

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

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Report on Audited Financial Statements

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For the Year Ended June 30, 2024

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

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**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

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July 31, 2025

MATA Board of Commissioners  
Memphis, Tennessee

Dear Commissioners:

I am pleased to present the Memphis Area Transit Authority (MATA) report on audited financial statements for the year ending June 30, 2024. The audit consists of 4 sections: Introduction, Financial, Required Supplementary Information and Single Audit. This introductory section consists of the transmittal letter and a list of the Board of Commissioners and management staff. The next section contains the independent auditor's report and includes MATA management's discussion and analysis. The financial statements include the statements related to net position; revenues, expenses, and changes in net position; cash flows; and the related notes to the financial statements. The statutory reporting section includes the independent auditor's report on internal control over financial reporting and on compliance based on the audit of the financial statements.

The accuracy of the data and all audit disclosures are the responsibility of the Memphis Area Transit Authority. To the best of our knowledge, information and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to represent the financial position and operations of MATA.

### **MATA Overview**

MATA was formed in 1975 to provide public transit options for the greater Memphis area, Shelby County, and the nearby city of West Memphis, Arkansas, an area of 311 square miles. The Organization is governed by a nine-member Board of Commissioners appointed by the Mayor of Memphis and approved by the Memphis City Council. MATA's mission is to provide a reliable, safe, accessible, clean, and customer-friendly public transportation system that meets the needs of the community. In the fiscal year 2024, our agency served well over 7 million riders. The activities of MATA are supported by fare collections from passengers and primarily by local, state, and federal assistance.

We would like to thank Banks, Finley, White & Co. and MATA staff for their support in preparing the fiscal year 2024 audit. The audit of the Memphis Area Transit Authority seeks to ensure fiscal transparency and accountability for the Board of Commissioners and the public. These financial statements were created utilizing the highest professional standards to achieve that goal.

Respectfully,

A handwritten signature in dark ink, appearing to read "Erik Stevenson", with a stylized flourish at the end.

Erik Stevenson  
Chief Administrative Officer

**MEMPHIS AREA TRANSIT AUTHORITY**

Memphis, Tennessee  
ROSTER OF OFFICIALS

**BOARD OF COMMISSIONERS**

Brandon Arrindale  
Cynthia Bailey  
Emily Greer  
Sandi Klink  
Brian Marflak  
Jackson McNeil  
Anna McQuiston  
Dana Pointer  
Maya Siggers

**MANAGEMENT OFFICIALS**

John Lewis, Interim Chief Executive Officer  
Erik Stevenson, Chief Administrative Officer  
Keith Watson, Chief Safety and Security Officer  
La Barbara Houston, Chief Operations Officer - Transportation  
Thomas Davidson, Chief Operations Officer - Trolley Division  
Anthony Amos, Chief Compliance Officer

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Memphis Area Transit Authority

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Memphis Area Transit Authority ("MATA"), a component unit of the City of Memphis, Tennessee, as of and for the year ended June 30, 2024 and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MATA as of June 30, 2024, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial position, changes in financial position, and cash flows of MATA and do not purport to, and do not, present fairly the financial position of the City of Memphis, Tennessee, as of June 30, 2024, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, MATA is economically dependent upon federal, state and local government grants, subsidies and capital contributions to finance its operations and its capital expenditures.

#### *Basis for Opinions*

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





### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MATA's internal control. Accordingly, no such opinion is expressed.





- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MATA's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 and other required supplementary information on pages 39 through 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MATA's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying



accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2025, on our consideration of MATA'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 on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MATA's internal control over financial reporting and compliance.

Memphis, Tennessee  
July 31, 2025

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2024 and 2023

This section of the Memphis Area Transit Authority's (MATA) annual financial report presents a discussion and analysis of MATA's financial performance for the fiscal year ended June 30, 2024, with selective comparison to the financial performance for the fiscal year ended June 30, 2023. Please read it in conjunction with the MATA's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS:**

- The 2024 fiscal year-end net position totaled \$28,293,277, a decrease of \$(9,581,634) from the preceding year end.
- Total liabilities increased by \$21,916,023, due mainly to a \$12,516,833 increase in current liabilities.
- Total operating and non-operating revenue totaled \$57,396,404, a decrease of \$1,299,073 from the preceding year end. Additionally, contributed capital was received in the amount of \$14,122,485, which was an increase from the \$1,866,729 received in the previous year.
- Operating expenses, excluding depreciation, of \$74,098,578 represents a \$4,044,426 increase from the preceding year

**OVERVIEW OF THE FINANCIAL STATEMENTS:**

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the audited financial statements with corresponding note disclosures and other supplementary information.

The financial statements provide both long-term and short-term information about MATA'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 other supplementary information that further explains and supports the information in the financial statements.

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2024 and 2023

MATA's financial statements are prepared in conformity with U.S. generally accepted accounting principles and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of MATA are included in the Statement of Net Position.

The Statement of Net Position reports MATA's net position and the percentage change from the preceding year.

**FINANCIAL ANALYSIS OF MATA:**

**Net Position**

Total assets for fiscal year 2024 were \$143,476,828, an increase of \$18,878,232 from the preceding year, primarily attributable to increases in current assets, capital assets and net pension asset.

Separately, deferred outflows of resources pertain to GASB 68 treatment of pension obligations and GASB 75 treatment of OPEB obligations - which decreased by \$10.9 million to \$3,570,568. Deferred outflows combined with assets total \$147,047,396.

Total liabilities for fiscal year 2024 were \$88,553,347, an increase of \$21,916,023 from the preceding year, primarily attributable to current liabilities increasing by \$12.5 million to \$23,074,994.

*See next page*

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2024 and 2023

**Table 1**  
**Memphis Area Transit Authority's Net Position**

	<u>2024</u>	<u>2023</u>	<u>% Change</u>
Current Assets	\$ 32,988,672	\$ 26,339,953	25.24 %
Restricted Assets	484,780	485,180	(0.08)%
Other Assets	12,709	12,709	- %
Capital Assets, Net	99,808,980	97,290,017	2.59 %
Net Pension Asset	<u>10,181,687</u>	<u>470,737</u>	- %
Total Assets	143,476,828	124,598,596	15.15 %
Deferred Outflows of Resources	<u>3,570,568</u>	<u>14,420,781</u>	(75.24)%
Total Assets and Deferred Outflows of Resources	\$ <u>147,047,396</u>	\$ <u>139,019,377</u>	<u>5.77 %</u>
Current Liabilities	\$ 23,074,994	\$ 10,558,161	118.55 %
Due to the City of Memphis	20,000,000	-	- %
Other Postemployment Benefits	45,478,353	50,240,531	(9.48)%
Net Pension Liability	<u>-</u>	<u>5,838,632</u>	- %
Total Liabilities	88,553,347	66,637,324	32.89 %
Deferred Inflows of Resources	<u>30,200,772</u>	<u>34,507,142</u>	(12.48)%
Investment in capital assets	99,808,980	97,290,017	2.59 %
Restricted for self insurance	484,780	505,318	(4.1)%
Unrestricted	<u>(72,000,483)</u>	<u>(59,920,424)</u>	20.2 %
Total Net Position	<u>28,293,277</u>	<u>37,874,911</u>	(25.3)%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ <u>147,047,396</u>	\$ <u>139,019,377</u>	<u>5.8 %</u>

Fiscal year 2024 current assets were \$32,988,672, a decrease of \$6,648,719 from fiscal year 2023.

Fiscal year 2024 current liabilities were \$23,074,994, a \$12,516,833 increase from fiscal year 2023, due to a increase in outstanding payable amounts.

### **Changes in Net Position**

Net position at June 30, 2024 was \$28,293,277, a decrease of \$(9,581,634) from the previous year-end.

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2024 and 2023

MATA's fiscal year 2024 operating revenues, which include revenues from passenger fares, advertising, concessions, and other sources decreased by 9.7%, or \$249,228, due mainly to an increase in passenger fares.

*See next page*

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2024 and 2023

**Table 2**  
**Changes in Memphis Area Transit Authority's Net Position**

	<u>2024</u>	<u>2023</u>	<u>% Change</u>
Operating Revenues	\$ <u>2,324,827</u>	\$ <u>2,574,055</u>	<u>(9.7)%</u>
Operating Expenses, excl Depreciation	74,098,578	70,054,152	5.8 %
Depreciation	<u>11,219,160</u>	<u>11,252,578</u>	<u>(0.3)%</u>
Total Operating Expenses	<u>85,317,738</u>	<u>81,306,730</u>	<u>4.9 %</u>
Operating Income (Loss)	(82,992,911)	(78,732,675)	5.4 %
Non-Operating Revenues	55,071,577	53,523,276	2.9 %
Contributed Capital	<u>14,122,485</u>	<u>12,255,756</u>	<u>15.2 %</u>
Change in Net Position	(13,798,849)	(12,953,643)	6.5 %
Total Net Position, Beginning of Year	37,874,911	50,828,554	(25.5)%
Prior Period Adjustment	<u>4,217,215</u>	<u>-</u>	<u>100.0 %</u>
Total Net Position, Beginning of Year, as Restated	<u>42,092,126</u>	<u>50,828,554</u>	<u>(17.2)%</u>
Total Net Position, End of Year	<u>\$ 28,293,277</u>	<u>\$ 37,874,911</u>	<u>(25.3)%</u>

MATA's fiscal year 2024 operating revenue was lower than Budget by \$1,178,478, due mostly to lower ridership.

Operating expenses, excluding depreciation, totaled \$85,317,738. Budget variances netted to a unfavorable amount of \$(8.3)M.

