLOYMENT BENEFITS

Plan Description:

MTA offers, through DTO, postemployment medical, dental, vision, prescription card and life insurance benefits to eligible retirees and dependents through the Davidson Transit Organization Employee Benefit Trust (the “Health Plan”). The Health Plan is a single-employer defined benefit plan. Benefit provisions are established and amended primarily through negotiations between DTO and the Amalgamated Transit Union. As of June 30, 2020, the latest actuarial valuation date, the Health Plan covered 221 retirees receiving benefits and 651 active participants.

MTA accounts for other post-employment benefits in accordance with GASB No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (“OPEB”)*. GASB No. 75 establishes standards for recognizing and measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources and OPEB expense for employers who participate in a trusted or non-trusted single-employer, agent multiple-employer, or cost-sharing multiple-employer plan.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

L. OTHER POSTEMPLOYMENT BENEFITS - Continued

Plan and Employer Reporting:

The Health Plan issues a publicly available report that includes the financial statements and certain required supplementary information. That report may be obtained by writing to MTA, 430 Myatt Drive, Madison, Tennessee, 37115, or by calling (615) 862-5969.

Funding Policy:

The Health Plan is funded by monthly contributions from (i) the Employer, based on rates determined by management in consultation with the Health Plan's actuary and third-party administrator, and (ii) covered retirees through deductions from their pension benefits, in accordance with the agreement between DTO and the Amalgamated Transit Union. Employer contributions are generally made on a pay-as-you-go basis. Retiree contributions are generally \$90 for retiree-only and \$165 for retiree and family coverage. Retiree contributions received during the years ended June 30, 2022 and 2021 totaled \$369,098 and \$345,964, respectively.

Experience gains or losses were amortized over the average working lifetime of all participants. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

L. OTHER POSTEMPLOYMENT BENEFITS - Continued

	<u>Changes in the Net OPEB Liability</u>		
	Total OPEB Liability <u>(a)</u>	Plan Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Total OPEB liability as of June 30, 2020	\$ <u>92,575,015</u>	\$ <u>-</u>	\$ <u>92,575,015</u>
Changes for the Year:			
Service cost	7,352,412	-	7,352,412
Interest cost (including interest on service cost)	2,586,114	-	2,586,114
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	5,648,890	-	5,648,890
Other changes	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefits paid	(4,993,699)	-	(4,993,699)
Administrative expense	-	-	-
Net change in total OPEB liability	<u>10,593,717</u>	<u>-</u>	<u>10,593,717</u>
Total OPEB liability as of June 30, 2021	<u>103,168,732</u>	<u>-</u>	<u>103,168,732</u>
Changes for the Year:			
Service cost	8,335,992	-	8,335,992
Interest cost (including interest on service cost)	2,384,962	-	2,384,962
Change of Benefit Terms	-	-	-
Difference between expected and actual experience	14,316,841	-	14,316,841
Changes of assumptions	(17,070,139)	-	(17,070,139)
Other changes	(28,145,961)	-	(28,145,961)
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefits paid	(3,881,841)	-	(3,881,841)
Administrative expense	-	-	-
Net change in total OPEB liability	<u>(24,060,146)</u>	<u>-</u>	<u>(24,060,146)</u>
Total OPEB liability as of June 30, 2022	<u>\$ 79,108,586</u>	<u>\$ -</u>	<u>\$ 79,108,586</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

L. OTHER POSTEMPLOYMENT BENEFITS - Continued

Total OPEB expense as of June 30, 2022, includes service cost at July 1, 2021, of \$8,335,992 and interest cost (including interest on service cost) of \$2,384,962, and the amortized amount of each basis required by GASB 75 of \$3,792,801 totaling \$13,632,206.

Sensitivity of the Net OPEB Liability to Changes in Discount Rate - The following presents the net OPEB liability of MTA, as well as what MTA net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

	1% Decrease 3.09%	Current Rate 4.09%	1% Increase 5.09%
Net OPEB Liability	\$90,103,676	\$79,108,586	\$70,016,311

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates – The following presents the net OPEB liability of MTA, as well as, what MTA’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 4.5% decreasing to 3.0%	Current Rates 5.5% decreasing to 4.0%	1% Increase 6.5% decreasing to 5.0%
Net OPEB Liability	\$68,696,779	\$79,108,586	\$92,130,977

Deferred outflows of resources and deferred inflows of resources

As of June 30, 2022, MTA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2022:</u>		
Difference between expected and actual experience	\$18,735,679	\$(741,039)
Changes of assumptions	11,119,367	(15,173,457)
Total	\$29,855,046	\$(15,914,496)

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

L. OTHER POSTEMPLOYMENT BENEFITS - Continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2021:</u>		
Difference between expected and actual experience	\$ 7,511,998	\$1,053,714
Changes of assumptions	<u>14,028,365</u>	<u> -</u>
Total	<u>\$21,540,363</u>	<u>\$1,053,714</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits at June 30, 2022 will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2023	\$3,792,801
2024	3,792,801
2025	3,478,207
2026	3,293,445
2027	501,062
Thereafter	(917,766)

In table shown above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Actuarial Assumptions:

In the June 30, 2022 actuarial valuation, the following significant actuarial methods and assumptions were used:

Actuarial valuation method	Individual entry age normal cost method
Amortization method	Level percentage of projected salary
Discount rate	4.09%
Projected salary increases	4.00%
Health care cost trend rate	5.5% in fiscal year 2022 through 2023; reducing to 5.4% and ultimately to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

METROPOLITAN TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 AND 2021

L. OTHER POSTEMPLOYMENT BENEFITS - Continued

Mortality	115% RP-2014 Blue Collar Mortality table base rates (adjusted to 2006) and 130% RP-2014 Disabled Mortality table base rates (adjusted to 2006)
Retirement rates	Rates developed from the 2021 Buck Experience Study

The discount rate was based on the S&P Municipal Bond 20-year high grade rate index as of June 30, 2022.

In the June 30, 2021, actuarial valuation, the following significant actuarial methods and assumptions were used:

Actuarial valuation method	Individual entry age normal cost method
Amortization method	Level percentage of projected salary
Discount rate	2.18%
Projected salary increases	4.00%
Health care cost trend rate	6.50% in fiscal year 2019; reducing to 4.00% in fiscal 2024. Level 4.00% for age 65 and later
Mortality	RP-2014 Headcount-weighted Total Mortality Table with Projection MP-2020 to reflect mortality improvement
Retirement rates	Rates developed from the 2017 Buck Experience Study

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2021.

