Hamilton County, Tennessee

150 - SUPPORTED AGENCIES Budget Year 2027 (Proposed)

1015460-CARTA		Prior Year Actuals	FY 2026 Budget			FY 2027 Budget		
	DESCRIPTION	2025	Adopted	Amended	YTD Thru 1/31/2026	Requested	Proposed	Change from PY Adopted
56003	APPROPRIATION		140,720	140,720	105,540	816,800	816,800	676,080
	Operating Expenditures Totals:		*140,720*	*140,720*	*105,540*	*816,800*	*816,800*	*676,080*
	1015460-CARTA Totals:		***140,720***	***140,720***	***105,540***	***816,800***	***816,800***	***676,080***

Hamilton County, TN
Budget Hearings
FY 2027

CARTA

	Adopted Budget FY 2025	*Adopted Budget FY 2026*	**Requested FY 2027**	**Inc. (Dec.) FY27 vs. FY26**	**% Inc.**
Supported Agency request					
CARTA	-	*140,720*	**816,800**	676,080	480.4%

Key Items to Address with County Commission:

1. What's the increase in your budget request investing in?
2. Where are you maintaining/holding the line within your budget?
3. What are you transitioning from within your budget?

BUDGET REQUEST APPLICATION
FY 2026-2027

A. Cover Form

Organization Name: Chattanooga Area Regional Transportation Authority

Organization Legal Name: _____

Project Name(s): CARTA Operating Projects

Federal Tax ID#: 62-6103220

Mailing Address: 1617 Wilcox Blvd, Chattanooga, TN 37406

Hamilton County Address: same

Year Established: 1973

Years organization has operated in Hamilton County or served Hamilton County residents: 53

Organization's authorizing official contact: Charles Frazier

Organization's application contact person: Melanie Jones

Fiscal year total operating budget: $33,567,453

Current fiscal year start/end date: 07/01/2026-06/30/2027

First time applicant: NO

Requested county funds: $ 766,800

The above and following schedules embodying a request for an allocation from Hamilton County, Tennessee for the fiscal year ending June 30, 2027 (fiscal year 2027) were considered and approved by our Board of Directors on 01/29/2026. In the judgment of our Board, it represents the minimum needs of our organization for this fiscal year.

_____
Signature of President or Board Chair

_____
Signature of Executive Director

THIS ALLOCATION REQUEST IS DUE BY JANUARY 30,2026

BUDGET REQUEST APPLICATION
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_____
Signature of President or Board Chair

_____
Signature of Executive Director

THIS ALLOCATION REQUEST IS DUE BY JANUARY 30,2026

B. Grant Application

STATEMENT OF NEED

1. What needs does your program address, and why is it important to the Hamilton County population?

CARTA's operational programs directly support Mayor Wamp's 2025 State of the County vision of addressing educational opportunities, income disparities, and family support across Hamilton County. In particular, CARTA's programs reinforce the community focus and growth of small towns and the larger region. Our proposed services specifically target:

2. Provide data and statistics that support your organization's needs.

Our Care-A-Van service demonstrates consistent growth and impact:
1. Ridership Data:
   - o FY 2023: 49,759 rides
   - o FY 2024: 52,503 rides
   - o FY 2025: 60,966 rides
2. Recovery Court ridership data from July 1, 2025 through December 31, 2025
   - o 1,166 fixed route rides
   - o 349 CARTA Go rides
   - o 1,515 fixed route and CARTA Go combined

OUTCOMES / OUTPUTS / INITIATIVES

3. How do you plan to utilize grant money awarded by Hamilton County?

Funds will support four key operational initiatives:
a) Educational Access Programs ($50,000):
   1. Chambliss Child: Care School Transportation $50,000
b) On Demand/Care-A-Van Paratransit Enhancements ($151,800):
   1. County Connect Pilot: $40,000
   2. Regional Service Support: $111,800
c) CARTA Go Zone Expansion:
   1. County Recovery Court Transportation Program: $100,000

4. What results are you committed to achieving during the grant period? What key performance measures will you use to evaluate and track those results? (750-word suggestion)

Care-A-Van ridership trends:
- FY 2019: 56,091 rides (Pre-COVID benchmark)
- FY 2022: 50,581 rides (Post-COVID recovery)
- FY 2023: 49,759 rides
- FY 2024: 52,503 rides
- FY 2025: 60,966 rides

Building on this foundation, we commit to:
- Deliver 4,000 student trips supporting the Chambliss Child Care Student Transportation Program;
- Provide approximately 6,000 Recovery Court trips;
- Provide 2,500 new trips in underserved county areas
- Support expanding needs in East Ridge and Red Bank
- Increase overall ridership by 1-3% annually while maintaining service quality

Performance Tracking: CARTA rigorously tracks all service metrics on a monthly basis through:

5. What entities do you collaborate with which could also benefit from monies awarded by Hamilton County?

- Hamilton County Schools
- Chambliss Early Childcare Education & Childcare Program
- Hamilton County Drug Court Program
- United Way of Greater Chattanooga
- Regional healthcare providers
- Signal Centers
- Chattanooga State Community College

6. What is your organization's long-term vision, as it relates to your philanthropy and operations?

CARTA aims to support Hamilton County's transformational goals through:
- Driving economic development through a convenient, efficient transit system
- Expanding access to educational opportunities
- Supporting workforce development initiatives
- Enhancing mobility options in underserved areas
- Contributing to reduced recidivism through reliable transportation

C. Evaluation and Sustainability

7. If you utilize any evidence-based programs, please indicate which state and/or federal websites list the program and the rating given.

Evidence-based Programs: Our programs align with FTA's mobility management best practices and ADA compliance standards.

8. Describe how your organization plans to sustain services financially if Hamilton County funds do not extend past the awarded fiscal year

Financial Sustainability: CARTA maintains diverse funding sources including:
- Federal and state grants
- Local partnerships
- Service contracts
- Fare revenue
- Operational efficiency initiatives

D. Budget, Supporting Financial Documents and Attachments

Submit each of the following and complete the schedules that follow. If a document is not attached to your submission, please select N/A in the appropriate dropdown box:

- Your most recent audit (and previous two audits for organizations with a budget of $750,000 or more)

  Document Attached
- The organization's current operating budget - Schedule I

  Document Attached
- A Form 990 from the previous three (3) years

  N/A
- IRS Letter of Determination

  Document Attached
- Current Certificate of Existence with the State of Tennessee

  N/A
- Demographic information for clients served - Schedule II

  Document Attached
- Board & Staff Information - Schedule III

  Document Attached
- Grants, Contracts, MOU Table - Schedule IV

  Document Attached
- Strategic Plan

  Document Attached
- Letters of Support

  Document Attached

PROGRAM BUDGET SUPPORT REVENUE

Schedule I

NAME OF AGENCY BUDGET BY SERVICES FOR	FY 2026 Approved Budget	FY 2027 Proposed Budget	REVENUES Support/ Revenues	EXPENSES/EXPENDITURES PROGRAM SERVICES Program 1	Program 2	Program 3	Total Prog. Servs.	SUPPORT SERVICES Mgmt & General	Fund Raising	Total Supp. Serv.
SUPPORT/REVENUE FOR CURRENT OPERATIONS:										
Contributions		0								
Net Proceeds Special Events		0								
Designations		0								
United Way		0								
Fees/Grants from Governmental Agencies	19,024,774	15,713,579	15,713,579							
Membership Dues		0								
Program Income	15,640,822	17,037,074	17,037,074							
Sales to Public		0								
Investment Income		0								
Transfers to Operating Budget		0								
Income from Previous Year		0								
Miscellaneous		0								
*Support Requested from Hamilton County	140,720	816,800	816,800							
TOTAL SUPPORT/REVENUES	34,806,316	33,567,453	33,567,453							
EXPENDITURES FOR CURRENT OPERATIONS:										
Salaries Only (No Benefits)	16,519,036	15,919,036		15,919,036			15,919,036			0
Employee Health & Retirement Benefits	5,610,665	5,535,665		5,535,665			5,535,665			0
Employment Taxes, etc.	1,206,780	1,131,780		1,131,780			1,131,780			0
Professional Fees/Contract Service Payments	5,207,258	4,851,041		4,851,041			4,851,041			0
Supplies	3,072,180	2,980,015		2,980,015			2,980,015			0
Telephone	754,212	754,212		754,212			754,212			0
Postage and Shipping	9,716	9,716		9,716			9,716			0
Occupancy	18,800	18,800		18,800			18,800			0
Equipment Rental and Maintenance	94,516	89,516		89,516			89,516			0
Outside printing, art work, etc.		0					0			0
Local Transportation		0					0			0
Conferences, Conventions, etc.	204,828	204,828		204,828			204,828			0
Special Assistance to Individuals	54,636	54,636		54,636			54,636			0
Organization Dues		0					0			0
Awards and Grants		0					0			0
Fund Raising/Self-Support Activities		0					0			0
Insurance	1,033,573	1,085,252		1,085,252			1,085,252			0
Miscellaneous	347,920	260,760		260,760			260,760			0
Depreciation		0					0			0
National Dues/Support Payments	72,196	72,196		72,196			72,196			0
Equipment Purchases	600,000	600,000		600,000			600,000			0
TOTAL EXPENSES/EXPENDITURES	34,806,316	33,567,453		33,567,453	0	0	33,567,453	0	0	0
REVENUES OVER (UNDER) EXPENDITURES	0	0								

Program Beneficiary Statistics

(This should reflect total program count. Copy as needed for each program.)

Care-A-Vam

(Name of Program)

Program Beneficiary Characteristics Clients/Patients/Recipients/Other		Fiscal 2026 Budget	Fiscal 2026 Projected	Fiscal 2027 Proposed Budget
1. Unduplicated Count of Program Beneficiaries	TOTAL	60,000	60,600	6,066
a. Total Continuing from Previous Fiscal Year				
b. Total New for the Year		60,000	60,600	6,066
c. Total Terminated During the Year				
2. Age Group	TOTAL	60,000	60,600	60,600
a. Infants-Under 5		1,200	1,212	1,212
b. Between 5 and 12		12,360	12,483	12,483
c. Between 13 and 17		10,740	10,847	10,847
d. Between 18 and 29		10,260	10,363	10,363
e. Between 30 and 64		18,600	18,786	18,786
f. 65 and over		4,860	4,909	4,909
g. Not Known		1,980	2,000	2,000
3. Gender	TOTAL	60,000	60,600	60,600
a. Male		24,180	24,422	24,422
b. Female		31,200	31,512	31,512
c. Not Known/Other		4,620	4,666	4,666
4. Ethnic Background	TOTAL	60,000	60,600	60,600
a. White		15,600	15,756	15,756
b. Black		34,620	34,966	34,966
c. Hispanic		2,040	2,060	2,060
d. Oriental		420	424	424
e. Other - Ethnic Minority		2,460	2,485	2,485
f. Not Known		4,860	4,909	4,909
5. Income Level	TOTAL	60,000	60,600	60,600
a. Below 4,999				
b. 5,000-7,499				
c. 7,500-9,999		19,080	19,271	19,271
d. 10,000-14,999		9,480	9,575	9,575
e. 15,000-19,999		7,680	7,757	7,757
f. 20,000-29,999		12,660	12,787	12,787
g. 30,000 and Over				
h. Not Known		11,100	11,210	11,210
6. Location of Residence	TOTAL	60,000	60,600	60,600
a. Hamilton County		51,300	51,813	51,813
b. Outside of Hamilton County		1,920	1,938	1,938
c. Not Known		6,780 6,780	6,849	6,849

HAMILTON COUNTY, TENNESSEE
FISCAL YEAR 2027

Agency Name: Chattanooga Area Regional Transportation Authority

1. Are the dollars Hamilton County appropriates to your agency designated for the benefit of a specific geographical segment of the community? YES

2. If the answer to question number 1 above is yes, please explain.

Aspects of this request affect;
Hamilton County as a whole, Cities of Red Bank, East Ridge and Chattanooga

3. Please estimate the percentage of your services provided to the geographic area listed below:

Unincorporated County	0.5%
City of Chattanooga	98.0%
City of East Ridge	0.5%
City of Signal Mountain	0.0%
City of Red Bank	0.5%
City of Soddy Daisy	0.0%
City of Lakesite	0.0%
City of Walden	0.0%
City of Collegedale	0.0%
City of Ridgeside	0.5%
City of Lookout Mountain	0.0%
All areas outside of Hamilton County	0.0%
Total	100.0%

Schedule of Positions, Salaries & Wages

Confidential (for Hamilton County internal use only)

Chattanooga Area Regional Transportation Authority

(Name of Agency)

ALL FINANCIAL INFORMATION ROUNDED TO NEAREST DOLLAR

Board of Directors Title and/or Position	Name(s) Last Name, Initial	Part Time	#Years Emp	Emp. Covered by Retirement (a)	Current FY			Proposed FY		
					# Weeks Employed	Annual Salary	Budgeted Salary	# Weeks Employed	Annual Salary	Budgeted Salary
CEO	Frazier, C.	NO	2	YES	52	235,000	235,000	52	239,700	239,700
Chief of Staff	Wilson, S.	NO	2	YES	52	101,000	101,000	52	103,020	103,020
COO	Peebles, V.	NO	17	YES	52	115,000	115,000	52	117,300	117,300
CFO	Jones, M	NO	1	YES	52	175,000	175,000	52	178,500	178,500
CIO	Dufour, D.	NO	1	YES	52	115,003	115,003	52	117,303	117,303
Director of Grants	Powell, A	NO	25	YES	52	93,883	93,883	52	95,760	95,760
Director of Parking & Facilities	Matthews, B.	NO	15	YES	52	89,731	89,731	52	91,525	91,525
Director of Maintenance	Summerrow, B.	NO	29	YES	52	84,897	84,897	52	86,594	86,594
Director of Safety & Training	Logan, M.	NO	1	YES	52	90,000	90,000	52	91,800	91,800
Acting Director of the Incline Railway	Higgins, M.	YES	38	YES	52	95,000	95,000	52	96,900	96,900
Director of Communications & External Affairs	Meredith, B.	NO	1	YES	52	90,000	90,000	52	91,800	91,800
Director of Human Resources	McNulty, J.	NO	1	YES	52	90,000	90,000	52	91,800	91,800
Director of Transit Planning & Quality	Carlson, D.	NO	1	YES	52	90,001	90,001	52	91,801	91,801
Director of Transportation	Harper, L.	NO	1	YES	52	90,000	90,000	52	91,800	91,800
Assistant Director of Maintenance	Huff, S.	NO	14	YES	52	74,287	74,285	52	75,770	75,770
Assistant Director of the Incline Railway	Duke, H.	NO	2	YES	52	95,000	95,000	52	96,900	96,900
Transportation Mobility Trainer		NO	8	YES	52	63,000	63,000	52	64,260	64,260
Planner II	Adamson, T.	NO	14	YES	52	63,000	63,000	52	64,260	64,260
Planner I	Mercer, I.	NO	4	YES	52	54,995	54,995	52	56,095	56,095
Supervisor/Dispatcher (9)		NO		YES	52	547,595	547,595	52	558,547	558,547

* If a position is changed from a part-time to a full-time position, show each as a separate position unit.
List positions in order of responsibility and include all staff and employees of agency in this schedule.
Non-professional employees performing similar services may be reported as a group.
(a.) Check if person is covered by retirement benefits.

