

REGIONAL TRANSPORTATION AUTHORITY

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2022

REGIONAL TRANSPORTATION AUTHORITY

Table of Contents

	<u>Page</u>
INTRODUCTION	1 - 2
INDEPENDENT AUDITOR’S REPORT	3 - 6
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)	7 - 13
FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet - Governmental Fund	16
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	19
Statement of Activities to Budget Comparison	20 - 21
Notes to Financial Statements	22 - 35
SUPPLEMENTARY INFORMATION	
Schedule of Changes in Long-Term Debt by Individual Issue.....	36
Schedule of Expenditures of Federal Awards	37
Schedule of State Financial Assistance	38
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	39
OTHER REPORTS	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40 - 41
Independent Auditor’s Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	42 - 44
Schedule of Findings and Questioned Costs	45 - 46
Schedule of Prior Year Findings and Questioned Costs.....	47

REGIONAL TRANSPORTATION AUTHORITY

INTRODUCTION

The Regional Transportation Authority (“RTA”) is pleased to present its Annual Financial Report for the year ended June 30, 2022.

Responsibility and Controls

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

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

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

Audit Assurance

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

**REGIONAL TRANSPORTATION AUTHORITY
AS OF JUNE 30, 2022**

BOARD MEMBERS

Rogers Anderson, Williamson County
Michael Arnold, City of White House
Rick Bell, City of Lebanon
Clay Bright, Tennessee Department of Transportation
Paige Brown, City of Gallatin
Mike Callis, City of Portland
Jamie Clary, City of Hendersonville
Ed Cole, Governor's Appointee
Jason Cole, City of La Vergne
John Cooper, Metro Nashville/Davidson County
Kelly Dannenfelser, Governor's Appointee
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Anthony Holt, Sumner County
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Bob Rial, Dickson County
Ann Schneider, City of Springfield
Ed Elam, Governor's Appointee
Don Weiss, Jr., City of Dickson
Billy Vogle, Robertson County
Arthur Bing, Governor's Appointee
T.J. Smith, Ashland City



Independent Auditor's Report

Board of Directors
Regional Transportation Authority
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Authority as of June 30, 2022, and the respective changes in financial position and the budgetary comparison information for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 to 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section on pages 1 to 2 and the schedule of changes in long-term debt by individual issue on page 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the schedule of state financial assistance on pages 37 and 38 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee, and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in long-term debt by individual issue, the schedule of expenditures of federal awards, and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
October 31, 2022

REGIONAL TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Regional Transportation Authority's ("RTA") annual financial report presents our discussion and analysis of financial performance during the fiscal year ended June 30, 2022 as compared to fiscal year 2021. Please read it in conjunction with the introductory section of this report and RTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2022:

- The coronavirus pandemic continued to have a negative impact on the agency as it relates to ridership and consequently fare revenues. While we have seen some increases year over year in our ridership, the recovery toward pre-pandemic levels is extremely slow. The primary driver to the slow return of riders is due to a combination of the slow recovery of businesses opening their offices back up in Nashville as well as businesses adopting a hybrid work schedule allowing employees to work away from the office. We continue to see our special events train services for the July 4th celebration as well as our Tennessee Titans train service perform well, but weekday commuter ridership is still operating below pre-pandemic levels. At the height of the pandemic, we saw regional bus and train ridership drop to approximately 10% of normal levels, or a 90% drop and, currently, we are at approximately a 33% of pre-pandemic ridership levels, or down 67%. Due to the initial decline in ridership, services were significantly reduced until October 2021, when the WeGo Star commuter rail service was restored to full service of 3 morning and 3 afternoon runs and some regional bus service was restored for services provided by Nashville MTA. There are plans to work back to full service on the services provided by Gray Line as they work through driver shortage issues. We are also using CARES Act funding to cover operating expenses not covered with fares and other federal, State and local funding when necessary. We expect to have CARES Act funding available to for use through FY2024.
- With the passing of the CARES Act in March 2020, the agency was awarded approximately \$13.8 million, which represented 100% federal dollars with the goal of keeping the agency whole or no worse off than when they entered the pandemic. The agency also received an additional \$1 million from the American Rescue Plan ("ARP") relief package which also represents 100% federal dollars that should be used primarily for operating expenses. The agency programed and used the ARP dollars during fiscal year 2022 to replace capital cost of contracting dollars that would have normally come from conversion of federal 5307 capital dollars historically used in the operating budget. The agency also anticipates using the CARES Act funding over the next several years to cover operating expenses as ridership slowly recovers as well as for two capital projects related to park and ride property locations for regional bus services and train consulting to explore possible service expansion for the Star in future years.
- RTA saw an overall increase in fares collected for transportation services of approximately \$132,000, or 41.0%, compared to last fiscal year. This was due to primarily due to riders slowly returning to our regional bus and WeGo Star commuter train services as well as restarting our special train services in FY2022 for Titans, July 4th and New Year's Eve. There was not any special train service operating last fiscal year due to the impact of COVID-19.
- RTA saw an increase in operating expenses of approximately \$1.1 million, or 27.1%, during fiscal year 2022 compared to the prior fiscal year due to some restoration of service levels during current year after operating at reduced levels last year due to COVID-19.

**REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued**

- Over the last two and a half years, RTA has been in the process of rehabilitating its four locomotives. Through the end of the fiscal year, 3 of the locomotives were completed with the last one due to be complete by the end of fiscal year 2022. As a part of the rehab, all the locomotives were painted with the new WeGo brand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of five parts: management's discussion and analysis (this section), the government-wide financial statement presentation, the governmental fund financial statement presentation, the notes to the financial statements, and additional information.

The financial statements provide both long-term and short-term information about RTA'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 information that further explains and supports the information in the financial statements. The section of additional information includes schedules of federal awards and state financial assistance and the notes thereto as well as a schedule of findings and questioned costs and the responses thereto, if applicable, and a summary of prior year audit findings, if applicable.