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2024 and 2023

**Table 3**  
**Schedule of Expenses and Revenues**  
**Actual vs. Budget**  
**For the Fiscal Year Ended June 30, 2024**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue:</b>			
Farebox revenue	\$ 1,873,385	\$ 2,392,056	\$ (518,671)
Auxiliary transportation revenue	451,442	754,800	(303,358)
Non-transportation revenue	<u>-</u>	<u>356,449</u>	<u>(356,449)</u>
 Total Operating Revenue	 2,324,827	 3,503,305	 (1,178,478)
 <b>Non-Operating Revenue:</b>			
City of Memphis subsidy	32,169,997	32,170,000	(3)
Federal grants	17,410,351	16,718,663	691,688
State of Tennessee grants	8,007,734	7,656,400	351,334
Other income	<u>(2,516,505)</u>	<u>4,380,000</u>	<u>(6,896,505)</u>
 Total Non-Operating Revenue	 <u>55,071,577</u>	 <u>60,925,063</u>	 <u>(5,853,486)</u>
 Total Revenue	 <u>\$ 57,396,404</u>	 <u>\$ 64,428,368</u>	 <u>\$ (7,031,964)</u>
 <b>Expenses:</b>			
Labor	\$ 40,146,684	\$ 28,324,412	\$ (11,822,272)
Fringes	2,279,269	21,248,999	18,969,730
Services	18,233,720	14,629,730	(3,603,990)
Material and supplies	10,031,513	8,628,420	(1,403,093)
Utilities	1,470,775	1,307,420	(163,355)
Property and liability	1,287,126	1,287,950	824
Leases and rentals	647,939	-	(647,939)
Depreciation	11,219,160	791,430	(10,427,730)
Licenses and taxes	<u>1,552</u>	<u>789,839</u>	<u>788,287</u>
 Total Operating Expenses	 <u>\$ 85,317,738</u>	 <u>\$ 77,008,200</u>	 <u>\$ (8,309,538)</u>



**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2024 and 2023

**Table 4**  
**Memphis Area Transit Authority's Contributed Capital by Funding Source**

	<u>2024</u>	<u>2023</u>	<u>Total Change 2024 - 2023</u>
<b>Funding Sources:</b>			
Federal Transit Authority	\$ 8,253,070	\$ 7,426,149	\$ 826,921
Tennessee Department of Transportation	1,825,153	996,151	829,002
City of Memphis	<u>4,044,262</u>	<u>3,833,456</u>	<u>210,806</u>
<b>Total Contributed Capital</b>	<u>\$ 14,122,485</u>	<u>\$ 12,255,756</u>	<u>\$ 1,866,729</u>

**Contributed Capital**

Contributed capital of \$14,122,485 consists of grant revenue received for capital projects, particularly the purchase of service vehicles and services related to the installation of a Next Generation Fare System, an ERP/EAM System, an ITS System and the Memphis Innovation Corridor Project.

**Additional Financial Information:**

This financial report is designed to provide the MATA Board of Commissioners, the City of Memphis, the State of Tennessee and other interested parties with a general overview of MATA's financial position and the results of MATA's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Office, Memphis Area Transit Authority, 40 S. Main Street, Memphis, Tennessee 38103.

**MEMPHIS AREA TRANSIT AUTHORITY**  
Statement of Net Position  
As of June 30, 2024

**ASSETS**

	<u>2024</u>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 3,275,351
Charter and other receivables, less allowances for doubtful accounts of \$0	274,665
Federal, state, and local grants	25,011,337
Inventories	3,853,761
Prepaid expenses	<u>573,558</u>
Total Current Assets	<u>32,988,672</u>
<b>NON-CURRENT ASSETS:</b>	
Non-depreciable capital assets	34,545,133
Depreciable capital assets, less accumulated depreciation	65,263,847
Restricted investments	484,780
Other assets	12,709
Net pension asset	<u>10,181,687</u>
Total Non-Current Assets	<u>110,488,156</u>
<b>TOTAL ASSETS</b>	<u>143,476,828</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred outflows related to pensions	3,392,982
Deferred outflows related to OPEB	<u>177,586</u>
Total Deferred Outflows of Resources	<u>3,570,568</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 147,047,396</u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES:</b>	
Due to City of Memphis	\$ 20,000,000
Accounts payable	12,264,016
Due to MTM	10,493,562
Accrued expenses	227,000
Receipts of prepayments	<u>90,416</u>
Total Current Liabilities	<u>43,074,994</u>
<b>NON-CURRENT LIABILITIES:</b>	
OPEB liability	<u>45,478,353</u>
Total Non-Current Liabilities	<u>45,478,353</u>
<b>TOTAL LIABILITIES</b>	<u>88,553,347</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred inflows related to OPEB	<u>30,200,772</u>
Total Deferred Inflows of Resources	<u>30,200,772</u>
<b>NET POSITION:</b>	
Investments in capital assets	99,808,980
Restricted for self insurance	484,780
Unrestricted deficit	<u>(72,000,483)</u>
Total Net Position	<u>28,293,277</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 147,047,396</u>

*The accompanying notes are an integral  
part of these financial statements*

**MEMPHIS AREA TRANSIT AUTHORITY**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2024

	<u>2024</u>
<b>OPERATING REVENUE</b>	\$ 2,324,827
<b>OPERATING EXPENSES OTHER THAN DEPRECIATION:</b>	
Personnel services	42,425,953
Materials, supplies, and services	<u>31,672,625</u>
Total Operating Expenses Other Than Depreciation	<u>74,098,578</u>
<b>OPERATING LOSS BEFORE DEPRECIATION</b>	(71,773,751)
<b>DEPRECIATION EXPENSE</b>	<u>11,219,160</u>
<b>OPERATING LOSS</b>	(82,992,911)
<b>NON-OPERATING REVENUES:</b>	
City of Memphis subsidy	32,170,000
Federal grants	17,410,351
State grants	8,007,733
Gain/(loss) on sale of assets	87,505
Other income	<u>(2,604,012)</u>
Total Non-Operating Revenues	<u>55,071,577</u>
<b>GAIN BEFORE CAPITAL CONTRIBUTIONS</b>	(27,921,334)
<b>CAPITAL CONTRIBUTIONS:</b>	
Contributed Capital - Federal	8,253,070
Contributed Capital - State	1,825,153
Contributed Capital - City/Local	<u>4,044,262</u>
Total Capital Contributions	<u>14,122,485</u>
<b>CHANGE IN NET POSITION</b>	(13,798,849)
<b>TOTAL NET POSITION - BEGINNING</b>	37,874,911
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>4,217,215</u>
<b>TOTAL NET POSITION - BEGINNING, AS RESTATED</b>	<u>42,092,126</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u>\$ 28,293,277</u></u>

*The accompanying notes are an integral  
part of these financial statements*

**MEMPHIS AREA TRANSIT AUTHORITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2024

	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 2,324,827
Cash payments to suppliers	(26,039,370)
Cash payments to employees and professional contracts for services	(56,193,870)
Other operating payments	32,805,687
Other operating receipts	10,596,505
Receipts from other funds	<u>15,276,127</u>
Net Cash Provided By (Used In) Operating Activities	<u>(21,230,094)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Operating grants received	17,704,249
City of Memphis subsidy	32,170,000
Other payments	<u>(21,573,836)</u>
Net Cash Provided By (Used In) Non-Capital Financing Activities	<u>28,300,413</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Net purchase of capital assets	<u>(8,186,228)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(8,186,228)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Change in investments	<u>400</u>
Net Cash Provided By (Used In) Investing Activities	<u>400</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,115,509)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>4,390,860</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 3,275,351</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (82,992,911)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	11,219,160
(Increase) Decrease Changes in Assets and Deferred Outflows of Resources:	
Charter and other receivables	(179,306)
Federal, state and local grants	(9,224,189)
Inventories	(386,270)
Prepaid expenses	184,578
Due from/to MTM	34,313,897
Increase (Decrease) Changes in Liabilities and Deferred Inflows of Resources:	
Due to City of Memphis	20,000,000
Accounts payable	5,834,788
Accrued expenses	<u>159</u>
Total Adjustments	<u>61,762,817</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (21,230,094)</u>

*The accompanying notes are an integral  
part of these financial statements*

**MEMPHIS AREA TRANSIT AUTHORITY**  
**Memphis, Tennessee**

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## **MEMPHIS AREA TRANSIT AUTHORITY**

Notes to the Financial Statements

For the Year Ended June 30, 2024

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### ***Organization***

Memphis Area Transit Authority ("MATA") was established to provide for the operation and management of a mass transit system for the City of Memphis, Tennessee (the "City"). MATA was created by City ordinance on May 13, 1975, replacing the Memphis Transit Authority. The MATA Board of Commissioners consists of nine members nominated by the City Mayor and approved by the City Council for terms of three years. MATA's annual budgets are approved by the City Council. MATA must also obtain the approval of the City Council before incurring certain obligations. Accordingly, MATA is a component unit of the City and is included in the financial statements of the City. These financial statements are not intended to present the financial position, results of operations, or cash flows of the City or the pension and other postemployment benefit plans discussed in Notes 7 and 8.

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The financial statements of MATA are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

MATA complies with Governmental Accounting Standards Board Code Sec 1300.102b "Proprietary Funds".

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of MATA's enterprise funds are charges to customers for services, administrative and operator salaries and wages, employee benefits, repairs, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### ***Cash and Cash Equivalents***

MATA considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

***Charter and Other Receivables***

Charter and other receivables represent charters, tours, and other special service revenue due and uncollected at June 30, 2024. MATA uses the allowance method for recording bad debts.

***Inventories***

Inventories, accounted for under the consumption method, consist of materials and supplies and are stated at the lower of cost or market. Cost is determined by the average cost method.