Schedule of Positions, Salaries & Wages

Confidential (for Hamilton County internal use only)

Chattanooga Area Regional Transportation Authority

(Name of Agency)

ALL FINANCIAL INFORMATION ROUNDED TO NEAREST DOLLAR

Organization Staff Members Title and/or Position	Name(s) Last Name, Initial	Part Time	#Years Emp	Emp. Covered by Retirement (a)	Current FY			Proposed FY		
					# Weeks Employed	Annual Salary	Budgeted Salary	# Weeks Employed	Annual Salary	Budgeted Salary
Care-A-Van Manager (2)		NO		YES	52	119,699	119,699	52	122,092	122,092
Care-A-Van Drivers (33)		NO		NO	52	1,527,240	1,527,240	52	1,557,784	1,557,784
Shop Personnel (33 FT)		NO		YES	52	1,842,294	1,842,294	52	1,879,140	1,879,140
Shop Personnel (1 PT)		YES		NO	52	26,005	26,005	52	26,525	26,525
General Foreman Maintenance (2 FT)		NO		YES	52	136,856	136,856	52	139,593	139,593
Manager of Grants	Bucharova, J.	NO	17	YES	52	72,162	72,162	52	73,605	73,605
Manager of Purchasing & Procurement	Oliver, K.	NO	27	YES	52	67,626	67,626	52	68,978	68,978
Customer Service Manager	Bullard, L.	NO	1	YES	52	75,000	75,000	52	76,500	76,500
Customer Service Representative (3 FT)		NO		YES	52	155,980	155,980	52	159,099	159,099
Incline Personnel (9 FT)		NO		YES	52	492,128	492,128	52	501,969	501,969
Transportation Manager		NO		NO	52	80,100	80,100	52	81,702	81,702
Accounts Rec/Payroll Administrator		NO	4	YES	52	60,000	60,000	52	61,200	61,200
Accounts Payable		NO	3	YES	52	50,000	50,000	52	51,000	51,000
Trainer (3)		NO		YES	52	185,038	185,038	52	188,738	188,738
Care-A-Van Dispatcher		NO	14	YES	52	57,600	57,600	52	58,752	58,752
Care-A-Van Lead Dispatcher (5)		NO		YES	52	261,079	261,079	52	266,300	266,300
Claims Manager		NO	2	YES	52	70,000	70,000	52	71,400	71,400
Fixed Shuttle Drivers		NO		YES	52	4,924,337	4,924,337	52	5,022,824	5,022,824
Communications Specialist		NO	4	YES	52	58,656	58,656	52	59,829	59,829
HR Administrator		NO	1	YES	52	62,000	62,000	52	63,240	63,240

* If a position is changed from a part-time to a full-time position, show each as a separate position unit.
List positions in order of responsibility and include all staff and employees of agency in this schedule.
Non-professional employees performing similar services may be reported as a group.
(a.) Check if person is covered by retirement benefits.

AGENCY: Chattanooga Area Regional Transportation Autho

AWARDS AND GRANTS FROM GOVERNMENTAL AGENCIES CITY/COUNTY/STATE/FEDERAL

	PROGRAM/PROJECT TITLE	NAME OF SOURCE	FOR HOW LONG?	LAST YEAR	THIS YEAR	NEXT YEAR
1	CARTA Operating Assistance	City of Chattanooga	53	6,300,000	7,645,000	7,645,000
2	TDOT Assistance	State of Tennessee	45	3,089,429	2,651,253	2,213,553
3	FTA Assistance	Federal Transit Administration	53	6,116,272	6,150,543	4,458,775
4	CARTA Operating Assistance	Red Bank	1		19,956	
5	CARTA Operating Assistance	East Ridge	1		129,684	
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
	Total Fees From Governmental Agencies			15,505,701	16,596,436	14,317,328

ALL FINANCIAL INFORMATION ROUNDED TO NEAREST DOLLAR

23 January 2026

The Honorable Weston Wamp, County Mayor
Hamilton County Commission
625 Georgia Avenue
Chattanooga, TN 37402

Dear Mayor Wamp and Members of the Hamilton County Commission:

On behalf of the Chattanooga Area Regional Transportation Authority (CARTA), I am pleased to submit our fiscal year 2027 budget request for your consideration.

Building on the success of last year's generous support from Hamilton County, CARTA has prepared a menu of transit initiatives that will further serve Hamilton County residents and support economic development throughout our community.

Your investment in the Care-A-Van subsidy and Drug Court programs in FY26 has demonstrated the powerful impact that strategic transit funding can have on individuals and families across our region.

For FY2027, we respectfully request $816,800 in total funding—$766,800 in operating support and $50,000 for local capital match—to support the following programs:

- **2nd Hour Free Downtown Parking** ($115,000) – Extending free parking to two hours to support downtown merchants and restaurants

- **Drug Court via CARTA Go** ($100,000) – Continuing successful fare-free transportation for program participants

- **Care-A-Van Subsidy** ($111,800) – Maintaining paratransit service for East Ridge and Red Bank residents

- **Chambliss Child Care Transportation** ($50,000) – Providing early education access for low-income children

- **County Connect Pilot** ($90,000) – Leveraging $500,000 in state and federal grant funding for transit services in Hamilton County

- **Seasonal Airport Shuttle** ($350,000) – Connecting visitors to downtown during major events to support economic development opportunities

Each of these initiatives addresses a specific community need while contributing to Hamilton County's economic vitality. From supporting workforce development through the Drug Court program, to removing barriers to quality early education, to enhancing

downtown's appeal for both residents and visitors, these services represent strategic investments in our county's future.

Together, we have an opportunity to build a transit system that properly represents Hamilton County as a destination for businesses and residents—one that reflects our community's values of opportunity, accessibility, and economic prosperity.

Thank you for your continued partnership and vision for public transportation in Hamilton County. I welcome the opportunity to discuss this request with you in greater detail.

Respectfully,

Charles D. Frazier

Charles D. Frazier
Chief Executive Officer
Chattanooga Area Regional Transportation Authority

CARTA Hamilton County Budget Request - Fiscal Year 2026-2027

Hamilton County's investment in public transportation delivers practical solutions that strengthen our local economy, support working families, and help residents access jobs and essential services. The fiscal year 2027 transit initiatives detailed below are designed to remove transportation barriers, reduce costs for taxpayers, and position Hamilton County as a competitive destination for business growth and tourism.

These programs address specific community needs with measurable results—connecting people to employment opportunities, supporting local merchants and restaurants, reducing recidivism through Drug Court transportation, and bringing tourist dollars into our economy during major events.

Each initiative maximizes the impact of county dollars by leveraging state and federal grant funding where possible, ensuring Hamilton County residents receive efficient, cost-effective transportation services that support our community's economic prosperity. This $816,800 request represents a strategic investment in infrastructure and services that benefit thousands of county residents while generating broader economic returns throughout the region.

OPERATIONAL BUDGET REQUESTS

- **2nd Hour Free Parking Downtown -** Anyone can park for free for a total of 2 hours any day of the week and all hours of the day in CARTA garages. (New in FY27)
  - Shuttle Park North - $80,000 annually
  - Shuttle Park South - $35,000 annually

  Total: $115,000

- **Drug Court via CARTA Go** (Current Program in FY26)
  - $88,000 for driver, $12,000 to allow customers to participate fare-free

  Total: $100,000

- **Care-A-Van (Program 3) Subsidy** (Current Program in FY26)
  - Red Bank (1,747 trips) & East Ridge (2,725 trips) 4,472 tips @ $25/trip

  Total: $111,800

- **Chambliss Child Care School Transportation** (New in FY27)

  Total: $50,000

- **County Connect Pilot Program** (New in FY27)
  - $40,000 (Local match for $200,000 critical trips grant)
  - $50,000 (Local match for $300,000 vehicle grant)

  Total: $90,000

- **Seasonal Airport Shuttle pilot** (New in FY27)

  Total: $350,000

GOING FURTHER

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga, Tennessee)

FINANCIAL REPORT
For the Fiscal Year Ended

June 30, 2025

MJ
CPAs & ADVISORS

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY

(A component unit of the City of Chattanooga, Tennessee)

FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2025

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CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY

(A component unit of the City of Chattanooga, Tennessee)

LISTING OF OFFICIALS

Board Members

Johan de Nysschen, Chairman
Evann Freeman, Vice Chairman
Charita Allen, Treasurer
Arcie Reeves, Secretary
Daniela Paz Peterson, Director
Stephen Culp, Director
LeAndrea Sanderfur, Director
Corey Evatt, Director
George "Bill" Nye, Director

Management

Charles Frazier, Chief Executive Officer
Scott Wilson, Chief of Staff
Melanie Jones, Chief Financial Officer
Annie Powell, Director of Grants, Technology and Research
Veronica Peebles, Chief Operating Officer
Brent Matthews, Director of Parking and Projects
Mark Logan, Chief Safety Officer
Daniel Dufour, Chief Innovation Officer
Matthew Higgins, Acting Director of Incline
Billy Summerow, Director of Maintenance
Brandon Meredith, Director of Communications and Planning
Doug Carlson, Director of Transit Planning and Quality
Larnzell Harper, Director of Transportation
Jeanine McNulty, Director of Human Resources

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chattanooga Area Regional Transportation Authority
Chattanooga, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the remaining fund information of the **Chattanooga Area Regional Transportation Authority** (CARTA), a component unit of the City of Chattanooga, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise CARTA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and remaining fund information of CARTA, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 CARTA 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 these 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 CARTA'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 GAAS 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 GAAS 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 CARTA'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 CARTA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8, the Schedules of Changes in the Authority's Net Pension Liability and Related Ratios, Schedules of Authority Contributions - Disability and Retirement Plan, Schedule of Money-Weighted Rate of Return - Disability and Retirement Plan, Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios, and the Schedule of Changes in Total OPEB Liability and Related Ratios - LGOP on pages 37 through 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Insurance Coverage and the Listing of Officials 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.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
December 16, 2025

Chattanooga Area Regional Transportation Authority
A Component Unit of the City of Chattanooga, Tennessee
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024

As management of the Chattanooga Area Regional Transportation Authority, (CARTA), we offer readers of CARTA's financial statements this narrative overview and analysis of the financial activities of CARTA for the fiscal years ended June 30, 2025 and 2024. CARTA is a component unit of the City of Chattanooga, Tennessee. Readers are encouraged to consider the information presented here in conjunction with CARTA's financial statements.

FINANCIAL HIGHLIGHTS

- For the year ended June 30, 2025, operating revenues were approximately $10,800,000 which is a decrease from the prior year's revenues of $11,600,000. Parking revenues increased approximately $527,000 from the prior year, while Incline sales were down during the non-operational period following a fire.
- For the year ended June 30, 2025, non-operating revenues were approximately $12,100,000 compared to $9,000,000 in the prior year. The current year included a gain on disposal of assets of $3,039,000; a result of the fire at the Incline.
- Total operating expenses for the year ended June 30, 2025, were approximately $36,300,000 compared to $32,700,000 for the prior year. Operations and Maintenance costs increased $1.2M, and $1.5M, respectively, due to the contractual wage increases and new positions. In addition, Administration costs decreased $400k, while depreciation increased $1.3M.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements provide short-term and long-term information about CARTA's overall financial status. CARTA follows accounting principles generally accepted in the United States of America, as applied to governmental units. We present our basic financial statements on an accrual basis of accounting that is similar to the accounting basis used by most private-sector companies.

Under the accrual basis, the current year's revenues earned and expenses incurred are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position regardless of when cash is received. This statement measures the financial success of CARTA's operations over the past year and can be used to determine whether CARTA has successfully recovered all of its costs through its user fees and other charges (business-type activities), profitability and credit worthiness. CARTA is an Authority created by the City of Chattanooga, Tennessee as a separate legal entity and provides public transportation in the City of Chattanooga, Tennessee.

In the Statement of Cash Flows, the primary purpose is to provide information about CARTA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and changes in cash resulting from operating, investing, and financing activities and provides answers to questions such as where did cash come from, what was cash used for, and what was the change in the cash balance during the period.

All of CARTA's assets, deferred outflows of resources, deferred inflows of resources, and liabilities are included in the Statement of Net Position. Net position –assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources – is one measure of CARTA's financial health or financial position. Over time, increases or decreases in CARTA's net position are one indicator of whether our financial health is improving or deteriorating.

The basic financial statements can be found as listed on the table of contents of this report.

FINANCIAL ANALYSIS OF CARTA

CARTA's net position decreased by $580,000 for fiscal year ended June 30, 2025.

Statement of Net Position

	2025	2024 - as restated
Assets		
Current assets and other assets	$ 7,941,141	$ 4,939,508
Capital assets, net	35,710,809	37,937,570
Total assets	43,651,950	42,877,078
Deferred outflows of resources	2,492,598	3,179,043
Liabilities		
Current and other liabilities	3,521,365	2,356,489
Long-term liabilities	14,277,803	14,541,854
Total liabilities	17,799,168	16,898,343
Deferred inflows of resources	1,065,109	1,297,654
Net position		
Net investment in capital assets	35,710,809	37,559,213
Unrestricted	(8,430,538)	(9,699,089)
Total net position	$ 27,280,271	$ 27,860,124

Changes in Net Position

	2025	2024 - as restated
Operating revenues	$ 10,756,184	$ 11,591,736
Operating expenses	36,310,530	33,433,900
Operating loss	(25,554,346)	(21,842,164)
Non-operating revenues	12,135,448	8,966,092
Capital contributions	12,839,045	7,782,036
Change in net position	$ (579,853)	$ (5,094,036)

For the year ended June 30, 2025, CARTA's operating revenues decreased approximately 7% and operating expenses increased by approximately 9% from the prior year.

Net Capital Assets

	2025	2024
Land	$ 3,258,047	$ 3,258,047
Land improvements	67,105	67,105
Buildings and improvements	38,410,243	37,519,680
Transportation equipment	65,005,847	64,791,762
Parking equipment	3,531,417	3,476,967
Construction in progress	336,891	97,010
Other, primarily shop and garage equipment	27,830,523	27,062,691
Total capital assets	138,440,073	136,273,262
Less accumulated depreciation	(102,729,264)	(98,335,692)
Net capital assets	$ 35,710,809	$ 37,937,570

Capital assets consist of land, land improvements, buildings and improvements, transportation equipment, parking equipment, shop and garage equipment, and other basic equipment and furnishings. CARTA had approximately $35,700,000 in capital assets, net of depreciation, at June 30, 2025.

For more detailed information about CARTA's capital assets, please see the notes to the basic financial statements.

DEBT

CARTA has no outstanding debt at this time.

ECONOMIC FACTORS

The following factors were considered in preparing CARTA's budget for the fiscal year 2025. CARTA was level-funded from the local government, with a slight increase of $500,000. Despite rising costs, CARTA was able to cover its expenses without receiving an increase in local funding due to federal American Rescue Plan Act (ARPA).

Budgeted revenue represents an increase in passenger revenue and advertising, an increase in parking and an offsetting reduction in American Rescue Plan Act (ARPA) revenue. The expense budget includes wage increases negotiated within the union contract.

