METROPOLITAN TRANSIT AUTHORITY
NASHVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2021 AND 2020

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, 2021 and 2020.

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, 2021 and 2020, 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, 2021

BOARD OF DIRECTORS

Gail Carr Williams	Chair
Janet Miller	Vice Chair
Margaret Behm	Secretary
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
Rita Roberts - Turner	Chief Administrative Officer
Trey Walker	Chief Development Officer

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Transit Authority as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 to 18 and the pension plan and other postemployment benefits schedules on pages 61 to 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise MTA's basic financial statements. The introductory section on pages 1 to 2 and the schedule of changes in long-term debt by individual issue on page 69 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance on page 70 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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.

The schedule of changes in long-term debt by individual issue and the schedule of expenditures of federal awards and state financial assistance on page 70 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 2021 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 expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section pages 1 to 2 has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, 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 the MTA's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
October 29, 2021

This section of the MTA's annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2021 and 2020 as compared to fiscal years 2020 and 2019, 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 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 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 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 programmed 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.

<u>Fiscal Year 2020</u>

- The COVID-19 coronavirus pandemic, which began in March 2020, had a significant impact on the agency as it related to ridership and consequently fare revenues. It also increased expenses and labor cost related to an enhanced cleaning protocol that was put in place to ensure the safety of our employees and customers. To protect our employees, the agency entered a memorandum of understanding with the Amalgamated Transit Union representing most of our drivers and maintenance employees 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. Due to the decline in ridership, services were significantly reduced and fare collection, while not officially suspended, was left to driver discretion and eventually rear door boarding was put in place when appropriate and safe for our passengers. 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. Approximately $1.8 million of CARES Act funding was utilized in fiscal year 2020.

- Operating revenue for 2020 decreased 10.2% from 2019 and totaled approximately $10.0 million for fiscal year 2020 compared to $11.2 million in 2019. The major contributing factor to the decrease was the impact from the coronavirus causing our ridership to drop up to 65% for the last 4 months of the fiscal year.

- Operating expenses increased approximately $8.9 million, or 8.6%, to $112.1 million in fiscal year 2020. This compared to total operating expenses of $103.1 million in fiscal year 2019.

- Net non-operating revenue and capital contributions decreased 29.0%, or $36.1 million, to approximately $88.7 million for fiscal year 2020. The primary reason for the decrease was a decrease in capital contributions in fiscal year 2020 compared to 2019. While both fiscal years included grant funding for capital purchases for additional vehicles, equipment and improvements, the current year capital purchase activity decreased approximately 50.7% 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. All revenues and expenses including depreciation of assets are recognized in the Statements of Revenues, Expenses and Changes in Net Position. All assets, deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of MTA are included in the Statements of Net Position.

The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities and provide answers to such questions as where cash came from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF MTA

Net Position

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

	2021	**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%)**

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 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 Governmental Accounting Standards Board ("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 J 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 K.

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.

Fiscal year 2020 as compared to fiscal year 2019:

MTA's net position at June 30, 2020 totaled approximately $75.7 million, a 15.0% decrease compared to June 30, 2019 (See Table A-2). Total assets and deferred outflows of resources increased 3.3% to approximately $208.3 million and total liabilities and deferred inflows of resources increased 17.8% to approximately $132.6 million.

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

	2020	2019	Percentage Change 2020-2019
Current assets	$ 17,099	$ 17,688	(3.3%)
Restricted cash	535	1,331	(59.8%)
Property and equipment, net	164,446	172,028	(4.4%)
Designated assets held for self-insurance	350	350	-
Deferred outflows of resources	25,849	10,145	154.8%
Total assets and deferred outflows of resources	**208,279**	**201,542**	**3.3%**
Current liabilities	16,439	17,690	(7.1%)
Advance lease receipts	7,377	7,967	(7.4%)
Refundable grants	432	456	(5.3%)
Net pension liability	11,835	12,995	(8.9%)
Net other postemployment benefits	92,575	69,427	33.3%
Deferred inflows of resources	3,916	3,966	(1.3%)
Total liabilities and deferred inflows of resources	**132,574**	**112,501**	**17.8%**
Net position:			
Net investment in capital assets	156,239	162,033	(3.6%)
Restricted	60	834	(92.8%)
Unrestricted	(80,594)	(73,826)	9.2%
Total net position	**$ 75,705**	**$ 89,041**	**(15.0%)**

The 3.3% increase in total assets and deferred outflow of resources was primarily due to a $15.7 million, or 154.8%, 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 cash on hand of approximately $0.8 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 $0.8 million, a $1.0 million decrease in regular trade receivables from transit customers and a $0.1 million decrease in inventory on hand.

The changes in cash and cash equivalence, 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 and having more prepaid expenses actually paid before year-end compared to last year-end. 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 utilized during fiscal year 2020 for designated transit bus replacement purchases for buses as well as designated improvements to our Nestor and WeGo Central properties as approved by the Federal Transit Administration ("FTA").

These financial statements also include the required accounting and financial reporting under Governmental Accounting Standards Board ("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 J 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 $15.9 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 3.5% to 2.66%, 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 K.

The decrease in current liabilities was due primarily to timing differences compared to the prior year. Specifically, the decrease in notes payable relate to differences in timing of expenditures and related grant reimbursements that are used to pay down notes payable as well as a decrease in compensated absences related to unused vacation. 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 refundable grants represent $0.4 million in restricted cash from FEMA grants that cannot be recognized until the actual vehicle replacement purchases have taken place. The decrease in refundable grants represents $0.7 million in restricted cash used from those FEMA grants for eligible vehicle replacement purchases that occurred during fiscal year 2020. 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 $23.1 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.

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-3). 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 $112.1 million from approximately $103.1 million in the prior fiscal year.

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

Operating revenue:	**2021**	**2020**	**Percentage Change 2021-2020**
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%)**

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

Bus:	**2021**	**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%**

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.

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.

Fiscal year 2020 as compared to fiscal year 2019:

The excess of expense over revenues and capital contributions for the year ended June 30, 2020 was approximately $13.3 million compared to an excess of revenues and capital contributions over expenses of approximately $32.9 million for the year ended June 30, 2019 (See Table A-5).