See further information in the Other Postemployment Benefits Schedule of Funding Progress (Unaudited) in the Required Supplementary Information section.

M. COMMITMENTS AND CONTINGENCIES

Grants:

MTA has received federal, state and local grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to grantors, except as described in Note F.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

M. COMMITMENTS AND CONTINGENCIES - Continued

According to grant agreements with the FTA, MTA is liable for certain reimbursement of federal funds used to purchase property and equipment assets if such assets are disposed of prior to the end of their useful lives, except in situations where MTA expects to replace or restore the assets. In May 2010, Nashville, Tennessee experienced a significant flood, and MTA experienced losses to assets. Many of these assets were purchased with federal funds. MTA management has worked with, and is continuing to work with the FTA and FEMA to replace or restore all federal purchased assets. MTA could be liable if certain assets are not properly replaced or restored. However, management believes all such property has been or will be replaced or restored in accordance with grant agreements, and accordingly, no provision has been made for potential reimbursement to grantors.

Construction in Progress:

Included in construction in progress at June 30, 2022 are various projects, as described in Note D. Estimated costs to complete these projects were as follows at June 30, 2022:

North Nashville Transit Center	\$ 15,300,000
Fare technology upgrades	671,000
Planning projects	1,000,000
Nolensville shelters	1,200,000
WeGo Central	1,500,000
Nestor property	<u>2,500,000</u>
	<u>\$22,171,000</u>

Costs to complete other projects in progress are not expected to be material. MTA expects that all significant costs to complete construction in progress will be funded through federal, state, and local capital grants.

Commitments

As of June 30, 2022, MTA has commitments to purchase 25 ADA cutaway vans, which were ordered during fiscal year 2021 and total \$3,572,625. This order has been placed with the vendor but they are currently on backorder due to the COVID-19 pandemic. It is still MTA's intent to purchase these paratransit vans when the order is filled and shipped to MTA. During fiscal year 2022, MTA committed to purchase an additional 6 ADA cutaway vans, which total \$1,140,000. MTA also has commitments to purchase 20 40' buses, which have already been ordered and total \$12,847,200, as well as 14 60' articulated buses, which have already been ordered and total \$11,587,500.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

M. COMMITMENTS AND CONTINGENCIES - Continued

Litigation:

In the ordinary course of business, MTA is a defendant in various lawsuits. When necessary, reserves are provided as information is available. MTA consults with its legal counsel in determining the reserves. Based on management's analysis as of June 30, 2022, there are no current or pending items that are expected to have a material adverse impact on MTA's financial condition or operations. Accordingly, no reserves have been provided as of June 30, 2022.

MTA is also engaged in various employment related lawsuits and claims arising in the normal course of business. In consultation with legal counsel, management has determined that the outcome and amount of liability, if any, associated with such matters is not presently determinable. Accordingly, no reserve has been recorded in the accompanying financial statements.

N. NET POSITION

The details of net position as of June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Net investment in capital assets:		
Property and equipment, net	\$ 151,911,521	\$ 167,024,166
Less: Borrowings and other liabilities related to capital assets:		
Portion of note payable relating to capital assets	-	-
Unearned revenues - advance lease receipts	(6,197,445)	(6,787,449)
Other liabilities relating to capital assets	<u>(747,341)</u>	<u>(577,111)</u>
Total net investment in capital assets	144,966,735	159,659,606
Restricted	381,607	-
Unrestricted (as restated)	<u>(71,803,652)</u>	<u>(91,126,838)</u>
Total net position	<u>\$ 73,544,690</u>	<u>\$ 68,532,768</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

N. NET POSITION - Continued

Net investment in capital assets represents the property and equipment that MTA has full ownership of through settlement of the debt issued in order to obtain and construct those assets.

During fiscal year 2022, MTA received insurance proceeds totaling \$381,599 related to a bus. These funds accumulated \$8 of interest through June 30, 2022 for a total of \$381,607. These funds must be utilized in accordance with FTA regulations and directives. Accordingly, such funds are included in cash and cash equivalents and restricted net position at June 30, 2022 and 2021.

O. RELATED PARTY TRANSACTION

MTA has an agreement with the Regional Transportation Authority (“RTA”) under which MTA provides contracted labor and other support to RTA. Specifically, the senior leadership team of MTA, including the Chief Executive Officer and Chief Financial Officer, also serve as senior leadership of RTA. MTA also provides certain accounting and support services under the agreement. MTA has also had agreements with RTA during fiscal years 2022 and 2021 for certain contracted bus services. Revenue from the RTA for all contracted services during fiscal 2022 and 2021 totaled \$2,477,856 and \$1,703,019, respectively. At June 30, 2022 and 2021, the receivable from the RTA, included in accounts receivable in the accompanying statements of net position, totaled \$225,596 and \$174,500, respectively. At June 30, 2022 and 2021, the payable to RTA, included in accounts payable in the accompanying statements of net position, totaled \$35,440 and \$37,700, respectively.

P. CONDENSED FINANCIAL INFORMATION BY ENTITY

The following information presents the condensed financial information for MTA and its blended component unit, DTO. No separate financial statements are prepared or issued for DTO. Such information is presented in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and 34*:

