

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

---

Report on Audited Financial Statements

---

For the Year Ended June 30, 2020

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal	
List of Management Officials and Board of Commissioners	
<b>FINANCIAL SECTION:</b>	
Independent Auditors' Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 10
Statement of Net Position.....	11
Statement of Revenues, Expenses, and Changes in Net Position.....	12
Statement of Cash Flows.....	13
Index to Notes to the Financial Statements.....	14
Notes to the Financial Statements.....	15 - 32
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Exhibit RSI-1 Schedule of Changes in the Total OPEB Liability and Related Ratios.....	33
Exhibit RSI-2 Schedule of Changes in Net Pension Liability and Related Ratios.....	34
Exhibit RSI-3 Schedule of Pension Contributions.....	35

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

**TABLE OF CONTENTS**  
*(continued)*

**PAGE**

**SUPPLEMENTAL SCHEDULES:**

Schedule of Operating Revenue and Expenses  
- Budget and Actual.....36

**SINGLE AUDIT:**

Schedule of Expenditures of Federal Awards and State Financial Assistance .....37 - 39

Notes to Schedule of Expenditures of Federal Awards and State  
Financial Assistance.....40

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*.....41 - 42

Independent Auditors' Report On Compliance  
For Each Major Program and on Internal Control Over Compliance  
Required By The Uniform Guidance.....43 - 45

Schedule of Findings and Questioned Costs.....46 - 48

Schedule of Prior Year Findings and Questioned Costs.....49



December 15, 2020

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, 2020. The audit consists of 5 sections: Introduction, Financial, Required Supplementary Information, Supplementary Schedules, 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 properly 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 2016, our agency served almost 8 million passengers. 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 2020 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.

Cordially,

A handwritten signature in black ink, appearing to read 'BR', is positioned above the printed name.

Bernhard Rudolph  
Chief Financial Officer

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee  
MANAGEMENT OFFICIALS AND BOARD OF COMMISSIONERS

**CHIEF EXECUTIVE OFFICER**

Gary Rosenfield

**CHIEF FINANCIAL OFFICER**

Bernhard Rudolph

**BOARD COMMISSIONERS**

Martin Lipinski, Chairman  
Tommy Pacello, Vice Chairman  
Janice Holder  
Shelia Williams  
Kristen M. Bland  
Michael Fulton  
Michelle McKissack  
Ed Stephens III  
Robert R. Clark

**FINANCE COMMITTEE**

Michelle Robinson McKissack  
Kristen M. Bland  
Robert R. Clark

**GENERAL COUNSEL**

Bruce Smith  
Scott L. Kirkpatrick, III

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Memphis Area Transit Authority

### **Report on the Financial Statements**

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 June 30, 2020 and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of MATA as of June 30, 2020, and the respective changes in net 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 City of Memphis, Tennessee, as of June 30, 2020, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 10, MATA is economically dependent upon federal, state and local government grants, subsidies and capital contributions to finance its operations and its capital expenditures.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4 through 10 and other required supplementary information on pages 33 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MATA's basic financial statements. The introductory section and the supplementary schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules and 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, 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  
December 15, 2020

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2020 and 2019

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, 2020, with selective comparison to the financial performance for the fiscal year ended June 30, 2019. Please read it in conjunction with the MATA's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS:**

- The 2020 fiscal year-end net position totaled \$21,410,270, an increase of \$8,968,120 from the preceding year end.
- Total liabilities decreased by \$(35,086,072), due mainly to a \$(34,572,766) decrease in other postemployment benefits.
- Total operating and non-operating revenue totaled \$71,583,729, an increase of \$13,031,559 from the preceding year end. Additionally, capital grants were received in the amount of \$8,551,884, which was a decrease from the \$(2,923,983) received in the previous year.
- Operating expenses, excluding depreciation, of \$58,805,509 represents a \$(7,157,201) decrease from the preceding year. This decrease is primarily due to a \$7.9 million decrease in personnel expense, largely attributable to the reduction in OPEB expense.

**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, 2020 and 2019

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 2020 were \$144,573,130, an increase of \$24,554,583 from the preceding year, primarily attributable to a \$20,645,598 increase in current assets.

Separately, deferred outflows of resources pertain to GASB 68 treatment of pension obligations and GASB 75 treatment of OPEB obligations - which decreased by \$(13.7) million to \$5,580,608. Deferred outflows combined with assets total \$150,153,738.

Total liabilities for fiscal year 2020 were \$87,100,162, a decrease of \$(35,086,072) from the preceding year, primarily attributable to the OPEB liability that was decreased by \$(34.6) million to \$67,422,731. A bridge funding balance was due again in August 2020 to the City of Memphis.

*See next page*

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>	<u>% Change</u>
Current Assets	\$ 36,609,877	\$ 15,964,279	129.32 %
Restricted Assets	505,318	507,642	(0.46)%
Other Assets	12,709	12,709	- %
Capital Assets, Net	98,853,081	103,533,917	(4.52)%
Net Pension Asset	<u>8,592,145</u>	<u>-</u>	<u>-</u> %
Total Assets	<u>144,573,130</u>	<u>120,018,547</u>	<u>20.46</u> %
Deferred Outflows of Resources	<u>5,580,608</u>	<u>19,319,452</u>	<u>(71.11)%</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 150,153,738</u>	<u>\$ 139,337,999</u>	<u>7.76</u> %
Current Liabilities	\$ 12,977,431	\$ 5,281,134	145.73 %
Due to the City of Memphis	6,700,000	6,700,000	- %
Other Postemployment Benefits	67,422,731	101,995,497	(33.90)%
Net Pension Liability	<u>-</u>	<u>8,209,603</u>	<u>-</u> %
Total Liabilities	<u>87,100,162</u>	<u>122,186,234</u>	<u>(28.72)%</u>
Deferred Inflows of Resources	<u>41,643,306</u>	<u>4,709,615</u>	<u>784.22</u> %
Investment in capital assets	98,853,081	103,533,917	(4.52)%
Restricted for self insurance	505,318	507,642	(0.5)%
Unrestricted	<u>(77,948,129)</u>	<u>(91,599,409)</u>	<u>(14.9)%</u>
Total Net Position	<u>21,410,270</u>	<u>12,442,150</u>	<u>72.1</u> %
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 150,153,738</u>	<u>\$ 139,337,999</u>	<u>7.8</u> %

Fiscal year 2020 current assets were \$36,609,877, an increase of \$20,645,598 from fiscal year 2019.