REQUESTS FOR INFORMATION

This financial report is designed for those interested with a general overview of CARTA's finances and to demonstrate CARTA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Melanie Jones, Chief Financial Officer, Chattanooga Area Regional Transportation Authority, 1617 Wilcox Boulevard, Chattanooga, Tennessee, 37406.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF NET POSITION
June 30, 2025

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 866,251
Receivables	4,763,214
Lease receivable	470,606
Prepaid items	827,760
Materials and supplies inventories	1,013,310
Total current assets	7,941,141
NONCURRENT ASSETS	
Capital assets:	
Land	3,258,047
Land improvements	67,105
Buildings and improvements	38,410,243
Transportation equipment	65,005,847
Parking equipment	3,531,417
Construction in progress	336,891
Other, primarily garage and shop equipment	27,830,523
	138,440,073
Less accumulated depreciation	(102,729,264)
Capital assets, net	35,710,809
Total assets	43,651,950
DEFERRED OUTFLOWS OF RESOURCES	
Pension	2,392,319
OPEB	2,325
OPEB - LGOP	97,954
Total deferred outflows of resources	2,492,598
Total assets and deferred outflows of resources	$ 46,144,548

The Notes to Basic Financial Statements are an integral part of this statement.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable - operating	$ 2,295,411
Accrued liabilities	515,541
Compensated absences payable, current portion	589,630
Accident claims reserve	120,783
Total current liabilities	3,521,365
NONCURRENT LIABILITIES	
Compensated absences payable	884,444
Total OPEB liability	162,693
Total OPEB liability - LGOP	228,464
Net pension liability	13,002,202
Total noncurrent liabilities	14,277,803
Total liabilities	17,799,168
DEFERRED INFLOWS OF RESOURCES	
Pension	592,579
OPEB	36,396
OPEB - LGOP	4,738
Lease	431,396
Total deferred inflows of resources	1,065,109
NET POSITION	
Net investment in capital assets	35,710,809
Unrestricted (deficit)	(8,430,538)
Total net position	27,280,271
Total liabilities, deferred inflows of resources, and net position	$46,144,548

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2025

OPERATING REVENUES	
Passenger fares	$ 3,784,373
Incline ancillary	275,136
Parking	6,521,573
Advertising	175,102
Total operating revenues	10,756,184
OPERATING EXPENSES	
Operations	15,742,549
Maintenance	8,388,387
Administrative	6,371,646
Depreciation	5,807,948
Total operating expenses	36,310,530
OPERATING LOSS	(25,554,346)
NONOPERATING REVENUES	
Operating subsidies	8,708,014
Planning grants	317,182
Interest income	33,707
Gain on disposal of capital assets	3,039,080
Other	37,465
Total nonoperating revenues	12,135,448
LOSS BEFORE CONTRIBUTIONS	(13,418,898)
Capital contributions	12,839,045
CHANGE IN NET POSITION	(579,853)
NET POSITION, July 1	28,554,216
Restatement - GASB 101 implementation	(694,092)
NET POSITION, July 1, as adjusted	27,860,124
NET POSITION, end of fiscal year	$27,280,271

The Notes to Basic Financial Statements are an integral part of this statement.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 10,669,105
Payments to suppliers	(20,942,548)
Payments to employees	(7,784,322)
Net cash used in operating activities	(18,057,765)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating and planning grant funds received	8,614,448
Rents received	37,465
Net cash provided by noncapital financing activities	8,651,913
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Insurance reimbursements for capital asset	892,324
Purchases of capital assets	(4,118,547)
Proceeds from sale of capital assets	3,543
Capital contributions	12,340,708
Net cash provided by capital and related financing activities	9,118,028
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	33,707
NET DECREASE IN CASH AND CASH EQUIVALENTS	(254,117)
CASH AND CASH EQUIVALENTS, beginning of fiscal year	1,120,368
CASH AND CASH EQUIVALENTS, end of fiscal year	$ 866,251
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$(25,554,346)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	5,807,948
Changes in operating assets, deferred outflows/inflows of resources, and liabilities:	
Receivables, net	(95,701)
Lease receivable	8,622
Prepaid items	66,898
Other post employment benefit liability	(17,174)
Other post employment benefit liability - LGOP	135,883
Deferred outflows	686,445
Materials and supplies inventories	(24,268)
Accounts payable	1,507,214
Accrued liabilities and other	226,371
Net pension liability	(573,112)
Deferred inflows	(232,545)
Net cash used in operating activities	$(18,057,765)

The Notes to Basic Financial Statements are an integral part of this statement.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2025

ASSETS	
Receivables:	
Contributions:	
Employer	$ 508,489
Total receivables	508,489
Investments, at fair value:	
Money market funds	274,225
Mutual funds	23,674,243
Total investments	23,948,468
Total assets	24,456,957
NET POSITION RESTRICTED FOR PENSION BENEFITS	$24,456,957

The Notes to Basic Financial Statements are an integral part of this statement.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2025

ADDITIONS	
Contributions:	
Employer	$ 1,843,824
Employee	329,851
Total contributions	2,173,675
Investment income:	
Net appreciation in fair value of investments	1,797,150
Interest	994
Dividends	644,823
	2,442,967
Less investment expense	(84,746)
Net investment income	2,358,221
Total additions, net	4,531,896
DEDUCTIONS	
Benefits paid to participants	2,330,427
Total deductions	2,330,427
NET INCREASE	2,201,469
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	22,255,488
End of year	$24,456,957

The Notes to Basic Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Chattanooga Area Regional Transportation Authority (CARTA) is a component unit of the City of Chattanooga (the City). The City appoints ten members of CARTA's eleven-member board of directors. Additionally, the City finances the majority of CARTA's operating deficits. CARTA operates a mass transit system for the Chattanooga Metropolitan Area.

Measurement Focus/Basis of Accounting:

The financial statements of CARTA have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental entities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accompanying financial statements are prepared 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. The generally accepted accounting principles used are those applicable to comparable businesses in the private sector. Revenues are recognized when earned and expenses are recognized when incurred. All assets, deferred outflows of resources, deferred inflows of resources, and liabilities (whether current or noncurrent) associated with CARTA's activities are included in the statement of net position. The reported net position is segregated into net investment in capital assets, restricted and unrestricted components.

Operating revenues and expenses reported in CARTA's financial statements include activities related to the primary, continuing operations of CARTA. Operating revenues for CARTA are charges to customers for services. Operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues are classified as non-operating in the financial statements.

Federal, State, and Local Capital Contributions:

The U.S. Department of Transportation and the Tennessee Department of Transportation, under contracts with CARTA, have provided funds for a significant portion of the cost of acquisition and development of the mass transit system. The remaining project costs (matching contributions) have been furnished by the City and other municipalities served by CARTA.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal, State, and Local Capital Contributions (Continued):

At June 30, 2025, no amount of cash was designated for uses authorized by capital grant contracts.

Federal, State, and Local Operating Subsidies:

CARTA receives operating subsidies from the U.S. Department of Transportation, the Tennessee Department of Transportation, and local governments under operating assistance grant contracts. The amounts received or contractually receivable under such grants have been recorded as operating subsidies in the statement of revenues, expenses and changes in net position. These operating assistance grant contracts are obtained on a year-to-year basis.

Federal, State, and Local Planning Grants:

CARTA receives planning grants from the U.S. Department of Transportation and the Tennessee Department of Transportation. These planning grant contracts are obtained on a year-to-year basis.

Cash, Cash Equivalents and Investments:

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash balances in banks and overnight cash investments with original maturities of three months or less. The carrying amount approximated market value as of June 30, 2025.

CARTA invests excess cash in interest-bearing accounts and overnight cash investments with local depository institutions as authorized by the Board of Directors and in accordance with applicable State laws. CARTA's investment policy with respect to cash and overnight cash investments is to maximize investment earnings while maintaining an acceptable level of risk.

At June 30, 2025, CARTA held no amounts in investments. The Disability and Retirement Plan of the Chattanooga Area Regional Transportation Authority and Local 1212 of the Amalgamated Transit Union (Disability and Retirement Plan) is a single-employer defined benefit pension plan. Investments held by the Disability and Retirement Plan are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued):

Custodial credit risk. CARTA's policies limit deposits and investments to those instruments allowed by applicable State laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the uninsured deposits. Those deposits must be covered by Federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by CARTA's agent in CARTA's name, or by the Federal Reserve Banks acting as third-party agents. State statutes also authorize CARTA to invest in repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities. 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. At June 30, 2025, all deposits were entirely covered by the Federal Deposit Insurance Corporation or the Tennessee Bank Collateral Pool.

Prepaid Items:

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Materials and Supplies Inventories:

Materials, supplies, gasoline, diesel fuel, and oil are carried in inventory accounts at average cost and are subsequently charged to expenses when consumed. Office supplies and individual items valued at less than five thousand dollars are charged to expenses when purchased.

Capital Assets:

Capital assets are defined by CARTA as assets with an initial, individual cost of $5,000 or more. Capital assets are stated at historical cost. Maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Depreciation on equipment is recorded on a straight-line basis with a half year convention over the estimated useful lives of the assets. Buildings are depreciated over 25 years. New transportation equipment is depreciated over 5 to 12 years and used transportation equipment is depreciated over 5 years. Other equipment is being depreciated over estimated useful lives ranging from 3 to 25 years. Upon retirement or sale of equipment, the cost is removed from the asset account and, for financial statement purposes, depreciation through the date of retirement is removed from accumulated depreciation. Donated capital assets are recorded at their estimated acquisition values as of the date received.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position:

CARTA's financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted – represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use. CARTA's policy is generally to use any restricted net position first, as appropriate opportunities arise.

Unrestricted – represents unrestricted net position. While management may have categorized and segmented portions for various purposes, CARTA has the unrestricted authority to revisit or alter these managerial decisions.

Compensated Absences:

CARTA employees are granted annual paid time off in varying amounts. CARTA employees accrue ½ day to 1 day per month of sick leave and it accumulates up to a maximum of 150 days. An employee voluntarily leaving within twelve years or more of employment will receive 25% of any unused sick leave and if an employee retires from CARTA, the employee will receive 100% of any unused sick leave.

All vacation and sick pay is accumulated and in accordance with GASB Statement No. 101.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources:

The Authority has deferred inflows and outflows related to the recording of changes in its net pension liability and total OPEB liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension/OPEB expense over time instead of all being recognized in the fiscal year of occurrence. Experience gains or losses result from periodic studies by the Authority's actuary which adjust the net pension liability and total OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of Plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension/OPEB expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability and total OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Contributions to the Plans which are made subsequent to the measurement date are deferred and recognized as a reduction of the total pension liability in the subsequent year.

The Authority also reports as deferred inflows of resources items that arise from leases, where the Authority is a lessor. Lease-related amounts are recognized at the inception of leases in which the Authority is a lessor and are recorded in an amount equal to the corresponding leases receivable, plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any leases incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systemic and rational manner over the term of the lease.

NOTE 2. PENSION PLAN TRUST

As of December 31, 2024, the Plan had $23,948,468 invested in the following types of investments as categorized by credit risk:

Investment	Fair Value	Credit Quality
Mutual funds	$ 23,674,243	-
Money market funds	274,225	-
Total	$ 23,948,468	

NOTE 2. PENSION PLAN TRUST (CONTINUED)

Credit risk: It is the policy of the Pension Committee and the Plan to balance the portfolio in a way that will maximize the Plan's earnings in the long-term. Equity investments are focused on large-cap and mid-cap U.S. equities and developed large-cap and small-cap and mid-cap international equities. The Plan invests in a limited number of small-cap U.S. equities and emerging market international equities.

Taxable bonds are primarily focused on U.S. Government Treasury and Agency, investment-grade corporate, and high-yield products. Domestic bonds are limited to those with ratings that meet or exceed investment grade as defined by Moody's, S&P, or Fitch. U.S. Government Treasuries and Agency bonds do not have limitations based upon credit quality. Domestic equities, international equities, alternative investments and mutual funds are also not classified by credit quality.

Interest rate risk: The Plan's investment policy adopts the following asset mix to achieve the lowest level of risk for the Plan: U.S. Equity Securities between 30% and 60% at market value, International Equity Securities between 15% and 35% at market value, Taxable Bonds between 10% and 30% at market value, Alternative Investments between 0% and 30% at market value, and Money Market Instruments between 1% and 5%. Corporate equities, international equities, and mutual funds invested in equities are not classified by interest rate risk.

Custodial credit risk – ***deposits:*** Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan may not be able to recover its deposits.

Fair value measurements: The Fund has the following recurring fair value measurements, broken into the fair value hierarchy, as of December 31, 2024:

		Fair Value Hierarchy		
Investments	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 23,674,243	$ 23,674,243	$ -	$ -
Total fair value	$ 23,674,243	$ 23,674,243	$ -	$ -
Investments carried at cost				
Money market funds	$ 274,225			
Total investments	$ 23,948,468			

Mutual funds are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 2. PENSION PLAN TRUST (CONTINUED)

Foreign currency risk: At December 31, 2024, the Plan's total assets had no exposure of foreign currency risk through investments in foreign companies.

Rate of return: For the year ended December 31, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. The Pension Plan utilizes the accrual basis of accounting. Contributions are recognized when paid or legally due. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan administration. The Disability and Retirement Plan is administered by a committee of four persons, two appointed by the Union and two appointed by CARTA. The Disability and Retirement Plan is a single-employer defined benefit pension plan that provides pensions for all permanent full-time employees of the Authority. The Disability and Retirement Plan of the Chattanooga Area Regional Transportation Authority and Local 1212 of the Amalgamated Transit Union issues a stand-alone financial report. A copy of the report may be obtained by writing to CARTA, 1617 Wilcox Boulevard, Chattanooga, Tennessee 37406.

Plan membership. At December 31, 2024, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	123
Inactive plan members entitled to but not receiving benefits	11
Active plan members	180
	314

NOTE 3. PENSION PLAN (CONTINUED)

Benefits. All full-time, permanent employees are eligible to participate in the Plan. Participants who retire at or after age 65 with 5 years of continuous service, or when the sum of the employee's age and number of completed continuous years of service equals or exceeds 85, are entitled to a monthly benefit. Early retirement is available, with a reduced benefit which starts immediately, to employees who have completed 15 years or more of credited service and are at least 55 years old. An employee retiring with 5 to 14 years of service is not eligible to receive any immediate benefits, but is eligible to receive benefits at age 65. Participants who terminate employment prior to the completion of 5 years of continuous credited service before termination are refunded their contributions to the Plan but are not entitled to receive any contributions made to the Plan by CARTA.

Contributions. All participants in the Plan are required to make a contribution to the Plan equal to 4.50 percent of their earnings, with CARTA's required contribution of 16.0 percent of the employees' earnings for the Plan year ended December 31, 2024. The monthly employer and employee contributions are subject to certain limitations as specified in the Plan. Covered payroll for the year ended December 31, 2024 was $12,684,830.

Net Pension Liability of the Authority. The Authority's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.5% on average, including inflation of 3.0%
Investment rate of return	7.0%, net of pension plan investment expense

Both pre-retirement and post-retirement mortality rates were based on the RP-2014 Total Data Set Mortality Table projected generationally with Scale MP-2014. The RP-2014 Disabled Retiree Mortality Table projected generationally with Scale MP-2014 is used for the period after disability retirement.

The actuarial assumptions used in the January 1, 2025 valuation were based on the results of an actuarial experience analysis performed in conjunction with the January 1, 2015 valuation.

NOTE 3. PENSION PLAN (CONTINUED)

An experience investigation for the five-year period ending January 1, 2015 was performed. However, the Pension Committee of CARTA voted to lower the investment return assumption from 7.50% to 7.00% to ensure that the CARTA assumption was within 50 basis points of the assumption used by the Tennessee Consolidated Retirement System (TCRS), which used 6.75% as their most recent valuation.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The discount rate of 7.00% was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined. Projected future benefit payments for all current plan members were projected through the year 2122. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability and a municipal bond rate was not used in determining the discount rate.

NOTE 3. PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability of the Authority. The changes in the components of the net pension liability of the Authority for the year ended December 31, 2024, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2023	$ 35,830,802	$ 22,255,488	$ 13,575,314
Changes for the year			
Service cost	1,245,784	-	1,245,784
Interest	2,426,591	-	2,426,591
Differences between experience and actual	286,409	-	286,409
Contributions - employer	-	1,843,824	(1,843,824)
Contributions - employee	-	329,851	(329,851)
Net investment income	-	2,442,967	(2,442,967)
Benefit payments	(2,330,427)	(2,330,427)	-
Administrative expenses	-	(84,746)	84,746
Net Changes	1,628,357	2,201,469	(573,112)
Balance at Demeber 31, 2024	$ 37,459,159	$ 24,456,957	$ 13,002,202

The Plan's fiduciary net position as a percentage of the total pension liability is 65.3%.

The required schedule of changes in the Authority's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of Plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.00 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's net pension liability	$ 16,460,440	$ 13,002,202	$ 10,058,517

NOTE 3. PENSION PLAN (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2024, and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the fiscal year ended June 30, 2025, the Authority recognized pension expense of $2,235,001. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 106,873	$ -
Changes of assumptions	521,049	-
Difference between expected and actual experience	318,012	592,579
Contributions subsequent to the measurement date	1,446,385	-
Total	$ 2,392,319	$ 592,579

Authority contributions subsequent to the measurement date of $1,446,385 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	
2026	$ 489,984
2027	621,791
2028	(565,907)
2029	(198,677)
2030	6,164
Total	$ 353,355

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS

CARTA has adopted an other postemployment benefit obligation (OPEB) plan that was established by the Authority's Board. The Board is authorized to approve amendments to the Plan. The Board has not elected to advance fund the Plan, but rather maintain the Plan as a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The Plan has no assets accumulated in a trust which meets the requirements to be netted against OPEB liabilities. The Plan does not issue separate financial statements.

Plan Description. CARTA provides life insurance and supplemental retirement benefits for certain members of management. The Plan is a single-employer defined benefit plan. Participants of this plan who retire are entitled to a set benefit of $2,000 for life insurance, with additional supplemental benefits available based on the retiree's age.

Funding Policy Contributions. CARTA pays a $2,000 supplement for life insurance and supplemental retirement benefits. The contribution requirements of CARTA are established and may be amended by CARTA's Board of Directors. Plan members are currently not required to contribute. For the fiscal year ended June 30, 2025, the Authority contributed $10,140 for the pay as you go benefits.