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

P. CONDENSED FINANCIAL INFORMATION BY ENTITY

	June 30, 2022		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
	Authority	Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	\$ 9,081,910	\$ 2,636,403	\$ 11,718,313
Capital assets, net	151,911,521	-	151,911,521
Other assets	7,285,596	350,000	7,635,596
Total assets	168,279,027	2,986,403	171,265,430
Deferred outflows of resources	-	34,548,339	34,548,339
Total assets and deferred outflows of resources	<u>\$ 168,279,027</u>	<u>\$ 37,534,742</u>	<u>\$ 205,813,769</u>
Liabilities			
Current liabilities	\$ 3,904,106	\$ 7,085,915	\$ 10,990,021
Noncurrent liabilities	13,247,044	83,315,424	96,562,468
Total liabilities	17,151,150	90,401,339	107,552,489
Deferred inflows of resources	136,166	24,580,424	24,716,590
Net position			
Net investment in capital assets	144,966,735	-	144,966,735
Restricted	381,607	-	381,607
Unrestricted	5,643,369	(77,447,021)	(71,803,652)
Total net position	<u>150,991,711</u>	<u>(77,447,021)</u>	<u>73,544,690</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 168,279,027</u>	<u>\$ 37,534,742</u>	<u>\$ 205,813,769</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 9,523,508	\$ 24,441	\$ 9,547,949
Operating expenses	46,880,599	51,029,497	97,910,096
Operating loss	(37,357,091)	(51,005,056)	(88,362,147)
Nonoperating revenues (expenses), net	58,445,190	-	58,445,190
Capital contributions	34,928,879	-	34,928,879
Transfers	(71,361,621)	71,361,621	-
Change in net position	(15,344,643)	20,356,565	5,011,922
Net position - beginning of year	166,336,354	(97,803,586)	68,532,768
Net position - end of year	<u>\$ 150,991,711</u>	<u>\$ (77,447,021)</u>	<u>\$ 73,544,690</u>
Condensed Statements of Cash Flows			
Cash flows from operating activities	\$ (13,303,678)	(71,365,862)	\$ (84,669,540)
Cash flows from noncapital financing activities	53,726,152	-	53,726,152
Cash flows from capital and related financing activities	28,391,494	-	28,391,494
Cash flows from investing activities	1,427,119	-	1,427,119
Transfers	(71,361,621)	71,361,621	-
Change in cash and cash equivalents	(1,120,534)	(4,241)	(1,124,775)
Cash and cash equivalents - beginning of year	3,145,519	2,145,635	5,291,154
Cash and cash equivalents - end of year	<u>\$ 2,024,985</u>	<u>\$ 2,141,394</u>	<u>\$ 4,166,379</u>

P. CONDENSED FINANCIAL INFORMATION BY ENTITY - Continued

	June 30, 2021		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	\$ 12,322,619	\$ 2,351,590	\$ 14,674,209
Capital assets, net	167,024,166	-	167,024,166
Other assets	7,004,900	350,000	7,354,900
Total assets	<u>186,351,685</u>	<u>2,701,590</u>	<u>189,053,275</u>
Deferred outflows of resources	-	29,001,549	29,001,549
Total assets and deferred outflows of resources	<u>\$ 186,351,685</u>	<u>\$ 31,703,139</u>	<u>\$ 218,054,824</u>
Liabilities			
Current liabilities	\$ 5,685,234	\$ 7,075,278	\$ 12,760,512
Noncurrent liabilities	13,837,048	119,299,017	133,136,065
Total liabilities	<u>19,522,282</u>	<u>126,374,295</u>	<u>145,896,577</u>
Deferred inflows of resources	493,049	3,132,430	3,625,479
Net position			
Net investment in capital assets	159,659,606	-	159,659,606
Restricted	-	-	-
Unrestricted	6,676,748	(97,803,586)	(91,126,838)
Total net position	<u>166,336,354</u>	<u>(97,803,586)</u>	<u>68,532,768</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 186,351,685</u>	<u>\$ 31,703,139</u>	<u>\$ 218,054,824</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 6,501,983	\$ 22,328	\$ 6,524,311
Operating expenses	41,331,272	77,368,022	118,699,294
Operating loss	<u>(34,829,289)</u>	<u>(77,345,694)</u>	<u>(112,174,983)</u>
Nonoperating revenues (expenses), net	33,176,557	-	33,176,557
Capital contributions	71,825,773	-	71,825,773
Transfers	<u>(66,724,749)</u>	<u>66,724,749</u>	<u>-</u>
Change in net position	3,448,292	(10,620,945)	(7,172,653)
Net position - beginning of year	<u>162,888,062</u>	<u>(87,182,641)</u>	<u>75,705,421</u>
Net position - end of year	<u>\$ 166,336,354</u>	<u>\$ (97,803,586)</u>	<u>\$ 68,532,768</u>
Condensed Statements of Cash Flows			
Cash flows from operating activities	\$ (14,076,222)	\$ (66,797,135)	\$ (80,873,357)
Cash flows from noncapital financing activities	29,908,842	-	29,908,842
Cash flows from capital and related financing activities	49,896,354	-	49,896,354
Cash flows from investing activities	428,358	-	428,358
Transfers	<u>(66,724,749)</u>	<u>66,724,749</u>	<u>-</u>
Change in cash and cash equivalents	(567,417)	(72,386)	(639,803)
Cash and cash equivalents - beginning of year	<u>3,712,936</u>	<u>2,218,021</u>	<u>5,930,957</u>
Cash and cash equivalents - end of year	<u>\$ 3,145,519</u>	<u>\$ 2,145,635</u>	<u>\$ 5,291,154</u>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Q. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in global exposure.

The full impact of the pandemic continues to evolve as of the date of this report and continues to affect MTA’s operational and financial performance as it relates to ridership and consequently fare revenues. The impact from the coronavirus caused MTA’s ridership to decrease significantly during fiscal year 2021 and with some recovery during fiscal year 2022 with ridership back to approximately 80% of pre-pandemic ridership levels.

While expected to be temporary, MTA cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on MTA’s results of future operations, financial position, and liquidity in fiscal year 2023.

R. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2022, the date the financial statements were available for issuance, and has determined that there were two subsequent events requiring disclosure as follows:

In July 2022, MTA committed to the purchase of an additional 40 ADA cutaway vans, which totaled \$7,100,255.

In September 2022, MTA committed to the construction of the North Nashville transit center, which totaled \$12,522,142.

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
(UNAUDITED)