MTA's total operating revenues decreased $1.1 million to approximately $10.0 million, or 10.2%, from approximately $11.2 million in the prior fiscal year. Total operating expense, including depreciation, increased 8.6% to approximately $112.1 million from approximately $103.1 million in the prior fiscal year.

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

Operating revenue:	**2020**	**2019**	**Percentage Change 2020-2019**
Passenger fares	$ 6,089	$ 6,733	(9.6%)
Contracts and other revenue	3,947	4,447	(11.2%)
Total operating revenue	**10,036**	**11.180**	**(10.2%)**
Operating expense:			
Operating expense	91,418	85,362	7.1%
Depreciation	20,634	17,778	16.1%
Total operating expense	**112,052**	**103,140**	**8.6%**
Operating loss	(102,016)	(91,960)	10.9%
Net non-operating revenue and capital contributions	88,680	124,848	(29.0%)
(Decrease/increase) in net position	**(13,336)**	**32,888**	(140.5%)
Total net position, beginning of year	89,041	56,153	58.6%
Total net position, end of year	**$ 75,705**	**$ 89,041**	**(15.0%)**

The 10.2% overall decrease in operating revenue was primarily due to the impact of the coronavirus resulting in a 65% decrease in ridership over the last four months of the fiscal year. Additionally, contract revenues also decreased as a result of the Regional Transportation Authority ("RTA") seeing up to a 90% decrease in ridership resulting in a significant reduction in the contract service provided to RTA. Net non-operating revenue and capital contributions decreased 29.0%, or $36.1 million, to approximately $88.7 million for fiscal year 2020.

The primary reason for the decrease was a $34.4 million decrease in eligible capital grant contributions being spent compared to the prior year for ongoing capital improvements at our Nestor and WeGo Central properties, signal prioritization along our Murfreesboro Road route which were all getting close to completion as well as fewer buses and WeGo Access vans being replaced based upon our fleet replacement schedule. 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:	**2020**	**2019**	**Percentage Change 2020-2019**
Labor and fringes	$ 63,128	$ 56,777	11.2%
Purchased services	5,722	5,602	2.1%
Materials and supplies	9,851	9,634	2.3%
Other	3,654	3,667	(0.4%)
Depreciation	20,634	17,778	16.1%
Elderly and disabled	8,824	9,474	(6.9%)
Planning	239	208	14.9%
Total operating expense	**$ 112,052**	**$ 103,140**	**8.6%**

Labor and fringe expenses increased approximately $6.4 million, or 11.2%, over the prior year. While bus services were reduced on March 29, 2020 due to the coronavirus, the agency kept all employees whole while also utilizing additional labor and overtime to fulfill enhanced cleaning protocols put in place due to COVID. Another significant increase related to a negotiated COVID bonus of approximately $1.8 million that was awarded to all union employees as well as frontline administrative employees. CARES Act funding was utilized to fund the bonus. Additionally, there were increases in OPEB costs as previously explained along with increases in health expenses and actuarially calculated workers' comp expenses compared to last year.

The 2.1% increase in purchased services was primarily due to an increase in operating contracts put in place toward the end of last fiscal year surrounding maintenance of the cameras on all our revenue vehicles as well as additional software maintenance support contracts and increases in internal support service fees from Metropolitan Government. These increases were partially offset by decreases in legal fees and security services compared to last year. The decrease in security was due to less security being necessary as a result of reduced ridership and bus services caused by the coronavirus.

The 2.3% increase in materials and supplies was primarily due to an increase in cleaning supplies related to new cleaning protocols required to combat the coronavirus. Besides the additional cleaning materials, the overall materials and supplies category would have been down due to reduced service level in the last quarter of the fiscal year compared to last year. However, higher fuel prices year over year offset those decreases to have the balance of materials and supplies basically breakeven compared to last year.

Other expense was flat with a small 0.4% positive variance in fiscal year 2020 compared to the prior year. There were savings in travel and training especially since the onset of the pandemic in March 2020. Utilities also continued to show improvement with the installation of new energy saving lighting during the prior year. One increase that offset some of the savings related to some equipment leasing that was over budget but has been accounted for in the current year.

The 16.1% increase in depreciation expense is primarily related to capital additions and transfers from work in progress of approximately $22.7 million during fiscal year 2020 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 $650,000, or 6.9%, primarily as a result of the coronavirus pandemic significantly impacting ridership the last 4 months of 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 for the balance of the fiscal year.

Capital Assets

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-7.

Table A-7
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.

Fiscal year 2020 as compared to fiscal year 2019:

At the end of fiscal year 2020 MTA had invested approximately $164.4 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)

	2020	2019	Percentage Change 2020-2019
Land	$ 14,733	$ 14,733	-
Buildings, shelters and benches	109,841	100,246	9.6%
Revenue vehicles	135,862	128,151	6.0%
Equipment and parts	14,540	11,109	30.9%
Work in progress	22,625	32,767	(31.0%)
Office furniture and equipment	5,931	5,053	17.4%
Miscellaneous other	19,067	17,947	6.2%
Subtotal	322,599	310,006	4.1%
Less accumulated depreciation	(158,153)	(137,978)	14.6%
Net capital assets	**$ 164,446**	**$ 172,028**	**(4.4%)**

The increases in net capital assets were mainly related to the addition of 10 new replacement 40-foot buses along with building improvements to our Nestor Street and WeGo Central locations. There were also additions to projects from fiscal year 2019 work-in-progress that were put into service during fiscal year 2020. Some of the WIP projects included transit signal priority upgrades along the Murfreesboro Road corridor, new fare collection equipment for the new fare collection system, and new facility improvements at our Nestor and WeGo Central properties.

Economic Factors and Next Year's Budget

MTA's Board of Directors and management considered many factors when setting the fiscal year 2022 budget. The most significant factors relate to the impact that the COVID-19 coronavirus has had on MTA's budget and the ability of Metro Nashville Government to continue providing the agency's annual subsidy. 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 next year's budget. Metro Nashville was able to restore MTA's annual subsidy for FY2022 back to the FY2020 amount of $48.6 million plus inflation for the past two years for a total subsidy amount of $51.8 million.