Fiscal year 2020 current liabilities were \$12,977,431, a \$7,696,297 increase from fiscal year 2019, due to an increase in outstanding payable amounts.

**Changes in Net Position**

Net position at June 30, 2020 was \$21,410,270, an increase of \$8,968,120 from the previous year-end, due largely to a reduction in the OPEB liability recognized under GASB 75.

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2020 and 2019

MATA's fiscal year 2020 operating revenues, which include revenues from passenger fares, advertising, concessions, and other sources decreased by 20.9%, or \$1,449,035, due mainly to a decrease in passenger fares and non-transportation revenues which was a direct result of COVID-19.

Operating expenses, excluding depreciation, of \$58,805,509 represent a \$(7,157,201) decrease from the preceding year. This decrease primarily reflects the decrease in OPEB expense.

Contributed capital of \$8,551,884 consists of grant revenue received for capital projects, particularly the purchase of new revenue vehicles, services related to the installation of a Next Generation Fare System, an ERP/EAM System and the City of Memphis' Curb Ramp Improvement Project.

*See next page*

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>	<u>% Change</u>
Operating Revenues	\$ <u>5,500,363</u>	\$ <u>6,949,398</u>	<u>(20.9)%</u>
Operating Expenses, excl Depreciation	58,805,509	65,962,710	(10.9)%
Depreciation	<u>12,417,490</u>	<u>12,240,762</u>	<u>1.4 %</u>
Total Operating Expenses	<u>71,222,999</u>	<u>78,203,472</u>	<u>(8.9)%</u>
Operating Income (Loss)	(65,722,636)	(71,254,074)	(7.8)%
Non-Operating Revenues	66,083,366	51,602,772	28.1 %
Contributed Capital	<u>8,551,884</u>	<u>5,627,901</u>	<u>52.0 %</u>
Change in Net Position	8,912,614	(14,023,401)	(163.6)%
Total Net Position, Beginning of Year	12,442,150	27,014,159	(53.9)%
Prior Period Adjustment	<u>55,506</u>	<u>(548,608)</u>	<u>100.0 %</u>
Total Net Position, Beginning of Year, as Restated	<u>12,497,656</u>	<u>26,465,551</u>	<u>(52.8)%</u>
Total Net Position, End of Year	<u>\$ 21,410,270</u>	<u>\$ 12,442,150</u>	<u>72.1 %</u>

MATA's fiscal year 2020 operating revenue was lower than Budget by \$2,055,637, due mostly to lower ridership and two months of free fares thus resulting in lower farebox revenues. The free fares were reimbursed by the City of Memphis.

Operating expenses, excluding depreciation, totaled \$58,805,509. Budget variances netted to a favorable amount of \$4.7M.

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2020 and 2019

**Table 3**  
**Schedule of Expenses and Revenues**  
**Actual vs. Budget**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue:</b>			
Farebox revenue	\$ 4,430,955	\$ 6,141,100	\$ (1,710,145)
Charter revenue	288,077	-	288,077
Auxiliary transportation revenue	782,865	725,700	57,165
Non-transportation revenue	<u>(1,534)</u>	<u>689,200</u>	<u>(690,734)</u>
Total Operating Revenue	5,500,363	7,556,000	(2,055,637)
<b>Non-Operating Revenue:</b>			
City of Memphis subsidy	32,719,012	29,170,000	3,549,012
Federal grants	24,814,191	11,872,000	12,942,191
State of Tennessee grants	8,009,358	7,656,400	352,958
Other income	<u>540,805</u>	<u>585,000</u>	<u>(44,195)</u>
Total Non-Operating Revenue	<u>66,083,366</u>	<u>49,283,400</u>	<u>16,799,966</u>
Total Revenue	<u>\$ 71,583,729</u>	<u>\$ 56,839,400</u>	<u>\$ 14,744,329</u>
<b>Expenses:</b>			
Labor	\$ 24,012,712	\$ 22,209,400	\$ (1,803,312)
Fringes	13,439,271	23,846,500	10,407,229
Services	8,957,752	6,412,000	(2,545,752)
Material and supplies	7,784,739	8,098,800	314,061
Utilities	1,162,055	1,337,300	175,245
Property and liability	2,460,651	1,115,100	(1,345,551)
Leases and rentals	3,736	4,900	1,164
Miscellaneous	<u>984,593</u>	<u>515,100</u>	<u>(469,493)</u>
Total Operating Expenses	<u>\$ 58,805,509</u>	<u>\$ 63,539,100</u>	<u>\$ 4,733,591</u>

**MEMPHIS AREA TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>	<u>Total Change 2020 - 2019</u>
<b>Funding Sources:</b>			
Federal Transit Authority	\$ 2,768,189	\$ 2,888,211	\$ (120,022)
Tennessee Department of Transportation	550,148	413,110	137,038
City of Memphis	5,133,547	2,226,580	2,906,967
Community Foundation of Greater Memphis	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>Total Contributed Capital</b>	<b><u>\$ 8,551,884</u></b>	<b><u>\$ 5,627,901</u></b>	<b><u>\$ 2,923,983</u></b>

**Contributed Capital**

Contributed capital of \$8,551,884 consists of grant revenue received for capital projects, particularly the purchase of revenue vehicles, services related to the installation of a Next Generation Fare System, an ERP/EAM System and the City of Memphis' Curb Ramp Improvement 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, 1370 Levee Road, Memphis, Tennessee 38108.