***Capital Assets***

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives: buildings and improvements, 30 years; buses and other revenue vehicles, 4 to 12 years; and machinery and equipment, 3 to 8 years. Amounts expended for maintenance and repairs are charged to expense as incurred, and expenditures for major renewals and betterments are capitalized. Assets with a cost equal to or in excess of \$3,000 and with a useful life equal to or in excess of three (3) years are capitalized. Assets with a cost equal to or in excess of \$5,000 and with a useful life of more than one year are capitalized.

***Restricted Investments***

Investments at June 30, 2024 consist of a federal home loan mortgage debt security.

***Receipts of Prepayments***

Receipts of Prepayments primarily represents funds received from the Environmental Protection Agency to offset lost revenue for fare reductions on future high ozone days.

***Capital Contributions***

Contributions from federal, state, City governments, and private enterprises for the purpose of purchasing capital assets are recorded as capital contributions in the statement of revenue, expenses, and changes in net position.

Proceeds in excess of \$5,000 from sales of assets (other than buses) purchased with capital contributions generally must be returned to the contributing entity, in which case no gain or loss on disposition is recognized by MATA. Proceeds from the sale of buses purchased with capital contributions are not required to be returned if the proceeds are used for the purchase of new buses.

***Revenue***

Operating revenue, primarily daily passenger fares, is recognized when received. Subsidies and non-capital grants utilized to finance current operations are recorded as non-operating revenue when all eligibility requirements imposed by the provider are met. Investment income, primarily interest, is recognized when earned.

Restricted resources include funds restricted for use by grantors' stipulations that limit the use of such funds. Unrestricted resources are first applied when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### ***Income Taxes***

As a governmental entity, MATA is exempt from payment of federal and state income, property and certain other taxes.

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

## **NOTE 2 - CASH DEPOSITS:**

### **Cash Deposits**

Cash deposits consist of interest bearing and non-interest bearing demand accounts. Depositories are authorized by the Board and include banks and trust companies that are authorized to conduct business and maintain principal offices in the State of Tennessee.

Custodial credit risk for cash and cash equivalent deposits is the risk that in the event of a financial institution's failure, MATA would not be able to recover its deposits. Deposits are exposed to credit risk if they are not insured or not collateralized. MATA's cash and cash equivalent deposits are covered by federal depository insurance (FDIC) with any excess covered by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC insures the first \$250,000 of MATA's deposits at each financial institution. Deposit balances over \$250,000 must be collateralized at a percent ranging from 90% to 115% by the collateral pool for those participating financial institutions. The collateral must be obligations of the State of Tennessee, United States, or federal agencies whose principal and interest are guaranteed by the United States. If collateral is not sufficient, a corporate surety bond must be used for collateral and the bond must be written by a surety company authorized to do business in the State of Tennessee.

## **NOTE 3 - INVESTMENTS:**

Depositories of MATA funds for investment purposes will be designated by Resolution of Board and will be required to furnish adequate security to protect MATA's interest. MATA's investment policies are governed by the state and local statutes. Investments at June 30, 2024 consist of a federal home loan mortgage obligation.



### Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is the measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. MATA limits its exposure to interest rate risk by diversifying its investments by security type and institution and by limiting the maturity of individual investments.

### Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To control credit risk, credit quality guidelines have been established. Authorized investments are established by the Board and are summarized below:

- Time Deposits Accounts
- Certificates of Deposit
- Obligations of the State of Tennessee
- Obligations of the United States
- Obligations of federal agencies if principal and interest is guaranteed by the United States
- Repurchase agreements involving the purchase and sale of direct obligations of the United States (maximum 30 days)
- Bankers' acceptances (maximum 180 days)
- Commercial paper with Moody's P-1 rating (maximum 180 days)
- Local Government Investment Pool (LGIP) administered by the Tennessee State Treasurer

### Custodial and concentration of credit risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, MATA will not be able to recover the value of its investment or collateral securities that are in possession of another party. Investments are exposed to such risk if the investments are uninsured or not registered in the name of MATA and are held by either the counterparty or their trust department or agent but not in the name of MATA. To limit its exposure, MATA's investment policy requires that all securities be held in safekeeping in MATA's name by a third-party custodial financial institution.

MATA's investment policy provides that authorized banks, brokers and dealers must be credit worthy. Their financial statements will be reviewed by MATA at least annually to determine credit worthiness. Concentration of investments is avoided. The general rule is to not place more than \$2,000,000 in overnight investments with any one institution. No more than 25% of MATA's investments at any one time will be placed in money market mutual funds, bankers' acceptances or commercial paper.

The investments at June 30, 2024 are pledged to the State of Tennessee under a performance bond for MATA's workers' compensation insurance and are designated as restricted by the Board at June 30, 2024.

In fiscal year 2016, MATA adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The GASB issued Statement No. 72 in February 2016. This statement addresses accounting and financial reporting issue related to fair value measurements. The definition of fair value is the price that would be received to see an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurement. This statement is effective for periods beginning after June 15, 2015 and was implemented during fiscal year 2016.

Disclosures concerning investments that are reported at fair value are presented below. Fair value has been determined based on MATA's assessment of available market information and appropriate valuation methodologies. The following table summarizes fair value disclosures and measurements at June 30, 2024:

Fair Value Measurements at Reporting Date Using				
	Fair Value	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
U.S. government agency securities	\$ 484,780	\$ -	\$ 484,780	\$ -
Total	\$ 484,780	\$ -	\$ 484,780	\$ -

The following methods were used to estimate fair value of each valuation level:

- Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the City's best estimate and good faith opinion of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

#### **NOTE 4 - CAPITAL ASSETS:**

The changes in capital assets for the year ended June 30, 2024 are as follows:

	Balance June 30, 2023	Additions	Deductions	Transfers/ Reclassifications	Balance June 30, 2024
Capital Assets, Being Depreciated:					
Building and improvements	\$ 181,320,774	\$ 205,684	\$ (992,066)	\$ -	\$ 180,534,392
Buses and other revenue vehicles	71,147,547	9,450,723	(7,336,831)	-	73,261,439
Machinery and equipment	<u>31,576,256</u>	<u>982,434</u>	<u>(247,452)</u>	<u>-</u>	<u>32,311,238</u>
Total Capital Assets, Being Depreciated	<u>284,044,577</u>	<u>10,638,841</u>	<u>(8,576,349)</u>	<u>-</u>	<u>286,107,069</u>
Less Accumulated Depreciation for:					
Building and improvements	(134,368,771)	(6,217,360)	388,587	-	(140,197,544)
Buses and other revenue vehicles	(55,336,895)	(4,673,861)	5,124,968	-	(54,885,788)
Machinery and equipment	<u>(25,470,292)</u>	<u>(327,939)</u>	<u>38,341</u>	<u>-</u>	<u>(25,759,890)</u>
Total accumulated depreciation	<u>(215,175,958)</u>	<u>(11,219,160)</u>	<u>5,551,896</u>	<u>-</u>	<u>(220,843,222)</u>
Total capital assets, being depreciated, net	<u>68,868,619</u>	<u>(580,319)</u>	<u>(3,024,453)</u>	<u>-</u>	<u>65,263,847</u>
Capital Assets, Not Being Depreciated:					
Land	2,731,018	212,970	-	-	2,943,988
Construction in progress	<u>25,690,380</u>	<u>5,910,765</u>	<u>-</u>	<u>-</u>	<u>31,601,145</u>
Total Capital Assets, Not Being Depreciated	<u>28,421,398</u>	<u>6,123,735</u>	<u>-</u>	<u>-</u>	<u>34,545,133</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 97,290,017</u>	<u>\$ 5,543,416</u>	<u>\$ (3,024,453)</u>	<u>\$ -</u>	<u>\$ 99,808,980</u>

Depreciation expense for the year ended June 30, 2024 was \$11,219,160.

The carrying amount of impaired assets that are idle as of June 30, 2024 is \$-.

### **Net Investment in Capital Assets**

Net investment in capital assets in the statement of net position as of June 30, 2024 are as follows:

Capital assets on non-depreciable	\$ 34,545,133
Capital assets depreciable	286,107,069
Accumulated depreciation	<u>(220,843,222)</u>
Net Investment in Capital Assets	\$ <u>99,808,980</u>

### **NOTE 5 - MANAGEMENT AGREEMENT:**

MATA is operating under an agreement with RATP Dev. USA, Inc., which requires RATP to furnish management and advisory services reasonably required and necessary for the efficient operation of the mass transit system under policies, standards and procedures established by MATA. The agreement provides for annual management fees ranging from \$236,937 to \$265,704 payable in monthly installments. Management fees totaled \$250,867 for the year ended June 30, 2024.

Mid-South Transportation Management, Inc. ("MTM"), a wholly-owned subsidiary of First Group, is the employer of all MATA staff and personnel. MATA reimburses MTM for all personnel costs incurred by MTM and is responsible for all operating expenses of the mass transit system. MATA has the right to purchase the capital stock of MTM at any time for the original costs of incorporation incurred by RATP which was nominal. In addition, upon termination or expiration of the contract between RATP and MATA, all of the employees and related employment obligations revert to MATA or its designee.

All personnel services for 2024 are reimbursed to MTM. The amounts due to MTM for personnel services at June 30, 2024 consisted of the following:

	<u>2024</u>
Accrued payroll	\$ 1,153,952
Accrued vacation	362,250
Accrued payroll taxes	78,434
Insurance claims payable	678,383
Accrued PTO	<u>(1,650,336)</u>
Total	\$ <u>622,683</u>

## **NOTE 6 - RISK MANAGEMENT:**

MATA is exposed to various risks of loss related to general liability, automobile liability, errors and omissions, and employment practices. MATA carries commercial insurance for these risks. State law limits potential liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

MATA maintains a fairly high self-insured retention in order to manage the cost of commercial insurance.