RTA's financial statements are prepared in conformity with U.S. generally accepted accounting principles as applicable to state and local governments. Generally Accepted Accounting Principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"). The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS OF RTA

Net Position

Fiscal year 2022 as compared to fiscal year 2021:

RTA's net position at June 30, 2022 totaled approximately \$47.7 million, a 10.1% increase compared to June 30, 2021 (See Table A-1). Total assets increased 13.1% to approximately \$52.3 million and total liabilities decreased approximately 56.5% to approximately \$4.7 million compared to the prior year.

**REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued**

**Table A-1
Regional Transportation Authority's Net Position
(in thousands of dollars)**

	2022	2021	Percentage Change 2022 - 2021
Cash	\$ 5,015	\$ 3,552	41.2%
Accounts receivable and due from other governments	1,278	782	63.4%
Prepaid items and inventory	325	478	(32.0%)
Restricted cash	2,000	2,000	-
Capital assets, net	43,707	39,444	10.8%
Total assets	52,325	46,256	13.1%
Current liabilities and due to related party, net	1,521	699	117.6%
Advanced contributions	3,146	2,284	37.7%
Total liabilities	4,667	2,983	56.5%
Net position:			
Investment in capital assets	43,707	39,444	10.8%
Restricted	2,000	2,000	-
Unrestricted	1,951	1,829	6.7%
Total net position	\$ 47,658	\$ 43,273	10.1%

The 13.1% increase in total assets was primarily due to increases in cash on hand, accounts receivable and due from governments, and net capital assets, which were partially offset by decreases in prepaid items and inventory. Please read the capital asset section of this management discussion and analysis for further explanation for the increases in capital assets.

Cash represents regular cash on hand for operations as well as cash set aside for specific purposes as determined by the RTA Board. The cash set aside represents two separate reserves for vanpool van replacement and reserves for regional bus services. The balances of the cash reserves were as follows:

	2022	2021	Percentage Change 2022 - 2021
Cash for Vanpool Replacement	\$456,100	\$456,100	-
Cash for Regional Bus Service	\$3,146,385	\$2,118,988	48.5%

The fluctuations in cash for operations and accounts receivable and due from governments were attributable to the normal course of business. The decrease in prepaids and inventory were primarily related to a decrease in inventory parts as a result of parts being used in the rehabilitation of our last locomotive of four locomotives to be rehabbed over the last 3 years. The increase in the cash reserve for regional bus service was in part due to reduced services still being in place from the prior year because of the significant drop in ridership due to the impact of COVID-19. The reduction in service costs allowed the excess of regional contributions to be set aside in their respective regional bus reserves. The restricted cash consists of a \$1 million reserve required for a supplemental insurance reserve for our liability insurance policy for the train as well as \$1 million of membership dues collected that the RTA Board elected to set aside as a reserve for future unexpected administrative expenses. Under state law, these funds may only be used for administrative expenses.

**REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued**

The increase in current liabilities was in part due to normal timing differences. We also had a zero balance on our \$5 million line of credit in the current year. The line of credit is available for the timing of normal cash flow needs and is only borrowed against based upon anticipated grant funding to pay it back down (See Note G to the financial statements). As mentioned previously, the RTA board members established regional bus cash reserves six years ago for our partners that receive regional bus services in their cities or counties. The reserves, titled advance contributions, were set up to stabilize each partner's annual contribution. These advance contributions totaled \$3,146,385 at the end of current year compared to approximately \$2,118,988 last year.

Revenues, Expenses, and Changes in Net Position

While the Statements of Net Position show the financial position of RTA at year-end, the Statements of Activities provide answers to the nature and source of the changes in RTA's financial position.

Fiscal year 2022 as compared to fiscal year 2021:

The increase in net position for the year ended June 30, 2022 was approximately \$4.4 million, or 92.7%, compared to an increase of approximately \$2.3 million for the year ended June 30, 2021 (See Table A-2). RTA's total program revenues including capital revenues increased 34.1% to approximately \$16.1 million from approximately \$12.0 million in the prior fiscal year. Total functional expenses, including depreciation, increased 19.6% to approximately \$12.0 million from approximately \$10.0 million in the prior fiscal year.

**Table A-2
Changes in Regional Transportation Authority's Net Position
(in thousands of dollars)**

	2022	2021	Percentage Change 2022 - 2021
Program Revenues:			
Passenger Fares Charged for Services	\$ 454	\$ 322	41.0%
Operating Grants and Contributions	7,679	6,583	16.6%
Capital Grants and Contributions	7,956	5,094	56.2%
Total program revenues	16,089	11,999	34.1%
General revenues	287	307	(6.5%)
Total revenues	16,376	12,306	33.1%
Functional Expenses:			
R&R / Job Access Reverse Commute	5,371	4,226	27.1%
Commuter Rail - operations	6,620	5,804	14.1%
Total functional expenses	11,991	10,030	19.6%
Increase in net position	4,385	2,276	92.7%
Total net position, beginning of year	43,273	40,997	5.6%
Total net position, end of year	\$47,658	\$43,273	10.1%

**REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued**

The increase in overall passenger fare revenue compared to last year primarily related to riders starting to return after seeing decreases where ridership saw levels at approximately 10% to 15% of pre-pandemic ridership on both our regional bus services and WeGo Star during fiscal year 2021 due the impact of COVID-19. Ridership is currently at approximately 30% - 40% of pre-pandemic levels. The increase in operating grants and contributions compared to last year was primarily the result of more grant funding being needed as began returning to full-service levels in October 2021 that had been decreased during the prior fiscal year due to the impact of COVID-19. The increase in capital grants and contributions was the result of RTA utilizing more available capital grants in fiscal year 2022 compared to the prior year primarily as a result of the pandemic. The majority of current year capital spending was primarily related to the rehabilitation of one of our locomotives, ongoing improvements and expansion of the Mount Juliet train station parking lot, additional expenditures for the new fare collection system project and continuing guideway improvements along the rail line.