**MEMPHIS AREA TRANSIT AUTHORITY**

Statement of Net Position

As of June 30, 2020

**ASSETS**

	<u>2020</u>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 3,237,171
Charter and other receivables, less allowances for doubtful accounts of \$170,322	134,191
Federal, state, and local grants	30,014,707
Inventories	2,879,696
Prepaid expenses	<u>344,112</u>
Total Current Assets	<u>36,609,877</u>
<b>NON-CURRENT ASSETS:</b>	
Non-depreciable capital assets	10,449,559
Depreciable capital assets, less accumulated depreciation	88,403,522
Restricted investments	505,318
Other assets	12,709
Net pension asset	<u>8,592,145</u>
Total Non-Current Assets	<u>107,963,253</u>
<b>TOTAL ASSETS</b>	<u>144,573,130</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred outflows related to pensions	1,727,393
Deferred outflows related to OPEB	<u>3,853,215</u>
Total Deferred Outflows of Resources	<u>5,580,608</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 150,153,738</u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES:</b>	
Due to City of Memphis	\$ 6,700,000
Accounts payable	8,698,581
Due to MTM	2,812,198
Accrued expenses	1,380,676
Receipts of prepayments	<u>85,976</u>
Total Current Liabilities	<u>19,677,431</u>
<b>NON-CURRENT LIABILITIES:</b>	
OPEB liability	<u>67,422,731</u>
Total Non-Current Liabilities	<u>67,422,731</u>
<b>TOTAL LIABILITIES</b>	<u>87,100,162</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred inflows related to pensions	6,738,753
Deferred inflows related to OPEB	<u>34,904,553</u>
Total Deferred Inflows of Resources	<u>41,643,306</u>
<b>NET POSITION:</b>	
Investments in capital assets	98,853,081
Restricted for self insurance	505,318
Unrestricted deficit	<u>(77,948,129)</u>
Total Net Position	<u>21,410,270</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 150,153,738</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, 2020

	2020
<b>OPERATING REVENUE</b>	\$ 5,500,363
<b>OPERATING EXPENSES OTHER THAN DEPRECIATION:</b>	
Personnel services	38,239,078
Materials, supplies, and services	<u>20,566,431</u>
Total Operating Expenses Other Than Depreciation	<u>58,805,509</u>
<b>OPERATING LOSS BEFORE DEPRECIATION</b>	(53,305,146)
<b>DEPRECIATION EXPENSE</b>	<u>12,417,490</u>
<b>OPERATING LOSS</b>	(65,722,636)
<b>NON-OPERATING REVENUES:</b>	
City of Memphis subsidy	32,719,012
Federal grants	24,814,191
State grants	8,009,358
Gain/(loss) on sale of assets	(237,493)
Other income	<u>778,298</u>
Total Non-Operating Revenues	<u>66,083,366</u>
<b>GAIN BEFORE CAPITAL CONTRIBUTIONS</b>	360,730
<b>CAPITAL CONTRIBUTIONS:</b>	
Contributed Capital - Federal	2,768,189
Contributed Capital - State	550,148
Contributed Capital - City/Local	5,133,547
Contributed Capital - Private	<u>100,000</u>
Total Capital Contributions	<u>8,551,884</u>
<b>CHANGE IN NET POSITION</b>	<u>8,912,614</u>
<b>TOTAL NET POSITION - BEGINNING</b>	12,442,150
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>55,506</u>
<b>TOTAL NET POSITION - BEGINNING, AS RESTATED</b>	<u>12,497,656</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 21,410,270</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, 2020

	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 5,346,098
Cash payments to suppliers	(12,619,015)
Cash payments to employees and professional contracts for services	(38,592,835)
Net Cash Provided (Used) By Operating Activities	(45,865,752)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Operating grants received	7,723,464
City of Memphis subsidy	32,719,012
Other revenue	540,803
Net Cash Provided (Used) By Non-Capital Financing Activities	40,983,279
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital Contributions	8,551,884
Acquisition and construction of capital assets	(7,987,326)
Proceeds from sale of capital assets	12,490
Net Cash Provided (Used) By Capital and Related Financing Activities	577,048
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Change in investments	2,324
Net Cash Provided By Investing Activities	2,324
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(4,303,101)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	7,540,272
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 3,237,171
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (65,722,636)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	12,417,490
Prior period adjustment	55,506
Loss on disposal of assets	238,182
(Increase) Decrease Changes in Assets and Deferred Outflows of Resources:	
Charter and other receivables	(88,579)
Inventories	303,814
Prepaid expenses	(63,849)
Deferred outflows of resources	36,933,691
Increase (Decrease) Changes in Liabilities and Deferred Inflows of Resources:	
Accounts payable and accrued expenses	7,469,269
Due to MTM	292,716
Deferred revenue	(65,686)
OPEB liability	(34,572,766)
Net pension asset	(16,801,748)
Deferred inflows of resources	13,738,844
Total Adjustments	19,856,884
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ (45,865,752)