## **NOTE 7 - MTM PENSION PLAN:**

### ***Plans A & B***

#### **Plan Description**

The following brief description of the Employees' Retirement Plan of Mid-South Transportation Management, Inc. (the "Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information. The Plan was amended effective July 1, 2008 to incorporate changes that affect current members and new hires employed on or after July 1, 2008. The members hired on or before June 30, 2008 are under Plan A, members and re-employed individuals who were hired between July 1, 2008 and June 30, 2015 are under Plan B, and members hired on or after July 1, 2015 are under Plan C. Because no assets are accumulating in a trust, GASB 68 governs the plan.

Plans A & B are single-employer defined benefit pension plans. These pension plans cover substantially all employees of Mid-South Transportation Management, Inc. ("MTM"). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plans are administered by the MTM Retirement Board which consists of three members appointed by the Executive Committee of the Amalgamated Transit Union (ATU), Local 713, and three members appointed by MTM. The MTM Retirement Board establishes the policies of the plan. These plans collectively issues a standalone audit report. This report may be obtained by contacting Memphis Area Transit Authority at (901) 722-7162.

#### **Benefits Provided**

Plan A provides defined retirement and disability benefits and covers all eligible employees who have completed six months of active continuous service and commenced the mandatory contributions. Under Plan B, eligibility begins after the first day of active continuous service and the commencement of the mandatory contribution.

If employment terminates in any manner other than death or retirement, participants may receive a refund of member contributions with credited interest within sixty days after approved application for benefits. Interest will be computed at two percent per annum compounded annually for contributions made prior to May 28, 1983; interest will be computed at five percent per annum compounded annually for contributions made from May 28, 1983 through January 1, 1988. After January 1, 1988, interest will be computed based upon the federal rate, which varies each month.

If the participant has completed five (5) years of Active Continuous Service, they may also be entitled to a portion of the accrued benefits based on contributions made by MTM. This portion of the accrued benefit is referred to as the vested benefit.

If the participant does not elect a retirement option which will provide the named beneficiary with a monthly benefit after the participant's death, the beneficiary of a deceased retired participant shall receive the excess of the participant's contributions and interest thereon over the benefits paid to the participant.

The primary factors in the benefit calculation formula are the participants' Average Final Earnings, which shall mean, for Members under Plan A, the annual average compensation of those five (5) consecutive calendar years during the last ten (10) calendar years of the Employee's employment by MTM, or its predecessors, in which the Employee's annual compensation was highest. For Members under Plan B, "Average Final Earnings" shall mean the annual average compensation of the last five (5) consecutive calendar years of the Employee's employment by MTM, or its predecessors. Effective July 1, 2011, Average Final Earnings for Plan A participants are based on the last five consecutive years, with the accrued benefit not less than the accrued benefit at July 1, 2011 under the prior salary averaging method. Participants should note that compensation is defined differently for new hires before and after July 1, 2008, and they should refer to the Plan documents for the respective meaning of compensation.

The benefit multiplier for Plan A changes periodically due to amendments and is listed as follows: after July 1, 1996 through June 30, 1999 -- 1.71 percent; after July 1, 1999 through June 30, 2002 -- 1.75 percent; after July 1, 2002 through June 30, 2003 -- 1.79%; after July 1, 2003 through June 30, 2008 -- 1.85 percent; after July 1, 2008 through June 30, 2011 -- 1.90 percent. For participants covered by Plan B, the benefit multiplier is listed as follows: after July 1, 2008 -- 1.40 percent.

Benefits under early retirement for Plan A are based on a percentage of normal retirement benefits as follows: early retirement between ages 55 and 64 range between 56 percent and 97 percent; for Plan B the range is between 40 percent and 85 percent. See the Plan document for details.

*See next page*

The Plan can be terminated by the employer in certain limited situations and/or by 75% of the participants. If the Plan is terminated, the net assets of the Plan will be distributed to the participants in an order of priority determined in accordance with ERISA and its applicable regulations and with the Plan documents as follows:

1. Each active participant will be paid his contributions and interest thereon.
2. Benefits to members who began receiving benefits at least three years before Plan termination (including benefits which would have been received for at least three years if the participant had then retired) based on Plan provisions in effect five years prior to termination.
3. Other vested benefits insured by the Pension Benefit Guaranty Corporation up to the applicable limitations.
4. All other uninsured vested benefits.
5. All other benefits under the Plan.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation ("PBGC") if the Plan terminates. Generally, the PBGC guarantees most vested, normal-age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Whether all participants receive the benefits should the Plan be terminated at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide these benefits, the priority of those benefits to be paid, and the level and type of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the existing assets and the PBGC guaranty, while other benefits may be fully or partially provided for by the existing assets and the PBGC guaranty, while other benefits may not be provided for at all.

Details of the Plan's agreement are published and made available to participants in the Summary Plan Description.

#### Employees Covered by Benefit Terms

At January 1, 2024, membership consisted of:

Retired participants and beneficiaries	515
Vested terminated participants	113
Active participants	<u>145</u>
Total	<u><u>773</u></u>

### Contributions

Effective July 1, 2008, both Plan A and Plan B require contributions from participants of 7.5% and the employer of 8.07% of compensation as defined in the Plan, but not less than annual minimum required. Effective July 1, 2015, participants contribution was increased to 8.0%. The employers' annual minimum contribution was 0.00% in 2023 of compensation. Present employees' accumulated contributions at January 1, 2023, beginning of plan year, was \$9,601,848 including interest credit on an interest rate of 5.21% compounded annually. MTM's funding policy is to make annual contributions to the Plan in amounts that are estimated to remain a constant percentage of employees' compensation each year, such that, when combined with employee's contributions, all employees' benefits will be fully provided for by the time they retire. The employer's contributions for 2023 exceeded the minimum required contribution in compliance with ERISA.

The primary factors in the benefit calculation formula are participants' years of service and earnings. Participants become 100% vested in accrued benefits derived from employer contributions after five years of service for Plans A & B.

### Net Pension Liability

MATA's net pension liability as of January 1, 2023 (latest valuation date), with a measurement date of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The components of the net pension liability at June 30, 2024, are as follows:

### **Schedule of Changes in Net Pension Liability**

	June 30, 2024
	December 31, 2023 <sup>1</sup>
<b>Total Pension Liability</b>	
Service cost	\$ 905,741
Interest	6,784,493
Change of benefit terms	-
Differences between expected and actual experience	(819,749)
Changes of assumptions	218,955
Benefit payments, including refunds of member contributions	(8,781,659)
Net change in total pension liability	(1,692,219)
Total Pension Liability - Beginning	103,996,098
Total Pension Liability - Ending	<u>\$ 102,303,879</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ -
Contributions - employee	515,726
Net investment income	17,189,418
Benefit payments, including refunds of member contributions	(8,781,659)
Administrative expense	(904,672)
Other	-
Net Change in Plan Fiduciary Net Position	8,018,813
Plan Fiduciary Net Position - Beginning	104,466,753
Plan Fiduciary Net Position - Ending	<u>\$ 112,485,566</u>
<b>Net Pension Liability - Ending</b>	<u>\$ (10,181,687)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	109.95 %
Covered payroll <sup>2</sup>	\$ 6,746,359
Plan Net Pension Liability as percentage of covered payroll	(150.92)%

<sup>1</sup>Measurement date

<sup>2</sup>Covered payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of the retirement benefits are included.



### Actuarial Assumptions

The total pension liability as of December 31, 2023, that was measured by actuarial valuations as of January 1, 2023, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	A separate inflation assumption is not included in the funding valuation assumptions. However, inflation of 2.4% is imbedded in the other economic assumptions.
Salary increases	5.00%
Funding discount rate	Effective interest rate of 5.21% based on statutorily required yield curve for ERISA plans.
Expected rate on assets	6.75%, net of pension plan investment expense, including inflation - used in development of actuarial value of assets and ASC 960 liabilities 6.75% for TPL
Mortality rates	RP-2014 separate employee and annuitant healthy mortality tables (sex-specific), reflecting both blue and white collar data, adjusted backward to the base year (2006) using scale MP-2014 and projected forward generationally using scale MP-2021. The mortality assumption is determined by statute.
Benefit changes:	None
Change of Assumptions	<p>The mortality assumption was changed at the December 31, 2023 measurement date to RP-2014 separate employee and annuitant healthy mortality tables (sex-specific), reflecting both blue and white collar data, adjusted backward to the base year (2006) using scale MP-2014 and projected forward generationally using scale MP-2021. The prior year assumption used the same base tables projected forward generationally with scale MP-2020.</p> <p>The mortality assumption was changed at the December 31, 2022 measurement date to RP-2014 separate employee and annuitant healthy mortality tables (sex-specific), reflecting both blue and white collar data, adjusted backward to the base year (2006) using scale MP-2014 and projected forward generationally using scale MP-2020. The prior year assumption used the same base tables projected forward generationally with scale MP-2019.</p>

Retirement age: It was assumed that active participants will retire according to the following rates of retirement:

<u>Age</u>	<u>Rate</u>
55-57	1%
58-59	2%
60-61	5%
62	20%
63-64	10%
65+	100%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	44.00 %	6.60 %
International equity	12.00 %	6.70 %
Fixed income	20.00 %	1.80 %
Alternatives	24.00 %	5.73 %
Total	100.00 %	