**Table A-3
Regional Transportation Authority's Functional Expenses
(in thousands of dollars)**

	2022	2021	Percentage Change 2022 - 2021
Rideshare Function:			
Regional Bus / JARC Function:			
Operational expenses	\$4,266	\$3,349	27.4%
Depreciation	1,105	877	26.0%
Commuter Rail Function:			
Operational expenses	4,031	3,776	6.8%
Depreciation	2,589	2,028	27.7%
Total operating expenses	\$11,991	\$10,030	19.6%

The 27.4% increase in Regional Bus and JARC operational expenses was primarily related to a return to mostly full service in October 2021 compared to reduced services all of last fiscal year due to COVID-19. Ridership increases were experienced on both Gray Line and Nashville MTA, our regional service providers, compared to last year. While Nashville MTA service levels returned to full service in October 2021, services provided by Gray Line have not completely returned to comparable pre-pandemic service levels due to labor shortages that are being experienced across the nation. As Gray Line hires additional bus operators, regional bus services will gradually be returned to pre-pandemic service levels. The depreciation expense increase was primarily the result of 10 new MCI regional buses being added in the Spring of 2022. The 6.8% increase in Commuter Rail operating expenses was primarily due to a return to full service in October 2021 after being at reduced service levels all of last year due to the impact of COVID-19. Depreciation expense for rail increased because of more depreciation related to the 3rd of our rehabbed locomotives coming back into service in July 2021, improvements and expansion of our Mount Juliet train station being completed in August 2021, installation of new fare collection equipment which was put into service in March 2022 and additional guideway improvements being depreciated compared to the prior year.

**REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued**

CAPITAL ASSETS

Fiscal year 2022 as compared to fiscal year 2021:

At the end of fiscal year 2022, RTA had invested approximately \$43.7 million in net capital assets for a broad range of land, rail stations, revenue vehicles and equipment as shown in Table A-4.

**Table A-4
Regional Transportation Authority's Capital Assets
(in thousands of dollars)**

	2022	2021	Percentage Change 2022 - 2021
Land	\$ 3,382	\$ 3,382	-
Commuter Rail Stations	18,419	15,742	17.0%
Rolling Stock	15,982	13,485	18.5%
Vehicles	13,647	8,530	60.0%
Construction and rehabilitation in progress	-	6,234	(100.0%)
Equipment	2,531	1,295	95.4%
Guideway improvements	8,586	6,595	30.2%
Park and ride lots	978	978	-
Subtotal	63,525	56,130	13.2%
Less Accumulated Depreciation	(19,818)	(16,686)	18.8%
Net Capital Assets	\$ 43,707	\$ 39,444	10.8%

The increase in net capital assets was primarily due to having approximately \$14.1 million in capital additions offset by approximately \$3.7 million of depreciation recorded and \$10.5 million in transfers out of work-in-progress. The capital additions and transfers were primarily the result of the rehabilitation project for our locomotives, completion of our expansion of the Mount Juliet train station platforms and parking lot, the addition of 10 new MCI regional buses, additional equipment related to our new fare collection system and ongoing guideway improvements along the rail line. See further information regarding capital assets in Note F to the financial statements.

FUND FINANCIAL ANALYSIS

As noted on the analysis of revenues, expenses, and changes in net position, the RTA experienced an increase in net position on a government-wide basis of approximately \$4,385,000. See page 9 for a discussion of the significant changes in revenues and expense. However, the General Fund balance increased by approximately \$123,000. In accordance with appropriate accounting principles, changes in noncurrent liabilities and capital assets are not included in General Fund financial statements. Consequently, the primary reason for the increase being more in the net position in the government-wide statements was the fact that the net increase in capital assets was approximately \$4,263,000.

**REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued**

BUDGET VARIANCES

Differences between our original budget and actual results were primarily related to the impact of the COVID-19 pandemic on our ridership and operating at reduced service levels through October 2021 and some regional bus services still at reduced service levels as previously explained while budgeting with an assumption of full service being operated for the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

RTA's Board of Directors and management considered many factors when setting the fiscal year 2023 budget. At the time of budget preparation, the Board and management considered the impact and anticipated duration of the pandemic. For the fiscal year 2023 budget, it was decided that the agency would assume full service from an expense perspective in case of a faster recovery, but reduced fare revenues based upon a slow return to normal ridership. The shortfalls in operating revenues were made up by using some of the \$13.8 million in CARES Act funding the agency received. Other factors considered included contract services hourly rates, fuel and liability insurance coverage. Also considered were the anticipated capital grant funding for operations and potential capital projects as well as continuing operating support from all our other regional partners.

CONTACTING RTA'S FINANCIAL MANAGEMENT

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

REGIONAL TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2022

ASSETS

Cash	\$ 5,014,611
Accounts receivable	164,647
Due from other governments	1,113,540
Prepaid items	26,244
Inventory	299,173
Restricted cash	2,000,000
Capital assets:	
Capital assets, not being depreciated	3,382,052
Other capital assets, net of depreciation	<u>40,324,913</u>
 Total assets	 <u>52,325,180</u>

LIABILITIES

Accounts payable and accrued expenses	1,299,068
Advanced contributions	3,146,385
Due to related party, net	<u>221,689</u>
 Total liabilities	 <u>4,667,142</u>

NET POSITION

Investment in capital assets	43,706,965
Restricted net position	2,000,000
Unrestricted net position	<u>1,951,073</u>
 Total net position	 <u><u>\$ 47,658,038</u></u>

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

REGIONAL TRANSPORTATION AUTHORITY

Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Commuter Bus	\$ 5,370,989	\$ 159,609	\$ 3,420,812	\$ 1,556,877	\$ (233,691)
Commuter Rail	6,620,018	294,314	4,258,520	6,398,955	4,331,771
Total governmental activities	<u>\$ 11,991,007</u>	<u>\$ 453,923</u>	<u>\$ 7,679,332</u>	<u>\$ 7,955,832</u>	<u>4,098,080</u>
General revenues:					
Membership dues					169,932
Miscellaneous					<u>117,280</u>
Total general revenues					<u>287,212</u>
Change in net position					4,385,292
Net position, beginning					<u>43,272,746</u>
Net position, ending					<u>\$ 47,658,038</u>

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

REGIONAL TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Fund
General Fund
June 30, 2022

ASSETS

Cash	\$ 5,014,611
Accounts receivable	164,647
Due from other governments	1,113,540
Prepaid items	26,244
Inventory	299,173
Restricted cash	<u>2,000,000</u>
 Total assets	 <u><u>\$ 8,618,215</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$ 1,299,068
Advanced contributions	3,146,385
Due to related party, net	<u>221,689</u>
 Total liabilities	 <u>4,667,142</u>