Other factors considered by the Board and management included the slow recovery in ridership due to the ongoing pandemic, the impact of a fare increase to help off-set decreased fare revenues due to decreased ridership, the impact on advertising and rent revenue also reduced by the effect of the pandemic. 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 and help reduce maintenance costs for the year and future years.

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, 2021	June 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,291,154	$ 5,396,168
Receivables from federal, state and local governments	4,232,776	7,317,283
Accounts receivable, less allowances of $6,000 in both years	746,944	678,439
Materials and supplies, net	2,982,464	2,675,559
Prepaid expenses and other current assets	1,420,871	1,031,960
Total current assets	14,674,209	17,099,409
Restricted funds:		
Cash and cash equivalents	-	534,789
Property and equipment, net	167,024,166	164,446,419
Other assets:		
Designated assets - cash and investments held by custodians for self-insurance	350,000	350,000
Total assets	182,048,375	182,430,617
DEFERRED OUTFLOWS OF RESOURCES		
Effective portion of fuel hedge program	-	673,382
Pensions	7,461,186	4,872,703
Other postemployment benefits	21,540,363	20,302,871
Total deferred outflows of resources	29,001,549	25,848,956
Total assets and deferred outflows of resources	$ 211,049,924	$ 208,279,573

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF NET POSITION

	June 30, 2021	June 30, 2020
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,929,138	$ 2,770,459
Notes payable	3,000,000	5,500,000
Accrued expenses:		
Salaries, wages and payroll taxes	1,346,677	1,834,931
Accident losses	732,662	852,606
Compensated absences	2,080,455	1,387,274
Medical benefit claims	1,639,126	1,065,926
Workers' compensation	1,726,976	2,164,547
Other current liabilities	250,314	863,198
Total current liabilities	12,705,348	16,438,941
Non-current liabilities:		
Advance lease receipts	6,787,449	7,377,453
Refundable grants	-	431,663
Net pension liability	16,130,285	11,835,343
Net other postemployment benefits obligation	103,168,732	92,575,015
Total non-current liabilities	126,086,466	112,219,474
Total liabilities	138,791,814	128,658,415
DEFERRED INFLOWS OF RESOURCES		
Effective portion of fuel hedge program	493,049	-
Pensions	2,078,716	2,549,348
Other postemployment benefits	1,053,714	1,366,389
Total deferred inflows of resources	3,625,479	3,915,737
NET POSITION		
Net investment in capital assets	159,659,606	156,239,257
Restricted for capital purchases	-	59,991
Unrestricted	(91,026,975)	(80,593,827)
Total net position	68,632,631	75,705,421
Total liabilities, deferred inflows of resources, and net position	$ 211,049,924	$ 208,279,573

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended June 30, 2021	Year Ended June 30, 2020
OPERATING REVENUES		
Passenger fares	$ 3,739,959	$ 6,088,931
Contract revenues	1,703,019	2,450,643
Elderly and disabled passengers	513,902	771,220
Advertising	567,431	725,371
Total operating revenues	6,524,311	10,036,165
OPERATING EXPENSES		
Bus:		
Labor and fringe benefits	71,177,288	63,128,381
Purchased services	6,647,741	5,721,540
Materials and supplies	8,069,495	9,850,600
Other	3,620,102	3,654,472
Elderly and disabled passengers	7,339,695	8,823,864
Planning	244,378	239,496
Depreciation	21,640,896	20,633,682
Total operating expenses	118,739,595	112,052,035
Operating loss	(112,215,284)	(102,015,870)
NON-OPERATING REVENUES (EXPENSE)		
Operating assistance:		
Local	27,315,700	48,635,900
State	5,098,600	5,263,932
Planning and other assistance	1,493,232	1,638,375
Sub-recipient pass-through	(1,426,883)	(1,648,046)
(Loss) gain on disposal of property and equipment	(111,022)	(173,661)
Interest expense, net	(71,790)	(170,332)
Other	1,018,884	1,659,054
Total non-operating revenues	33,316,721	55,205,222
DECREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(78,898,563)	(46,810,648)
CAPITAL CONTRIBUTIONS	71,825,773	33,475,353
CHANGE IN NET POSITION	(7,072,790)	(13,335,295)
NET POSITION AT BEGINNING OF YEAR	75,705,421	89,040,716
NET POSITION AT END OF YEAR	$ 68,632,631	$ 75,705,421

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2021	Year Ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 6,455,806	$ 11,025,400
Cash payments to or on behalf of employees	(60,557,355)	(55,636,138)
Cash payments to suppliers	(26,771,808)	(28,964,270)
Net cash used in operating activities	(80,873,357)	(73,575,008)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Planning assistance and other grant collections	1,493,232	2,444,180
State operating grant collections	5,098,600	5,263,932
Local operating grant collections	27,315,700	48,635,900
Net (repayments) borrowings on revolving credit lines	(2,500,000)	(1,000,000)
Interest payments	(71,807)	(178,824)
Payments to sub-recipients	(1,426,883)	(1,648,046)
Net cash provided by non-capital financing activities	29,908,842	53,517,142
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposal of property and equipment	33,348	16,756
Payment of accounts payable for property and equipment	(829,709)	(2,026,837)
Cash purchases of property and equipment	(23,785,902)	(12,413,038)
Capital contributions and other capital related collections	74,910,280	33,451,623
Refundable grants	(431,663)	(23,989)
Net cash provided by capital and related financing activities	49,896,354	19,004,515
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income collected	428,358	1,077,003
Net cash provided by investing activities	428,358	1,077,003
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(639,803)	23,652
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,930,957	5,907,305
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,291,154	$ 5,930,957