	2022 (2021 Measurement)	2021 (2020 Measurement)	2020 (2019 Measurement)	2019 (2018 Measurement)	2018 (2017 Measurement)	2017 (2016 Measurement)	2016 (2015 Measurement)	2015 (2014 Measurement)
TOTAL PENSION LIABILITY								
Service cost	\$ 2,497,016	\$ 2,392,999	\$ 2,325,792	\$ 2,321,380	\$ 2,300,483	\$ 2,274,196	\$ 2,067,568	\$ 1,765,386
Interest	5,449,809	4,975,892	4,823,905	4,651,528	4,403,968	4,161,680	3,796,926	3,623,679
Changes of benefit items	-	1,533,737	-	-	-	1,741,746	-	-
Differences between expected and actual experience	(388,049)	1,691,561	(705,364)	291,581	235,342	996,205	499,931	-
Changes of assumptions	(560,620)	(179,481)	(178,577)	(1,464,943)	(311,269)	(1,483,471)	1,754,196	-
Benefit payments	<u>(4,444,064)</u>	<u>(4,364,753)</u>	<u>(4,378,680)</u>	<u>(3,884,742)</u>	<u>(3,722,226)</u>	<u>(3,670,960)</u>	<u>(3,568,443)</u>	<u>(3,409,727)</u>
Net change in total pension liability	2,554,092	6,049,955	1,887,076	1,914,804	2,906,298	4,019,396	4,550,178	1,979,338
Total pension liability - beginning	<u>70,003,668</u>	<u>63,953,713</u>	<u>62,066,637</u>	<u>60,151,833</u>	<u>57,245,535</u>	<u>53,226,139</u>	<u>48,675,961</u>	<u>46,696,623</u>
Total pension liability - ending (a)	<u>\$ 72,557,760</u>	<u>\$ 70,003,668</u>	<u>\$ 63,953,713</u>	<u>\$ 62,066,637</u>	<u>\$ 60,151,833</u>	<u>\$ 57,245,535</u>	<u>\$ 53,226,139</u>	<u>\$ 48,675,961</u>
PLAN FIDUCIARY NET POSITION								
Contributions-employer	\$ 2,961,139	\$ 3,078,549	\$ 2,970,741	\$ 3,025,772	\$ 2,643,077	\$ 2,979,190	\$ 3,054,164	\$ 2,895,419
Contributions-employee	1,742,995	1,732,867	1,642,741	1,604,727	1,610,224	1,440,038	1,265,337	1,199,775
Net investment income	14,477,857	1,532,005	3,025,057	3,615,391	4,340,908	968,227	1,238,070	5,413,466
Benefit payments, including refunds of employee contributions	(4,444,064)	(4,364,753)	(4,378,680)	(3,884,742)	(3,722,226)	(3,670,960)	(3,568,443)	(3,409,727)
Administrative expenses	<u>(260,388)</u>	<u>(223,655)</u>	<u>(213,442)</u>	<u>(233,115)</u>	<u>(200,814)</u>	<u>(173,318)</u>	<u>(141,239)</u>	<u>(143,644)</u>
Net change in plan fiduciary net position	14,477,539	1,755,013	3,046,417	4,128,033	4,671,169	1,543,177	1,847,889	5,955,289
Plan fiduciary net position - beginning	<u>53,873,383</u>	<u>52,118,370</u>	<u>49,071,953</u>	<u>44,943,920</u>	<u>40,272,751</u>	<u>38,729,574</u>	<u>36,881,685</u>	<u>30,926,396</u>
Plan fiduciary net position - ending (b)	<u>\$ 68,350,922</u>	<u>\$ 53,873,383</u>	<u>\$ 52,118,370</u>	<u>\$ 49,071,953</u>	<u>\$ 44,943,920</u>	<u>\$ 40,272,751</u>	<u>\$ 38,729,574</u>	<u>\$ 36,881,685</u>
Net pension liability (a) - (b)	<u>\$ 4,206,838</u>	<u>\$ 16,130,285</u>	<u>\$ 11,835,343</u>	<u>\$ 12,994,684</u>	<u>\$ 15,207,913</u>	<u>\$ 16,972,784</u>	<u>\$ 14,496,565</u>	<u>\$ 11,794,276</u>
Plan fiduciary net position as a percentage of the total pension liability	94.20%	76.96%	81.49%	79.06%	74.72%	70.35%	72.76%	75.77%
Covered payroll	\$ 38,733,222	\$ 38,508,148	\$ 36,505,356	\$ 35,660,600	\$ 34,102,965	\$ 31,637,919	\$ 28,118,610	\$ 26,661,317
Net pension liability as a percentage of covered payroll	10.86%	41.89%	32.42%	36.44%	44.59%	53.65%	51.56%	44.24%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

METROPOLITAN TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS

PENSION PLAN - Continued

Notes to Schedule:

Changes in benefit terms:

2020 Measurement – monthly amounts for participants in pay status are increased 2% per year for three years as of July 1, 2018, 2019, and 2020

2016 Measurement - amounts reported as changes in benefit terms resulted from a cost-of-living adjustment to retirees of 1.50% through plan year 2018.

Changes in assumptions:

2021 Measurement – amounts reported as changes in assumptions resulted from (i) the discount rate changed from 7.75% to 7.25%, (ii) the mortality improvement scale applied to healthy and disabled lives was updated from the Buck Modified 2019 scale to the Buck Modified 2020 scale, (iii) for healthy participants, the mortality base table was updated from RP-2014 Blue Collar Mortality table (adjusted to 2006) to RP-2014 Blue Collar Mortality table (adjusted to 2006) with a load of 115% and for disabled participants, the mortality base table was updated from RP-2014 Disabled Mortality table (adjusted to 2006) to RP-2014 Disabled Mortality table (adjusted to 2006) with a load of 130%, and (iv) retirement rates, termination rates, disability rates, marriage assumptions, optional form of payment assumptions, and salary scale were updated based on an experience study covering the period 7/1/2015-6/30/2020.

2020 Measurement - amounts reported as changes in assumptions resulted from the update to the mortality improvement scales applied to healthy and disabled lives from the Conduent Modified MP-2018 scale to the Buck Modified 2019 scale.

2019 Measurement - amounts reported as changes in assumptions resulted from the update to the mortality improvement scales applied to healthy and disabled lives from the Conduent Modified MP-2017 scale to the Buck Modified 2018 scale.

2018 Measurement - amounts reported as changes in assumptions resulted from (i) the mortality improvement scale applied to healthy and disabled lives was updated from the Conduent Modified MP-2015 improvement scale to the Conduent Modified MP-2017 improvement scale; (ii) a change in the discount rate from 7.68% to 7.75%.

2017 Measurement - the discount rate was changed from 7.63% to 7.68%.

See accompanying notes to required supplementary information.

METROPOLITAN TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS

PENSION PLAN - Continued

2016 Measurement - amounts reported as changes in assumptions resulted from (i) adjustments to assumed life expectancies for healthy and disabled lives as a result of adopting the RP-2014 Base Mortality Table with Blue Collar Adjustments, or Disabled Adjustments, with generational mortality improvements based on the Conduent Modified MP-2015 improvement scale; (ii) change in retirement rates, withdrawal rates, disability rates and salary increase rates based on a 2016 experience study of the Plan; (iii) a change in the discount rate from 7.75% to 7.63%.

2015 Measurement - amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustments with fully generational mortality improvement projections using Scale BB.