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

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

**INDEX TO NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	15 - 17
NOTE 2 - CASH DEPOSITS.....	17
NOTE 3 - INVESTMENTS.....	17 - 19
NOTE 4 - CAPITAL ASSETS.....	20
NOTE 5 - MANAGEMENT AGREEMENT.....	20 - 21
NOTE 6 - MTM PENSION PLAN.....	21 - 26
NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS.....	26 - 30
NOTE 8 - INSURANCE RISK.....	30
NOTE 9 - COMMITMENTS AND CONTINGENCIES.....	31
NOTE 10 - ECONOMIC DEPENDENCE.....	31
NOTE 11 - PRIOR PERIOD ADJUSTMENT.....	31
NOTE 12 - RELATED PARTY TRANSACTIONS.....	32
NOTE 13 - SUBSEQUENT EVENTS.....	32

## **MEMPHIS AREA TRANSIT AUTHORITY**

Notes to the Financial Statements

For the Year Ended June 30, 2020

### **NOTE 1 - 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 6 and 7.

#### ***Basis of Accounting***

The financial statements of MATA have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized as earned and expenses are recognized as incurred.

MATA complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting," and does not apply Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989.

#### ***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, 2020. 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, 2020 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 may be covered by federal depository insurance (FDIC) or 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, 2020 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, 2020 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, 2020.

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, 2020:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
U.S. government agency securities	\$ 505,318	\$ -	\$ 505,318	\$ -
Total	<u>\$ 505,318</u>	<u>\$ -</u>	<u>\$ 505,318</u>	<u>\$ -</u>

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, 2020 are as follows:

	Balance June 30, 2019	Additions	Deductions	Transfers/ Reclassifications	Balance June 30, 2020
Capital Assets, Being Depreciated:					
Building and improvements	\$ 177,217,078	\$ 24,445	\$ -	\$ -	\$ 177,241,523
Buses and other revenue vehicles	73,196,188	1,373,780	(3,336,308)	-	71,233,660
Machinery and equipment	<u>28,673,292</u>	<u>206,821</u>	<u>(45,652)</u>	<u>-</u>	<u>28,834,461</u>
Total Capital Assets, Being Depreciated	<u>279,086,558</u>	<u>1,605,046</u>	<u>(3,381,960)</u>	<u>-</u>	<u>277,309,644</u>
Less Accumulated Depreciation for:					
Building and improvements	(108,926,842)	(6,356,405)	-	-	(115,283,247)
Buses and other revenue vehicles	(46,316,043)	(5,888,875)	3,131,288	-	(49,073,630)
Machinery and equipment	<u>(24,377,036)</u>	<u>(172,209)</u>	<u>-</u>	<u>-</u>	<u>(24,549,245)</u>
Total accumulated depreciation	<u>(179,619,921)</u>	<u>(12,417,489)</u>	<u>3,131,288</u>	<u>-</u>	<u>(188,906,122)</u>
Total capital assets, being depreciated, net	<u>99,466,637</u>	<u>(10,812,443)</u>	<u>(250,672)</u>	<u>-</u>	<u>88,403,522</u>
Capital Assets, Not Being Depreciated:					
Land	2,731,018	-	-	-	2,731,018
Construction in progress	<u>1,336,262</u>	<u>6,382,279</u>	<u>-</u>	<u>-</u>	<u>7,718,541</u>
Total Capital Assets, Not Being Depreciated	<u>4,067,280</u>	<u>6,382,279</u>	<u>-</u>	<u>-</u>	<u>10,449,559</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 103,533,917</u>	<u>\$ (4,430,164)</u>	<u>\$ (250,672)</u>	<u>\$ -</u>	<u>\$ 98,853,081</u>

Depreciation expense for the year ended June 30, 2020 was \$12,417,490.

The carrying amount of impaired assets that are idle as of June 30, 2020 is \$120,134.

**NOTE 5 - MANAGEMENT AGREEMENT:**

MATA is operating under an agreement with First Transit Group ("First Group"), which requires First Group 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 \$219,757 to \$241,623 payable in monthly installments. Management fees totaled \$232,454 for the year ended June 30, 2020.

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 First Group which was nominal. In addition, upon termination or expiration of the contract between First Group and MATA, all of the employees and related employment obligations revert to MATA or its designee.

All personnel services for 2020 are reimbursed to MTM. The amounts due to MTM at June 30, 2020 consisted of the following:

	<u>2020</u>
Accrued payroll	\$ 715,452
Accrued vacation	433,590
Accrued pension contribution	98,419
Accrued payroll taxes	47,319
Insurance claims payable	678,383
Accrued PTO	<u>839,035</u>
Total	<u>\$ 2,812,198</u>

**NOTE 6 - MTM PENSION PLAN:**

***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.

Plans A & B are single-employer defined benefit pension plans and Plan C is a defined contribution pension plan. 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, and these plans collectively issues a standalone audit report. This report may be obtained by contacting Memphis Area Transit Authority at (901) 722-7162.

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.

*See next page*

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

At January 1, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	471
Terminated members entitled to but not yet receiving benefits	100
Current active members	<u>266</u>
Total	<u><u>837</u></u>

***Funding Policy***

Effective July 1, 2015, Plan A, Plan B and Plan C all require contributions from participants of 8.0% and the employer of 8.00%, but not less than annual minimum required. The employers' contribution was 20.26% in 2020 and 49.23% in 2019. Present employees' accumulated contributions at January 1, 2019, beginning of plan year, was \$14,602,112 including interest credit on an interest rate of 3.47% 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 2019 and 2018 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, and after 3 years for Plan C.

***Net Pension Liability***

MATA's net pension liability as of January 1, 2019 (latest valuation date), with a measurement date of December 31, 2019, 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, 2020, are as follows.