Membership. The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Plan as of June 30, 2025:

Inactive employees or beneficiaries currently receiving benefits	108
DROP members	7
Active employees	180
Total	295

Total OPEB Liability. The required schedule of changes in CARTA's total OPEB liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about whether the value of plan assets are increasing or decreasing over time relative to the total OPEB liability.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Change in the Total OPEB Liability. CARTA's changes in the total OPEB liability by source for the fiscal year ended June 30, 2025, is reflected below:

Total OPEB liability as of June 30, 2024	$	179,867
Changes for the year:		
Service cost at the end of the year		2,970
Interest on TOL and cash flows		6,887
Change in benefit terms		7,116
Difference between actual and expected		2,859
Changes of assumptions		(26,866)
Benefit Payments		(10,140)
Net changes		(17,174)
Total OPEB liability as of June 30, 2025	$	162,693

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of the valuation date, June 30, 2025. The following actuarial assumptions apply to all periods included in the measurement:

Discount rate	5.25%
Salary increases	N/A
Inflation rate	3.00%
Municipal bond index rate	5.25%
Long-term expected rate of return	5.25%

Mortality rates were based on the RP-2014 Total Data Set Mortality Table projected generationally with Scale MP-2014, for service. The RP-2014 Disabled Retiree Mortality Table projected generationally with Scale MP-2014 is used for the period after disability retirement.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of CARTA, calculated using the discount rate, as well as what the CARTA's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

The following table represents the sensitivity analysis discussed above as of June 30, 2025:

	1% Decrease (4.25%)	Current Assumption (5.25%)	1% Increase (6.25%)
CARTA's total OPEB Liability	$ 182,507	$ 162,693	$ 146,527

OPEB Income and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2025, CARTA recognized OPEB expense of $768. At June 30, 2025, CARTA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 2,325	$ 3,040
Changes in assumption	-	33,356
	$ 2,325	$ 36,396

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

Fiscal Year Ending June 30:	
2026	$ (15,632)
2027	(8,610)
2028	(7,162)
2029	(2,667)
Total	$ (34,071)

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Local Government OPEB Plan

CARTA participates in an other postemployment benefit obligation (OPEB) plan that was established by the State of Tennessee. The Plan is on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The Plan does not issue separate financial statements.

Plan Description. Employees of CARTA are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits Provided. CARTA offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. CARTA does not directly subsidize and is only subject to the implicit. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Membership: Membership (derived from the most recent actuarial valuation) consisted of 173 active employees and 3 inactive employees currently receiving benefit payments as of July 1, 2024.

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2025, CARTA paid $11,988 to the LGOP for OPEB benefits as they came due.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Total OPEB Liability. CARTA's changes in the total OPEB liability by source for the fiscal year ended June 30, 2025, is reflected on the following schedule:

Total OPEB liability as of June 30, 2024	$	92,581
Changes for the year:		
Service costs at the end of the year		46,303
Interest on TOL and cash flows		5,054
Difference between expected and actuarial experiences		69,625
Changes of assumptions		15,762
Benefit payments		(861)
Net changes		135,883
Total OPEB liability as of June 30, 2025	$	228,464

Actuarial assumptions. The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	Graded salary ranges from 3.44 percent to 8.72 percent based on age, including inflation, averaging 4 percent.
Inflation rate	2.25 percent
Healthcare cost trend rates	10.68 percent for pre-65 in 2025, decreasing annually over a 13 year period to an ultimate rate of 4.50 percent. 13.44 percent for post-65 in 2025, decreasing annually over a 13 year period to an ultimate rate of 4.50%.
Retiree's share of benefit costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled postretirement mortality, with mortality improvement projected to all future years using Scale MP-2021. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2021.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6 percent load for males and a 14 percent load for females, projected generationally from 2010 with MP-2021. Mortality rates for disabled lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load projected generationally from 2018 with MP-2021.

Discount rate - The discount rate used to measure the total OPEB liability was 3.93 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, based on the Bond Buyer 20-Year Municipal GO AA Index.

Changes in Assumptions. The discount rate changed from 3.65 percent as of the beginning of the measurement period to 3.93 percent as of June 30, 2024. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

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

	1% Decrease (2.93%)	Current Assumption (3.93%)	1% Increase (4.93%)
Total OPEB Liability	$ 243,461	$ 228,464	$ 214,619

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

	1% Decrease (5.60% decreasing to 3.50%)	Current Assumption (6.60% decreasing to 4.50%)	1% Increase (7.60% decreasing to 5.50%)
Total OPEB Liability	$ 208,073	$ 228,464	$ 252,427

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

OPEB expense - For the fiscal year ended June 30, 2025, CARTA recognized OPEB expense of $64,613.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2025, CARTA reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 60,100	$ 4,738
Changes in plan assumptions	26,695	-
Employer payments made subsequent to measurement date	11,159	-
Total	$ 97,954	$ 4,738

The amount shown for "Employer payments subsequent to the measurement date," will be recognized as a reduction to total OPEB liability in the following measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	Amount
2026	$ 13,256
2027	13,256
2028	13,256
2029	13,256
2030	13,256
Thereafter	15,777
	$ 82,057

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

NOTE 5. RISK MANAGEMENT

CARTA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CARTA purchases commercial insurance for claims and for all other risks of loss. At June 30, 2025, there are no significant claims liabilities outstanding. CARTA's exposure to risks of loss is detailed as follows:

Accident Claims Reserve: CARTA is insured for public liability and property damage with the Tennessee Municipal League and is responsible for the deductible portion of claims up to a maximum of $10,000 per individual claim. Amounts over this limit are fully covered by insurance. CARTA has recorded an estimated reserve of $120,783 at June 30, 2025. In the opinion of management, these reserves are sufficient to provide for the estimated costs of claims not covered by insurance.

Workers' Compensation Insurance: CARTA is fully-insured for workers' compensation claims, to an annual maximum of $1,000,000. The charges to operating expenses associated with workers' compensation insurance for the fiscal year ended June 30, 2025, was $535,995. CARTA has recorded an estimated reserve of $21,092 at June 30, 2025. Settled claims resulting from these insured risks have not exceeded the Authority's insurance coverage in any of the past three fiscal years.

Activity in the estimated claims payable were as follows for the years ended June 30, 2025 and 2024:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2023-2024	$ 130,690	$ 144,654	$ (59,847)	$ 215,497
2024-2025	215,497	26,598	(100,220)	141,875

NOTE 6. LONG-TERM DEBT

Changes in long-term liabilities and obligations for the fiscal year ended June 30, 2025, were as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Compensated absences*	$ 1,273,906	$ 200,168	$ -	$ 1,474,074	$ 589,630
Net pension liability	13,575,314	4,043,530	(4,616,642)	13,002,202	-
Total OPEB liability	179,867	19,832	(37,006)	162,693	-
Total OPEB-LGOP liability	92,581	136,744	(861)	228,464	-
Total	$ 15,121,668	$ 4,400,274	$ (4,654,509)	$ 14,867,433	$ 589,630

* The change in compensated absences liability is presented as a net change

Beginning balances of CARTA's compensated absence liability have been adjusted due to the implementation of GASB Statement No. 101 by the Authority. See Note 10.

NOTE 7. LEASE RECEIVABLE

CARTA is a lessor for a noncancellable lease of a parking garage. CARTA recognizes a lease receivable in the financial statements.

At the commencement of a lease, CARTA initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how CARTA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- When the interest rate is not provided, CARTA generally uses the estimated incremental borrowing rate as the discount rate for leases. For the River City Lease, the estimated rate was 5.76%.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments. The lease period ends on November 9, 2049.

CARTA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Changes in the lease receivable for the fiscal year ended June 30, 2025, were as follows:

	Balance July 1, 2024	Additons	Prinicpal Payments	Balance June 30, 2025
River City Lease	$ 479,228	$ -	$ (8,622)	$ 470,606
Total	$ 479,228	$ -	$ (8,622)	$ 470,606

NOTE 8. CAPITAL ASSETS

Capital assets are summarized as follows:

	Beginning Balance	Increase	Disposal	Transfers	Ending Balance
Capital assets - nondepreciable					
Land	$ 3,258,047	$ -	$ -	$ -	$ 3,258,047
Construction in progress	97,010	240,779	(898)	-	336,891
Total nondepreciable capital assets	3,355,057	240,779	(898)	-	3,594,938
Capital assets - depreciable					
Land improvements	67,105	-	-	-	67,105
Parking equipment	3,476,967	54,450	-	-	3,531,417
Building and improvements	37,519,680	890,563	-	-	38,410,243
Transportation equipment	64,791,762	1,783,920	(1,569,835)	-	65,005,847
Other, primarily garage and shop equipment	27,062,691	770,478	(2,646)	-	27,830,523
Total capital assets - depreciable	132,918,205	3,499,411	(1,572,481)	-	134,845,135
Total capital assets	136,273,262	3,740,190	(1,573,379)	-	138,440,073
Less accumulated depreciation	(98,335,692)	(5,807,948)	1,414,376	-	(102,729,264)
Capital assets, net	$ 37,937,570	$ (2,067,758)	$ (159,003)	$ -	$ 35,710,809

NOTE 9. PARKING AUTHORITY

Effective October 22, 2012, the City of Chattanooga (City) authorized CARTA to serve as the City of Chattanooga Parking Authority (Parking Authority) in addition to CARTA's normal operations. As the Parking Authority, CARTA is responsible for all metered parking and the enforcement of parking in the City. City Ordinance, Article X, Division 2, Section 24-311 through 24-349 discusses the formation of the Parking Authority and authorizes the Parking Authority to use parking revenues "…for the purpose of rental, acquisition, establishment, erection, maintenance, replacement and operation of all parking meters, parking garages and lots, and other parking facilities provided by the Parking Authority; for the purpose of making the parking system safe and effective; for the expenses incurred by and through the Parking Authority in the regulation of vehicular parking and enforcement of these ordinances; and for providing downtown shuttle service. Any sums remaining after expenses for the foregoing purposes shall be remitted to the general fund of the City of Chattanooga…"

NOTE 9. PARKING AUTHORITY (CONTINUED)

Summarized operating results for the Parking Authority portion of CARTA's operations for the fiscal year ended June 30, 2025, is as follows:

	June 30, 2025
Revenues:	
Parking meters	$ 2,387,721
Parking enforcement	1,009,672
Grants - shuttle	832,125
Interest	4,498
Miscellaneous - shuttle	16,926
Total revenues	4,250,942
Expenses:	
Operating	2,756,955
Maintenance	1,137,954
Administrative	1,098,547
Total expenses	4,993,456
Net loss	$ (742,514)

NOTE 10. RESTATEMENT OF BEGINNING BALANCE

Total Net Position - July 1	$ 28,554,216
Restatement - GASB 101 Implementation	(694,092)
Total Net Position - July 1, As Adjusted	$ 27,860,124

During the current year, CARTA implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, CARTA now recognizes an estimated amount of sick leave earned as of year-end as part of the liability for compensated absences. The effects of the change in accounting principal are summarized above.

REQUIRED SUPPLEMENTARY INFORMATION

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	$ 1,245,784	$ 1,203,656	$ 1,217,910	$ 1,024,251	$ 1,031,265	$ 897,913	$ 897,515	$ 876,699	$ 825,353	$ 781,830
Interest on total pension liability	2,426,591	2,374,628	2,281,460	2,215,237	2,088,343	2,037,895	1,998,546	1,889,138	1,793,901	1,685,711
Changes of assumptions	-	-	-	1,732,793	-	-	-	-	-	-
Differences between expected and actualexperience	286,409	(678,345)	(291,316)	(87,820)	635,477	(230,162)	(530,294)	315,280	120,854	427,251
Benefit payments, including refunds of employee contributions	(2,330,427)	(1,984,785)	(1,769,394)	(1,887,946)	(2,238,379)	(1,827,626)	(1,854,597)	(1,390,100)	(1,550,446)	(1,354,069)
Net change in total pension liability	1,628,357	915,154	1,438,660	2,996,515	1,516,706	878,020	511,170	1,691,017	1,189,662	1,540,723
Total pension liability - beginning	35,830,802	34,915,648	33,476,988	30,480,473	28,963,767	28,085,748	27,574,578	25,883,561	24,693,899	23,153,176
Total pension liability - ending (a)	$37,459,159	$35,830,802	$34,915,648	$33,476,988	$30,480,473	$28,963,768	$28,085,748	$27,574,578	$25,883,561	$24,693,899
Plan fiduciary net position										
Contributions - employer	1,843,824	1,897,409	1,739,809	1,790,217	1,746,168	1,799,928	1,639,268	1,481,647	1,209,166	1,151,775
Contributions - employee	329,851	466,864	438,445	472,501	461,933	303,884	403,345	342,803	316,547	301,249
Net investment income	2,442,967	2,793,853	(3,497,711)	2,930,169	2,030,847	2,924,506	(997,226)	1,741,636	717,533	(234,245)
Benefit payments, including refunds of employee contributions	(2,330,427)	(1,984,785)	(1,769,394)	(1,887,946)	(2,238,379)	(1,827,626)	(1,854,597)	(1,390,100)	(1,550,446)	(1,354,069)
Administrative expenses	(84,746)	(87,169)	(89,492)	(79,323)	(54,703)	(58,591)	(24,333)	(86)	(25,581)	(104,038)
Net change in plan fiduciary net position	2,201,469	3,086,172	(3,178,343)	3,225,618	1,945,866	3,142,101	(833,543)	2,175,900	667,219	(239,328)
Plan fiduciary net position - beginning	22,255,488	19,169,316	22,347,659	19,122,041	17,176,175	14,034,074	14,867,617	12,691,717	12,024,498	12,263,826
Plan fiduciary net position - ending (b)	$24,456,957	$22,255,488	$19,169,316	$22,347,659	$19,122,041	$17,176,175	$14,034,074	$14,867,617	$12,691,717	$12,024,498
Net pension liability - ending (a) - (b)	$13,002,202	$13,575,314	$15,746,332	$11,129,329	$11,358,432	$11,787,593	$14,051,674	$12,706,961	$13,191,844	$12,669,401
Plan fiduciary net position as a percentage of the total pension liability	65.3%	62.1%	54.9%	66.8%	62.7%	59.3%	50.0%	53.9%	49.0%	48.7%
Covered payroll	$12,684,830	$11,283,355	$11,067,543	$10,647,609	$10,609,212	$ 9,513,855	$ 9,537,829	$ 9,407,872	$ 8,721,617	$ 8,249,619
Authority's net pension liability as a percentage of covered payroll	102.5%	120.3%	142.3%	104.5%	107.1%	123.9%	147.3%	135.1%	151.3%	153.6%

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF AUTHORITY CONTRIBUTIONS
DISABILITY AND RETIREMENT PLAN

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 1,837,911	$ 1,812,013	$ 1,597,649	$ 1,497,359	$ 1,503,274	$ 1,497,141	$ 1,435,535	$ 1,379,283	$ 1,309,734	$ 1,231,247
Contributions in relation to the actuarially determined contribution	1,843,824	1,897,409	1,739,809	1,790,217	1,746,168	1,154,943	1,639,268	1,481,647	1,209,166	1,151,775
Contribution deficiency (excess)	$ (5,913)	$ (85,396)	$ (142,160)	$ (292,858)	$ (242,894)	$ 342,198	$ (203,733)	$ (102,364)	$ 100,568	$ 79,472
Covered payroll	$ 12,684,830	$ 11,283,355	$ 11,067,543	$ 10,647,609	$ 10,609,212	$ 9,513,855	$ 9,537,829	$ 9,407,872	$ 8,721,617	$ 8,249,619
Contributions as a percentage of Covered payroll	14.5%	16.8%	15.7%	16.8%	16.5%	12.1%	17.2%	15.7%	13.9%	14.0%

Notes to the Schedule

Valuation Date	January 1, 2023
Cost Method	Entry Age
Actuarial Asset Valuation Method	Market Value, with 5-year recognition of investment gains and losses, not less than 80% or greater than 120% of market value
Assumed Rate of Return on Investments	7.00%
Projected Salary Increases	3.5% (including 3.0% for inflation)
Cost-of-living Adjustment	None
Amortization Method	Level dollar, closed
Remaining Amortization Period	23.7 years

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
DISABILITY AND RETIREMENT PLAN