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

METROPOLITAN TRANSIT AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

PENSION PLAN

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution in Relation to the Actuarially Determined Contributions</u>	<u>Contribution (Excess) Deficiency</u>	<u>Covered Payroll</u>	<u>Contribution as a Percent of Covered Payroll</u>
June 30, 2022	\$2,525,406	\$3,261,009	\$(735,603)	\$40,544,000	8.04%
June 30, 2021	2,560,792	3,008,495	(447,703)	38,733,222	7.77%
June 30, 2020	2,548,074	2,992,715	(444,641)	38,508,148	7.77%
June 30, 2019	2,428,487	2,970,741	(540,953)	36,505,356	8.14%
June 30, 2018	2,536,066	3,025,772	(489,706)	35,660,600	8.48%
June 30, 2017	2,621,332	2,643,077	(21,745)	34,102,965	7.75%
June 30, 2016	2,720,861	2,979,190	(258,329)	31,637,919	9.42%
June 30, 2015	2,963,701	3,054,164	(90,463)	28,118,610	10.86%
June 30, 2014	2,852,761	2,895,419	(42,658)	26,661,317	10.86%

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

METROPOLITAN TRANSIT AUTHORITY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2022

PENSION PLAN

METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF
 ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates for the fiscal years ended June 30, 2022 and 2021, for the Plan were calculated as the result of an actuarial valuation performed on July 1, 2021 and 2020, respectively. The following assumptions were used to determine contribution rates as reported in the Schedule for Employer Contributions:

Cost-of-living adjustment	<p>2021 - 1% annually</p> <p>2020 - 2% per year for three years as of July 1, 2018, 2019, and 2020</p> <p>2019 - None assumed</p> <p>2016 through 2018 - 1.5% annually through plan year 2018</p> <p>2015 and 2014 - None assumed</p>
Projected salary increases	<p>2021 - Sliding scale based on years of service determined through experience study covering period 7/1/2015-6/30/2020. Rates range from 12.00% to 2.50% in the first 5 years of service and are assumed at 2.5% per year thereafter</p> <p>2016 through 2020 - Sliding scale based on years of service as determined from the 2016 actuarial experience study. Rates range from 10.00% to 3.25% in the first 5 years of service and are assumed at 3.25% per year thereafter</p> <p>2015 and 2014 - 4.00% per year including inflation of 2.50%, compounded annually</p>
Normal retirement age	<p>2016 through 2021 - Various rates of retirement applied to ages 55 through 70. Rate applied to the normal retirement age of 65 is 50%</p> <p>2015 and 2014 - 65 years</p>
Form of payment	<p>2021 - Single life annuity, 50% Joint and Survivor, 75% Joint and Survivor</p> <p>All years presented - Single life annuity</p>
Investment rate of return	<p>2021 - 7.25% per year net of pension plan investment expenses, compounded annually</p> <p>All years presented - 7.75% per year net of pension plan investment expenses, compounded annually</p>

METROPOLITAN TRANSIT AUTHORITY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

PENSION PLAN

METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF
 ACTUARIALLY DETERMINED CONTRIBUTIONS - Continued

Amortization method and period	<p>2020 and 2021 - Level dollar layered basis over a closed period of 20 years</p> <p>2014 – 2019 - Level dollar basis over an open period of 20 years</p>
Actuarial cost method	All years presented - Entry age normal
Asset valuation method	<p>2020 and 2021 - 5-year phase-in of actuarial gains and losses, 20% corridor</p> <p>2014 - 2019 - 5-year phase-in of realized and unrealized gains and losses, 20% corridor</p>
Mortality rates	<p>2021 - 115% of the RP-2014 base mortality table with blue collar adjustment and generational future mortality improvements based on the Buck Modified 2020 improvement scale; 130% of the RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Buck Modified 2020 improvement scale</p> <p>2020 - RP-2014 base healthy mortality table with blue collar adjustments and generational future mortality improvements based on the Buck Modified MP-2019 improvement scale; RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Conduent Modified MP-2019 improvement scale</p> <p>2018 and 2019 - RP-2014 base healthy mortality table with blue collar adjustments and generational future mortality improvements based on the Conduent Modified MP-2017 improvement scale; RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Conduent Modified MP-2017 improvement scale</p>

METROPOLITAN TRANSIT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2021

PENSION PLAN

METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF
ACTUARIALLY DETERMINED CONTRIBUTIONS - Continued

Mortality rates	<p>2017 and 2016 - RP-2014 base healthy mortality table with blue collar adjustments and generational future mortality improvements based on the Conduent Modified MP-2015 improvement scale; RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Conduent Modified MP-2015 improvement scale</p> <p>2015 - RP-2000 Combined Healthy Mortality Table with blue collar adjustments with fully generational mortality improvement projections using Scale BB; RP-2000 Disability Retiree Mortality Table with blue collar adjustments with fully generational mortality improvement projections using Scale BB</p> <p>2014 - Static RP-2000 Combined Healthy Table with blue collar adjustments and life expectancy improvements projected using Scale AA; Static RP-2000 Disability Table with blue collar adjustments and life expectancy improvements projected using Sale AA</p>
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Additionally, it is assumed that contributions from plan members will be made at the current contribution rate and the contributions from the Employer will continue to follow the current funding policy, which is actuarially determined.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2021

PENSION PLAN

METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF
ACTUARIALLY DETERMINED CONTRIBUTIONS - Continued

Information on the Pension Plan's money-weighted investment rate of return can be found in the separately issued Plan financial statements.

METROPOLITAN TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OPEB PLAN
(UNAUDITED)

	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
TOTAL OPEB LIABILITY					
Service cost	\$ 8,335,992	\$ 7,352,412	\$ 4,448,707	\$ 4,277,603	\$ 4,117,831
Interest	2,384,962	2,586,114	2,521,780	2,373,679	2,390,826
Changes of benefit items	-	-	-	-	-
Differences between expected and actual experience	14,316,841	-	10,516,798	(1,991,739)	-
Changes of assumptions	(17,070,139)	5,648,890	9,029,882	5,172,636	-
Benefit payments, including refunds of employee contributions	(3,881,841)	(4,993,699)	(3,369,643)	(3,163,984)	(2,501,538)
Other changes	<u>(28,145,961)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	(24,060,146)	10,593,717	23,147,524	6,668,195	4,007,119
Total OPEB liability - beginning	<u>103,168,732</u>	<u>92,575,015</u>	<u>69,427,491</u>	<u>62,759,296</u>	<u>58,752,177</u>
Total OPEB liability - ending (a)	<u>\$ 79,108,586</u>	<u>\$ 103,168,732</u>	<u>\$ 92,575,015</u>	<u>\$ 69,427,491</u>	<u>\$ 62,759,296</u>
PLAN FIDUCIARY NET POSITION					
Contributions-employer	\$ 3,881,841	\$ 4,993,699	\$ 3,369,643	\$ 3,163,984	\$ 2,501,538
Contributions-employee	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(3,881,841)	(4,993,699)	(3,369,643)	(3,163,984)	(2,501,538)
Administrative expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (a) - (b)	<u>\$ 79,108,586</u>	<u>\$ 103,168,732</u>	<u>\$ 92,575,015</u>	<u>\$ 69,427,491</u>	<u>\$ 62,759,296</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 32,927,876	\$ 36,209,617	\$ 36,209,617	\$ 33,214,258	\$ 33,100,534
Net OPEB liability as a percentage of covered payroll	240.25%	284.92%	255.66%	209.03%	189.60%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