FUND BALANCES

Nonspendable:	
Inventory	299,173
Prepaid items	26,244
Restricted	2,000,000
Unassigned	<u>1,625,656</u>
 Total fund balance	 <u>3,951,073</u>
 Total liabilities and fund balance	 <u><u>\$ 8,618,215</u></u>

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

REGIONAL TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Total governmental fund balance	\$ 3,951,073
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental fund.	<u>43,706,965</u>
Net position of governmental activities	<u><u>\$ 47,658,038</u></u>

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

REGIONAL TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Fund
General Fund
For the Year Ended June 30, 2022

REVENUES

Federal grant revenue	\$ 9,332,549
State grant revenue	3,350,904
Other local revenue	2,951,711
Fare revenue	453,923
Membership and miscellaneous revenue	287,212
Total operational revenues	<u>16,376,299</u>

EXPENSES

Current:	
Commuter Bus Operations	4,266,405
Commuter Rail Operations	4,031,424
Capital outlay:	
Commuter Bus Operations	1,556,877
Commuter Rail Operations	6,398,955
Total expenditures	<u>16,253,661</u>

NET INCREASE IN FUND BALANCE	122,638
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FUND BALANCE AT BEGINNING OF YEAR	<u>3,828,435</u>
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FUND BALANCE AT END OF YEAR	<u><u>\$ 3,951,073</u></u>
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The accompanying notes are an integral part of these financial statements.

REGIONAL TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenue, Expenditures, and
Changes in Fund Balance of Governmental Fund to the
Statement of Activities
For the Year Ended June 30, 2022

Amounts reported for the governmental activities in the Statement of Activities
are different because:

Net change in fund balances - total governmental fund	\$ 122,638
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Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. Specifically,
these items are as follows:

Capital asset additions	7,955,832
Depreciation expense	<u>(3,693,178)</u>

Change in net position of governmental activities	<u><u>\$ 4,385,292</u></u>
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The accompanying notes are an integral part of these financial statements.

REGIONAL TRANSPORTATION AUTHORITY
Statement of Activities to Budget Comparison
For the Year Ended June 30, 2022

	Budget	Actual	Budget Variance
REVENUES			
Full adult fare - Bus	\$ 185,757	\$ 159,609	\$ (26,148)
Full adult fare - Rail	272,939	204,780	(68,159)
Special events	74,250	89,534	15,284
Advertising sales - Bus	9,000	-	(9,000)
Advertising sales - Rail	900	-	(900)
Rent of building and property	97,940	108,948	11,008
Non-transportation revenue	-	4,195	4,195
Annual membership dues	169,932	169,932	-
Local operating	1,820,200	1,561,751	(258,449)
Regional operating subsidies	1,167,743	563,217	(604,526)
State operating revenues	633,400	642,300	8,900
CMAQ revenues	1,373,477	1,366,326	(7,151)
CARES Act funding	2,710,068	1,527,122	(1,182,946)
Capital operating assistance	2,242,208	1,018,616	(1,223,592)
Total operational revenues	<u>10,757,814</u>	<u>7,416,330</u>	<u>(3,341,484)</u>
EXPENSES			
Salary-contract admin - Bus	232,115	232,115	-
Salary-contract admin - Rail	232,115	232,115	-
Other fringes - Bus	189,913	189,913	-
Other fringes - Rail	189,913	189,913	-
Advertising service and fees - Bus	84,560	42,029	(42,531)
Advertising service and fees - Rail	82,710	8,219	(74,491)
Service fees - Agile Special Train Tkt Sales	9,860	7,530	(2,330)
Attorney's fees	47,000	1,140	(45,860)
Outside auditing fees	36,800	25,300	(11,500)
Web management contract	54,680	64,421	9,741
Interest/extension fees - LOC	19,500	5,880	(13,620)
Bank service charges	7,940	4,931	(3,009)
Other services	253,200	339,899	86,699
Emergency ride home	4,000	1,120	(2,880)
Contract maintenance - TVM's Rail	200,000	-	(200,000)
Contract maintenance - Train Parts/Repairs/Maintenance	157,000	79,525	(77,475)
Contract maintenance - Bus	4,588,185	3,377,731	(1,210,454)
Contract maintenance - Base Rail Service/TSG	1,810,291	1,809,864	(427)
Contract maintenance - Special Service Rail/TSG	41,300	42,604	1,304
Contract maintenance - Track Usage, Maint, and Dispatch	692,175	654,984	(37,191)

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

REGIONAL TRANSPORTATION AUTHORITY
Statement of Activities to Budget Comparison - Continued
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
EXPENSES - Continued			
Diesel fuel - Rail	319,175	381,169	61,994
Consummable Supplies	5,675	6,485	810
Printing services - Bus	2,000	8,216	6,216
Printing services - Rail Fare Media	15,300	5,430	(9,870)
Utilities	177,010	171,607	(5,403)
Insurance	496,730	423,146	(73,584)
Dues and subscriptions - RTA	11,000	10,099	(901)
Travel and trainings - RTA	1,000	114	(886)
Other	18,100	(17,670)	(35,770)
Contingency	778,567	-	(778,567)
Total operational expenses	<u>10,757,814</u>	<u>8,297,829</u>	<u>(2,459,985)</u>
OTHER REVENUES (EXPENSES)			
Capital purchases revenue	-	7,955,832	7,955,832
American rescue plan operating reimbursement	-	1,000,000	1,000,000
Depreciation expense	-	(3,693,178)	(3,693,178)
Gain on sale of capital assets	-	4,137	4,137
Total other revenues	<u>-</u>	<u>5,266,791</u>	<u>5,266,791</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ 4,385,292</u>	<u>\$ 4,385,292</u>

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

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

A. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Reporting Entity

Regional Transportation Authority (the “Authority”) was created by an act of the Tennessee General Assembly. The Board of Directors of the Authority is charged with the responsibility of developing and overseeing the implementation of a mass transit plan for Middle Tennessee, which currently includes Davidson, Sumner, Williamson, Wilson, Robertson, Cheatham, Dickson, Rutherford and Montgomery Counties in Middle Tennessee. Based upon the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity,” the Authority is not a component unit of any other entity due to the judgment that it does not meet the criteria of financial interdependency and other factors that would constitute a component unit. Also, there are no separate organizations, which have been determined to be component units of the Authority.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to U.S. generally accepted accounting principles (“GAAP”) as applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (“GASB”). The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The most significant accounting policies of the Authority are described below.