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2021	Year Ended June 30, 2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (112,215,284)	$ (102,015,870)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	21,640,896	20,633,682
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(68,505)	989,235
Materials and supplies, net	(306,905)	61,906
Prepaid expenses and other	778,059	(572,935)
Increase (decrease) in:		
Accounts payable	(588,723)	(289,933)
Accrued salaries, wages, and payroll taxes	(488,254)	870,907
Accrued accident losses	(119,944)	(33,196)
Accrued compensated absences	693,181	29,318
Accrued medical benefit claims	573,200	(208,071)
Accrued workers compensation	(437,571)	416,896
Accrued other liabilities	(612,884)	159,860
Net other postemployment benefits obligation and related amounts	9,043,550	6,892,583
Net pension liability and related amounts	1,235,827	(509,390)
Net cash used in operating activities	$ (80,873,357)	$ (73,575,008)
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Acquisition of property and equipment	$ 24,363,013	$ 13,242,747
Amounts included in accounts payable at year end	(577,111)	(829,709)
Total cash paid for property and equipment	$ 23,785,902	$ 12,413,038

The estimated fair value of fuel hedges were ($493,049) and $673,382 at June 30, 2021 and 2020, respectively. The changes in the fair values of the fuel hedges of ($1,166,424) and $148,428 for 2021 and 2020, respectively, are included in deferred inflows of resources and deferred outflows of resources, respectively.

See accompanying notes to financial statements.

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 O).

Measurement Focus and Basis of Accounting

The financial 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 and materials and supplies, pension and other postemployment benefit liabilities, and self-insurance accruals. Actual results could differ from those estimates.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2021 and 2020, a valuation allowance of $370,627 and $250,685, respectively, was deemed necessary.

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 2021 or 2020.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 164.

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 F. 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 F.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2021 and 2020.

At June 30, 2021 and 2020, 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 J and K).

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 E).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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."

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 2021 and 2020, MTA's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2021 and 2020, the carrying amount and corresponding bank balances of deposits were as follows:

2021:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents, including restricted amounts	$6,026,812	$5,921,154

2020:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents, including restricted amounts	$6,295,972	$5,930,957

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, 2021 and 2020.

C. RECEIVABLES FROM OTHER GOVERNMENTS

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

	2021	2020
Capital related grants:		
FTA	$1,941,163	$3,586,803
TDOT	1,912,168	2,849,860
Metropolitan Government	379,445	880,620
	$4,232,776	$7,317,283

D. PROPERTY AND EQUIPMENT

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

	Estimated Economic Lives In Years	Balance at June 30, 2020	Additions
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
Land	-	14,733,025	-
Construction in-progress (Note L)	-	22,625,060	6,780,280
		322,599,676	24,547,178
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
		158,153,257	21,640,896
Property and equipment, net		$164,446,419	$ 2,906,282

Disposals	Reclassifications	Balance at June 30, 2021
$(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
(184,167)	(20,491,960)	8,729,213
(13,834,690)	-	333,312,164
(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
(13,506,155)	-	166,287,998
$(328,535)	$ -	$167,024,166

D. PROPERTY AND EQUIPMENT - Continued

A summary of the changes in property and equipment and related accumulated depreciation for the year ended June 30, 2020, is as follows:

	Estimated Economic Lives In Years	Balance at June 30, 2019	Additions
Property and equipment:			
Motor buses	10 - 12	$118,624,292	$ 7,278,060
Electric buses	12	9,526,938	-
Spare parts	5	327,123	-
Fare equipment	10 - 20	7,109,299	-
Service cars	3 - 10	1,512,862	-
Shop and garage equipment	10	2,160,128	12,576
Furniture and office equipment	10	932,198	-
Computer equipment	5 - 10	4,120,422	290,426
Miscellaneous equipment	10	17,946,997	1,003,219
Shelters and benches	10 - 20	9,555,680	92,315
Buildings	10 - 40	42,706,282	34,334
Music City Central	7 - 30	47,984,400	8,526
Land	-	14,733,025	-
Construction in-progress (Note L)	-	32,766,665	4,338,125
		310,006,311	13,057,581
Accumulated depreciation:			
Motor buses		59,603,224	8,780,260
Electric buses		2,352,039	793,912
Spare parts		324,578	2,544
Fare equipment		5,572,791	1,359,826
Service cars		1,395,473	73,844
Shop and garage equipment		1,428,740	218,635
Furniture and office equipment		847,860	51,693
Computer equipment		3,154,143	481,049
Miscellaneous equipment		8,743,660	2,293,603
Shelters and benches		6,558,811	880,517
Buildings		30,508,527	3,621,163
Music City Central		17,488,694	2,077,395
		137,978,540	20,634,441
Property and equipment, net		$172,027,771	$(7,576,860)

Disposals	Reclassifications	Balance at June 30, 2020
$(305,649)	$ 738,435	$126,335,138
-	-	9,526,938
-	-	327,123
-	3,513,190	10,622,489
(94,815)	-	1,418,047
-	-	2,172,704
-	141,934	1,074,132
(63,752)	509,804	4,856,900
-	116,745	19,066,961
-	43,309	9,691,304
-	2,247,011	44,987,627
-	7,169,302	55,162,228
-	-	14,733,025
-	(14,479,730)	22,625,060
(464,216)	-	322,599,676
(305,649)	-	68,077,835
-	-	3,145,951
-	-	327,122
-	-	6,932,617
(90,323)	-	1,378,994
-	-	1,647,375
-	-	899,553
(63,752)	-	3,571,440
-	-	11,037,263
-	-	7,439,328
-	-	34,129,690
-	-	19,566,089
(459,724)	-	158,153,257
$(4,492)	$ -	$164,446,419

D. PROPERTY AND EQUIPMENT - Continued

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

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	457,238
Total construction in progress	$8,729,213

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	1,407,422
	$20,491,960

Construction in progress at June 30, 2020, is attributable to the following (See Note L):

Signal priority project	$13,717,568
BRT lines	1,585,259
Fare technology upgrades	5,787,798
Other projects	1,534,435
Total construction in progress	$22,625,060

During fiscal year 2020, the following projects were substantially completed and were transferred to capital assets:

MCC Property	$ 7,190,156
Fare technology upgrades	3,965,141
Building and facilities	2,400,768
Other projects	923,665
	$14,479,730

E. 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 $67,556,862 as of June 30, 2021. 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 positon 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.

F. 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 $732,662 and $852,606 has been made for all such known losses incurred as of June 30, 2021 and 2020, respectively. Accident losses exceeding $100,000 on any revenue vehicle are covered under an insurance program subject to certain annual and aggregate limits.