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return net of investment expense	9.85%	12.32%	-18.97%	12.99%	10.33%	16.69%	-7.42%	11.83%	5.70%	-1.95%

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service Cost at end of year	$ 2,970	$ 3,132	$ 3,276	$ 4,429	$ 4,073	$ 3,215	$ 3,273	$ 3,246
Interest	6,887	6,786	6,479	4,828	4,947	6,930	6,975	6,877
Experience differences	2,859	(4,821)	(650)	549	-	-	-	-
Changes of benefit terms	7,116	-	-	-	(1,198)	(29,766)	1,438	8,107
Assumption changes	(26,866)	(6,138)	(6,942)	(35,201)	1,945	23,892	-	-
Benefit payments	(10,140)	(9,009)	(9,009)	(9,007)	(9,006)	(9,758)	(16,568)	(13,418)
Net change in total pension liability	(17,174)	(10,050)	(6,846)	(34,402)	761	(5,487)	(4,882)	4,812
Total OPEB liability - beginning	179,867	189,917	196,763	231,165	230,404	235,891	240,773	235,961
Total OPEB liability - ending	$ 162,693	$ 179,867	$ 189,917	$ 196,763	$ 231,165	$ 230,404	$ 235,891	$ 240,773
Covered payroll	$ 12,684,830	$ 11,283,355	$ 11,067,543	$ 10,647,609	$ 10,609,212	$ 9,513,855	$ 9,537,829	$9,407,872
Authority's total OPEB liability as a percentage of covered payroll	1.28%	1.59%	1.72%	1.85%	2.18%	2.42%	2.47%	2.56%

Notes to the Schedule
The schedule will present 10 years of information once it is accumulated.
No assets are accumulated in a qualifying trust.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS - LGOP

	2025	2024	2023
Total OPEB liability			
Service cost	$ 46,303	$ 36,456	$ -
Interest	5,054	2,786	-
Changes of benefit terms	-	-	42,667
Differences between actual & expected experience	69,625	(6,526)	-
Change of assumptions	15,762	18,027	-
Benefit payments, including refunds of employee contributions	(861)	(829)	-
Net change in total OPEB liability	135,883	49,914	42,667
Total OPEB liability-beginning	92,581	42,667	-
Total OPEB liability-ending	$ 228,464	$ 92,581	$ 42,667
Covered-employee payroll	$ 12,684,830	$ 11,283,355	$ 11,067,543
Total OPEB liability as a Percentage of Payroll	1.80%	0.82%	0.39%

Notes to the Schedule

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

CARTA is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

OTHER SUPPLEMENTARY INFORMATION

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga)

OTHER SUPPLEMENTARY INFORMATION

SUPPLEMENTAL SCHEDULE OF INSURANCE COVERAGE
June 30, 2025

The following schedule is presented to conform to the requirements of the State of Tennessee, Comptroller of the Treasury Standards for Reporting:

Type of Coverage	Amount of Coverage
Felonious assault	$ 100,000
Auto and general liability	5,000,000
Boiler and machinery	54,905,181*
Workers' compensation excess	1,000,000
Electronics floater	530,875
Fiduciary	2,000,000
Crime – employee dishonesty	500,000
Crime – forgery and alteration	150,000
Crime – computer fraud	150,000
Crime – theft, disappearance or destruction	150,000
Cyber	1,000,000

*Includes a maximum of $2,500,000 of business interruption coverage.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY

(A component unit of the City of Chattanooga, Tennessee)

FINANCIAL REPORT
For the Fiscal Year Ended

JUNE 30, 2024

MAULDIN & JENKINS

CPAs & ADVISORS

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY

(A component unit of the City of Chattanooga, Tennessee)

FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2024

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CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY

(A component unit of the City of Chattanooga, Tennessee)

LISTING OF OFFICIALS

Board Members

Johan de Nysschen, Chairman
Evann Freeman, Vice Chairman
Patricia McKoy, Treasurer
Arcie Reeves, Secretary
Daniela Paz Peterson, Director
Charita Allen, Director
Stephen Culp, Director
Jenny Park, Director
LeAndrea Sanderfur, Director
Corey Evatt, Director
George "Bill" Nye, Director

Management

Charles Frazier, Chief Executive Officer
Scott Wilson, Chief of Staff
Sonja Sparks, Chief Financial Officer
Annie Powell, Director of Grants, Technology and Research
Jeff Smith, Chief Operating Officer/Director of Human Resources
Brent Matthews, Director of Parking and Projects
Tricia Prince, Training Manager
Vacant, Director of ADA and Mobility Management
Matthew Higgins, General Manager of Incline
Daniel Collins, Director of Safety, Security, Training, Liability Claims
Billy Summerow, Director of Maintenance
Ken Castleberry, General Manager of Network Systems
Veronica Peebles, Director of Communications and Planning
Phillip Pugliese, General Manager of Planning and Grants
Sam Huff, Assistant Director of Maintenance

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chattanooga Area Regional Transportation Authority
Chattanooga, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the remaining fund information of the **Chattanooga Area Regional Transportation Authority** ("CARTA"), a component unit of the City of Chattanooga, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise CARTA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and remaining fund information of CARTA, as of June 30, 2024, and the respective changes in financial position and cash flows thereof and 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 (GAAS) 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 CARTA 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 these 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.

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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 CARTA'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 GAAS 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 GAAS 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 CARTA'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 CARTA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8, the Schedules of Changes in the Authority's Net Pension Liability and Related Ratios, Schedules of Authority Contributions - Disability and Retirement Plan, Schedule of Money-Weighted Rate of Return - Disability and Retirement Plan, Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios, and the Schedule of Changes in Total OPEB Liability and Related Ratios - LGOP on pages 37 - 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise CARTA's basic financial statements. The schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Insurance Coverage and the Listing of Officials 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 14, 2024, on our consideration of CARTA'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 CARTA'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 CARTA's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 14, 2024

Chattanooga Area Regional Transportation Authority
A Component Unit of the City of Chattanooga, Tennessee
Management's Discussion and Analysis
Years Ended June 30, 2024 and 2023

As management of the Chattanooga Area Regional Transportation Authority, (CARTA), we offer readers of CARTA's financial statements this narrative overview and analysis of the financial activities of CARTA for the fiscal years ended June 30, 2024 and 2023. CARTA is a component unit of the City of Chattanooga, Tennessee. Readers are encouraged to consider the information presented here in conjunction with CARTA's financial statements.

FINANCIAL HIGHLIGHTS

- For the year ended June 30, 2024, operating revenues were $11,600,000 which is an increase from the prior year's revenues of $10,800,000. Parking revenues increased approximately $907,000 from the prior year. In October 2023, parking on street meter charges were increased from 50 cents per half hour up to two hours to $1.00.
- For the year ended June 30, 2024, non-operating revenues were $9,000,000 compared to $9,600,000 in the prior year. The current year amount was comprised primarily of operating subsidies of $8,700,000 and planning grants of $240,000.
- Total operating expenses for the year ended June 30, 2024, were $32,700,000 compared to $31,700,000 for the prior year. This increase is due to an increase in wages and benefits of $900,000, (4%) due to the wage increase of 4% per the union contract and liability and depreciation expense increase of $400,000 offset by decreases in professional services for COVID additional cleaning of $300,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements provide short-term and long-term information about CARTA's overall financial status. CARTA follows accounting principles generally accepted in the United States of America, as applied to governmental units. We present our basic financial statements on an accrual basis of accounting that is similar to the accounting basis used by most private-sector companies.

Under the accrual basis, the current year's revenues earned and expenses incurred are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position regardless of when cash is received. This statement measures the financial success of CARTA's operations over the past year and can be used to determine whether CARTA has successfully recovered all of its costs through its user fees and other charges (business-type activities), profitability and credit worthiness. CARTA is an Authority created by the City of Chattanooga, Tennessee as a separate legal entity and provides public transportation in the City of Chattanooga, Tennessee.

In the Statement of Cash Flows, the primary purpose is to provide information about CARTA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and changes in cash resulting from operating, investing, and financing activities and provides answers to questions such as where did cash come from, what was cash used for, and what was the change in the cash balance during the period.

All of CARTA's assets, deferred outflows of resources, deferred inflows of resources, and liabilities are included in the Statement of Net Position. Net position –assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources – is one measure of CARTA's financial health or financial position. Over time, increases or decreases in CARTA's net position are one indicator of whether our financial health is improving or deteriorating.

The basic financial statements can be found as listed on the table of contents of this report.

FINANCIAL ANALYSIS OF CARTA

CARTA's net position decreased by $4,400,000 for fiscal year ended June 30, 2024.

Statement of Net Position

	2024	2023
Assets		
Current assets and other assets	$ 4,939,508	$ 7,368,406
Capital assets, net	37,937,570	39,913,165
Total assets	42,877,078	47,281,571
Deferred outflows of resources	3,179,043	4,867,622
Liabilities		
Current and other liabilities	2,356,489	2,308,564
Long-term liabilities	13,847,762	15,936,249
Total liabilities	16,204,251	18,244,813
Deferred inflows of resources	1,297,654	950,220
Net position		
Net investment in capital assets	37,559,213	39,702,184
Unrestricted	(9,004,997)	(6,748,024)
Total net position	$ 28,554,216	$ 32,954,160

Changes in Net Position

	2024	2023
Operating revenues	$ 11,591,736	$ 10,807,324
Operating expenses	32,739,808	31,683,192
Operating loss	(21,148,072)	(20,875,868)
Non-operating revenues	8,966,092	9,631,052
Capital contributions	7,782,036	18,357,522
Change in net position	$ (4,399,944)	$ 7,112,706

For the year ended June 30, 2024, CARTA's operating revenues increased approximately 7% and operating expenses increased by approximately 3% from the prior year.

Net Capital Assets

	2024	2023
Land	$ 3,258,047	$ 3,258,047
Land improvements	67,105	67,105
Buildings and improvements	37,519,680	36,946,845
Transportation equipment	64,791,762	62,895,779
Parking equipment	3,476,967	3,410,323
Construction in progress	97,010	283,848
Other, primarily shop & garage equipment	27,062,691	26,857,350
Total capital assets	136,273,262	133,719,297
Less accumulated deprecition	(98,335,692)	(93,806,132)
Net capital assets	$ 37,937,570	$ 39,913,165

Capital assets consist of land, land improvements, buildings & improvements, transportation equipment, parking equipment, shop & garage equipment and other basic equipment and furnishings. CARTA had $37,900,000 in capital assets, net of depreciation, at June 30, 2024.

For more detailed information about CARTA's capital assets, please see the notes to the basic financial statements.

DEBT

CARTA has no outstanding debt at this time.

ECONOMIC FACTORS

The following factors were considered in preparing CARTA's budget for the fiscal year 2024. CARTA was level-funded from the local government. Despite rising costs, CARTA was able to cover its expenses without receiving an increase in local funding due to federal American Rescue Plan Act (ARPA) funds and an increase in Transit, Incline and Parking revenues.

Although we recognize inflation has increased, we are able to implement an almost flat budget when comparing to last year. CARTA's Operating Budget for year ending June 30, 2024 is $27,543,941 which is a .05% decrease from last year's budget. Budgeted revenue represents a 3% increase in passenger revenue and advertising, a 2% increase in parking and an offsetting reduction in American Rescue Plan Act (ARPA) revenue. The expense budget includes a 4% wage increase negotiated within the union contract. Although there is an overall decrease in health insurance from the implementation of a new plan last year, a 5% increase is included for an increase in health insurance premiums and a 23% increase in liability and workers compensation insurance premiums based on premium increases. These increases are offset by reductions in fuel and cleaning services implemented during the COVID pandemic.

REQUESTS FOR INFORMATION

This financial report is designed for those interested with a general overview of CARTA's finances and to demonstrate CARTA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sonja Sparks, Chief Financial Officer, Chattanooga Area Regional Transportation Authority, 1617 Wilcox Boulevard, Chattanooga, Tennessee, 37406.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF NET POSITION
June 30, 2024

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,120,368
Receivables	1,456,212
Lease receivable	479,228
Prepaid items	894,658
Materials and supplies inventories	989,042
Total current assets	4,939,508
NONCURRENT ASSETS	
Capital assets:	
Land	3,258,047
Land improvements	67,105
Buildings and improvements	37,519,680
Transportation equipment	64,791,762
Parking equipment	3,476,967
Construction in progress	97,010
Other, primarily garage and shop equipment	27,062,691
	136,273,262
Less accumulated depreciation	(98,335,692)
Capital assets, net	37,937,570
Total assets	42,877,078
DEFERRED OUTFLOWS OF RESOURCES	
Pension	3,162,883
OPEB	570
OPEB - LGOP	15,590
Total deferred outflows of resources	3,179,043
Total assets and deferred outflows of resources	$ 46,056,121

The Notes to Basic Financial Statements are an integral part of this statement.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable - operating	$ 788,197
Accounts payable - capital	378,357
Accrued liabilities	420,732
Compensated absences payable, current portion	579,814
Accident claims reserve	189,389
Total current liabilities	2,356,489
NONCURRENT LIABILITIES	
Total OPEB liability	179,867
Total OPEB liability - LGOP	92,581
Net pension liability	13,575,314
Total noncurrent liabilities	13,847,762
Total liabilities	16,204,251
DEFERRED INFLOWS OF RESOURCES	
Pension	816,058
OPEB	26,839
OPEB - LGOP	5,632
Lease	449,125
Total deferred inflows of resources	1,297,654
NET POSITION	
Net investment in capital assets	37,559,213
Unrestricted (deficit)	(9,004,997)
Total net position	28,554,216
Total liabilities, deferred inflows of resources, and net position	$46,056,121

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2024

OPERATING REVENUES	
Passenger fares	$ 4,992,954
Incline ancillary	419,927
Parking	5,994,870
Advertising	183,985
Total operating revenues	11,591,736
OPERATING EXPENSES	
Operations	14,516,077
Maintenance	6,938,457
Administrative	6,755,714
Depreciation	4,529,560
Total operating expenses	32,739,808
OPERATING LOSS	(21,148,072)
NONOPERATING REVENUES	
Operating subsidies	8,671,404
Planning grants	243,335
Interest income	38,906
Other	12,447
Total nonoperating revenues	8,966,092
LOSS BEFORE CONTRIBUTIONS	(12,181,980)
Capital contributions	7,782,036
CHANGE IN NET POSITION	(4,399,944)
NET POSITION, beginning of fiscal year	32,954,160
NET POSITION, end of fiscal year	$28,554,216

The Notes to Basic Financial Statements are an integral part of this statement.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 11,769,161
Payments to suppliers	(19,740,764)
Payments to employees	(8,759,291)
Net cash used in operating activities	(16,730,894)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating and planning grant funds received	11,354,558
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(2,386,589)
Capital contributions	8,005,225
Net cash provided by capital and related financing activities	5,618,636
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	38,906
NET INCREASE IN CASH AND CASH EQUIVALENTS	281,206
CASH AND CASH EQUIVALENTS, beginning of fiscal year	839,162
CASH AND CASH EQUIVALENTS, end of fiscal year	$ 1,120,368
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$(21,148,072)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	4,529,560
Changes in operating assets, deferred outflows/inflows of resources, and liabilities:	
Receivables, net	169,285
Lease receivable	8,140
Prepaid items	(111,935)
Other post employment benefit liability	(10,050)
Other post employment benefit liability - LGOP	92,581
Deferred outflows	1,688,579
Materials and supplies inventories	(5,947)
Accounts payable	(234,638)
Accrued liabilities and other	115,187
Net pension liability	(2,171,018)
Deferred inflows	347,434
Net cash used in operating activities	$(16,730,894)

The Notes to Basic Financial Statements are an integral part of this statement.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2024

ASSETS	
Receivables:	
Contributions:	
Employer	$ 223,112
Employee	55,177
Total receivables	278,289
Investments, at fair value:	
Money market funds	522,419
Mutual funds	21,454,778
Total investments	21,977,197
Total assets	22,255,486
NET POSITION RESTRICTED FOR PENSION BENEFITS	$22,255,488

The Notes to Basic Financial Statements are an integral part of this statement.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2024

ADDITIONS	
Contributions:	
Employer	$ 1,897,409
Employee	466,864
Total contributions	2,364,273
Investment income:	
Net appreciation in fair value of investments	2,266,226
Interest	1,608
Dividends	526,019
	2,793,853
Less investment expense	(87,169)
Net investment income	2,706,684
Total additions, net	5,070,957
DEDUCTIONS	
Benefits paid to participants	1,984,785
Total deductions	1,984,785
NET DECREASE	3,086,172
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	19,169,316
End of year	$22,255,488

The Notes to Basic Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Chattanooga Area Regional Transportation Authority (CARTA) is a component unit of the City of Chattanooga (the City). The City appoints ten members of CARTA's eleven-member board of directors. Additionally, the City finances the majority of CARTA's operating deficits. CARTA operates a mass transit system for the Chattanooga Metropolitan Area.