METROPOLITAN TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
OPEB PLAN
(UNAUDITED)

	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
Actuarially determined contribution	\$ 3,881,841	\$ 4,993,699	\$ 3,369,643	\$ 3,163,984	\$ 2,501,538
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ 3,881,841</u>	<u>\$ 4,993,699</u>	<u>\$ 3,369,643</u>	<u>\$ 3,163,984</u>	<u>\$ 2,501,538</u>
Covered payroll	\$ 32,927,876	\$ 36,209,617	\$ 36,209,617	\$ 33,214,258	\$ 33,100,534
Contributions as a percentage of covered payroll	11.79%	13.79%	9.31%	9.53%	7.56%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2022 were calculated based on the July 1, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial valuation method	Individual entry age normal cost method
Amortization method	Level percentage of projected salary
Discount rate	4.09%
Health care cost trend rate	5.5% in 2022 through 2023; reducing to 5.4% in 2024 and ultimately to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Mortality	115% RP-2014 Blue Collar Mortality table base rates (adjusted to 2006) and 130% RP-2014 Disabled Mortality table base rates (adjusted to 2006)
Retirement rates	Rates developed from the 2021 Buck Experience Study

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2022.

Changes in assumptions:

2022 Measurement - The discount rate changed from 2.18% to 4.09%. Election assumption was lowered from 90% to 80%. The trend assumption was updated. Assumptions for mortality, withdrawal, and retirement were updated based on the 2021 Buck experience study. In addition, other changes included clarification of benefit terms: employees must attain the earlier of 65 years of age or a sum of age plus service of at least 84 and, depending on employee and date of hire, completion of 7 or 20 year of service. Surviving spouses pay member rate of 12 months instead of 6 following member death.

Other changes included clarification of benefit terms: employees must attain the earlier of 65 years of age or a sum of age plus service of at least 84 and, depending on the employee group and date of hire, completion of 7 or 20 years of service. Surviving spouses pay member rate for 12 months instead of 6 following member death.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION

METROPOLITAN TRANSIT AUTHORITY
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 JUNE 30, 2022

	Pension	OPEB	Total
ASSETS			
Cash and cash equivalents	\$ 3,504,870	\$ -	\$ 3,504,870
Investment income receivable	70,298	-	70,298
Investments, at fair value			
Common stocks	23,823,281	-	23,823,281
U.S. government obligations	5,272,714	-	5,272,714
Mortgage backed securities	3,585,193	-	3,585,193
Corporate bonds	3,574,320	-	3,574,320
Mutual funds	26,929,007	-	26,929,007
Interest in limited liability company	1,591,239	-	1,591,239
Total investments	64,775,754	-	64,775,754
Total assets	68,350,922	-	68,350,922
NET POSITION			
Restricted for:			
Pensions	68,350,922	-	68,350,922
Other postemployment benefits	-	-	-
Total net position	\$ 68,350,922	\$ -	\$ 68,350,922

See independent auditor's report.

METROPOLITAN TRANSIT AUTHORITY
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 JUNE 30, 2021

	Pension	OPEB	Total
ASSETS			
Cash and cash equivalents	\$ 2,348,135	\$ -	\$ 2,348,135
Investment income receivable	67,980	-	67,980
Investments, at fair value			
Common stocks	17,181,062	-	17,181,062
U.S. government obligations	5,206,659	-	5,206,659
Mortgage backed securities	4,171,971	-	4,171,971
Corporate bonds	3,563,910	-	3,563,910
Mutual funds	19,723,573	-	19,723,573
Interest in limited liability company	1,610,093	-	1,610,093
Total investments	51,457,268	-	51,457,268
Total assets	53,873,383	-	53,873,383
NET POSITION			
Restricted for:			
Pensions	53,873,383	-	53,873,383
Other postemployment benefits	-	-	-
Total net position	\$ 53,873,383	\$ -	\$ 53,873,383

See independent auditor's report.

METROPOLITAN TRANSIT AUTHORITY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2022

	Pension	OPEB	Total
ADDITIONS			
Contributions:			
Employer	\$ 2,961,139	\$ 3,881,841	\$ 6,842,980
Member	1,742,995	-	1,742,995
Total contributions	4,704,134	3,881,841	8,585,975
Investment income:			
Net appreciation in fair value of investment:	13,171,787	-	13,171,787
Dividend and interest income	1,223,649	-	1,223,649
Other investment income	92,647	-	92,647
Less investment expenses	(10,226)	-	(10,226)
Net investment income	14,477,857	-	14,477,857
Other income	18,592	-	18,592
Total additions	19,200,583	3,881,841	23,082,424
DEDUCTIONS			
Benefit payments, including refunds of member contributions	4,462,656	3,881,841	8,344,497
Administrative expenses	260,388	-	260,388
Total deductions	4,723,044	3,881,841	8,604,885
CHANGE IN FIDUCIARY NET POSITION	14,477,539	-	14,477,539
NET POSITION - BEGINNING OF YEAR	53,873,383	-	53,873,383
NET POSITION - END OF YEAR	\$ 68,350,922	\$ -	\$ 68,350,922

See independent auditor's report.