Government-Wide Financial Statements

The government-wide financial statements (i. e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities normally are supported by charges for services and intergovernmental revenues. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Amounts reported as program revenues include 1.) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by the given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Fund Financial Statements

The financial transactions of the Authority are recorded in one fund. The fund is accounted for by providing a set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures.

The Authority reports the following major governmental fund:

General fund - The general fund is the only operating fund of the Authority. It is used to account for all financial resources of the Authority.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues (other than grants) to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are recognized when the eligible expenditure has been incurred against a fully executed grant agreement, even if the grantor's reimbursement period extends beyond 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Federal, state, and local grants are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

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

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Authority qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of purchase.

Capital Assets and Depreciation

Capital assets, which include property, equipment and construction in progress, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The Authority defines capital assets as assets with an individual cost of more than \$1,000 with a useful life of more than one year. The Authority has no general infrastructure assets.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Capital assets of the Authority are depreciated over the following estimated useful lives:

Equipment and vehicles	4 - 10 years
Rolling stock	5 - 10 years
Commuter rail stations and leasehold improvements	40 years

Under the terms of an agreement between the Authority and the Nashville and Eastern Rail Authority ("NERA"), all new facilities constructed on NERA property immediately fall under the exclusive ownership of NERA. Certain facilities may be designated for the exclusive use of the Authority with the concurrence of the Nashville and Eastern Railroad Corporation ("NERC") and NERA so long as the Authority continues to provide commuter rail service.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

Inventory is stated at cost on a first-in, first-out basis. The cost of inventory is recorded as expenditure when consumed. Inventory in the governmental fund is reported within nonspendable fund balance, which indicates that it does not constitute “available spendable resources” even though it is a component of current assets.

Advanced Contributions

Advanced contributions are primarily composed of collections from the Authority’s member organizations held for future use in the event that certain funding is not secured and for other specific purposes. Advanced contributions will be recognized as revenue when the purposes are met.

Fund Equity

Government-Wide Financial Statements

The difference between the Authority’s total assets plus deferred outflows of resources (when applicable) and total liabilities plus deferred inflows of resources (when applicable) represents net position, which is classified into three components:

- *Investment in Capital Assets* - Amount of capital assets, net of accumulated depreciation. If the Authority had debt related to the acquisition or construction of capital assets, this net position category would be presented “net” of such related debt. At June 30, 2022, the Authority had no debt directly related to its capital assets.
- *Restricted Net Position* - Amount of net position that is subject to restrictions that are imposed by 1.) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or 2.) law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - Net position that is neither classified as restricted nor as invested in capital assets.

Fund Financial Statements

The Authority’s financial statements are prepared under the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. In the fund financial statements, the government fund reports aggregate amounts for five classifications of fund balance based on the constraints imposed on the use of these resources.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- *Restricted Fund Balance* - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Authority's Board of Directors, which is the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Authority had no committed fund balance at June 30, 2022.
- *Assigned Fund Balance* - This classification reflects amounts constrained by the Authority's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in any governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. The Authority had no assigned fund balance at June 30, 2022.
- *Unassigned Fund Balance* - This amount is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds (if applicable).

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use externally restricted resources first, followed by unrestricted resources- committed, assigned and unassigned- in that order, as needed.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

C. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to: torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority manages this risk by obtaining commercial insurance. Settlement of claims during the three most recent fiscal years did not exceed the Authority's insurance coverage.

The Authority is subject to potential litigation, claims or other legal proceedings arising in the normal course of operations. In the opinion of management, in consultation with legal counsel, there are no current matters, other than the matter mentioned below, which may materially affect the financial position of the Authority.

A lawsuit has been filed by two of the nation's largest railroads challenging the legality of the Tennessee taxes on diesel fuel for locomotives. The taxes are used to provide funding for railway rehabilitation projects for short line railroads operating in Tennessee. The Authority currently leases the Music City Star rail line from the Nashville Eastern Rail Authority to operate its daily commuter rail service between Nashville and Lebanon. While the United States Court of Appeals for the Sixth Circuit upheld a state district court ruling that the tax was legal, the case has been sent on appeal to the United States Supreme Court for possible consideration. The eventual outcome of the litigation as well as the impact on the Authority, if any, is unknown at this time.

On January 2, 2019, R. J. Corman Railroad Company announced the finalization of an agreement to acquire the Nashville & Eastern Railroad Corp. ("NERR"), Nashville & Western Railroad Corp. ("NWR"), and Transit Solutions Group ("TSG"). The acquisition was completed through a stock transaction with the entities acquired remaining intact. This acquisition will not affect the Authority's existing contracts with NERR and TSG.

D. RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2022, the Authority had two contracts with the Metropolitan Transit Authority ("MTA") to provide mass transit services within the Authority's service area and for management services. In the management contract, MTA provided administrative and personnel services for the Authority at a rate of \$70,338 per month. For the year ended June 30, 2022, the total amount charged for all services and contracts was \$2,477,856. As of June 30, 2022, \$221,689 was due to MTA. Further, during the year ended June 30, 2022, MTA credited or remitted \$321,037 to the Authority in public transit farebox collections.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

E. COMMITMENTS AND CONTINGENCIES

Enabling Legislation

As a government created agency established by the State of Tennessee, the Authority is subject to sunset hearings under the “Tennessee Governmental Entity Review Law.” The sunset hearings review the mission of the Authority and determine if it should be reauthorized to continue. Under the law, the Authority was scheduled to terminate on June 30, 2018, unless continued through an act of the Tennessee General Assembly.