Total pension liability	\$ 107,492,345
Plan fiduciary net position	<u>116,084,490</u>
Net pension (asset)/liability	\$ <u>(8,592,145)</u>
Plan fiduciary net position as a percentage of total pension liability	<u><u>108.0 %</u></u>

The Schedule of Changes in Net Pension Liability which depicts total pension liability, plan fiduciary net position, and net pension liability is presented as required supplementary information following the Notes to the Financial Statements.

***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of January 1, 2019, projected to December 31, 2019, using 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 2.5% is imbedded in the other economic assumptions.
Salary increases	5.0%
Funding discount rate	Effective interest rate of 5.49% based on statutorily required yield curve for ERISA plans.
Expected rate on assets	7.00%, used only for development of actuarial value of assets and ASC 960 liabilities
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-2017. The mortality assumption is determined by statute.

For ASC 960 plan accounting purposes, an expected return on assets of 7.0% is used. The long-term expected rate of return on pension plan investments was selected by plan trustees. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	46	5.4
International equity	21	5.5
Fixed income	26	1.3
Real Estate	6	4.5
Cash	1	-
Total	100	

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%

Discount Rate: The discount rate used to measure the total pension liability is 7.0%. 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 seven years. Because these funding requirements relatively quickly result in funding exceeding that needed to fund benefits for current participants assuming 7.0% return, and also because the exact amount for 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 Plan, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Net Pension Liability	\$ <u>1,853,090</u>	\$ <u>(8,592,145)</u>	\$ <u>(17,529,372)</u>

***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 \$6,738,753 and \$1,727,393, respectively. The determination of resources of deferred inflows and outflows of resources for the fiscal year ended June 30, 2020, is as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between Expected and Actual Experience	\$ 1,437,262	\$ -
Changes of Assumptions	476,750	1,727,393
Net difference between projected and actual earnings on pension plan	<u>4,824,741</u>	<u>-</u>
Total	<u>\$ 6,738,753</u>	<u>\$ 1,727,393</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:

<u>Year Ending June 30</u>		
2021	\$	(1,233,238)
2022		(1,718,157)
2023		391,773
2024		(2,451,738)
2025		-
Thereafter		-
Total	\$	<u><u>(5,011,360)</u></u>

**Pension Expense** - The pension expense under GASB 68 for the fiscal year ending June 30, 2020 is \$2,635,232:

Employer Service Cost	\$	1,201,485
Employee Contributions		(818,810)
Administrative Expenses		1,044,449
Interest Cost		7,451,540
Net Investment Income		(19,206,952)
Changes in Benefit Terms		-
Differences between Expected and Actual Experience		(1,090,294)
Change of Assumptions		(715,126)
Recognition of deferred (inflows)/outflows of resources		<u>14,768,940</u>
	\$	<u><u>2,635,232</u></u>

**NOTE 7 - 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.

The primary objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 replaces the requires of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

**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 October 1, 2018 to September 30, 2019 are as follows:

	<u>NET</u>
Pre-Medicare participant:	
Retiree	150
Retiree plus dependent(s)	240
Family	260
Medicare eligible participant:	
Retiree	222
Retiree plus dependent(s)	292
Family	368

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

Pre-Medicare participant	
Retiree	\$ 684
Retiree plus dependent(s)	1,344
Family	2,241
Medicare eligible participant:	
Retiree	\$ 612
Retiree plus dependent(s)	1,459
Family	2,133

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

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

MATA's total OPEB liability of \$67,422,731 was measured as of June 30, 2020, 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:

<b>Valuation date</b>	<b>January 1, 2019</b>
Measurement date	June 30, 2020
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)	2.21%
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 2.21% as of June 30, 2020, 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 20-Year Bond GO Index as of June 30, 2020.

## Changes in Total OPEB Liability

	<u>2020</u>
Service Cost	\$ 2,271,733
Interest	3,618,107
Effect on Plan Changes	343,872
Effect of Economic/Demographic Gains or Losses	(14,018,974)
Effect of Assumptions Changes or Other Inputs	(24,986,544)
Benefit Payments	<u>(1,800,960)</u>
Net Change in Total OPEB Liability	(34,572,766)
Total OPEB Liability, Beginning of Year	<u>101,995,497</u>
Total OPEB Liability, End of Year	<u>\$ 67,422,731</u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the net OPEB liability, calculated using the discount rate of 2.21%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate.

	1% Decrease (1.21%)	Current Discount (2.21%)	1% Increase (3.21%)
Total OPEB Liability	<u>\$ 79,810,524</u>	<u>\$ 67,422,731</u>	<u>\$ 57,632,331</u>

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The actuarial assumption for annual health care trend rate beginning in year 2018 was 6.6% with declining rates for years 2019 - 2099. The following presents the health trend sensitivity on the total OPEB liability.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	<u>\$ 56,751,201</u>	<u>\$ 67,422,731</u>	<u>\$ 81,279,530</u>

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

For the year ended June 30, 2020, MATA recognized OPEB expense of \$7,643,044:

Service Cost	\$ 3,590,289
Interest on Total OPEB Liability	3,615,414
Effect of Plan Changes	-
Recognition of Economic/Demographic Gains or Losses	-
Recognition of Assumption Changes or Inputs	<u>437,341</u>
OPEB Expense	<u>\$ 7,643,044</u>

At June 30, 2020, 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	\$ (11,828,509)	\$ -
Changes of assumptions or other inputs	<u>(23,076,044)</u>	<u>3,853,215</u>
Total	<u>\$ (34,904,553)</u>	<u>\$ 3,853,215</u>

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

<u>Year Ending June 30</u>	
2021	\$ (5,657,272)
2022	(5,657,272)
2023	(5,350,556)
2024	(5,853,785)
2025	(6,094,613)
Thereafter	<u>(2,437,840)</u>
Total	<u>\$ (31,051,338)</u>

#### **NOTE 8 - 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, 2019	\$ 1,192,179
Claims paid	(8,449,553)
Estimate of claims incurred	<u>7,786,145</u>
Balance - June 30, 2020	<u>\$ 528,771</u>

Additionally, as of June 30, 2020, 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 9 - 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 \$1,380,676 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.