Discount rate. The discount rate used to measure the TPL was 6.75% as of December 31, 2023. The strict funding requirements imposed by the Plan's status as a single employer ERISA plan ensures that into the foreseeable future, contributions will be made based on a lower interest rate than the long-term expected return on assets, with gains and losses amortized over 15 years. Because these funding requirements relatively quickly result in funding exceeding that needed to fund benefits for current participants assuming a 6.75% return, and also because the exact amount of future contributions depends on volatile interest rates and interest rate relief, it was not deemed necessary to develop a cash flow projection for GASB 67 and 68 purposes.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability of the MATA as of December 31, 2022 calculated using the discount rate of 6.75%, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

<b>Net Pension Liability</b>	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
Domestic equity	\$ (884,732)	\$ (10,181,687)	\$ (18,198,136)

### Deferred Outflows of Resources and Deferred Inflows of Resources

The balance of net deferred inflows and outflows of resources after recognition in current year expense are \$- and \$3,392,922, respectively. The determination of resources of deferred inflows and outflows of resources for the fiscal year ended June 30, 2024, is as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net difference between projected and actual earnings on pension plan	-	3,392,922
Total	<u>\$ -</u>	<u>\$ 3,392,922</u>

### Future Amortization of Deferred Outflows and Deferred Inflows

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension recognized in pension expense is as follows:

Year Ending June 30	
2025	\$ -
2026	1,393,728
2027	1,372,803
2028	2,715,875
2029	(2,089,484)
Thereafter	-
Total	<u>\$ 3,392,922</u>

### Pension Expense

The pension expense under GASB 68 for the fiscal year ending June 30, 2024 (reporting date) and measurement date of December 31, 2023 is \$142,844:

Service Cost	\$ 905,741
Interest	6,784,493
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(819,749)
Expensed portion of current-period changes of assumptions	218,955
Member contributions	(515,726)
Projected earnings on pension plan investments	(6,741,998)
Expensed portion of current-period differences between actual and projected earnings on pension plan investments	(2,089,484)
Administrative expense	904,672
Recognition of beginning of year deferred (inflows)/outflows of resources as pension expense	1,495,940
	<u>\$ 142,844</u>

### ***Plan Description - Defined Contribution Plan (Plan C)***

The following brief description of the Defined Contribution Plan for Mid-South Transportation Management, Inc. (the "Plan") provides only general information. Participants should refer to the Plan Agreement for a more complete description of the Plan's provisions.

#### General

The Plan is a defined contribution plan for the benefit of eligible employees of Mid-South Transportation Management, Inc. (the "Organization"). The Organization controls and manages the operation and administration of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Because no assets are accumulating in a trust, GASB 68 governs the plan.

#### Eligibility

Eligible employees for the Plan are those employees hired after July 1, 2008 who were participants in Plan B of the Organization's defined benefit plan (i.e. all employees hired on or after July 1, 2008) and all new hires from and after July 1, 2015. Eligible employees are eligible to participate as of date of employment and participation in the Plan is mandatory as a condition of employment.

#### Contributions

Participants are required to make a mandatory contribution of 8% of the employee's compensation. Compensation is defined in the same manner as in the Organization's defined benefit plan, that is W-2 wages excluding overtime, paid sick leave hours, paid bonuses or commissions, and any other form of incentive or contingent compensation. Additionally, the Plan has a 401(k) feature where an employee can elect voluntarily to contribute an amount above the mandatory 8% of compensation, subject to the ERISA 401(k) contribution limit.

The Organization's non-elective contributions to the Plan are a non-discretionary 8% of the employee's compensation. The Organization will not make an additional contribution to the 401(k) feature in the Plan.

#### Participant Accounts

Each participant's account is credited with the participant's contribution, the Organization's non-elective contribution, and account earnings, and charged with withdrawals and account losses, and an allocation of administrative expenses. Any allocations are based on the participant account balances, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

#### Administrative Costs

The Plan pays certain administrative expenses of the Plan out of the assets of the Plan to the extent not paid by the employer. Administrative expenses include contract administrator, plan audit, recordkeeper, legal, and trustee.

### Vesting

Participants are immediately 100% vested in their contributions plus actual earnings thereon. Vesting in the Organization's contribution portion of their accounts is based on years of service. Participants earn a year of service for purposes of vesting when they are credited with 1,000 hours of service during a Plan year. A participant is 100% vested after 3 years of vesting service.

### Payment of Benefits

At normal retirement age, the participants are fully vested in their aggregate contribution accounts. Normal retirement age is when the participant reaches the age 65 and completion of the fifth anniversary of their participation in the Plan. Participants who terminate employment as a result of being permanently disabled while an employee, will receive a percentage of their account balance based on the Plan's vesting schedule.

### Contributions

Employee and employer contributions are recorded in the period during which the Organization makes payroll deductions from Participants' compensation.

### Notes Receivable from Participants

Participants may borrow up to the lesser of \$50,000 or 50% of their vested account balance. The minimum amount that can be borrowed is \$1,000. The loans are secured by the balance in the participant's account and bear interest at 0% + prime interest rate. Principal and interest is repaid ratably through payroll deductions.

### Forfeitures

The non-vested portion of account balances are forfeited upon distribution of the vested portion. Forfeitures are used to offset Plan administrative expenses or may be used to reduce the employer contributions. At December 31, 2023, investments include forfeitures with a value of \$62,516. During the year ended December 31, 2023, forfeitures of \$30,000 were used to reduce employer contributions and offset Plan administrative expenses.

### Termination Withdrawals Due to Participants

As of December 31, 2023, there were \$- in participant balances that are payable to participants who had elected to withdraw from the Plan. These funds are to be repaid after this year end.

## **NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):**

In fiscal year 2018, MATA adopted the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

### ***General Information about the OPEB Plan***

*Plan description.* MATA's defined benefit OPEB plan provides OPEB for all eligible retired MATA employees and their dependents. The OPEB Plan is a single-employer defined benefit OPEB plan administered by MATA. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefit provided.* MATA provides medical and life insurance benefits to eligible retired MATA employees and their dependents. Post-retirement medical coverage is offered through a Network (NET) medical plan. The plan also pays a \$8,500 life insurance benefit. The related medical claims are managed by a contracted third-party.

*Funding policy.* The contribution requirements of the plan members and MATA are established and may be amended in negotiation with the labor bargaining union. Monthly premium rates paid by eligible participants for medical coverage for the period July 1, 2022 to June 30, 2023 are as follows:

	<u>NET</u>
Pre-Medicare participant:	
Retiree	150
Retiree plus dependent(s)	240
Family	260
Medicare eligible participant:	
Retiree	94
Family	162

The portion of the premium paid by MATA for the retiree and dependents is as follows:

Pre-Medicare participant		
Retiree	\$	654
Retiree plus dependent(s)		1,287
Family		2,151
Medicare eligible participant:		
Retiree	\$	231
Family		486

Life insurance coverage is paid by MATA with no contribution from the retiree.

Participant Data as of January 1, 2023:

Actives	521
Retirees	293
Spouses of Retirees	66
Beneficiaries	6
Total	<hr/> 886

### ***Total OPEB Liability***

MATA's total OPEB liability of \$45,478,353 was measured as of June 30, 2024, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

## **Relationship Between Valuation Date, Measurement Date, and Reporting Date**

The Valuation Date is January 1, 2023. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2024. This is the date as of which the total OPEB liability is determined. The Reporting Date is June 30, 2024. This is the plan's and/or employer's fiscal year ending date.

## **Significant Changes**

There have been no significant changes between the valuation and measurement dates.

<b>Valuation date</b>	<b>January 1, 2023</b>
Measurement date	June 30, 2024
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 Years, Open
Asset valuation method	Market value
Investment rate of return (discount rate)	3.54%
Payroll growth	2.50%
Health cost trend rate	6.90% graded to 4.20% over 68 years

Discount Rate: The discount rate used to measure the total OPEB liability was 3.93% as of June 30, 2024, which is equal to the single rate of return developed by GASB 75. GASB 75 requires that the projected benefit payments expected to be satisfied by the plan be discounted using the long-term rate of return on OPEB plan investments and that projected benefit payments not expected to be satisfied by the plan be discounted using a yield or index rate of a 20-year tax-exempt general obligation municipal bond rated AA/Aa or higher. The discount rate assumption for determining the total OPEB liability was based on the Bond Buyer General Obligation 20-Bond Municipal Index as of June 30, 2024.

## **Changes in Total OPEB Liability**

	<u>2024</u>
Service Cost	\$ 2,719,865
Interest on total OPEB liability	1,900,900
Effect on plan changes	-
Effect of Economic/Demographic Gains or Losses	(4,628,529)
Effect of Assumptions Changes or Other Inputs	(2,976,611)
Benefit Payments	<u>(1,777,803)</u>
Net Change in Total OPEB Liability	(4,762,178)
Total OPEB Liability, Beginning of Year	<u>50,240,531</u>
Total OPEB Liability, End of Year	<u><u>\$ 45,478,353</u></u>
 Covered payroll	 <u><u>\$ 27,415,517</u></u>
 Total OPEB liability as a % of covered payroll	 <u><u>(165.9)%</u></u>



*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability, calculated using the discount rate of 3.93%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93%) or 1-percentage-point higher (4.93%) than the current rate.