In February 2018, the Commerce, Labor, Transportation and Agriculture Joint Subcommittee of Government Operations (the “joint subcommittee”) held a sunset hearing for the Authority. At the conclusion of the sunset hearing, the joint subcommittee made a recommendation to extend the Authority two years, through June 30, 2022, and requested that representatives of the Authority appear before the joint subcommittee no later than December 31, 2018 to report on progress made in addressing findings set forth in the 2017 performance audit. Both the House and Senate unanimously approved the recommendation in April 2018 reauthorizing the Authority for an additional two years, which the Governor signed on May 21, 2018. The Authority went before the subcommittee on December 18, 2018 to report on progress made in addressing findings set forth in the 2017 performance audit.

During fiscal year 2019, the Authority participated in the sunset process, which included a performance audit by the State Comptroller’s Office that concluded in July 2019. The audit resulted in one repeat finding from the 2017 performance audit and included two observations. Management of the Authority went before the joint subcommittee on August 21, 2019 to discuss the findings and observations that resulted from the audit and seek to have the Authority reauthorized for another four years. The joint committee voted to make a recommendation which will be addressed in next year’s legislative session. As is required, a corrective action plan was submitted to the Comptroller’s office on August 28, 2019.

During fiscal year 2020, the Authority’s termination date was extended by the State of Tennessee to June 30, 2024.

Grantor Agencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

E. COMMITMENTS AND CONTINGENCIES - Continued

Lease Commitments

RTA entered into an agreement with the City of Gallatin to lease certain property located near the intersection of Enterprise Drive and Greenlea Boulevard in the City of Gallatin for the purposes of constructing a park and ride transit facility. There was no monetary consideration under the provisions of the lease other than RTA agreeing to pay for the construction of the park and ride facility and that the construction be complete no later than September 2, 2015. The term of the lease is 50 years and commenced on June 2, 2014. The park and ride facility was completed on September 2, 2015.

During the fiscal year, the Authority made payments pursuant to the terms of a lease agreement with NERC. The lease agreement provides for the use of certain NERC equipment, a maintenance facility, office space, side trackage, and related real property. The lease agreement is effective through September 15, 2036 and currently requires minimum annual payments of approximately \$57,000. The agreement further provides for adjustments to the minimum annual payment every three years to reflect changes in the consumer price index ("CPI"). The current monthly lease payment is \$4,773. See also Note H.

Neither lease is material to RTA's financial statements; therefore, they have not been accounted for under GASB No. 87.

Contracts

The Authority is committed to a contract to purchase operations and maintenance services in connection with the commuter rail operations. Under the contract, the vendor supplies certain labor to operate the trains as well as certain maintenance and repair of rolling stock and facilities. The contract is for a term of five years, which expires in January 2023. The contract states a base monthly payment amount as well as charges for additional services. The Authority incurred \$1,852,468 under the contract in fiscal year 2022.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

F. CAPITAL ASSETS

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases and</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,382,052	\$ -	\$ -	\$ 3,382,052
Construction in progress	<u>6,123,347</u>	<u>4,340,175</u>	<u>(10,463,521)</u>	<u>-</u>
	<u>9,505,399</u>	<u>4,340,175</u>	<u>(10,463,521)</u>	<u>3,382,052</u>
Capital assets being depreciated:				
Commuter rail stations	15,742,285	2,676,324	-	18,418,609
Rolling stock	13,485,168	2,496,613	-	15,981,781
Vehicles	8,529,633	5,678,930	(561,478)	13,647,085
Equipment	1,295,072	1,235,709	-	2,530,781
Guideway Improvements	6,594,944	1,991,603	-	8,586,547
Park and Rides	<u>978,429</u>	<u>-</u>	<u>-</u>	<u>978,429</u>
	<u>46,625,531</u>	<u>14,079,179</u>	<u>(561,478)</u>	<u>60,143,232</u>
Less accumulated depreciation:				
Commuter rail stations	(5,465,177)	(808,881)	-	(6,274,058)
Rolling stock	(3,711,570)	(989,927)	-	(4,701,497)
Vehicles	(3,524,639)	(816,538)	561,478	(3,779,699)
Equipment	(895,420)	(160,339)	-	(1,055,759)
Guideway Improvements	(2,286,103)	(777,717)	-	(3,063,820)
Park and Rides	<u>(803,710)</u>	<u>(139,776)</u>	<u>-</u>	<u>(943,486)</u>
	<u>(16,686,619)</u>	<u>(3,693,178)</u>	<u>561,478</u>	<u>(19,818,319)</u>
Capital assets, being depreciated, net	<u>29,938,912</u>	<u>10,386,001</u>	<u>-</u>	<u>40,324,913</u>
Capital assets, net	<u>\$ 39,444,311</u>	<u>\$ 14,726,176</u>	<u>\$(10,463,521)</u>	<u>\$ 43,706,965</u>
Depreciation was charged to functions as follows:				
Relax and Ride/JARC				\$1,104,584
Commuter Rail				<u>2,588,594</u>
Total governmental activities depreciation expense				<u>\$3,693,178</u>

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

F. CAPITAL ASSETS - Continued

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases and</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2021</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,382,052	\$ -	\$ -	\$ 3,382,052
Construction in progress	<u>2,748,698</u>	<u>4,617,430</u>	<u>(1,242,781)</u>	<u>6,123,347</u>
	<u>6,130,750</u>	<u>4,617,430</u>	<u>(1,242,781)</u>	<u>9,505,399</u>
Capital assets being depreciated:				
Commuter rail stations	15,742,285	-	-	15,742,285
Rolling stock	12,135,265	1,568,765	(218,862)	13,485,168
Vehicles	8,529,633	-	-	8,529,633
Equipment	1,141,884	153,188	-	1,295,072
Guideway Improvements	6,594,944	-	-	6,594,944
Park and Rides	<u>978,429</u>	<u>-</u>	<u>-</u>	<u>978,429</u>
	<u>45,122,440</u>	<u>1,721,953</u>	<u>(218,862)</u>	<u>46,625,531</u>
Less accumulated depreciation:				
Commuter rail stations	(4,817,399)	(647,778)	-	(5,465,177)
Rolling stock	(3,222,086)	(708,346)	218,862	(3,711,570)
Vehicles	(2,885,248)	(639,391)	-	(3,524,639)
Equipment	(785,181)	(110,239)	-	(895,420)
Guideway Improvements	(1,626,609)	(659,494)	-	(2,286,103)
Park and Rides	<u>(663,934)</u>	<u>(139,776)</u>	<u>-</u>	<u>(803,710)</u>
	<u>(14,000,457)</u>	<u>(2,905,024)</u>	<u>218,862</u>	<u>(16,686,619)</u>
Capital assets, being depreciated, net	<u>31,121,983</u>	<u>(1,183,071)</u>	<u>-</u>	<u>29,938,912</u>
Capital assets, net	<u>\$ 37,252,733</u>	<u>\$ 3,434,359</u>	<u>\$(1,242,781)</u>	<u>\$ 39,444,311</u>
Depreciation was charged to functions as follows:				
Relax and Ride/JARC				\$ 877,338
Commuter Rail				<u>2,027,686</u>
Total governmental activities depreciation expense				<u>\$2,905,024</u>