Measurement Focus/Basis of Accounting:

The financial statements of CARTA have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental entities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accompanying financial statements are prepared 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. The generally accepted accounting principles used are those applicable to comparable businesses in the private sector. Revenues are recognized when earned and expenses are recognized when incurred. All assets, deferred outflows of resources, deferred inflows of resources, and liabilities (whether current or noncurrent) associated with CARTA's activities are included in the statement of net position. The reported net position is segregated into net investment in capital assets, restricted and unrestricted components.

Operating revenues and expenses reported in CARTA's financial statements include activities related to the primary, continuing operations of CARTA. Operating revenues for CARTA are charges to customers for services. Operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues are classified as non-operating in the financial statements.

Federal, State, and Local Capital Contributions:

The U.S. Department of Transportation and the Tennessee Department of Transportation, under contracts with CARTA, have provided funds for a significant portion of the cost of acquisition and development of the mass transit system. The remaining project costs (matching contributions) have been furnished by the City and other municipalities served by CARTA.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal, State, and Local Capital Contributions (Continued):

At June 30, 2024, no amount of cash was designated for uses authorized by capital grant contracts.

Federal, State, and Local Operating Subsidies:

CARTA receives operating subsidies from the U.S. Department of Transportation, the Tennessee Department of Transportation, and local governments under operating assistance grant contracts. The amounts received or contractually receivable under such grants have been recorded as operating subsidies in the statement of revenues, expenses and changes in net position. These operating assistance grant contracts are obtained on a year-to-year basis.

Federal, State, and Local Planning Grants:

CARTA receives planning grants from the U.S. Department of Transportation and the Tennessee Department of Transportation. These planning grant contracts are obtained on a year-to-year basis.

Cash, Cash Equivalents and Investments:

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash balances in banks and overnight cash investments with original maturities of three months or less. The carrying amount approximated market value as of June 30, 2024.

CARTA invests excess cash in interest-bearing accounts and overnight cash investments with local depository institutions as authorized by the Board of Directors and in accordance with applicable State laws. CARTA's investment policy with respect to cash and overnight cash investments is to maximize investment earnings while maintaining an acceptable level of risk.

At June 30, 2024, CARTA held no amounts in investments. The Disability and Retirement Plan of the Chattanooga Area Regional Transportation Authority and Local 1212 of the Amalgamated Transit Union (Disability and Retirement Plan) is a single-employer defined benefit pension plan. Investments held by the Disability and Retirement Plan are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued):

Custodial credit risk. CARTA's policies limit deposits and investments to those instruments allowed by applicable State laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the uninsured deposits. Those deposits must be covered by Federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by CARTA's agent in CARTA's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize CARTA to invest in repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities. 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. At June 30, 2024, all deposits were entirely covered by the Federal Deposit Insurance Corporation or the Tennessee Bank Collateral Pool.

Prepaid Items:

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Materials and Supplies Inventories:

Materials, supplies, gasoline, diesel fuel, and oil are carried in inventory accounts at average cost and are subsequently charged to expenses when consumed. Office supplies and individual items valued at less than five thousand dollars are charged to expenses when purchased.

Capital Assets:

Capital assets are defined by CARTA as assets with an initial, individual cost of $5,000 or more. Capital assets are stated at historical cost. Maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Depreciation on equipment is recorded on a straight-line basis with a half year convention over the estimated useful lives of the assets. Buildings are depreciated over 25 years. New transportation equipment is depreciated over 5 to 12 years and used transportation equipment is depreciated over 5 years. Other equipment is being depreciated over estimated useful lives ranging from 3 to 25 years. Upon retirement or sale of equipment, the cost is removed from the asset account and, for financial statement purposes, depreciation through the date of retirement is removed from accumulated depreciation. Donated capital assets are recorded at their estimated acquisition values as of the date received.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position:

CARTA's financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted – represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use. CARTA's policy is generally to use any restricted net position first, as appropriate opportunities arise.

Unrestricted – represents unrestricted net position. While management may have categorized and segmented portions for various purposes, CARTA has the unrestricted authority to revisit or alter these managerial decisions.

Compensated Absences:

CARTA employees are granted annual paid time off in varying amounts. A liability is recognized for amounts of accrued annual paid time off leave and related benefits attributable to services already rendered and for which it is probable that compensation will be paid. A liability for accumulated unused sick leave is recognized only for those employees who have elected the Deferred Retirement Option Program (DROP) since it is not paid upon termination for those employees that have not elected DROP.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources:

The Authority has deferred inflows and outflows related to the recording of changes in its net pension liability and total OPEB liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension/OPEB expense over time instead of all being recognized in the fiscal year of occurrence. Experience gains or losses result from periodic studies by the Authority's actuary which adjust the net pension liability and total OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of Plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension/OPEB expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability and total OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Contributions to the Plans which are made subsequent to the measurement date are deferred and recognized as a reduction of the total pension liability in the subsequent year.

The Authority also reports as deferred inflows of resources items that arise from leases, where the Authority is a lessor. Lease-related amounts are recognized at the inception of leases in which the Authority is a lessor and are recorded in an amount equal to the corresponding leases receivable, plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any leases incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systemic and rational manner over the term of the lease.

NOTE 2. PENSION PLAN TRUST

As of December 31, 2023, the Plan had $21,977,197 invested in the following types of investments as categorized by credit risk:

Investment	Fair Value	Credit Quality
Mutual funds	$ 21,454,778	-
Money market funds	522,419	-
Total	$ 21,977,197	

NOTE 2. PENSION PLAN TRUST (CONTINUED)

Credit risk: It is the policy of the Pension Committee and the Plan to balance the portfolio in a way that will maximize the Plan's earnings in the long-term. Equity investments are focused on large-cap and mid-cap U.S. equities and developed large-cap and small-cap and mid-cap international equities. The Plan invests in a limited number of small-cap U.S. equities and emerging market international equities.

Taxable bonds are primarily focused on U.S. Government Treasury and Agency, investment-grade corporate, and high-yield products. Domestic bonds are limited to those with ratings that meet or exceed investment grade as defined by Moody's, S&P, or Fitch. U.S. Government Treasuries and Agency bonds do not have limitations based upon credit quality. Domestic equities, international equities, alternative investments and mutual funds are also not classified by credit quality.

Interest rate risk: The Plan's investment policy adopts the following asset mix to achieve the lowest level of risk for the Plan: U.S. Equity Securities between 30% and 60% at market value, International Equity Securities between 15% and 35% at market value, Taxable Bonds between 10% and 30% at market value, Alternative Investments between 0% and 30% at market value, and Money Market Instruments between 1% and 5%. Corporate equities, international equities, and mutual funds invested in equities are not classified by interest rate risk.

Custodial credit risk – *deposits:* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan may not be able to recover its deposits.

Fair Value Measurements: The Fund has the following recurring fair value measurements, broken into the fair value hierarchy, as of December 31, 2023:

		Fair Value Hierarchy		
Investments	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 21,454,778	$ 21,454,778	$ -	$ -
Total fair value	$ 21,454,778	$ 21,454,778	$ -	$ -
Investments carried at cost				
Money market funds	$ 522,419			
Total investments	$ 21,977,197			

Mutual funds are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 2. PENSION PLAN TRUST (CONTINUED)

Foreign Currency Risk: At December 31, 2023, the Plan's total assets had no exposure of foreign currency risk through investments in foreign companies.

Rate of return: For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. The Pension Plan utilizes the accrual basis of accounting. Contributions are recognized when paid or legally due. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan administration. The Disability and Retirement Plan is administered by a committee of four persons, two appointed by the Union and two appointed by CARTA. The Disability and Retirement Plan is a single-employer defined benefit pension plan that provides pensions for all permanent full-time employees of the Authority. The Disability and Retirement Plan of the Chattanooga Area Regional Transportation Authority and Local 1212 of the Amalgamated Transit Union issues a stand-alone financial report. A copy of the report may be obtained by writing to CARTA, 1617 Wilcox Boulevard, Chattanooga, Tennessee 37406.

Plan membership. At December 31, 2023, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	120
Inactive plan members entitled to but not receiving benefits	12
Active plan members	167
	299

NOTE 3. PENSION PLAN (CONTINUED)

Benefits. All full-time, permanent employees are eligible to participate in the Plan. Participants who retire at or after age 65 with 5 years of continuous service, or when the sum of the employee's age and number of completed continuous years of service equals or exceeds 85, are entitled to a monthly benefit. Early retirement is available, with a reduced benefit which starts immediately, to employees who have completed 15 years or more of credited service and are at least 55 years old. An employee retiring with 5 to 14 years of service is not eligible to receive any immediate benefits, but is eligible to receive benefits at age 65. Participants who terminate employment prior to the completion of 5 years of continuous credited service before termination are refunded their contributions to the Plan but are not entitled to receive any contributions made to the Plan by CARTA.

Contributions. All participants in the Plan are required to make a contribution to the Plan equal to 4.50 percent of their earnings, with CARTA's required contribution of 16.0 percent of the employees' earnings for the Plan year ended December 31, 2023. The monthly employer and employee contributions are subject to certain limitations as specified in the Plan. Covered payroll for the year ended December 31, 2023 was $11,283,355.

Net Pension Liability of the Authority. The Authority's net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.5% on average, including inflation of 3.0%
Investment rate of return	7.0%, net of pension plan investment expense

Mortality rates were based on the RP-2014 Total Data Set Mortality Tables with generational projection. Both pre-retirement and post-retirement mortality rates were based on the RP-2014 Total Data Set Mortality Table projected generationally with Scale MP-2014. The RP-2014 Disabled Retiree Mortality Table projected generationally with Scale MP-2014 is used for the period after disability retirement.

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience analysis performed in conjunction with the January 1, 2015 valuation.

NOTE 3. PENSION PLAN (CONTINUED)

An experience investigation for the five-year period ending January 1, 2024 was performed. However, the Pension Committee of CARTA voted to lower the investment return assumption from 7.50% to 7.00% to ensure that the CARTA assumption was within 50 basis points of the assumption used by the Tennessee Consolidated Retirement System (TCRS), which used 6.75% as their most recent valuation.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The discount rate of 7.00% was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined. Projected future benefit payments for all current plan members were projected through the year 2122. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability and a municipal bond rate was not used in determining the discount rate.

NOTE 3. PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability of the Authority. The changes in the components of the net pension liability of the Authority for the year ended December 31, 2023, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2022	$ 34,915,648	$ 19,169,316	$ 15,746,332
Changes for the year			
Service cost	1,203,656	-	1,203,656
Interest	2,374,628	-	2,374,628
Differences between experience and actual	(678,345)	-	(678,345)
Contributions - employer	-	1,897,409	(1,897,409)
Contributions - employee	-	466,864	(466,864)
Net investment income	-	2,793,853	(2,793,853)
Benefits payments	(1,984,785)	(1,984,785)	-
Administrative expenses	-	(87,169)	87,169
Net changes	915,154	3,086,172	(2,171,018)
Balance at December 31, 2023	$ 35,830,802	$ 22,255,488	$ 13,575,314

The Plan's fiduciary net position as a percentage of the total pension liability is 62.1%.

The required schedule of changes in the Authority's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of Plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.00 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's net pension liability	$ 16,978,189	$ 13,575,314	$ 10,685,131

NOTE 3. PENSION PLAN (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2023, and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the fiscal year ended June 30, 2024, the Authority recognized pension expense of $1,865,042. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 1,112,500	$ -
Changes of assumptions	823,985	-
Difference between expected and actual experience	197,217	816,058
Contributions subsequent to the measurement date	1,029,181	-
Total	$ 3,162,883	$ 816,058

Authority contributions subsequent to the measurement date of $1,029,181 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	
2025	$ 457,791
2026	618,149
2027	749,956
2028	(437,742)
2029	(70,510)
Total	$ 1,317,644

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS

CARTA has adopted an other postemployment benefit obligation (OPEB) plan that was established by the Authority's Board. The Board is authorized to approve amendments to the Plan. The Board has not elected to advance fund the Plan, but rather maintain the Plan as a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The Plan has no assets accumulated in a trust which meets the requirements to be netted against OPEB liabilities. The Plan does not issue separate financial statements.

Plan Description. CARTA provides life insurance and supplemental retirement benefits for certain members of management. The Plan is a single-employer defined benefit plan. Participants of this plan who retire are entitled to a set benefit of $1,500 for life insurance, with additional supplemental benefits available based on the retiree's age.

Funding Policy Contributions. CARTA pays a $1,500 supplement for life insurance and supplemental retirement benefits. The contribution requirements of CARTA are established and may be amended by CARTA's Board of Directors. Plan members are currently not required to contribute. For the fiscal year ended June 30, 2024, the Authority contributed $9,009 for the pay as you go benefits.

Membership. The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Plan as of June 30, 2024:

Inactive employees or beneficiaries currently receiving benefits	100
DROP members	12
Active employees	167
Total	279

Total OPEB Liability. The required schedule of changes in the Authority's total OPEB liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about whether the value of plan assets are increasing or decreasing over time relative to the total OPEB liability.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Change in the Total OPEB Liability. The Authority's changes in the total OPEB liability by source for the fiscal year ended June 30, 2024, is reflected below:

Total OPEB liability as of June 30, 2023	$	189,917
Changes for the year:		
Service cost at the end of the year		3,132
Interest on TOL and cash flows		6,786
Difference between actual and expected		(4,821)
Changes of assumptions		(6,138)
Benefit Payments		(9,009)
Net changes		(10,050)
Total OPEB liability as of June 30, 2024	$	179,867

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of the valuation date, June 30, 2024. The following actuarial assumptions apply to all periods included in the measurement:

Discount rate	3.94%
Salary increases	N/A
Inflation rate	3.00%
Municipal bond index rate	3.94%
Long-term expected rate of return	3.94%

Mortality rates were based on the RP-2014 Total Data Set Mortality Table projected generationally with Scale MP-2014, for service. The RP-2014 Disabled Retiree Mortality Table projected generationally with Scale MP-2014 is used for the period after disability retirement.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority, calculated using the discount rate, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

The following table represents the sensitivity analysis discussed above as of June 30, 2024:

	1% Decrease (2.94%)	Current Assumption (3.94%)	1% Increase (4.94%)
Authority's total OPEB Liability	$ 203,621	$ 179,867	$ 160,659

OPEB Income and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2024, the Authority recognized OPEB income of $2,012. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 213	$ 4,407
Changes in assumption	357	22,432
	$ 570	$ 26,839

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

Fiscal Year Ending June 30:	
2025	$ (10,870)
2026	(10,297)
2027	(3,275)
2028	(1,827)
Total	$ (26,269)

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Local Government OPEB Plan

CARTA participates in an other postemployment benefit obligation (OPEB) plan that was established by the State of Tennessee. The Plan is on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The Plan does not issue separate financial statements.

Plan Description. Employees of CARTA are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits Provided. CARTA offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. CARTA does not directly subsidize and is only subject to the implicit. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Membership: Membership (derived from the most recent actuarial valuation) consisted of 173 active employees and 8 inactive employees currently receiving benefit payments as of July 1, 2023.