	1% Decrease (2.93%)	Current Discount (3.93%)	1% Increase (4.93%)
Total OPEB Liability	\$ <u>52,422,076</u>	\$ <u>45,478,353</u>	\$ <u>39,856,617</u>

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability, calculated using the current healthcare cost trend rates as well as what total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ <u>39,335,740</u>	\$ <u>45,478,383</u>	\$ <u>53,234,387</u>

### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2024, MATA recognized OPEB expense of \$(6,294,408):

Service Cost	\$ 2,719,865
Interest on Total OPEB Liability	1,900,900
Effect of Plan Changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(4,686,269)
Recognition of Assumption Changes or Inputs	<u>(6,228,904)</u>
OPEB Expense	\$ <u>(6,294,408)</u>

At June 30, 2024, MATA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (14,137,571)	\$ -
Changes of assumptions or other inputs	<u>(16,063,201)</u>	<u>177,586</u>
Total	\$ <u>(30,200,772)</u>	\$ <u>177,586</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2025	\$ (11,156,001)
2026	(7,518,960)
2027	(5,160,047)
2028	(3,796,053)
2029	(1,497,403)
Thereafter	(894,722)
Total	<u>\$ (30,023,186)</u>

#### **NOTE 9 - INSURANCE RISK:**

MATA is fully self-insured for employee medical benefits and is partially self-insured for workers' compensation. MATA is also self-insured for property damage and personal liability claims up to specified limits under excess insurance coverage. Liability established for claims incurred but not paid for medical benefits, which is included in Due to MTM in the Statement of Net Position, were as follows:

Balance - June 30, 2023	\$ 528,771
Claims paid	(5,552,912)
Estimate of claims incurred	<u>5,261,555</u>
Balance - June 30, 2024	<u>\$ 237,414</u>

Additionally, as of June 30, 2024, management has accrued a liability of \$149,612 for estimated workers' compensation claims outstanding, which is included in the insurance claims payable that is part of the Due to MTM in the Statement of Net Position (see Note 5). MATA also maintains stop-loss insurance for workers' compensation claims in excess of \$1,000,000 and a \$500,000 performance bond is pledged to the State of Tennessee for workers' compensation.

#### **NOTE 10 - COMMITMENTS AND CONTINGENCIES:**

MATA is subject to various types of claims and litigation in the ordinary course of its operations. Management has accrued a contingent liability of \$227,000 for claims and litigation, which is included in accrued expenses in the Statement of Net Position. Management believes that, based on information presently available, such matters when ultimately concluded will not have any additional material adverse effect on MATA's financial position or results of operation.

MATA receives a portion of its revenue from government grant contracts, all of which are subject to audit by government agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

#### **NOTE 11 - ECONOMIC DEPENDENCE:**

MATA is economically dependent upon federal, state and local government grants, subsidies and capital contributions to finance its operations and its capital expenditures. For the year ended June 30, 2024, MATA received approximately \$66,502,545 in grants, subsidies and capital contributions.

#### **NOTE 12 - PRIOR PERIOD ADJUSTMENT:**

During the year ended June 30, 2024, it was discovered that: 1) due to/due from MTM, 2) non-depreciable capital assets, 3) depreciable capital assets, and 4) accounts payable were misstated.

The prior year balances are restated as follows:

	Beginning of Year Balance June 30, 2024	Prior Period Adjustment	Beginning of Year Balance as restated June 30, 2024
Net Assets	\$ 37,874,911	\$ 4,217,215	\$ 42,092,126
Non-Depreciable Capital Assets	\$ 28,421,398	\$ 212,970	\$ 28,634,368
Depreciable Capital Assets	\$ 68,868,619	\$ 3,762,761	\$ 72,631,380
Accounts Payable	\$ 6,429,227	\$ (241,484)	\$ 6,187,743

#### **NOTE 13 - SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through July 31, 2025, which is the financial statement issuance date.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

Exhibit RSI-1

**Schedule of Expenses and Revenues**  
**Actual vs. Budget**  
**For the Fiscal Year Ended June 30, 2024**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue:</b>			
Farebox revenue	\$ 1,873,385	\$ 2,392,056	\$ (518,671)
Auxiliary transportation revenue	451,442	754,800	(303,358)
Non-transportation revenue	<u>-</u>	<u>356,449</u>	<u>(356,449)</u>
Total Operating Revenue	2,324,827	3,503,305	(1,178,478)
<b>Non-Operating Revenue:</b>			
City of Memphis subsidy	32,169,997	32,170,000	(3)
Federal grants	17,410,351	16,718,663	691,688
State of Tennessee grants	8,007,734	7,656,400	351,334
Other income	<u>(2,516,505)</u>	<u>4,380,000</u>	<u>(6,896,505)</u>
Total Non-Operating Revenue	<u>55,071,577</u>	<u>60,925,063</u>	<u>(5,853,486)</u>
Total Revenue	<u>\$ 57,396,404</u>	<u>\$ 64,428,368</u>	<u>\$ (7,031,964)</u>
<b>Expenses:</b>			
Labor	\$ 40,146,684	\$ 28,324,412	\$ (11,822,272)
Fringes	2,279,269	21,248,999	18,969,730
Services	18,233,720	14,629,730	(3,603,990)
Material and supplies	10,031,513	8,628,420	(1,403,093)
Utilities	1,470,775	1,307,420	(163,355)
Property and liability	1,287,126	1,287,950	824
Leases and rentals	647,939	-	(647,939)
Depreciation	11,219,160	791,430	(10,427,730)
Licenses and taxes	<u>1,552</u>	<u>789,839</u>	<u>788,287</u>
Total Operating Expenses	<u>\$ 85,317,738</u>	<u>\$ 77,008,200</u>	<u>\$ (8,309,538)</u>

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

**Exhibit RSI-2**

Schedule of Changes in Total OPEB Liability and Related Ratios under GASB 75

	2024	2023	2022	2021	2020	2019
<b>Total OPEB Liability</b>						
Service cost	\$ 2,719,865	\$ 2,588,370	\$ 3,677,344	\$ 3,249,759	\$ 2,271,733	\$ 3,590,289
Interest on Total OPEB liability	1,900,900	1,892,284	1,590,802	1,541,213	3,618,107	3,615,414
Changes of benefit terms	-	-	-	-	343,872	-
Differences between expected and actual experience	(4,628,529)	(3,884,503)	(8,095,409)	-	(14,018,974)	-
Changes of assumptions	(2,976,611)	(284,463)	(14,410,478)	572,222	(24,986,544)	6,261,473
Benefit payments	<u>(1,777,803)</u>	<u>(1,858,105)</u>	<u>(1,882,300)</u>	<u>(1,878,936)</u>	<u>(1,800,960)</u>	<u>(2,581,388)</u>
<b>Net change in total OPEB Liability</b>	<u>(4,762,178)</u>	<u>(1,546,417)</u>	<u>(19,120,041)</u>	<u>3,484,258</u>	<u>(34,572,766)</u>	<u>10,885,788</u>
<b>Total OPEB Liability – beginning</b>	<u>50,240,531</u>	<u>51,786,948</u>	<u>70,906,989</u>	<u>67,422,731</u>	<u>101,995,497</u>	<u>91,109,709</u>
<b>Total OPEB Liability – ending</b>	<u><u>\$ 45,478,353</u></u>	<u><u>\$ 50,240,531</u></u>	<u><u>\$ 51,786,948</u></u>	<u><u>\$ 70,906,989</u></u>	<u><u>\$ 67,422,731</u></u>	<u><u>\$ 101,995,497</u></u>
<b>Covered employee payroll</b>	\$ 27,415,517	\$ 25,543,483	\$ 23,713,795	\$ 21,731,798	\$ 21,731,798	\$ 23,189,400
<b>Total OPEB Liability as percentage of covered employee payroll</b>	165.89 %	196.69 %	218.38 %	326.28 %	310.25 %	439.84 %

The information presented above is for those years for which it is available. It was prepared prospectively from fiscal year ending June 30, 2023 for GASB 75 purposes. There are no assets accumulated in a trust to pay related benefits.

- (1) The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.
- (2) The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.
- (3) The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2023 are predominantly consistent with the January 1, 2016 actuarial valuation of the Employees' Retirement Plan of Mid-South Transportation Management, Inc. Please see the January 1, 2023 OPEB valuation report for a complete summary of all underlying assumptions used in the valuation.