METROPOLITAN TRANSIT AUTHORITY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2021

	Pension	OPEB	Total
ADDITIONS			
Contributions:			
Employer	\$ 3,078,549	\$ 4,993,699	\$ 8,072,248
Member	1,732,867	-	1,732,867
Total contributions	4,811,416	4,993,699	9,805,115
Investment income:			
Net appreciation in fair value of investment	246,109	-	246,109
Dividend and interest income	1,274,364	-	1,274,364
Other investment income	21,806	-	21,806
Less investment expenses	(10,274)	-	(10,274)
Net investment income	1,532,005	-	1,532,005
Total additions	6,343,421	4,993,699	11,337,120
DEDUCTIONS			
Benefit payments, including refunds of member contributions	4,364,753	4,993,699	9,358,452
Administrative expenses	223,655	-	223,655
Total deductions	4,588,408	4,993,699	9,582,107
CHANGE IN FIDUCIARY NET POSITION	1,755,013	-	1,755,013
NET POSITION - BEGINNING OF YEAR	52,118,370	-	52,118,370
NET POSITION - END OF YEAR	\$ 53,873,383	\$ -	\$ 53,873,383

See independent auditor's report.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2022

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7/1/2021</u>	<u>Issued/ Borrowed During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2022</u>
NOTES PAYABLE:									
Line of Credit	\$ 20,000,000	3.40%	9/15/2008	6/30/2023	<u>\$ 3,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ -</u>	<u>\$ -</u>
Total Notes Payable					<u><u>\$ 3,000,000</u></u>	<u><u>\$ 5,000,000</u></u>	<u><u>\$ 8,000,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditor's report.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
JUNE 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Restated Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding 6/30/2022
LEASES PAYBLE									
Land - Ground Lease	\$ 7,049,599	3.40%	12/1/2020	11/30/2090	\$ 7,049,599	\$ -	\$ -	\$ -	\$ 7,049,599
Total Leases Payable					<u>\$ 7,049,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,049,599</u>

See independent auditor's report.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF LEASE REQUIREMENTS BY YEAR
FOR THE YEAR ENDED JUNE 30, 2022

Year Ending June 30	2055			Year Ending June 30	Leases		
	Principal	Interest	Total		Principal	Interest	Total
2023	\$ -	\$ 170,000	\$ 170,000	2058	-	331,282	331,282
2024	-	170,000	170,000	2059	-	331,282	331,282
2025	-	170,000	170,000	2060	-	331,282	331,282
2026	-	170,000	170,000	2061	-	331,282	331,282
2027	-	179,917	179,917	2062	-	350,607	350,607
2028	-	187,000	187,000	2063	-	364,410	364,410
2029	-	187,000	187,000	2064	-	364,410	364,410
2030	-	187,000	187,000	2065	-	364,410	364,410
2031	-	187,000	187,000	2066	-	364,410	364,410
2032	-	197,901	197,901	2067	-	385,667	385,667
2033	-	205,688	205,688	2068	-	400,851	400,851
2034	-	205,688	205,688	2069	-	400,851	400,851
2035	-	205,688	205,688	2070	-	400,851	400,851
2036	-	205,688	205,688	2071	-	400,851	400,851
2037	-	217,694	217,694	2072	-	424,234	424,234
2038	-	226,270	226,270	2073	95,756	345,180	440,936
2039	-	226,270	226,270	2074	207,723	233,213	440,936
2040	-	226,270	226,270	2075	214,896	226,040	440,936
2041	-	226,270	226,270	2076	222,318	218,618	440,936
2042	-	239,469	239,469	2077	255,936	210,721	466,657
2043	-	248,897	248,897	2078	283,622	201,408	485,030
2044	-	248,897	248,897	2079	293,416	191,613	485,029
2045	-	248,897	248,897	2080	303,549	181,480	485,029
2046	-	248,897	248,897	2081	314,032	170,997	485,029
2047	-	263,416	263,416	2082	353,413	159,911	513,324
2048	-	273,787	273,787	2083	386,349	147,184	533,533
2049	-	273,787	273,787	2084	399,691	133,842	533,533
2050	-	273,787	273,787	2085	413,494	120,038	533,532
2051	-	273,787	273,787	2086	427,774	105,758	533,532
2052	-	289,758	289,758	2087	473,936	90,719	564,655
2053	-	301,165	301,165	2088	513,108	73,779	586,887
2054	-	301,165	301,165	2089	530,828	56,059	586,887
2055	-	301,165	301,165	2090	549,160	37,726	586,886
2056	-	301,165	301,165	2091	568,125	18,761	586,886
2057	-	318,733	318,733	2092	242,473	2,067	244,540
				Total	<u>\$ 7,049,599</u>	<u>\$ 16,629,910</u>	<u>\$ 23,679,509</u>

See independent auditor's report.

**METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing</u>	<u>FAIN/Contract Number</u>	<u>Expenditures</u>	<u>Federal Passed-through to Subrecipients</u>
<u>Federal Awards</u>				
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-90-X376	\$ 917,529	\$ -
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2019-009-01	413,954	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2017-055-00	11,687	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2020-040-01/2	179,806	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2020-040-03	1,171,014	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2020-001-00	101,362	101,362
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2018-028-02	18,999	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2019-024-01/2	562,711	562,711
Total Program 20.507			3,377,062	664,073
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2020-017-00	5,032,399	-
Total Program 20.507 CARES ACT			5,032,399	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2021-019-00	21,222,190	-
Total Program 20.507 AMERICAN RESCUE PLAN			21,222,190	-
U.S. DEPARTMENT OF TRANSPORTATION	20.526	TN-2016-021-01	782,955	-
Total Program 20.526			782,955	-
Total Federal Transit Cluster*			30,414,606	664,073
U.S. DEPARTMENT OF TRANSPORTATION	20.505	TN-2021-023-00	101,973	-
Total Program 20.505			101,973	-
U.S. DEPARTMENT OF TRANSPORTATION	20.513	TN-2016-022-01	43,661	43,661
U.S. DEPARTMENT OF TRANSPORTATION	20.513	TN-2018-027-01	7,188	4,616
U.S. DEPARTMENT OF TRANSPORTATION	20.513	TN-2019-025-01/2	839,121	839,121
Total Program 20.513			889,970	887,398
U.S. DEPARTMENT OF TRANSPORTATION	20.205	99SPR1-F7-041	157,395	-
Total Program 20.205			157,395	-
U.S. DEPARTMENT OF TRANSPORTATION	20.530	TN-2021-015-00	291,809	-
Total Program 20.530			291,809	-
U.S. DEPARTMENT OF TRANSPORTATION			31,855,753	1,551,471
TOTAL FEDERAL AWARDS			\$ 31,855,753	\$ 1,551,471
<u>State Financial Assistance</u>				
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-21-69525-00	\$ 97,343	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-21-5307-07	114,690	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Grant pending	322	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Grant pending	2,375	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-21-68236-B	51,744	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-21-5307-01	146,377	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-20-IMPV-05	782,559	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-22-72724-00	92,579	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-22-UROP-01	5,170,200	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	99SPR1-F7-041	39,349	
TOTAL STATE FINANCIAL ASSISTANCE			6,497,538	
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			\$ 38,353,291	

*Denotes a major program.