As of June 30, 2020, MATA had the following purchase commitments:

Rail System	\$ 3,057,520
Levee Road Facility	18,535
Transit Centers	17,441
Transit Amenities	368,975
IT	12,469,713
New Operations & Maintenance Facility	16,052
Memphis Innovation Corridor	<u>3,481,646</u>
Total	<u>\$ 19,429,882</u>

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 10 - 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, 2020, MATA received approximately \$74,094,445 in grants, subsidies and capital contributions.

**NOTE 11 - PRIOR PERIOD ADJUSTMENT:**

During the year ended June 30, 2020, it was discovered that: 1) receipts of prepayments had been overstated, 2) due from MTM was overstated, and 3) due to MTM was understated.

The prior year balances are restated as follows:

	Beginning of Year Balance June 30, 2019	Prior Period Adjustment	Beginning of Year Balance as restated June 30, 2019
Net Assets	\$ 12,442,150	\$ 55,506	\$ 12,497,656
Cash and Cash Equivalents	\$ 7,540,272	\$ (63,620)	\$ 7,476,652
Charter and Other Receivables	\$ 45,612	\$ 8,471	\$ 54,083
Restricted Investments	\$ 507,642	\$ (553)	\$ 507,089
Accounts Payable	\$ (1,716,655)	\$ 196	\$ (1,716,459)

**NOTE 12 - RELATED PARTY TRANSACTIONS:**

As discussed in Note 1, MATA is a component unit of the City of Memphis. As June 30, 2020, a payable of \$6,700,000 is owed to the City of Memphis. The payable is an annual bridge loan to cover short-term cash flow and is paid off in full in the first quarter of the following fiscal year. The cash flow shortage is due to the delay in receiving federal grant funds related to the current fiscal year.

**NOTE 13 - SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through December 15, 2020, which is the financial statement issuance date. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government response are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while management expects this matter to negatively impact the organization's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MEMPHIS AREA TRANSIT AUTHORITY**  
 Memphis, Tennessee

**Exhibit RSI-1**

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>			
Service cost	\$ 2,271,733	\$ 3,590,289	\$ 3,723,112
Interest on Total OPEB liability	3,618,107	3,615,414	3,340,761
Changes of benefit terms	343,872	-	-
Differences between expected and actual experience	(14,018,974)	-	-
Changes of assumptions	(24,986,544)	6,261,473	(4,294,012)
Benefit payments	<u>(1,800,960)</u>	<u>(2,581,388)</u>	<u>(2,486,930)</u>
<b>Net change in total OPEB Liability</b>	<u>(34,572,766)</u>	10,885,788	282,931
<b>Total OPEB Liability – beginning</b>	<u>101,995,497</u>	<u>91,109,709</u>	<u>90,826,778</u>
<b>Total OPEB Liability – ending</b>	<u>\$ 67,422,731</u>	<u>\$ 101,995,497</u>	<u>\$ 91,109,709</u>
<b>Covered employee payroll</b>	\$ 21,731,798	\$ 23,189,400	\$ 23,189,400
<b>Total OPEB Liability as percentage of covered employee payroll</b>	310.25 %	439.84 %	392.89 %

The information presented above is for those years for which it is available. It was prepared prospectively from fiscal year ending June 30, 2018 for GASB 75 purposes.

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

**Exhibit RSI-2**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>						
Service cost	\$ 1,201,485	\$ 1,394,988	\$ 1,784,130	\$ 1,905,885	\$ 1,984,630	\$ 2,322,014
Interest	7,451,540	7,237,307	7,357,548	7,285,677	7,288,476	7,256,552
Change of benefit terms	-	-	-	-	-	(966,801)
Differences between expected and actual experience	(1,090,294)	(1,042,769)	(1,451,241)	(1,241,826)	(1,089,611)	-
Changes of assumptions	(715,126)	5,007,277	233,203	235,387	237,347	-
Benefit payments, including refunds of employee contributions	(9,208,705)	(9,476,939)	(9,027,518)	(8,857,523)	(8,064,145)	(8,247,259)
<b>Net change in total pension liability</b>	<u>(2,361,100)</u>	<u>3,119,864</u>	<u>(1,103,878)</u>	<u>(672,400)</u>	<u>356,697</u>	<u>364,506</u>
<b>Total pension liability – beginning</b>	<u>109,853,445</u>	<u>106,733,581</u>	<u>107,837,459</u>	<u>108,509,859</u>	<u>108,153,162</u>	<u>107,788,656</u>
<b>Total pension liability – ending</b>	<u>\$ 107,492,345</u>	<u>\$ 109,853,445</u>	<u>\$ 106,733,581</u>	<u>\$ 107,837,459</u>	<u>\$ 108,509,859</u>	<u>\$ 108,153,162</u>
<b>Plan fiduciary net position</b>						
Contributions – employer	\$ 4,667,595	\$ 5,944,741	\$ 4,942,806	\$ 4,583,734	\$ 4,086,380	\$ 5,924,834
Contributions – employee	818,810	904,267	1,015,085	1,154,487	1,412,078	1,621,539
Net investment income	19,206,952	(6,516,462)	14,505,292	9,275,050	(4,587,110)	5,700,157
Benefit payments, including refunds of employee contributions	(9,208,705)	(9,476,939)	(9,027,518)	(8,857,523)	(8,064,145)	(8,247,259)
Administrative expense	(1,044,449)	(1,081,744)	(1,190,780)	(1,170,532)	(1,080,986)	(896,340)
<b>Net change in plan fiduciary net position</b>	<u>14,440,203</u>	<u>(10,226,137)</u>	<u>10,244,885</u>	<u>4,985,216</u>	<u>(8,233,783)</u>	<u>4,102,931</u>
<b>Plan fiduciary net position – beginning</b>	<u>101,644,287</u>	<u>111,870,424</u>	<u>101,625,539</u>	<u>96,640,323</u>	<u>104,874,106</u>	<u>100,771,175</u>
<b>Plan fiduciary net position – ending</b>	<u>\$ 116,084,490</u>	<u>\$ 101,644,287</u>	<u>\$ 111,870,424</u>	<u>\$ 101,625,539</u>	<u>\$ 96,640,323</u>	<u>\$ 104,874,106</u>
<b>System's net pension (asset)/liability – ending</b>	<u>\$ (8,592,145)</u>	<u>\$ 8,209,158</u>	<u>\$ (5,136,843)</u>	<u>\$ 6,211,920</u>	<u>\$ 11,869,536</u>	<u>\$ 3,279,056</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	108.0 %	92.5 %	104.8 %	94.2 %	89.1 %	97.0 %
<b>Covered employee payroll</b>	\$ 10,424,064	\$ 12,065,792	\$ 13,232,142	\$ 14,980,452	\$ 20,991,541	\$ 21,100,201
<b>Net pension liability as percentage of covered employee payroll</b>	(82.4)%	68.0 %	(38.8)%	41.5 %	56.5 %	15.5 %