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

**Exhibit RSI-3**

Schedule of Changes in Net Pension Liability and Related Ratios under GASB 68

	2024	2023	2022	2021	2020	2019
<b>Total pension liability</b>						
Service cost	\$ 905,741	\$ 908,480	\$ 894,294	\$ 1,074,920	\$ 1,201,485	\$ 1,394,988
Interest	6,784,493	7,055,216	7,035,039	7,262,348	7,451,540	7,237,307
Change of benefit terms	-	-	1,911,145	-	-	-
Differences between expected and actual experience	(819,749)	(1,313,699)	129,422	(1,725,313)	(1,090,294)	(1,042,769)
Changes of assumptions	218,955	2,242,631	(390,458)	(330,614)	(715,126)	5,007,277
Benefit payments, including refunds of employee contributions	<u>(8,781,659)</u>	<u>(9,553,697)</u>	<u>(9,057,077)</u>	<u>(9,638,884)</u>	<u>(9,208,705)</u>	<u>(9,476,939)</u>
<b>Net change in total pension liability</b>	<u>(1,692,219)</u>	<u>(661,069)</u>	<u>522,365</u>	<u>(3,357,543)</u>	<u>(2,361,100)</u>	<u>3,119,864</u>
<b>Total pension liability – beginning</b>	<u>103,996,098</u>	<u>104,657,167</u>	<u>104,134,802</u>	<u>107,492,345</u>	<u>109,853,445</u>	<u>106,733,581</u>
<b>Total pension liability – ending</b>	<u>\$ 102,303,879</u>	<u>\$ 103,996,098</u>	<u>\$ 104,657,167</u>	<u>\$ 104,134,802</u>	<u>\$ 107,492,345</u>	<u>\$ 109,853,445</u>
<b>Plan fiduciary net position</b>						
Contributions – employer	\$ -	\$ 4,135,356	\$ 2,846,299	\$ 3,646,267	\$ 4,667,595	\$ 5,944,741
Contributions – employee	515,726	601,014	651,030	679,890	818,810	904,267
Net investment income	17,189,418	(15,430,653)	14,718,289	7,803,544	19,206,952	(6,516,462)
Benefit payments, including refunds of employee contributions	(8,781,659)	(9,553,697)	(9,057,077)	(9,638,884)	(9,208,705)	(9,476,939)
Administrative expense	<u>(904,672)</u>	<u>(991,987)</u>	<u>(1,118,532)</u>	<u>(908,596)</u>	<u>(1,044,449)</u>	<u>(1,081,744)</u>
<b>Net change in plan fiduciary net position</b>	<u>8,018,813</u>	<u>(21,239,967)</u>	<u>8,040,009</u>	<u>1,582,221</u>	<u>14,440,203</u>	<u>(10,226,137)</u>
<b>Plan fiduciary net position – beginning</b>	<u>104,466,753</u>	<u>125,706,720</u>	<u>117,666,711</u>	<u>116,084,490</u>	<u>101,644,287</u>	<u>111,870,424</u>
<b>Plan fiduciary net position – ending</b>	<u>\$ 112,485,566</u>	<u>\$ 104,466,753</u>	<u>\$ 125,706,720</u>	<u>\$ 117,666,711</u>	<u>\$ 116,084,490</u>	<u>\$ 101,644,287</u>
<b>System's net pension (asset)/liability – ending</b>	<u>\$ (10,181,687)</u>	<u>\$ (470,655)</u>	<u>\$ (21,049,553)</u>	<u>\$ (13,531,909)</u>	<u>\$ (8,592,145)</u>	<u>\$ 8,209,158</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	110.0 %	100.5 %	120.1 %	113.0 %	108.0 %	92.5 %
<b>Covered employee payroll</b>	\$ 6,746,359	\$ 7,687,403	\$ 8,166,339	\$ 9,259,819	\$ 10,424,064	\$ 12,065,792
<b>Net pension liability as percentage of covered employee payroll</b>	(150.9)%	(6.1)%	(257.8)%	(146.1)%	(82.4)%	68.0 %

Historical information prior to implementation of GASB 68 is not required

**Notes to Schedule:**

The information in the schedule presented above is for those years for which it is available. It was prepared prospectively from fiscal year ending June 30, 2017 for GASB 68 purposes.

*Benefit changes:* Effective July 1, 2021 and reflected in the June 30, 2024 disclosure, the limitation on pay used in the final average salary formula for union participants was increased from \$70,000 to \$90,000.

*Change of Assumptions:* The mortality assumption was changed at the December 31, 2023 measurement date to RP-2014 separate employee and annuitant healthy mortality tables (sex-specific), reflecting both blue and white collar data, adjusted backward to the base year (2006) using scale MP-2014 and projected forward generationally using scale MP-2019. The prior year assumption used the same base tables projected forward generationally with scale MP-2018.

The mortality assumption was changed at the December 31, 2020 measurement date to the RP-2014 separate employee and annuitant healthy mortality tables (sex-specific), reflecting both blue and white collar data, adjusted backward to the base year (2006) using scale MP-2014 and projected forward generationally using scale MP-2018. The prior year assumption used the same base tables projected forward generationally with scale MP-2017.

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

**Exhibit RSI-4**

Schedule of Pension Contributions under GASB 68

<b>Year Ending June 30</b>	<b>Actuarially Determined Contributions<sup>(1)</sup> (a)</b>	<b>Actual Employer Contributions (b)</b>	<b>Contribution Deficiency/(Excess) (c) = (b) - (a)</b>	<b>Covered- Employee Payroll (d)</b>	<b>Contributions as a Percentage of Covered Payroll (b) / (d)</b>
2015	\$ 5,721,168	\$ 5,721,168	\$ -	\$ 21,100,201	27.11%
2016	\$ 4,565,274	\$ 4,565,274	\$ -	\$ 20,991,541	21.75%
2017	\$ 4,144,673	\$ 4,144,673	\$ -	\$ 14,980,452	27.67%
2018	\$ 5,540,652	\$ 5,540,652	\$ -	\$ 13,232,142	41.87%
2019	\$ 5,940,090	\$ 5,940,090	\$ -	\$ 12,065,792	49.23%
2020 <sup>(2)</sup>	\$ 2,112,246	\$ 2,112,246	\$ -	\$ 10,424,064	20.26%
2021	\$ 3,611,700	\$ 4,341,700	\$ (730,000)	\$ 10,424,064	41.65%
2022	\$ 4,409,979	\$ 4,409,979	\$ -	\$ 8,166,339	54.00%
2023	\$ 1,663,596	\$ 1,876,243	\$ (212,647)	\$ 7,687,403	24.41%
2024	\$ -	\$ -	\$ -	\$ 6,746,359	-%

- (1) Includes timing adjustments for actual contribution timing required by ERISA for meeting the minimum funding requirements.
- (2) The plan has met all statutorily required contributions for FYE 2020. As allowed under the Coronavirus Aid, Relief and Economic Security (CARES) Act, signed into law on March 27, 2020, the quarterly contribution due on April 15, 2020 has been deferred into FYE 2021.

**Notes to Schedule:**

Valuation date: January 1, 2023

Methods and used assumptions to determine contribution rates:

Actuarial cost method	Unit Credit, for actuarially determined contributions
Amortization method	Level dollar
Remaining amortization period	All new bases are amortized over 15 years. A shortfall base of \$1,495,353 with an amortization installment of \$136,946 was established as of January 1, 2023.
Asset valuation method	Assets are determined by averaging the market value as of the valuation date and the adjusted market values as of the preceding two years. The resulting value is limited to between 90% to 110% of market value assets. WRERA provides that the averaging method is to be adjusted for expected earnings. The expected earnings are based on an assumed rate of return of 6.75%, not to exceed the applicable PPA third segment rate of 5.47% in 2021 and 5.92% in 2022.
Investment rate of return	6.75%, only used for developing actuarial value of assets as of January 1, 2023
Projected salary increases	5.00% (only applies to current year)
Other assumptions	Other assumptions are listed in the January 1, 2023 actuarial valuation



## **SINGLE AUDIT**

**MEMPHIS AREA TRANSIT AUTHORITY**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2024

Federal Grantor/Pass-through Agency/ State Grantor Program or Cluster Title	Program/Cluster Name	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Amount Passed through to Subrecipients	Expenditures
<b>Federal Awards</b>					
Direct Program:					
U.S. Department of Transportation					
Federal Transit Cluster: (2)					
CMAQ Funds for Trolleys and Spare Components		20.507	TN-2017-037	\$	179,205
Preventive Maintenance, ADA Paratransit Service, Computer					
Hardware/Software, Vehicles, Spare Parts, Rail		20.507	TN-2019-008-01		1,979,329
Preventive Maintenance, ADA Paratransit Service, Computer					
Equipment, Service Vehicles, Transit Amenities		20.507	TN-2021-009-02		296,251
CMAQ Funds for Electric Buses		20.507	TN-2021-033		463,889
Memphis Innovation Corridor (STBG)		20.507	TN-2021-042		1,028,084
Coronavirus Response and Relief Supplemental Appropriations					
Act (CRRSAA) Memphis Innovation Corridor		20.507	TN-2024-032		143,419
Preventive Maintenance, ADA Paratransit Service, Buses,					
Computer Equipment, CAD/AVL, Service Vehicles, Transit Amenities		20.507	TN-2023-010-01		15,723,471
Preventive Maintenance for Rail System		20.525	TN-2022-028		1,524,304
Technical Assistance, Equipment		20.526	TN-2017-040-02		1,014,571
Technical Assistance		20.526	TN-2023-004		621,850
Transit Services Program Cluster: (3)					
American Rescue Plan (ARP) Section 5310		20.513	TN-2023-025		124,739
Coronavirus Response and Relief Supplemental Appropriations					
Act (CRRSAA) Section 5310		20.513	TN-2023-019		124,739
Vehicles, ADA Access Projects, Same-Day Service, Project					
Administration		20.513	TN-2016-025-01		1,007
Vehicles, and Spare Parts		20.513	TN-2024-009		882,026
Vehicles, Project Administration, Mobility Management		20.513	TN-2020-039-02		415,664
Technical Assistance, Equipment		20.530	TN-2020-028		182,614
Technical Assistance, Equipment		20.530	TN-2021-003		67,888
Total U.S. Department of Transportation					24,773,050
TOTAL FEDERAL AWARDS				\$	24,773,050

**MEMPHIS AREA TRANSIT AUTHORITY**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2024

Federal Grantor/Pass-through Agency/ State Grantor Program or Cluster Title	Program/Cluster Name	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Amount Passed through to Subrecipients	Expenditures
<b>State Financial Assistance</b>					
Preventive Maintenance, ADA Paratransit Service, Computer Equipment, Service Vehicles, Transit Amenities		20.507	TN-2019-008	\$	247,416
Preventive Maintenance, ADA Paratransit Service, Shop Equip, Bus Fac. Imp. Comp., H & S, Service Vehicles, Rail Infra.		20.507	TN-2021-009-02		37,031
Preventive Maintenance, ADA Paratransit Service, Computer H & S, Serv. Vehicles, Bus Shelters, Spare Parts		20.507	TN-2023-010-01		1,965,433
Vehicles, ADA Access Projects, Same-Day Service, Project Administration		20.513	TN-2016-025		503
Vehicles, Project Administration, Mobility Management		20.513	TN-2020-039		51,545
Unknown		20.513	TN-2024-009		110,253
Preventive Maintenance for Rail System		20.525	TN-2022-028		190,538
Buses and Bus Facility Improvements		20.526	TN-2017-040		126,821
CAD/AVL System		20.526	TN-2023-004		77,731
TDOT Operating Assistance for FY23		N/A	GG-Z-22-IMPV-02		6,881,500
TDOT IMPROVE Act Grant for Rail Improvements & Safety Study		N/A	64808		189,560
TDOT IMPROVE Act Grant for Four Trolleys		N/A	55740-25366		<u>79,183</u>
TOTAL STATE AWARDS				\$	<u><u>9,957,514</u></u>

NOTE 1: MATA elected to not use the 10% de minimus indirect cost rate.