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2024, CARTA paid $861 to the LGOP for OPEB benefits as they came due.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Total OPEB Liability. CARTA's changes in the total OPEB liability by source for the fiscal year ended June 30, 2024, is reflected on the following schedule:

Total OPEB liability as of June 30, 2023	$	42,667
Changes for the year:		
Service costs at the end of the year		36,456
Interest on TOL and cash flows		2,786
Difference between expected and actuarial experiences		(6,526)
Changes of assumptions		18,027
Benefit payments		(829)
Net changes		49,914
Total OPEB liability as of June 30, 2024	$	92,581

Actuarial assumptions. The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	Graded salary ranges from 3.44 percent to 8.72 percent based on age, including inflation, averaging 4 percent.
Inflation rate	2.25 percent
Healthcare cost trend rates	10.31 percent for pre-65 in 2023, decreasing annually over an 11 year period to an ultimate rate of 4.50 percent. 12.44 percent for post-65 in 2023, decreasing annually over an 11 year period to an ultimate rate of 4.50%.
Retiree's share of benefit costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees, projected generationally with MP-2021 from 2010.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6 percent load for males and a 14 percent load for females, projected generationally from 2010 with MP-2021. Mortality rates for disabled lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load projected generationally from 2018 with MP-2021.

Discount rate - The discount rate used to measure the total OPEB liability was 3.65 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, based on the Bond Buyer 20-Year Municipal GO AA Index.

Changes in Assumptions. The discount rate changed from 3.54 percent as of the beginning of the measurement period to 3.65 percent as of June 30, 2023. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

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

	1% Decrease (2.65%)	Current Assumption (3.65%)	1% Increase (4.65%)
Total OPEB Liability	$ 98,763	$ 92,581	$ 86,777

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

	1% Decrease (9.31%/11.44% to 3.50%)	Current Assumption (10.31%/12.44% to 4.50%)	1% Increase (11.31%/13.44% to 5.50%)
Total OPEB Liability	$ 82,982	$ 92,581	$ 103,746

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

OPEB expense - For the fiscal year ended June 30, 2024, CARTA recognized OPEB expense of $82,623.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2024, CARTA reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,632
Changes in plan assumptions	15,558	-
Employer payments made subsequent to measurement date	32	-
Total	$ 15,590	$ 5,632

The amount shown for "Employer payments subsequent to the measurement date," will be recognized as a reduction to total OPEB liability in the following measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	Amount
2025	$ 1,575
2026	1,575
2027	1,575
2028	1,575
2029	1,575
Thereafter	2,051
	$ 9,926

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

NOTE 5. RISK MANAGEMENT

CARTA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CARTA purchases commercial insurance for claims and for all other risks of loss. At June 30, 2024, there are no significant claims liabilities outstanding. CARTA's exposure to risks of loss is detailed as follows:

Accident Claims Reserve:

CARTA is insured for public liability and property damage with the Tennessee Municipal League and is responsible for the deductible portion of claims up to a maximum of $10,000 per individual claim. Amounts over this limit are fully covered by insurance. CARTA has recorded an estimated reserve of $189,389 at June 30, 2024. In the opinion of management, these reserves are sufficient to provide for the estimated costs of claims not covered by insurance.

Workers' Compensation Insurance:

CARTA is fully-insured for workers' compensation claims, to an annual maximum of $1,000,000. The charges to operating expenses associated with workers' compensation insurance for the fiscal year ended June 30, 2024, was $515,229. CARTA has recorded an estimated reserve of $26,108 at June 30, 2024. Settled claims resulting from these insured risks have not exceeded the Authority's insurance coverage in any of the past three fiscal years.

Activity in the estimated claims payable were as follows for the years ended June 30, 2024 and 2023:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2022-2023	$ 85,168	$ 101,568	$ (56,046)	$ 130,690
2023-2024	130,690	144,654	(59,847)	215,497

NOTE 6. LONG-TERM DEBT

Changes in long-term liabilities and obligations for the fiscal year ended June 30, 2024, were as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Compensated absences	$ 578,059	$ 40,180	$ (38,425)	$ 579,814	$ 579,814
Net pension liability	15,746,332	3,665,453	(5,836,471)	13,575,314	-
Total OPEB liability	189,917	9,918	(19,968)	179,867	-
Total OPEB-LGOP liability	42,667	57,269	(7,355)	92,581	-
Total	$ 16,556,975	$ 3,772,820	$ (5,902,219)	$ 14,427,576	$ 579,814

NOTE 7. LEASE RECEIVABLE

CARTA is a lessor for a noncancellable lease of a parking garage. CARTA recognizes a lease receivable in the financial statements.

At the commencement of a lease, CARTA initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how CARTA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- When the interest rate is not provided, CARTA generally uses the estimated incremental borrowing rate as the discount rate for leases. For the River City Lease, the estimated rate was 5.76%.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments. The lease period ends on November 9, 2049.

CARTA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 7. LEASE RECEIVABLE (CONTINUED)

Changes in the lease receivable for the fiscal year ended June 30, 2024, were as follows:

	Balance July 1, 2023	Additions	Principal Payments	Balance June 30, 2024
River City Lease	$ 487,368	$ -	$ 8,140	$ 479,228
Total	$ 487,368	$ -	$ 8,140	$ 479,228

NOTE 8. CAPITAL ASSETS

Capital assets are summarized as follows:

	Beginning Balance	Increase	Disposal	Transfers	Ending Balance
Capital assets - nondepreciable					
Land	$ 3,258,047	$ -	$ -	$ -	$ 3,258,047
Construction in progress	283,848	97,010	-	(283,848)	97,010
Total nondepreciable capital assets	3,541,895	97,010	-	(283,848)	3,355,057
Capital assets - depreciable					
Land improvements	67,105	-	-	-	67,105
Parking equipment	3,410,323	66,644	-	-	3,476,967
Building and improvements	36,946,845	572,835	-	-	37,519,680
Transportation equipment	62,895,779	1,612,135	-	283,848	64,791,762
Other, primarily garage and shop equipment	26,857,350	205,341	-	-	27,062,691
Total capital assets - depreciable	130,177,402	2,456,955	-	283,848	132,918,205
Total capital assets	133,719,297	2,553,965	-	-	136,273,262
Less accumulated depreciation	(93,806,132)	(4,529,560)	-	-	(98,335,692)
Capital assets, net	$ 39,913,165	$ (1,975,595)	$ -	$ -	$ 37,937,570

NOTE 9. PARKING AUTHORITY

Effective October 22, 2012, the City of Chattanooga (City) authorized CARTA to serve as the City of Chattanooga Parking Authority (Parking Authority) in addition to CARTA's normal operations. As the Parking Authority, CARTA is responsible for all metered parking and the enforcement of parking in the City. City Ordinance, Article X, Division 2, Section 24-311 through 24-349 discusses the formation of the Parking Authority and authorizes the Parking Authority to use parking revenues "…for the purpose of rental, acquisition, establishment, erection, maintenance, replacement and operation of all parking meters, parking garages and lots, and other parking facilities provided by the Parking Authority; for the purpose of making the parking system safe and effective; for the expenses incurred by and through the Parking Authority in the regulation of vehicular parking and enforcement of these ordinances; and for providing downtown shuttle service. Any sums remaining after expenses for the foregoing purposes shall be remitted to the general fund of the City of Chattanooga…"

Summarized operating results for the Parking Authority portion of CARTA's operations for the fiscal year ended June 30, 2024 is as follows:

	June 30, 2024
Revenues:	
Parking meters	$ 2,147,079
Parking enforcement	974,525
Grants - shuttle	324,432
Interest	6,741
Miscellaneous - shuttle	22,991
Total revenues	3,475,768
Expenses:	
Operating	1,041,189
Maintenance	1,095,819
Administrative	2,216,816
Total expenses	4,353,824
Net income (loss)	$ (878,056)

REQUIRED SUPPLEMENTARY INFORMATION

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	$ 1,203,656	$ 1,217,910	$ 1,024,251	$ 1,031,265	$ 897,913	$ 897,515	$ 876,699	$ 825,353	$ 781,830	$ 640,413
Interest on total pension liability	2,374,628	2,281,460	2,215,237	2,088,343	2,037,895	1,998,546	1,889,138	1,793,901	1,685,711	1,702,982
Changes of assumptions	-	-	1,732,793	-	-	-	-	-	-	-
Differences between expected and actual experience	(678,345)	(291,316)	(87,820)	635,477	(230,162)	(530,294)	315,280	120,854	427,251	599,063
Benefit payments, including refunds of employee contributions	(1,984,785)	(1,769,394)	(1,887,946)	(2,238,379)	(1,827,626)	(1,854,597)	(1,390,100)	(1,550,446)	(1,354,069)	(1,863,839)
Net change in total pension liability	915,154	1,438,660	2,996,515	1,516,706	878,020	511,170	1,691,017	1,189,662	1,540,723	1,078,619
Total pension liability - beginning	34,915,648	33,476,988	30,480,473	28,963,767	28,085,748	27,574,578	25,883,561	24,693,899	23,153,176	22,074,557
Total pension liability - ending (a)	$ 35,830,802	$34,915,648	$33,476,988	$30,480,473	$28,963,768	$28,085,748	$27,574,578	$25,883,561	$24,693,899	$23,153,176
Plan fiduciary net position										
Contributions - employer	1,897,409	1,739,809	1,790,217	1,746,168	1,799,928	1,639,268	1,481,647	1,209,166	1,151,775	948,691
Contributions - employee	466,864	438,445	472,501	461,933	303,884	403,345	342,803	316,547	301,249	285,125
Net investment income	2,793,853	(3,497,711)	2,930,169	2,030,847	2,924,506	(997,226)	1,741,636	717,533	(234,245)	689,053
Benefit payments, including refunds of employee contributions	(1,984,785)	(1,769,394)	(1,887,946)	(2,238,379)	(1,827,626)	(1,854,597)	(1,390,100)	(1,550,446)	(1,354,069)	(1,863,839)
Administrative expenses	(87,169)	(89,492)	(79,323)	(54,703)	(58,591)	(24,333)	(86)	(25,581)	(104,038)	(91,581)
Net change in plan fiduciary net position	3,086,172	(3,178,343)	3,225,618	1,945,866	3,142,101	(833,543)	2,175,900	667,219	(239,328)	(32,551)
Plan fiduciary net position - beginning	19,169,316	22,347,659	19,122,041	17,176,175	14,034,074	14,867,617	12,691,717	12,024,498	12,263,826	12,296,377
Plan fiduciary net position - ending (b)	$ 22,255,488	$19,169,316	$22,347,659	$19,122,041	$17,176,175	$14,034,074	$14,867,617	$12,691,717	$12,024,498	$12,263,826
Net pension liability - ending (a) - (b)	$ 13,575,314	$15,746,332	$11,129,329	$11,358,432	$11,787,593	$14,051,674	$12,706,961	$13,191,844	$12,669,401	$10,889,350
Plan fiduciary net position as a percentage of the total pension liability	62.1%	54.9%	66.8%	62.7%	59.3%	50.0%	53.9%	49.0%	48.7%	53.0%
Covered payroll	$ 11,283,355	$11,067,543	$10,647,609	$10,609,212	$ 9,513,855	$ 9,537,829	$ 9,407,872	$ 8,721,617	$ 8,249,619	$ 7,460,259
Authority's net pension liability as a percentage of covered payroll	120.3%	142.3%	104.5%	107.1%	123.9%	147.3%	135.1%	151.3%	153.6%	146.0%

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

SCHEDULES OF AUTHORITY CONTRIBUTIONS
DISABILITY AND RETIREMENT PLAN

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 1,749,656	$ 1,597,649	$ 1,497,359	$ 1,503,274	$ 1,497,141	$ 1,435,535	$ 1,379,283	$ 1,309,734	$ 1,231,247	$ 1,231,247
Contributions in relation to the actuarially determined contribution	1,897,409	1,739,809	1,790,217	1,746,168	1,154,943	1,639,268	1,481,647	1,209,166	1,151,775	948,691
Contribution deficiency (excess)	$ (147,753)	$ (142,160)	$ (292,858)	$ (242,894)	$ 342,198	$ (203,733)	$ (102,364)	$ 100,568	$ 79,472	$ 282,556
Covered payroll	$ 11,283,355	$ 11,067,543	$ 10,647,609	$ 10,609,212	$ 9,513,855	$ 9,537,829	$ 9,407,872	$ 8,721,617	$ 8,249,619	$ 7,460,259
Contributions as a percentage of Covered payroll	16.8%	15.7%	16.8%	16.5%	12.1%	17.2%	15.7%	13.9%	14.0%	12.7%

Notes to the Schedule

Valuation Date	January 1, 2022
Cost Method	Entry Age
Actuarial Asset Valuation Method	Market Value, with 5-year recognition of investment gains and losses, not less than 80% or greater than 120% of market value
Assumed Rate of Return on Investments	7.00%
Projected Salary Increases	3.5% (including 3.0% for inflation)
Cost-of-living Adjustment	None
Amortization Method	Level dollar, closed
Remaining Amortization Period	24.6 years

Changes in actuarial assumptions and methods: Effective January 1, 2022, the investment rate of return was lowered from 7.50% to 7.00%.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
DISABILITY AND RETIREMENT PLAN

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return net of investment expense	12.32%	-18.97%	12.99%	10.33%	16.69%	-7.42%	11.83%	5.70%	-1.95%	5.12%

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED OPEB PLAN SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN THE AUTHORITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service Cost at end of year	$ 3,132	$ 3,276	$ 4,429	$ 4,073	$ 3,215	$ 3,273	$ 3,246
Interest	6,786	6,479	4,828	4,947	6,930	6,975	6,877
Experience differences	(4,821)	(650)	549				
Changes of benefit terms	-	-	-	(1,198)	(29,766)	1,438	8,107
Assumption changes	(6,138)	(6,942)	(35,201)	1,945	23,892	-	-
Benefit payments	(9,009)	(9,009)	(9,007)	(9,006)	(9,758)	(16,568)	(13,418)
Net change in total pension liability	(10,050)	(6,846)	(34,402)	761	(5,487)	(4,882)	4,812
Total OPEB liability - beginning	189,917	196,763	231,165	230,404	235,891	240,773	235,961
Total OPEB liability - ending	$ 179,867	$ 189,917	$ 196,763	$ 231,165	$ 230,404	$ 235,891	$ 240,773
Covered payroll	$11,283,355	$11,067,543	$10,647,609	$10,609,212	$ 9,513,855	$ 9,537,829	$9,407,872
Authority's total OPEB liability as a percentage of covered payroll	1.59%	1.72%	1.85%	2.18%	2.42%	2.47%	2.56%

Notes to the Schedule
The schedule will present 10 years of information once it is accumulated.
No assets are accumulated in a qualifying trust.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY

(A Component Unit of the City of Chattanooga)

REQUIRED OPEB PLAN SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LGOP

	2024	2023
Total OPEB liability		
Service cost	$ 36,456	$ -
Interest	2,786	-
Changes of benefit terms	-	42,667
Differences between actual & expected experience	(6,526)	-
Change of assumptions	18,027	-
Benefit payments, including refunds of employee contributions	(829)	-
Net change in total OPEB liability	49,914	42,667
Total OPEB liability-beginning	42,667	-
Total OPEB liability-ending	$ 92,581	$ 42,667
Covered-employee payroll	$ 11,283,355	$ 11,067,543
Total OPEB liability as a Percentage of Payroll	0.82%	0.39%

Notes to the Schedule

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

CARTA is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

SUPPLEMENTARY INFORMATION

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga)

SUPPLEMENTAL SCHEDULE OF INSURANCE COVERAGE
June 30, 2024

The following schedule is presented to conform to the requirements of the State of Tennessee, Comptroller of the Treasury Standards for Reporting:

Type of Coverage	Amount of Coverage
Felonious assault	$ 100,000
Auto and general liability	5,000,000
Boiler and machinery	54,905,181*
Workers' compensation excess	1,000,000
Electronics floater	530,875
Fiduciary	2,000,000
Crime – employee dishonesty	500,000
Crime – forgery and alteration	150,000
Crime – computer fraud	150,000
Crime – theft, disappearance or destruction	150,000
Cyber	1,000,000

*Includes a maximum of $2,500,000 of business interruption coverage.

COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

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*

To the Board of Directors
Chattanooga Area Regional Transportation Authority
Chattanooga, 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 business-type activities and the remaining fund information of the Chattanooga Area Regional Transportation Authority ("CARTA"), a component unit of the City of Chattanooga, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise CARTA's basic financial statements, and have issued our report thereon dated October 14, 2024.

Report on Internal Control Over Financial Reporting

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 14, 2024

MAULDIN & JENKINS
CPAs & ADVISORS

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

To the Board of Directors
Chattanooga Area Regional Transportation Authority
Chattanooga, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, CARTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 CARTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CARTA's compliance with the compliance requirements referred to above.