METROPOLITAN TRANSIT AUTHORITY
 NOTES TO SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2022

A. BASIS OF PRESENTATION

The schedule of expenditures of federal awards and state financial assistance are prepared on the accrual basis of accounting. The information in the schedule of expenditures of federal awards is presented in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the schedule of expenditures of federal awards and state financial assistance present only a selected portion of MTA’s operations, they are not intended to and do not present the financial position, changes in net position, or cash flows of MTA.

The schedules of expenditures of federal awards and state financial assistance include the grant activity of the Metropolitan Transit Authority (“MTA”) and its blended component unit, Davidson Transit Organization (“DTO”). DTO is a legally separate 501(c)(3) not-for-profit organization which was formed to provide the necessary labor to operate MTA’s transit system. Accordingly, certain federal, state and local awards received by MTA are used to reimburse labor costs incurred by DTO. Such funds received by MTA and used to reimburse DTO are reported in the accompanying schedules of federal, state and local awards by the receiving agency to avoid duplication of the aggregate level of federal awards expected by MTA, the reporting entity. Accordingly, such funds are included only once. Such funds are subject to the compliance requirements that could have a direct and material effect on a major program and are subject to audit under Uniform Guidance.

The detail of federal awards passed from MTA to DTO, included in the accompanying schedule of expenditures of federal awards, is as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Federal Transit Formula Grants	20.507	<u>\$21,222,190</u>

As the funds above are passed within the same financial reporting entity, they are not included as pass-through funds reported separately in the schedule of expenditures of federal awards.

B. PROGRAM CLUSTERS

Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are reported and tested accordingly.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL, STATE AND LOCAL AWARDS
YEAR ENDED JUNE 30, 2022

C. CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of MTA. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

D. DE MINIMIS COST RATE

MTA has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER REPORTS



Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements, and have issued our report thereon dated October 31, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MTA'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 MTA's internal control. Accordingly, we do not express an opinion on the effectiveness of MTA'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 MTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
October 31, 2022



Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance
Required by the Uniform Guidance

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Metropolitan Transit Authority's ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, 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 MTA's major federal programs for the year ended June 30, 2022. MTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MTA 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 MTA'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 MTA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MTA'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 generally accepted auditing standards, *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 MTA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 MTA'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 MTA'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 MTA'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.



Other Matters

After the issuance of the fiscal year 2022 MTA audit report, it was discovered that, through and an Office of the Inspector General (“OIG”) review, MTA should have reported a non-compliance finding in relation to the single audit testing over procurement and suspension and debarment. Because of this change, a revised Schedule of Findings and Questioned Costs is presented, and the audit report has been dual-dated.

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the MTA’s response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. MTA’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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



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.

Crosslin, PLLC

Nashville, Tennessee

October 31, 2022, except for the Schedule
of Findings and Questioned Costs, as
to which the date is October 17, 2023

METROPOLITAN TRANSIT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	
<u>Federal Transit Cluster:</u>		
20.507	Federal Transit Administration Formula Grants	\$ 3,377,062
20.507 CARES ACT	Federal Transit Administration Formula Grants	5,032,399
20.507 ARPA	Federal Transit Administration Formula Grants	21,222,190
20.526	Federal Transit Administration Capital Grants	<u>782,955</u>
	Federal Transit Cluster	<u>\$30,414,606</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

A. Significant Deficiencies in Internal Control

None reported.

B. Compliance Findings

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022 - 001 – PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Transit Administration Formula Grants
Assistance Listing No. 20.507
U.S. Department of Transportation

Criteria

Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services that are expected to equal or exceed \$25,000 and all non-procurement transactions (e.g., subawards to subrecipients).

Condition and Context

We performed testwork on 40 vendors and noted that for one out of 40 vendors tested, there was no Suspension & Debarment certification in the files or any evidence that a review had been performed to verify that the vendor or the vendor's principals had not been suspended or debarred. Upon discussion with MTA, they obtained the required signed certifications from the vendor prior to the issuance of the fiscal year 2022 audit report.

Questioned Costs

The cost associated with the one item selected for testing was for one month's lease payment of \$11,333. MTA paid this vendor every month during fiscal year 2022; therefore, the total questioned cost for the fiscal year totaled \$135,996.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2022

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS -
Continued**

2022 - 001 – PROCUREMENT AND SUSPENSION AND DEBARMENT - Continued

Federal Transit Administration Formula Grants
Assistance Listing No. 20.507
U.S. Department of Transportation

Cause

The amounts paid to the vendor in question were related to a land lease. MTA was unaware that payments for a land lease fell under the federal suspension and debarment requirements.

Effect

MTA may have entered into an agreement with a vendor that has been suspended or debarred.

Recommendation

We recommend that MTA ensure compliance with this regulation as it relates to federal programs for all vendors and should include a requirement that suspension/debarment certifications be obtained and placed in all contract files for all vendors regardless of the type of goods or services provided.

Views of Responsible Officials and Planned Corrective Actions

See management's corrective action plan.

METROPOLITAN TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

MTA had no prior year audit findings.



Management’s Corrective Action Plan

A Service of Nashville MTA

2022-001 – PROCUREMENT AND SUSPENSION AND DEBARMENT

430 Myatt Drive
Nashville, TN 37115
WeGoTransit.com
615-862-5969

Corrective Action

Freddie O’Connell
Mayor

The Corrective Action Plan to resolve this finding was to have the vendor in question register with SAMS for future verifications and also submit the required notarized self-certification of eligibility documentation. The finding was corrected on September 26, 2022 with the vendor submitting the required signed certifications as well as proof of registration on the SAMS website, which will be monitored by MTA to ensure the propriety of any future payments made to this vendor in question as well as to all other vendors.

Gail Carr Williams
Chair


Janet Miller
Vice Chair

Jessica Dauphin
Member

Kathryn Hays Sasser
Member

Anticipated Completion Date September 26, 2022

Aron Thompson
Member



Stephen G. Bland
Chief Executive Officer

Edward W. Oliphant, Chief Financial Officer
Metropolitan Transit Authority
(615) 862-6129

Andy Burke
Chief Operating Officer

Renuka Christoph
Chief Communications Officer

Vince Malone
Chief of Staff & Administration

Nick Oldham
Chief Safety & Security Officer

Edward W. Oliphant
Chief Financial Officer

Vacant
Chief Development Officer