NOTE 2: Federal Transit Cluster Total \$22,974,373

NOTE 3: Transit Services Programs Cluster Total \$1,548,175

**MEMPHIS AREA TRANSIT AUTHORITY**  
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2024

**Note 1 - Basis of Presentation and Accounting**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of MATA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

In compliance with Tennessee state law, the accompanying schedule of expenditures of state financial assistance is included in this report. The schedule presents all state funded financial awards, as defined by the State Comptroller of the Treasury's Office, and is prepared and presented in a manner consistent with the schedule of expenditures of federal awards.

The expenditures presented in the associated schedule of expenditures of federal awards and state financial assistance were developed from agency records and federal and state financial reports which have been reconciled to the central accounting records of MATA.

MATA has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 2 - Contingencies**

The federal and state grants received by MATA are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such audit, the grantor agencies could make a claim for reimbursement, which would become a liability of MATA.

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

To the Board of Commissioners  
Memphis Area Transit Authority

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 Memphis Area Transit Authority ("MATA"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise MATA's basic financial statements, as listed in the table of contents and have issued our report thereon dated July 31, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MATA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MATA's internal control. Accordingly, we do not express an opinion on the effectiveness of MATA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be material weaknesses.





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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-003 to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MATA'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*.

### **MATA's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on MATA's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. MATA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 MATA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Memphis, Tennessee  
July 31, 2025

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

To the Board of Commissioners  
Memphis Area Transit Authority

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Memphis Area Transit Authority's ("MATA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MATA's major federal programs for the year ended June 30, 2024. MATA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MATA 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, 2024.

***Basis for Opinion on Each Major Federal Program***

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

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





### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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





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

### **Report on Internal Control over Compliance**

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

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

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

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

Memphis, Tennessee  
July 31, 2025

**MEMPHIS AREA TRANSIT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2024

**I. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report, dated July 31, 2025, expresses an unmodified opinion on whether the financial statements of MATA were prepared in accordance with accounting principles generally accepted in the United States of America.
2. Two significant deficiencies and two material weaknesses relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of MATA which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*. No material weaknesses in internal control over major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for MATA expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as a major program were:
  - ALN 20.507- Federal Transit Formula Grants
  - ALN 20.525- State of Good Repair Grants Program
  - ALN 20.526- Buses and Bus Facilities Formula,  
Competitive, and Low or No Emissions Program
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. MATA was determined to be a low risk auditee.

**MEMPHIS AREA TRANSIT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2024  
(Continued)

**II. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Material Weaknesses**

**2024-001 Lack of Final Financial Statement Preparation Process**

**Condition:** 29 audit adjustments were made with the debits and credits totaling \$167,541,765.

**Criteria:** *The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Objectives:*

- C8042 - Management has a process in place to ensure that the trial balance used in the financial statement preparation process is final, contains all valid journal entries made, and is in balance.

**Cause:** Implementation of a new ERP system and turnover at the executive level within the finance department.

**Effect:** Inaccurate and/or incomplete information presented to the Board of Commissioners and/or the Memphis City Council.

**Recommendation:** Management should create and adhere to a monthly closing process, that includes activities to be performed, a defined time line in which the activities are to be performed and a defined set of reports and key performance indicators (KPIs) that should be produced and reviewed.

**View of Responsible Officials:** See management's corrective action plan.

## **2024-002 Improper Use of Corporate Credit Cards**

**Condition:** The former CEO was found to have misappropriated public funds through the personal use of her MATA-issued credit card.

**Criteria:** Section 3.3.5 of MATA's Finance Internal Control Manual states the following:

Payments by corporate credit card are for a valid MATA purpose. The use of the corporate credit card for MATA expenses is limited in amount, occurrence, and scope. The card may not be used for personal items or services, gifts, cash advances, fines or penalties, travel or lodging for spouse or companion, clothing, utilities, office supplies, computer software/hardware, or other items and services that would normally be acquired through Purchasing or the procurement process.

Additionally, per the *Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Objectives*:

- C1078 - There is adequate segregation of duties among those who:
  - Initiate payments;
  - Prepare checks;
  - Review, authorize, or sign checks/approve electronic payments;
  - Edit the vendor master file;
  - Investigate discrepancies or issues involving expenditures;
  - Open the mail or copy checks received; and
  - Reconcile bank accounts

**Cause:** Lack of segregation of duties among those who initiate transactions and those who authorize payment of transactions.

**Effect:** Misappropriation of public funds.

**Recommendation:** MATA should implement the proper internal controls that will allow the proper segregation of duties among those who initiate transactions and those who authorize payment of transactions.

**View of Responsible Officials:** See management's corrective action plan.

## **Significant Deficiencies**

### **2024-003 Grants are Manually Tracked in Excel Spreadsheets**

**Condition:** Grants are manually tracked in Excel spreadsheets.

**Criteria:** *The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Objectives:*

C0200 - Relevant, reliable information is used to develop accounting and financial information and serves as a basis for financial reporting, including as the basis for accounting estimates.

**Cause:** MATA tracks its receipt of grant and disbursement of grant funds in a manual Excel spreadsheet as opposed to using the functionality embedded within its ERP system.

**Effect:** Grant funds could be improperly used, supporting documentation for the receipt and use of grant funds not reconciling to the amounts reported in the financial statements.

**Recommendation:** MATA should implement the process of tracking grants in its ERP system as opposed to a manual Excel worksheet.

**View of Responsible Officials:** See management's corrective action plan

## **2024-004 Fraudulent Payroll Payments**

**Condition:** A payroll administrator issued EFT fraudulent payments to employees from the master payroll list but changed the bank account and routing number to her personal account. Once the fraudulent payment was received in the payroll administrator's account, she would then change the bank account and routing number of the employee back to the employee's original information.

**Criteria:** *The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Objectives:*

C6022 - There is adequate segregation of duties among those who:

Prepare payroll checks;

Sign payroll checks;

Review and authorize electronic payment requests;

Resolve employee payroll inquiries;

Edit the payroll master file; and

Open mail or copy checks received.

C6000 - Access to data and/or transaction files is appropriately restricted.

**Cause:** Lack of segregation of duties within the payroll department and access to payroll master file not appropriately restricted by level and/or position.

**Effect:** Misappropriation of public funds.

**Recommendation:** System restrictions should be put in place to only allow managers and above to make changes to the payroll master file. Management should also review the master file change log on a periodic basis to ensure it reflects accurate and complete information.

**View of Responsible Officials:** See management's corrective action plan

### **III. FINDINGS - MAJOR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS SECTION**

No matters are reportable.

**MEMPHIS AREA TRANSIT AUTHORITY**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
Year Ended June 30, 2024

There were no prior findings reported



## Client Responses to Audit Findings - FY2024

### **MATA Corrective Action Plans**

#### **2024-001 Lack of Final Financial Statement Preparation Process**

##### Management Response:

1. Staff will prepare and enter journal entries, entries will be reviewed for accuracy with supporting documents attached, approved and posted.
2. An Account Trial Balance Report will be generated to review and compare with the prior months' expenses. The review will consist of identifying any account that may have a significant difference more or less than the prior months' expenses. An Account Inquiry will then be run for the account(s) identified to have a +/- variance to determine if an accrual entry or account reclass should be completed.
  - a. Make any adjusting/correcting entry.
3. Once steps 1 and 2 have been completed, an Account Trial Balance will be run in excel format and used to prepare the monthly financial report. The Financial Report is prepared by the CFO.

##### Timeline for Preparation:

Journal Entries should be completed by the 10th working day of the month.

Final Trial Balance should be run and sent to the CFO by the 15th working day of the month to prepare the monthly Financial Report.

**Anticipated Completion Date:** January 1, 2026

#### **2024-002 Improper Use of Corporate Credit Cards**

##### Management Response:

MATA has closed the American Express Corporate credit card account. It is the intent of the agency to instead move to a P-Card that has the appropriate safeguards installed



to prevent the type of abuses that regularly occurred under the previous corporate credit card account. Attached is the letter to American Express requesting closure of the MATA corporate credit card account. MATA is in the process of filling the chief financial officer position which has been vacant for over two years. Once the position is filled, a top priority of the new CFO will be establishing a new P-card program along with appropriate policy and procedures for its use.

**Anticipated Completion Date:** January 1, 2026

### **2024-003 Grants Are Manually Tracked in Excel Spreadsheets**

#### Management Response:

MATA is actively planning to re-engage Tyler Technologies to resolve the reporting issues within the Grants Module. Our goal is to ensure that the system functions as intended, allowing for seamless integration of grant activity with financial data, and reducing reliance on manual tracking.

**Anticipated Completion Date:** January 1, 2026

### **2024-004 Fraudulent Payroll Payments**

#### Management Response:

System restrictions and separation of duty responsibilities have already been put in place. The current payroll system (Munis) is set up where specific positions have access that allow changes to be made on an employees' master file.

The separation of duty now requires that an employee in Human Resources is responsible for entering all new employee data including direct deposit information. Any employee request to update their deposit account information is sent to and updated by HR staff.

Quarterly, the Director of HR should run an Actions History Reporting report that can be defined to capture changes in an employees' master file, this report will identify who made the change and they will be able to pull authorized forms or paperwork to verify the change.

**Anticipated Completion Date:** October 1, 2025