F. 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 $170,000 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 2021 and 2020 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, 2021 and 2020, MTA owed the Trust $1,639,126 and $1,065,926, 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, 2021 and 2020 are as follows:

	Balance at Beginning of Year	Net Claims Expenses	Claim Payments	Balance at End of Year
2021	$1,065,926	$18,885,869	$18,312,669	$1,639,126
2020	$1,273,997	$14,437,843	$14,645,914	$1,065,926

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, 2021 and 2020. 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 2021 and 2020, MTA's workers' compensation claims did not exceed the maximum. At June 30, 2021 and 2020, provisions of $1,726,976 and $2,164,547, 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, 2021 and 2020.

G. 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 1.78% and 1.90% at June 30, 2021 and 2020, respectively).

A summary of the borrowings and repayments under the credit line agreements for the years ended June 30, 2021 and 2020 is as follows:

2021:

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

2020:

	Balance at Beginning of Year	Borrowings	Repayments	Balance at End of Year
Fifth Third Bank	$6,500,000	$10,500,000	$(11,500,000)	$5,500,000

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.

H. 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, 2021 and 2020 are as follows:

Monthly Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
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

H. FUEL-HEDGING PROGRAM - Continued

Monthly Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
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

The fair value of the fuel hedging instruments was an asset of $493,049 and a liability of $673,382 at June 30, 2021 and 2020, 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.

I. 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 $3,184,949 and $3,444,953 at June 30, 2021 and 2020, 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 $3,602,500 and $3,932,500 at June 30, 2021 and 2020, respectively.

J. 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.

J. PENSION PLAN - Continued

As of the most recent measurement date, June 30, 2020, the Pension Plan covered 246 retirees receiving benefits; 12 terminated vested; and 631 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 2.0% cost-of-living adjustment per year, through fiscal year 2021, 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.

J. 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 7.77% in both fiscal years 2021 and 2020, respectively. The Employer's contributions totaled $3,008,495 and $2,992,715, for fiscal years 2021 and 2020, 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, 2020, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of July 1, 2019, with rollfoward procedures to the measurement date.

Actuarial Assumptions

Actuarial methods and assumptions as of July 1, 2019, based on a rollfoward of the entry age normal liabilities to June 30, 2020, 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	7.75% per year net of pension plan investment expenses, compounded annually
Projected salary increases	Sliding scale based on years of service as determined from 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.
Inflation	2.5%
Cost of living adjustments	2% per for three years as of July 1, 2018, 2019, and 2020
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%.

J. PENSION PLAN - Continued

Mortality rates	Healthy mortality: RP-2014 base mortality table with blue collar adjustments and generational future mortality improvements based on the Buck Modified 2019 improvement scale.
Disabled mortality	RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Buck Modified 2019 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:

Assets Class	Long-Term Target Allocation
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	20%
Total	100%

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, 2020, the measurement date, the Plan was invested in a mutual fund, which represented 15.0% 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.

J. 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	8.52%
Domestic mid cap equities	10.55%
Domestic small cap equities	10.66%
International large cap equities	7.69%
Domestic investment-grade fixed income	1.87%
Alternative investments	4.72%

Discount Rate

As of the measurement date, June 30, 2020, the single blended discount rate used to measure the total pension liability remained the same from prior year at 7.75% 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 7.75% was applied to those projected benefit payments.

J. PENSION PLAN - Continued

Changes in the Net Pension Liability

	Increase (Decrease) Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019 (June 30, 2018 measurement date)	$ 62,066,637	$ 49,071,953	$ 12,994,684
Changes for the year:			
Service cost	2,325,792	-	2,325,792
Interest	4,823,905	-	4,823,905
Differences between expected and actual experience	(705,364)	-	(705,364)
Change of assumptions	(178,577)	-	(178,577)
Contributions-employer	-	2,970,741	(2,970,741)
Contributions-employees	-	1,642,741	(1,642,741)
Net investment income	-	3,025,057	(3,025,057)
Benefit payments, including refunds of employee contributions	(4,378,680)	(4,378,680)	-
Administrative expense	-	(213,442)	213,442
Net changes	1,887,076	3,046,417	(1,159,341)
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	6,049,955	1,755,013	4,294,942
Balance at June 30, 2021 (June 30, 2020 measurement date)	$ 70,003,668	$ 53,873,383	$ 16,130,285

J. 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, 2021 and 2020, 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:

June 30, 2021:	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	$23,593,296	$16,130,285	$9,769,886

June 30, 2020:	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	$18,817,608	$11,835,343	$5,893,195

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, 2021 and 2020, MTA recognized pension expense of $4,330,155 and $2,484,626, respectively.

J. PENSION PLAN - Continued

Deferred outflows of resources and deferred inflows of resources

As of June 30, 2021 and 2020, MTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2021:		
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	3,008,495	-
Total	$7,461,186	$(2,078,716)
2020:		
Difference between projected and actual earnings on pension plan investments	$ 496,934	$ -
Difference between expected and actual experience	881,853	(596,846)
Changes of assumptions	501,201	(1,952,502)
Contributions subsequent to the measurement date	2,992,715	-
Total	$4,872,703	$(2,549,348)

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.

J. 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,	
2022	$ 569,816
2023	509,309
2024	581,753
2025	488,427
2026	175,888
Thereafter	48,782

Payable to the Pension Plan

At June 30, 2021 and 2020, MTA's payables for the outstanding amount of contributions to the pension plan required were not material.

K. 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 212 retirees receiving benefits and 641 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.

K. 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, 2021 and 2020 totaled \$345,964 and \$336,975, 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.