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

G. LINE-OF-CREDIT

On June 30, 2021, the Authority entered into an agreement with Fifth-Third Bank for a \$5,000,000 line-of-credit, which was set to mature on June 30, 2022. The line-of-credit bore an interest rate of LIBOR plus 1.20% (2.95% as of June 30, 2022). In addition, a fee of 0.35% is charged when the line-of-credit remains unused. The line-of-credit was renewed on June 30, 2022 and the maturity date has been extended to June 30, 2023. In addition to the renewed maturity date, the interest rate on the line-of-credit was revised and will be Prime less 1.8% going forward.

As collateral for any outstanding balance on the line-of-credit, the Authority has granted the lender a security interest in substantially all of its assets, as more particularly described in a Security Agreement.

In the event of a default, the principal indebtedness and any other sums advanced under the line-of-credit documents together with all unpaid interest accrued shall become due and payable regardless of the stipulated date of maturity.

A schedule of changes in the line-of-credit obligation is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
\$5,000,000 line-of-credit	\$ -	\$1,500,000	\$(1,500,000)	\$ -

For the year ended June 30, 2022, \$5,880 of interest and loan extension fees related to the line-of-credit have been included in the program expenses of the commuter rail-operations and the relax and ride job access reverse commute programs.

H. TRACK USAGE AGREEMENT

Based on the terms of the Memorandum of Agreement with NERA and NERC, as amended, and as it relates to the Authority's operation of the Music City Star commuter rail, the Authority has agreed to pay NERC for maintenance-of-way services, dispatching services, rail line capacity committed and certain other items. The fee is \$10.46 per train mile for the first twenty-five thousand train miles, \$7.84 per train mile for the next twenty-five thousand train miles, \$5.23 per train mile for train miles in excess of fifty thousand miles, and \$2.61 per reverse train mile, adjusted for any increases in the CPI every five years for the life of the agreement. During fiscal year 2022, the track usage fees totaled \$592,935.

In accordance with the Memorandum of Agreement with NERA and NERC, as further described in Note J, the Authority must maintain a separate cash reserve account of \$1,000,000.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

I. ECONOMIC DEPENDENCE

The Authority's ability to provide program services is significantly dependent on annual appropriations and the awarding of operating grants from Federal, State, and local authorities. A failure to secure funding from these sources would necessitate the discontinuance of the Authority's programs.

J. CASH AND INVESTMENTS

State statutes authorize the Authority to invest operating funds in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

Interest rate risk and concentration of credit risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Authority places no limit on the amount it may invest in any one issuer. During the year ended June 30, 2022, the Authority limited its investment of funds to demand deposits at banking institutions.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. At June 30, 2022, total demand deposits for the Authority were insured and/or collateralized by depository insurance or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the "Pool") is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. The Pool also has the ability to make additional assessments on a pro rata basis to the Pool if the value of collateral is inadequate to cover a loss.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

J. CASH AND INVESTMENTS - Continued

Restricted cash

As stated in Note H, in accordance with the Memorandum of Agreement with NERA and NERC, the Authority must maintain a separate cash reserve account of \$1,000,000. In addition, according to Section 64-8-206(b)(8), *Tennessee Code Annotated*, the Authority is allowed to establish local assessments for the purposes of paying expenses related to the administration of the Authority's activities, including, but not limited to, the costs associated with insurance policies and deductibles, to be paid by its city, town, metropolitan government and county government members. Local assessments shall not be used for the construction or operation of transportation facilities or services. Since statute specifies the allowable purposes and the limitations of membership dues, they are restricted and are maintained in a separate cash reserve account. As of June 30, 2022, membership dues totaling \$1,000,000 have accumulated in the cash reserve account. Accordingly, both amounts, totaling \$2,000,000, have been presented as restricted cash with corresponding restricted net position.

K. RISKS AND UNCERTAINTIES

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

The full impact of the pandemic continues to evolve as of the date of this report and continues to have a negative impact on the agency as it relates to ridership and consequently fare revenues. While we have seen some increases year over year in our ridership, the recovery toward pre-pandemic levels is extremely slow. The primary driver to the slow return of riders is due to the slow recovery of businesses opening their offices back up in Nashville. One positive sign relates to our special events train service for the July 4th celebration as well as our Tennessee Titans train service. Both services ran or have been running at or close to capacity. At the height of the pandemic, we saw train ridership drop approximately 93% of normal levels and, currently, we are at approximately a 67% decline from pre-pandemic ridership levels. RTA also saw regional bus ridership drop approximately 90% of normal levels and, currently, we are at approximately a 67% decline from pre-pandemic ridership levels. Due to the decline in ridership, services were significantly reduced during the entire fiscal year. In October 2021, the WeGo Star commuter rail service was restored to full service of 3 morning and 3 afternoon runs while some regional bus service was restored for services provided by Nashville MTA with plans to work back to full service on the services provided by Gray Line as they work through driver shortage issues. We are also using CARES Act funding to cover operating expenses not covered with fares and other federal, State and local funding when necessary utilizing approximately \$1.1 million in fiscal year 2021 after using none in fiscal year 2020.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

K. RISKS AND UNCERTAINTIES - Continued

With the passing of the CARES Act in March 2020, the agency was awarded approximately \$13.8 million which represented 100% federal dollars with the goal of keeping the agency whole or no worse off than when they entered the pandemic. The agency also received an additional \$1 million from the American Rescue Plan (“ARP”) relief package which also represents 100% federal dollars that should be used primarily for operating expenses. The agency has programed the ARP dollars to be used in fiscal year 2022 to replace capital cost of contracting dollars that would have normally come from conversion of federal 5307 capital dollars historically used in the operating budget. The agency also anticipates using the CARES Act funding over the next several years to cover operating expenses as ridership slowly recovers as well as for two capital projects related to park and ride property locations for regional bus services and train consulting to explore possible service expansion for the Star in future years.