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, 2015 for GASB 68 purposes.

*Benefit changes:* There were no benefit changes.

*Change of Assumptions:* The mortality assumption was changed at the December 31, 2019 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-2017. The prior year assumption used the same base tables projected forward generationally with scale MP-2016.

**MEMPHIS AREA TRANSIT AUTHORITY**  
Memphis, Tennessee

**Exhibit RSI-3**

Schedule of Pension Contributions under GASB 68

<b>Year Ending June 30</b>	<b>Actuarially Determined Contributions<sup>(1)</sup></b> (a)	<b>Actual Employer Contributions</b> (b)	<b>Contribution Excess/(Deficiency)</b> (c) = (b) - (a)	<b>Covered- Employee Payroll</b> (d)	<b>Contributions as a Percentage of Covered Payroll</b> (b) / (d)
2011	\$ 2,513,540	\$ 2,513,540	\$ -	\$ 24,322,930	10.33%
2012	\$ 4,498,995	\$ 4,498,995	\$ -	\$ 23,676,446	19.00%
2013	\$ 5,316,927	\$ 5,316,927	\$ -	\$ 22,903,128	23.21%
2014	\$ 3,880,580	\$ 3,880,580	\$ -	\$ 22,556,055	17.20%
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%

(1) The information presented above is for those years for which it is available. It was prepared prospectively from fiscal year ending June 30, 2015 for GASB 68 purposes. Additionally, the schedule includes timing adjustments for actual contribution timing required 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, 2019

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 7 years. Effective period of 4 years remaining as January 1, 2019
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 7.00%, not to exceed the applicable PPA third segment rate of 6.48% in 2017 and 6.29% in 2018.
Investment rate of return	7.00%, only used for developing actuarial value of assets
Funding discount rate	Effective interest rate of 5.49%
Projected salary increases	5.00% (only applies to current year)

## **SUPPLEMENTAL SCHEDULES**

**MEMPHIS AREA TRANSIT AUTHORITY**  
 Memphis, Tennessee

**SCHEDULE OF OPERATING REVENUE AND EXPENSES -  
 BUDGET AND ACTUAL**

Year Ended June 30, 2020

	<b>Actual</b>	<b>Original and Final Budget</b>	<b>Variance Positive (Negative)</b>
<b>OPERATING REVENUE:</b>			
Farebox revenue	\$ 4,430,955	\$ 6,141,100	\$ (1,710,145)
Charter service revenue	288,077	-	288,077
Auxiliary transportation revenue	782,865	725,700	57,165
Non-transportation revenue	(1,534)	689,200	(690,734)
Total Operating Revenue	\$ 5,500,363	\$ 7,556,000	\$ (2,055,637)
<b>OPERATING EXPENSES:</b>			
Salaries and wages	\$24,012,712	\$22,209,400	\$ (1,803,312)
Fringe benefits	13,439,271	23,846,500	10,407,229
Services	8,957,752	6,412,000	(2,545,752)
Materials and supplies	7,784,739	8,098,800	314,061
Utilities	1,162,055	1,337,300	175,245
Insurance	2,460,651	1,115,100	(1,345,551)
Leases and rentals	3,736	4,900	1,164
License and taxes	748	-	(748)
Miscellaneous	983,845	515,100	(468,745)
Total Operating Expenses	\$58,805,509	\$63,539,100	\$ 4,733,591