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Total OPEB liability as of June 30, 2019	$ 69,427,491	$ -	$ 69,427,491
Changes for the Year:			
Service cost	4,448,707	-	4,448,707
Interest cost (including interest on service cost)	2,521,780	-	2,521,780
Change of benefit terms	-	-	-
Difference between expected and actual experience	10,516,798	-	10,516,798
Changes of assumptions	9,029,882	-	9,029,882
Other changes	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefits paid	(3,369,643)	-	(3,369,643)
Administrative expense	-	-	-
Net change in total OPEB liability	23,147,524	-	23,147,524
Total OPEB liability as of June 30, 2020	92,575,015	-	92,575,015
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	10,593,717	-	10,593,717
Total OPEB liability as of June 30, 2021	$ 103,168,732	$ -	$ 103,168,732

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

Total OPEB expense as of June 30, 2021, includes service cost at July 1, 2020, of $7,352,412 and interest cost (including interest on service cost) of $2,586,114, and the amortized amount of each basis required by GASB 75 of $4,098,723 totaling $14,037,249.

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 (1.18%) or 1-percentage-point higher (3.18%) than the current discount rate:

	1% Decrease 1.18%	Current Rate 2.18%	1% Increase 3.18%
Net OPEB Liability	$118,886,120	$103,168,732	$90,409,108

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 (5.5% decreasing to 3% over 5 years) or 1-percentage-point higher (7.5% decreasing to 5% over 5 years) than the current healthcare cost trend rates:

	1% Decrease 5.5% decreasing to 3% over 5 years	Current 6.5% decreasing to 4% over 5 years	1% Increase 7.5% decreasing to 5% over 5 years
Net OPEB Liability	$87,516,224	$103,168,732	$123,109,239

Deferred outflows of resources and deferred inflows of resources

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

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

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
2020:		
Difference between expected and actual experience	$ 9,014,398	$1,366,389
Changes of assumptions	11,288,473	-
Total	$20,302,871	$1,366,389

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

Year Ended June 30,	
2022	$4,098,723
2023	4,098,723
2024	4,098,723
2025	3,784,129
2026	3,599,366
Thereafter	806,984

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

Actuarial Assumptions:

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

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

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

In the June 30, 2020, 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	2.66%
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-2019 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, 2020.

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

L. 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 E.

L. 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, 2021 are various projects, as described in Note D. Estimated costs to complete these projects were as follows at June 30, 2021:

North Nashville Transit Center	$ 8,200,000
Fare technology upgrades	3,800,000
Hillsboro Transit Center	3,000,000
Nolensville shelters	300,000
	$15,300,000

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, 2021, MTA has commitments to purchase 25 paratransit vans and which have already been ordered 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.

L. 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, 2021, 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, 2021.

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.

M. NET POSITION

The details of net position as of June 30, 2021 and 2020, are as follows:

	2021	2020
Net investment in capital assets:		
Property and equipment, net	$ 167,024,166	$ 164,446,419
Less: Borrowings and other liabilities related to capital assets:		
Portion of note payable relating to capital assets	-	-
Unearned revenues - advance lease receipts	(6,787,449)	(7,377,453)
Other liabilities relating to capital assets	(577,111)	(829,709)
Total net investment in capital assets	159,659,606	156,239,257
Restricted	-	59,991
Unrestricted	(91,026,975)	(80,593,827)
Total net position	$ 68,632,631	$ 75,705,421

M. 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 2017, MTA received $7,560,000, of which $-0- and $3,462 remained as of June 30, 2021 and 2020, respectively, from the sale of Clement Landport. In addition, MTA has remaining funds from sale of fareboxes amounting to $-0- and $56,529 as of June 30, 2021 and 2020, respectively. These funds must be utilized in accordance with FTA regulations and directives. Accordingly, such funds are included in restricted net position at June 30, 2021 and 2020.

N. 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 2021 and 2020 for certain contracted bus services. Revenue from the RTA for all contracted services during fiscal 2021 and 2020 totaled $1,703,019 and $2,450,643, respectively. At June 30, 2021 and 2020, the receivable from the RTA, included in accounts receivable in the accompanying statements of net position, totaled $174,500 and $359,569, respectively. At June 30, 2021 and 2020, the payable to RTA, included in accounts payable in the accompanying statements of net position, totaled $37,700 and $19,486, respectively.

O. 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:*

O. CONDENSED FINANCIAL INFORMATION BY ENTITY

	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	-	350,000	350,000
Total assets	179,346,785	2,701,590	182,048,375
Deferred outflows of resources	-	29,001,549	29,001,549
Total assets and deferred outflows of resources	$ 179,346,785	$ 31,703,139	$ 211,049,924
Liabilities			
Current liabilities	$ 5,630,070	$ 7,075,278	$ 12,705,348
Noncurrent liabilities	6,787,449	119,299,017	126,086,466
Total liabilities	12,417,519	126,374,295	138,791,814
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	6,776,611	(97,803,586)	(91,026,975)
Total net position	166,436,217	(97,803,586)	68,632,631
Total liabilities, deferred inflows of resources and net position	$ 179,346,785	$ 31,703,139	$ 211,049,924
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 6,501,983	$ 22,328	$ 6,524,311
Operating expenses	41,371,573	77,368,022	118,739,595
Operating loss	(34,869,590)	(77,345,694)	(112,215,284)
Nonoperating revenues (expenses), net	33,316,721	-	33,316,721
Capital contributions	71,825,773	-	71,825,773
Transfers	(66,724,749)	66,724,749	-
Change in net position	3,548,155	(10,620,945)	(7,072,790)
Net position - beginning of year	162,888,062	(87,182,641)	75,705,421
Net position - end of year	$ 166,436,217	$ (97,803,586)	$ 68,632,631
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	(66,724,749)	66,724,749	-
Change in cash and cash equivalents	(567,417)	(72,386)	(639,803)
Cash and cash equivalents - beginning of year	3,712,936	2,218,021	5,930,957
Cash and cash equivalents - end of year	$ 3,145,519	$ 2,145,635	$ 5,291,154