While expected to be temporary, the Authority cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Authority’s results of future operations, financial position, and liquidity in fiscal year 2022.

L. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 31, 2022, which is the date the financial statements were available to be issued, and has determined there were no events requiring disclosure.

SUPPLEMENTARY INFORMATION

REGIONAL TRANSPORTATION AUTHORITY
Schedule of Changes in Long-Term Debt by Individual Issue
June 30, 2022

Description of Indebtedness	Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued/ Borrowed During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
NOTES PAYABLE:									
Line of Credit	\$ 5,000,000	2.95%	6/30/2021	6/30/2023	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -	\$ -
Total Notes Payable					<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

REGIONAL TRANSPORTATION AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Program Name	Assistance Listing	FAIN/Contract Number	Expenditures
U.S. Department of Transportation:			
<i>Direct Programs:</i>			
<i>Federal Transit Cluster:</i>			
Urbanized Area Formula Program -5309 - Capital Assistance	20.500*	TN-2018-038-00	\$ 66,391
Total CFDA 20.500			<u>66,391</u>
Urbanized Area Formula Program CMAQ	20.507*	TN-2019-019-00	1,214,511
Urbanized Area Formula Program - 5307 - PM	20.507*	TN-90-X377	56,783
Urbanized Area Formula Program - 5307, 5337, & U-STBG			
Multi-Source Funding	20.507*	TN-2020-027-01	213,418
Urbanized Area Formula Program - 5307, 5337, & U-STBG			
Multi-Source Funding	20.507*	TN-2020-027-02	2,634,259
Urbanized Area Formula Program CMAQ	20.507*	TN-2021-029-00	947,287
Total CFDA 20.507			<u>5,066,258</u>
Urbanized Area Formula Program - 5307 - CARES ACT	20.507*	TN-2020-037-00	1,527,122
Total CFDA 20.507 CARES ACT			<u>1,527,122</u>
Urbanized Area Formula Program - 5307 - American Rescue Plan	20.507*	TN-2021-025-00	1,000,000
Total CFDA 20.507 American Rescue Plan			<u>1,000,000</u>
Urbanized Area Formula Program - 5307, 5337, & U-STBG			
Multi-Source Funding	20.525*	TN-2020-027-03	757,422
Urbanized Area Formula Program - 5337 - Positive Train Controls	20.525*	TN-2017-038-00	48,000
Urbanized Area Formula Program - 5337 - Rail Car Purchase & Rehab	20.525*	TN-2018-020-00	867,356
Total CFDA 20.525			<u>1,672,778</u>
Total Federal Transit Cluster			<u>\$ 9,332,549</u>

* Federal Transit Cluster; major program under OMB Uniform Guidance.

See accompanying notes to schedules of expenditures of federal awards and state financial assistance and independent auditor's report.

REGIONAL TRANSPORTATION AUTHORITY
Schedule of State Financial Assistance
For the Year Ended June 30, 2022

Program Name	FAIN/Contract Number	Expenditures
Tennessee Department of Transportation:		
Urbanized Area Formula Program - CMAQ	TN-2019-019-00	\$ 151,815
Urbanized Area Formula Program - 5307, 5337, & U-STBG Multi-Source Funding	TN-2020-027-02	329,284
Urbanized Area Formula Program - 5307, 5337, & U-STBG Multi-Source Funding	TN-2020-027-03	94,677
Urbanized Area Formula Program - 5337 - Positive Train Controls	TN-2017-038-00	6,000
Urbanized Area Formula Program - 5337 - Rail Car Purchase & Rehab	TN-2018-020-00	108,418
Urbanized Area Formula Program - CMAQ	TN-2021-029-00	118,410
Improve Act - Bus	98IMPV-S3-013	1,500,000
Relax & Ride Operating Assistance	980416-S3-024	400,000
Improve Act - Capital Assistance	98UROP-S3-016	642,300
Total expenditures of state financial assistance		<u>\$ 3,350,904</u>

See accompanying notes to schedules of expenditures of federal awards and state financial assistance and independent auditor's report.

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

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance include award activity of the Authority under programs of the federal and state government, respectively, for the year ended June 30, 2022. The information in the schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”) and the schedule of state financial assistance is presented in accordance with the requirements of the State of Tennessee. Because these schedules present only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position or changes in net position of the Authority.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards and the schedule of state financial assistance are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Certain amounts shown on the schedule of expenditures of federal awards and the schedule of state financial assistance represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

C. CONTINGENCY

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

D. DE MINIMIS INDIRECT COST RATE

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

E. SUBRECIPIENTS

There were no amounts passed through to subrecipients during the year ended June 30, 2022.

OTHER REPORTS



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

Board of Directors
Regional Transportation Authority
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Regional Transportation Authority (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 31, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
October 31, 2022



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

Board of Directors
Regional Transportation Authority
Nashville, Tennessee

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

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

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

Basis for Opinion on the Major Federal Program

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

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



Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Report on Internal Control over Compliance

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

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

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

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

Crosslin, PUC

Nashville, Tennessee
October 31, 2022

REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified not considered to
be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified not considered to
be material weaknesses? yes x none reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
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Federal Transit Cluster:

20.500/20.507/20.525	Federal Transit - Formula Grants (Urbanized Area Formula)
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

A. Internal Control Findings

None reported.

B. Compliance Findings

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

FINANCIAL STATEMENT FINDINGS

There were no prior year financial statement findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>Prior Year Finding Number</u>	<u>Finding Title</u>	<u>Status/Current Year Finding Number</u>
2021-001	Unallowable Costs Claimed for Reimbursement	Corrected