**SINGLE AUDIT**

**MEMPHIS AREA TRANSIT AUTHORITY**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
<b><u>Federal Awards</u></b>					
<i>Federal Transit Cluster:</i>					
<b>Direct Funding:</b>					
U.S. Department of Transportation/Federal Transit Authority	Federal Transit - Capital Investment Grants	20.500	TN-03-0104	\$ -	\$ 541,502
Total Program 20.500				-	541,502
U.S. Department of Transportation/Federal Transit Authority	Federal Transit - Formula Grants	20.507	TN-2016-002-04	-	189,021
U.S. Department of Transportation/Federal Transit Authority	Federal Transit - Formula Grants	20.507	TN-2017-007-01	-	452,251
U.S. Department of Transportation/Federal Transit Authority	Federal Transit - Formula Grants	20.507	TN-2017-037	-	1,449,417
U.S. Department of Transportation/Federal Transit Authority	Federal Transit - Formula Grants	20.507	TN-2017-056	-	251,351
U.S. Department of Transportation/Federal Transit Authority	Federal Transit - Formula Grants	20.507	TN-2018-041	-	800,000
U.S. Department of Transportation/Federal Transit Authority	Federal Transit - Formula Grants	20.507	TN-2019-008	-	6,761,052
U.S. Department of Transportation/Federal Transit Authority	Federal Transit - Formula Grants	20.507	TN-2019-012	-	45,750
U.S. Department of Transportation/Federal Transit Authority	Federal Transit - Formula Grants	20.507	TN-2020-019	-	14,680,085
Total Program 20.507				-	24,628,927
U.S. Department of Transportation/Federal Transit Authority	State of Good Repair Grants Program	20.525	TN-2016-007-02	-	111,810
U.S. Department of Transportation/Federal Transit Authority	State of Good Repair Grants Program	20.525	TN-2019-013	-	1,160,000
Total Program 20.525				-	1,271,810

**MEMPHIS AREA TRANSIT AUTHORITY**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2020  
(Continued)

Federal Grantor/ Pass-Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Transportation/Federal Transit Authority	Bus and Bus Facilities Formula Program	20.526	TN-2017-035-01	-	838,006
U.S. Department of Transportation/Federal Transit Authority	Bus and Bus Facilities Formula Program	20.526	TN-2017-040-01	-	<u>285,087</u>
	Total Program 20.526			-	1,123,093
Total Federal Transit Cluster				-	<u>27,565,332</u>
U.S. Department of Transportation/Federal Transit Authority	Enhanced Mobility of Seniors and Individuals with Disabilities/Transit Services Programs Cluster	20.513	TN-2016-025-01	-	<u>146,951</u>
	Total Program 20.513			-	146,951
TOTAL FEDERAL AWARDS				-	<u>27,712,283</u>

**MEMPHIS AREA TRANSIT AUTHORITY**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2020  
(Continued)

Federal Grantor/ Pass-Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
<b><u>State Financial Assistance</u></b>					
Tennessee Department of Transportation	Rail Facility Improvements	20.500	GG-18-58001	-	67,688
	Preventive Maintenance, ADA Paratransit Service, Computer Equipment, Service				
Tennessee Department of Transportation	Vehicles and Transit Amenities	20.507	GG-17-51268	-	23,628
Tennessee Department of Transportation	Preventive Maintenance, ADA Paratransit Vehicles, ADA Access Projects, Same-Day	20.507	Pending	-	845,131
	Service, and Project Administration	20.513	GG-18-57999-01	-	18,056
Tennessee Department of Transportation	Preventive Maintenance for Rail System	20.525	Pending	-	145,000
Tennessee Department of Transportation	Buses, Vans and Components	20.526	GG-19-61705	-	398,396
Tennessee Department of Transportation	Buses and Bus Facility Improvements	20.526	GG-18-57997	-	35,636
Tennessee Department of Transportation	TDOT Operating Assistance for FY 2020	N/A	Z-20-UROP-11-00	-	6,414,600
	Trolley Maintenance and Storage Facility				
Tennessee Department of Transportation	Improvements	N/A	GG-19-61727	-	351,439
	Trolley Maintenance and Storage Facility				
Tennessee Department of Transportation	Improvements	N/A	Z-20-IMPV-01	-	1,081,878
	Trolley Maintenance and Storage Facility				
Tennessee Department of Transportation	Improvements	N/A	GG-20-66391	-	41,015
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>				<u>-</u>	<u>9,422,467</u>
<b>TOTAL FEDERAL AWARDS &amp; STATE FINANCIAL ASSISTANCE</b>				<u>\$ -</u>	<u>\$ 37,134,750</u>

## MEMPHIS AREA TRANSIT AUTHORITY

### Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2020

#### **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 not elected to 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, 2020, 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 December 15, 2020.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MATA's internal control. Accordingly, we do not express an opinion on the effectiveness of MATA's internal control.

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

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



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Banks, Kinley, White & Co.*

Memphis, Tennessee  
December 15, 2020



**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**

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, 2020. MATA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

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



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

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, 2020.

### **Report on Internal Control Over Compliance**

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

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

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



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

*Brentley J. Hines, CPA*

Memphis, Tennessee  
December 15, 2020

**MEMPHIS AREA TRANSIT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2020

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

Financial Statements:

- |   |               |
|---|---------------|
| 1. The auditor's report issued on the basic financial statements.                         | Unmodified    |
| 2. Material noncompliance relating to the financial statements.                           | None reported |
| 3. Internal Control Over Financial Reporting:   |               |
| a. Material weaknesses identified?  | No            |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None noted    |

Federal Awards:

- |   |               |
|---|---------------|
| 4. Type of auditor's report issued on the basic financial statements.                     | Unmodified    |
| 5. Internal Control Over Major Federal Programs:  |               |
| a. Material weaknesses identified?  | None reported |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 6. Any audit findings reported as required by the Uniform Guidance?                       | No            |
| 7. The programs tested as a major program were:   |               |

Federal Transit Cluster:

CFDA 20.500, 20.507, 20.525, and 20.526

- |  |  |
|--|--|
| 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, 2020  
*(Continued)*

**II. FINDINGS - FINANCIAL STATEMENT AUDIT**

No matters are reportable.

**MEMPHIS AREA TRANSIT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2020  
*(Continued)*

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

No matters are reportable.

**MEMPHIS AREA TRANSIT AUTHORITY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2020

<b>Prior Year Finding Number</b>	<b>Finding Title</b>	<b>Status Current Year Finding Number</b>
2018-001	Lack of Financial and Closing and Reporting Process	Corrected