O. CONDENSED FINANCIAL INFORMATION BY ENTITY - Continued

	June 30, 2020		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	$ 14,733,443	$ 2,365,966	$ 17,099,409
Capital assets, net	164,446,419	-	164,446,419
Other assets	534,789	350,000	884,789
Total assets	179,714,651	2,715,966	182,430,617
Deferred outflows of resources	673,382	25,175,574	25,848,956
Total assets and deferred outflows of resources	$ 180,388,033	$ 27,891,540	$ 208,279,573
Liabilities			
Current liabilities	$ 9,690,855	$ 6,748,086	$ 16,438,941
Noncurrent liabilities	7,809,116	104,410,358	112,219,474
Total liabilities	17,499,971	111,158,444	128,658,415
Deferred inflows of resources	-	3,915,737	3,915,737
Net position			
Net investment in capital assets	156,239,257	-	156,239,257
Restricted	59,991	-	59,991
Unrestricted	6,588,814	(87,182,641)	(80,593,827)
Total net position	162,888,062	(87,182,641)	75,705,421
Total liabilities, deferred inflows of resources and net position	$ 180,388,033	$ 27,891,540	$ 208,279,573
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 10,016,369	$ 19,796	$ 10,036,165
Operating expenses	42,844,027	69,208,008	112,052,035
Operating loss	(32,827,658)	(69,188,212)	(102,015,870)
Nonoperating revenues (expenses), net	55,205,222	-	55,205,222
Capital contributions	33,475,353	-	33,475,353
Transfers	(61,942,209)	61,942,209	-
Change in net position	(6,089,292)	(7,246,003)	(13,335,295)
Net position - beginning of year	168,977,354	(79,936,638)	89,040,716
Net position - end of year	$ 162,888,062	$ (87,182,641)	$ 75,705,421
Condensed Statements of Cash Flows			
Cash flows from operating activities	$ (12,039,339)	$ (61,535,669)	$ (73,575,008)
Cash flows from noncapital financing activities	53,517,142	-	53,517,142
Cash flows from capital and related financing activities	19,004,515	-	19,004,515
Cash flows from investing activities	1,077,003	-	1,077,003
Transfers	(61,942,209)	61,942,209	-
Change in cash and cash equivalents	(382,888)	406,540	23,652
Cash and cash equivalents - beginning of year	4,095,824	1,811,481	5,907,305
Cash and cash equivalents - end of year	$ 3,712,936	$ 2,218,021	$ 5,930,957

P. 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 has significantly affected the MTA's operational and financial performance as it relates to ridership and consequently fare revenues, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives. The impact from the coronavirus caused MTA's ridership to decrease significantly during fiscal year 2021.

While expected to be temporary, the 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 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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

	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	$ 2,392,999	$ 2,325,792	$ 2,321,380	$ 2,300,483	$ 2,274,196	$ 2,067,568	$ 1,765,386
Interest	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	1,691,561	(705,364)	291,581	235,342	996,205	499,931	-
Changes of assumptions	(179,481)	(178,577)	(1,464,943)	(311,269)	(1,483,471)	1,754,196	-
Benefit payments	(4,364,753)	(4,378,680)	(3,884,742)	(3,722,226)	(3,670,960)	(3,568,443)	(3,409,727)
Net change in total pension liability	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	63,953,713	62,066,637	60,151,833	57,245,535	53,226,139	48,675,961	46,696,623
Total pension liability - ending (a)	$ 70,003,668	$ 63,953,713	$ 62,066,637	$ 60,151,833	$ 57,245,535	$ 53,226,139	$ 48,675,961
PLAN FIDUCIARY NET POSITION							
Contributions-employer	$ 3,078,549	$ 2,970,741	$ 3,025,772	$ 2,643,077	$ 2,979,190	$ 3,054,164	$ 2,895,419
Contributions-employee	1,732,867	1,642,741	1,604,727	1,610,224	1,440,038	1,265,337	1,199,775
Net investment income	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	(4,364,753)	(4,378,680)	(3,884,742)	(3,722,226)	(3,670,960)	(3,568,443)	(3,409,727)
Administrative expenses	(223,655)	(213,442)	(233,115)	(200,814)	(173,318)	(141,239)	(143,644)
Net change in plan fiduciary net position	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	52,118,370	49,071,953	44,943,920	40,272,751	38,729,574	36,881,685	30,926,396
Plan fiduciary net position - ending (b)	$ 53,873,383	$ 52,118,370	$ 49,071,953	$ 44,943,920	$ 40,272,751	$ 38,729,574	$ 36,881,685
Net pension liability (a) - (b)	$ 16,130,285	$ 11,835,343	$ 12,994,684	$ 15,207,913	$ 16,972,784	$ 14,496,565	$ 11,794,276
Plan fiduciary net position as a percentage of the total pension liability	76.96%	81.49%	79.06%	74.72%	70.35%	72.76%	75.77%
Covered payroll	$ 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	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.

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:

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%.

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 morality 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

Fiscal Year Ended	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contributions	Contribution (Excess) Deficiency	Covered Payroll	Contribution as a Percent of Covered Payroll
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.

PENSION PLAN

METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates for the fiscal years ended June 30, 2021 and 2020, for the Plan were calculated as the result of an actuarial valuation performed on July 1, 2020 and 2019, respectively. The following assumptions were used to determine contribution rates as reported in the Schedule for Employer Contributions:

Cost-of-living adjustment	2020 – 2% per year for three years as of July 1, 2018, 2019, and 2020
	2019 - None assumed
	2016 through 2018 - 1.5% annually through plan year 2018
	2015 and 2014 - None assumed
Projected salary increases	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
	2015 and 2014 - 4.00% per year including inflation of 2.50%, compounded annually
Normal retirement age	2016 through 2020 - Various rates of retirement applied to ages 55 through 70. Rate applied to the normal retirement age of 65 is 50%
	2015 and 2014 - 65 years
Form of payment	All years presented - Single life annuity
Investment rate of return	All years presented - 7.75% per year net of pension plan investment expenses, compounded annually
Amortization method and period	2020 – Level dollar layered basis over a closed period of 20 years
	2014 – 2019 - Level dollar basis over an open period of 20 years
Actuarial cost method	All years presented - Entry age normal
Asset valuation method	2020 – 5-year phase-in of actuarial gains and losses, 20% corridor
	2014 - 2019 - 5-year phase-in of realized and unrealized gains and losses, 20% corridor

PENSION PLAN

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

Mortality rates	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
	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
	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
	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
	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

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.

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, 2021	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
TOTAL OPEB LIABILITY				
Service cost	$ 7,352,412	$ 4,448,707	$ 4,277,603	$ 4,117,831
Interest	2,586,114	2,521,780	2,373,679	2,390,826
Changes of benefit items	-	-	-	-
Differences between expected and actual experience	-	10,516,798	(1,991,739)	-
Changes of assumptions	5,648,890	9,029,882	5,172,636	-
Benefit payments, including refunds of employee contributions	(4,993,699)	(3,369,643)	(3,163,984)	(2,501,538)
Net change in total OPEB liability	10,593,717	23,147,524	6,668,195	4,007,119
Total OPEB liability - beginning	92,575,015	69,427,491	62,759,296	58,752,177
Total OPEB liability - ending (a)	$ 103,168,732	$ 92,575,015	$ 69,427,491	$ 62,759,296
PLAN FIDUCIARY NET POSITION				
Contributions-employer	$ 4,993,699	$ 3,369,643	$ 3,163,984	$ 2,501,538
Contributions-employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,993,699)	(3,369,643)	(3,163,984)	(2,501,538)
Administrative expenses	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	$ -	$ -	$ -	$ -
Net OPEB liability (a) - (b)	$ 103,168,732	$ 92,575,015	$ 69,427,491	$ 62,759,296
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 36,209,617	$ 36,209,617	$ 33,214,258	$ 33,100,534
Net OPEB liability as a percentage of covered payroll	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, 2021	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
Actuarially determined contribution	$ 4,993,699	$ 3,369,643	$ 3,163,984	$ 2,501,538
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	$ 4,993,699	$ 3,369,643	$ 3,163,984	$ 2,501,538
Covered payroll	$ 36,209,617	$ 36,209,617	$ 33,214,258	$ 33,100,534
Contributions as a percentage of covered payroll	13.79%	9.31%	9.53%	7.56%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2021 were calculated based on the July 1, 2019 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	2.18%
Health care cost trend rate	6.50% in fiscal year 2019; grading 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.

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.

ADDITIONAL INFORMATION

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2020	Issued/ Borrowed During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
NOTES PAYBLE:									
Line of Credit	$ 20,000,000	1.78%	9/15/2008	6/30/2022	$ 5,500,000	$ 8,900,000	$ 11,400,000	$ -	$ 3,000,000
Total Notes Payable					$ 5,500,000	$ 8,900,000	$ 11,400,000	$ -	$ 3,000,000

See independent auditor's report.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-Through Grantor	CFDA Number	FAIN/Contract Number	Expenditures	Federal Passed-through to Subrecipients
Federal Awards				
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-90-X376	$ 1,260,313	$ -
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2018-014-01/3	142,033	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2019-009-01/2	12,996,998	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2017-055-00	290,257	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2021-005-00	3,000,000	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2020-040-01/2	223,706	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2020-040-03	295,683	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2020-001-00	107,181	107,181
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-90-X391	657	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2017-030-02	1,603	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2018-028-03	40,784	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2019-024-01/2	495,908	495,908
Total Program 20.507			18,855,123	603,089
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2020-017-00	27,627,625	-
Total Program 20.507 CARES ACT			27,627,625	-
U.S. DEPARTMENT OF TRANSPORTATION	20.526	TN-2016-021-01	156,281	-
U.S. DEPARTMENT OF TRANSPORTATION	20.526	TN-2020-014-01/03	8,271,747	-
Total Program 20.526			8,428,028	-
Total Federal Transit Cluster*			54,910,776	603,089
U.S. DEPARTMENT OF TRANSPORTATION	20.505	TN-2021-023-00	2,699	-
Total Program 20.505			2,699	-
U.S. DEPARTMENT OF TRANSPORTATION	20.513	TN-2017-041-01/2	934	934
U.S. DEPARTMENT OF TRANSPORTATION	20.513	TN-2018-027-01/2	20,657	20,657
U.S. DEPARTMENT OF TRANSPORTATION	20.513	TN-2019-025-01/2/3	609,990	609,990
Total Program 20.513			631,581	631,581
U.S. DEPARTMENT OF TRANSPORTATION			55,545,056	1,234,670
U.S. DEPARTMENT OF HOMELAND SECURITY - Federal Emergency Management Agency; Passed-through Tennessee Department of Military/Tennessee Emergency Management Agency	97.036	Not Applicable	282,638	
U.S. DEPARTMENT OF HOMELAND SECURITY - Federal Emergency Management Agency; Passed-through Tennessee Department of Military/Tennessee Emergency Management Agency	97.036	Not Applicable	194,546	-
Total Program 97.036			477,184	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			477,184	-
TOTAL FEDERAL AWARDS			**$ 56,022,240**	**$ 1,234,670**
State Financial Assistance				
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-21-69525-00	$ 19,536	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-21-5307-07	157,537	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-19-59671-00	17,754	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-20-63952-A	5,098	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-21-68236-A/B	1,624,624	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-21-BP00-01	1,312	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-20-IMPV-02-B	4,130,621	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-21-5307-01	36,961	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-19-61722-00	1,697,482	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-20-IMPV-05	223,764	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-21-UROP-06	5,098,600	
TOTAL STATE FINANCIAL ASSISTANCE			**13,013,290**	
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			**$ 69,035,529**	

*Denotes a major program.

See independent auditor's report.

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:

Program Title	CFDA Number	Expenditures
Federal Transit Formula Grants	20.507	$40,624,623

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.

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

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

<u>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*</u>

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, 2021, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements, and have issued our report thereon dated October 29, 2021.

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 29, 2021

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the compliance of Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee with the types of compliance requirements described 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, 2021. MTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MTA's compliance.

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Crosslin, PLLC

Nashville, Tennessee
October 29, 2021

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) indentified?	___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)?	___yes _x_ no

Identification of major programs:

CFDA Number	Name of Federal Program	
Federal Transit Cluster:		
20.507	Federal Transit Administration Formula Grants	$18,855,123
20.507 CARES ACT	Federal Transit Administration Formula Grants	27,627,635
20.526	Federal Transit Administration Capital Grants	8,428,028
	Federal Transit Cluster	$54,910,776

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

Auditee qualified as low-risk auditee? _x_yes ___ no

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

None.

METROPOLITAN TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

MTA had no prior year audit findings.