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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 CARTA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *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 CARTA'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 CARTA'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 CARTA'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.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 14, 2024

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Grant Revenue June 30, 2023	Grant Revenue Received	Expenditures	Adjustments	(Accrued) Deferred Grant Revenue June 30, 2024
FEDERAL GRANTS							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Cluster							
Direct:							
Federal Transit - Capital Investment Grants	20.526	TN-2017-048	$ -	$ 1,234	$ 4,578	$ -	$ (3,344)
Total Federal Transit - Capital Investment Grants			-	1,234	4,578	-	(3,344)
Direct:							
Federal Transit - Formula Grants	20.507	TN-90-0375	(25,198)	25,198	-	-	-
Federal Transit - Formula Grants	20.507	TN-2016-023	-	88,849	151,435	-	(62,586)
Federal Transit - Formula Grants	20.507	TN-2016-026	-	2,792	2,792	-	-
Federal Transit - Formula Grants	20.507	TN-2017-049	(60,267)	63,931	3,664	-	-
Federal Transit - Formula Grants	20.526	TN-2019-031	-	12,680	12,680	-	-
Federal Transit - Formula Grants	20.507	TN-2018-040	-	6	6	-	-
Federal Transit - Formula Grants	20.507	TN-2019-030	-	8,139	8,139	-	-
Federal Transit - Formula Grants	20.526	TN-2020-032	-	485	485	-	-
Federal Transit - Formula Grants	20.526	TN-2021-036	(12,532)	349,997	341,553	-	(4,088)
Federal Transit - Formula Grants	20.526	TN-2021-035	-	312,015	312,015	-	-
Federal Transit - Formula Grants	20.507	TN-2021-034	159,441	8,159	5,981	(161,619)	-
Federal Transit - Formula Grants	20.507	TN-2023-020	(870,064)	4,985,435	4,166,379	-	(51,008)
Federal Transit - Formula Grants	20.507	TN-2024-022	-	-	11,722	-	(11,722)
Total Federal Transit - Formula Grants			(808,620)	5,857,686	5,016,851	(161,619)	(129,404)
Direct:							
State of Good Repair Formula Grants (Section 5337)	20.525	TN-2023-022	-	38,720	50,408	-	(11,688)
Total State of Good Repair Formula Grants			-	38,720	50,408	-	(11,688)
Direct:							
COVID-19 CARES Act	20.507	TN-2020-009	(13,002)	256,703	243,701		-
Total CARES Act			(13,002)	256,703	243,701	-	-
Direct:							
American Rescue Plan Act (ARPA)	20.507	TN-2022-021	(128,204)	887,534	816,196		(56,866)
Total ARPA			(128,204)	887,534	816,196	-	(56,866)
Total Federal Transit Cluster			(949,826)	7,041,877	6,131,734	(161,619)	(201,302)
Transit Services Cluster							
Direct:							
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	TN-2019-016	-	172,000	172,000	-	-
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	TN-2020-029	(12,754)	217,500	204,746	-	-
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	TN-2021-032	(48,000)	58,787	18,654	-	(7,867)
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	TN-2022-022	(28,873)	65,235	38,297	-	(1,935)
Total STP Transfer			(89,627)	513,522	433,697	-	(9,802)
Direct:							
New Freedom Program	20.521	TN-57-0016	(5,893)	31,907	26,014	-	-
Total New Freedom Program			(5,893)	31,907	26,014	-	-
Total Transit Services Program Cluster			(95,520)	545,429	459,711	-	(9,802)
Total U.S. Department of Transportation			(1,045,346)	7,587,306	6,591,445	(161,619)	(211,104)
U.S. DEPARTMENT OF ENERGY							
Direct:							
Energy Efficiency & Renewable Energy	81.086	DE-EE0009212	(78,454)	421,572	503,246	-	(160,128)
Total Energy Efficiency & Renewable Energy Grant			(78,454)	421,572	503,246	-	(160,128)
Total U.S. Department of Energy			(78,454)	421,572	503,246	-	(160,128)
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ (1,123,800)	$ 8,008,878	$ 7,094,691	$ (161,619)	$ (371,232)

continued

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Grant Revenue June 30, 2023	Grant Revenue Received	Expenditures	Adjustments	(Accrued) Deferred Grant Revenue June 30, 2024
STATE GRANTS							
TENNESSEE DEPARTMENT OF TRANSPORTATION							
Direct:							
State Funding for TN-57-0016	N/A	GG-22-72742	$ (2,421)	$ 5,539	$ 3,252	$ -	$ (134)
State Funding for TN-2016-023	N/A	GG-1753104	(18,678)	-	18,929	-	(37,607)
State Funding for TN-2016-026	N/A	GG-22-72446	(13,175)	-	25	13,200	-
State Funding for TN-2017-048	N/A	GG-23-76680	(286)	440	572	-	(418)
State Funding for TN-2017-049	N/A	GG-1857971	(12,249)	12,707	458	-	-
State Funding TN-2019-016	N/A	GG-21-69282	-	21,500	21,500	-	-
State Funding TN-2020-029	N/A	GG-21-69277	-	25,500	25,500	-	-
State Funding TN-2019-030	N/A	GG-23-76682	-	2,069	1,017	(35)	1,017
State Funding TN-2019-030	N/A	Z-20-530707	476	-	-	(476)	-
State Funding TN-2019-031	N/A	Z-20-BP0012	(163)	163	1,585		(1,585)
State Funding TN-2020-032	N/A	Z-21-533901	844	-	231	(613)	-
State Funding TN-2021-034	N/A	Z-22-530707	(6,075)	-	747	-	(6,822)
State Funding TN-2021-035	N/A	GG-22-74494	(122,929)	231,820	120,005	-	(11,114)
State Funding TN-2021-036	N/A	Z-22-BP0007	(38,635)	-	42,694	-	(81,329)
State Funding TN-2023-020	N/A		(97,851)	-	496,188	-	(594,039)
State Funding TN-2023-022	N/A		-	-	4,318	-	(4,318)
State Funding TN-2024-022	N/A		-	-	1,465	-	(1,465)
State Funding	N/A	33-IMPV-S3-004	(1)	-	-	1	-
State Funding	N/A		-	-	49,200	-	(49,200)
State Funding	N/A	GG-24-80396	-	-	36,680	-	(36,680)
State Funding	N/A	GG-22-72279	-	-	16,731	-	(16,731)
State Operating	N/A	Z22UROP-16-00	(2,462,100)	4,901,372	2,474,000	-	(34,728)
TOTAL EXPENDITURES OF STATE AWARDS			(2,773,243)	5,201,110	3,315,097	12,077	(875,153)
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			$ (3,897,043)	$ 13,209,988	$ 10,409,788	$ (149,542)	$ (1,246,385)

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

Note 1. Basis of Presentation

The accompanying supplemental Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of CARTA under programs of the Federal and State governments for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards.* Because the schedule presents note only a selected portion of the operations of CARTA, it is not intended to and does not present the financial position, changes in net position or cash flows of CARTA.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. CARTA has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Subrecipients

There were no payments to subrecipients during the fiscal year ended June 30, 2024.

Note 4. Adjustments

Adjustments to the Schedule of Expenditures of Federal and State Awards reflect adjustments to prior fiscal year ending accrued revenues that will not be received, adjustments to record accruals not recorded in prior years, or reclassifications of accrual amounts to the proper grants.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga)

SCHEDULE OF FINDING AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	____ Yes	_X_ No
• Significant deficiencies identified?	____ Yes	_X_ None Reported
Noncompliance material to financial statements noted?	____ Yes	_X_ No

Federal Awards

Internal control over major federal programs:		
• Material weaknesses identified?	____ Yes	_X_ No
• Significant deficiencies identified?	____ Yes	_X_ None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	____ Yes	_X_ No

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
20.500, 20.507, 20.525, and 20.526	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	_X_ Yes	___ No

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga)

SCHEDULE OF FINDING AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga)

SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS
Fiscal Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga, Tennessee)

FINANCIAL REPORT
For the Fiscal Year Ended

June 30, 2023

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY

(A component unit of the City of Chattanooga, Tennessee)

FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2023

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CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY

(A component unit of the City of Chattanooga, Tennessee)

LISTING OF OFFICIALS

Board Members

Johan de Nysschen, Chairman
Evann Freeman, Vice Chairman
Patricia McKoy, Treasurer
Arcie Reeves, Secretary
Daniela Paz Peterson, Director
Charita Allen, Director
Stephen Culp, Director
Jenny Park, Director
LeAndrea Sanderfur, Director
Corey Evatt, Director
George "Bill" Nye, Director

Management

Lisa Maragnano, Executive Director
Sonja Sparks, Chief Financial Officer
Annie Powell, Director of Grants, Technology and Research
Jeff Smith, Chief Operating Officer/Director of Human Resources
Brent Matthews, Director of Parking and Projects
Mary Sparda, Director of Training
Lisa Suttles, Director of ADA and Mobility Management
Matthew Higgins, General Manager of Incline
Cyndi Bonds, Director of Safety and Security
Ronnie Hendrix, Director of Maintenance
Ken Castleberry, General Manager of Network Systems
Veronica Peebles, Director of Communications and Planning
Phillip Pugliese, General Manager of Planning and Grants
Sam Huff, General Manager of Electric Vehicle Program

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chattanooga Area Regional Transportation Authority
Chattanooga, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the remaining fund information of the **Chattanooga Area Regional Transportation Authority** ("CARTA"), a component unit of the City of Chattanooga, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise CARTA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and remaining fund information of CARTA, as of June 30, 2023, and the respective changes in financial position and cash flows thereof and 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 (GAAS) 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 CARTA 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 CARTA'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 GAAS 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 GAAS 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 CARTA'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 CARTA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 and the Schedules of Changes in the Authority's Net Pension Liability and Related Ratios, Schedules of Authority Contributions - Disability and Retirement Plan, Schedule of Money-Weighted Rate of Return - Disability and Retirement Plan, and the Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios on pages 33 through 36 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise CARTA's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of insurance coverage, as required by the State of Tennessee, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of insurance coverage are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Listing of Officials 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 12, 2023, on our consideration of CARTA'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 CARTA'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 CARTA's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 12, 2023

Chattanooga Area Regional Transportation Authority
A Component Unit of the City of Chattanooga, Tennessee
Management's Discussion and Analysis
Years Ended June 30, 2023 and 2022

As management of the Chattanooga Area Regional Transportation Authority, (CARTA), we offer readers of CARTA's financial statements this narrative overview and analysis of the financial activities of CARTA for the fiscal years ended June 30, 2023 and 2022. CARTA is a component unit of the City of Chattanooga, Tennessee. Readers are encouraged to consider the information presented here in conjunction with CARTA's financial statements.

FINANCIAL HIGHLIGHTS

- For the year ended June 30, 2023, operating revenues were $10,800,000 which is an increase from the prior year's revenues of $9,800,000. Passenger fare revenues increased $590,000 due to increased Transit passenger revenue of $194,000 and Incline passenger fare revenue of $390,000. Concessions revenue increased $200,000 and Parking revenues increased approximately $208,000 from the prior year. Much of the fiscal year of 2022, which is the comparison year, had reduced ridership to ensure social distancing due to the pandemic.
- For the year ended June 30, 2023, non-operating revenues were $12,900,000 compared to $10,400,000 in the prior year. The current year amount was comprised primarily of operating subsidies of $12,700,000 and planning grants of $200,000.
- Total operating expenses for the year ended June 30, 2023, were $31,700,000 compared to $28,200,000 for the prior year. This increase is due to an increase in wages and benefits of $735,000, (4%) due to the wage increase of 4% per the union contract, pension expense of $1,350,000 due to a 1% increase in employer contribution rate as a result of the State increasing the discount rate that affects the required liability, increased professional service expense, such as legal fees, advertising, parking and cleaning services of $436,000 and increased depreciation expense of $943,000 as a result of new parking equipment, vehicles, charging stations, and renovations which have been purchased/constructed during recent years.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements provide short-term and long-term information about CARTA's overall financial status. CARTA follows accounting principles generally accepted in the United States of America, as applied to governmental units. We present our basic financial statements on an accrual basis of accounting that is similar to the accounting basis used by most private-sector companies.

Under the accrual basis, the current year's revenues earned and expenses incurred are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position regardless of when cash is received. This statement measures the financial success of CARTA's operations over the past year and can be used to determine whether CARTA has successfully recovered all of its costs through its user fees and other charges (business-type activities), profitability and credit worthiness. CARTA is an Authority created by the City of Chattanooga, Tennessee as a separate legal entity and provides public transportation in the City of Chattanooga, Tennessee.

In the Statement of Cash Flows, the primary purpose is to provide information about CARTA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and changes in cash resulting from operating, investing, and financing activities and provides answers to questions such as where did cash come from, what was cash used for, and what was the change in the cash balance during the period.

All of CARTA's assets, deferred outflows of resources, deferred inflows of resources, and liabilities are included in the Statement of Net Position. Net position –assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources – is one measure of CARTA's financial health or financial position. Over time, increases or decreases in CARTA's net position are one indicator of whether our financial health is improving or deteriorating.

The basic financial statements can be found as listed on the table of contents of this report.

FINANCIAL ANALYSIS OF CARTA

CARTA's net position increased by $7,100,000 for fiscal year ended June 30, 2023.

Statement of Net Position

	2023	2022
Assets		
Current assets and other assets	$ 7,368,406	$ 8,230,767
Capital assets, net	39,913,165	31,924,448
Total assets	47,281,571	40,155,215
Deferred outflows of resources	4,867,622	2,714,865
Liabilities		
Current and other liabilities	2,308,564	2,851,442
Long-term liabilities	15,936,249	11,326,092
Total liabilities	18,244,813	14,177,534
Deferred inflows of resources	950,220	2,851,090
Net position		
Net investment in capital assets	39,702,184	31,037,650
Unrestricted	(6,748,024)	(5,196,194)
Total net position	$ 32,954,160	$ 25,841,456

Changes in Net Position

	2023	2022
Operating revenues	$ 10,807,324	$ 9,817,553
Operating expenses	31,683,192	28,220,161
Operating loss	(20,875,868)	(18,402,608)
Non-operating revenues	12,954,910	10,410,520
Capital contributions	15,033,662	15,254,584
Increase in net position	$ 7,112,704	$ 7,262,496

For the year ended June 30, 2023, CARTA's operating revenues increased approximately 10% and operating expenses increased by approximately 12% from the prior year.

Net Capital Assets

	2023	2022
Land	$ 3,258,047	$ 3,258,047
Land improvements	67,105	67,105
Buildings and improvements	36,946,845	36,450,064
Transportation equipment	62,895,779	52,388,986
Parking equipment	3,410,323	3,188,100
Construction in progress	283,848	398,870
Other, primarily shop & garage equipment	26,857,350	25,894,230
Total capital assets	133,719,297	121,645,402
Less accumulated deprecition	(93,806,132)	(89,720,954)
Net capital assets	$ 39,913,165	$ 31,924,448

Capital assets consist of land, land improvements, buildings & improvements, transportation equipment, parking equipment, shop & garage equipment and other basic equipment and furnishings. CARTA had $39,900,000 in capital assets, net of depreciation, at June 30, 2023.

For more detailed information about CARTA's capital assets, please see the notes to the basic financial statements.

DEBT

CARTA has no outstanding debt at this time.

ECONOMIC FACTORS

The following factors were considered in preparing CARTA's budget for the fiscal year 2023. CARTA was level-funded from the local government. Despite rising costs, CARTA was able to cover its expenses without receiving an increase in local funding due to federal American Rescue Plan Act (ARPA) funds and an increase in Transit, Incline and Parking revenues.

As a result of reopening from the pandemic, CARTA budgeted for an increase in operating revenue and an increase in expense. Increased pension costs, wage and fuel expenses were also considered in the preparation of the fiscal year 2023 budget. CARTA actively promotes cost cutting and cost-savings company wide.

REQUESTS FOR INFORMATION

This financial report is designed for those interested with a general overview of CARTA's finances and to demonstrate CARTA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sonja Sparks, Chief Financial Officer, Chattanooga Area Regional Transportation Authority, 1617 Wilcox Boulevard, Chattanooga, Tennessee, 37406.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF NET POSITION
June 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 839,162
Receivables	4,276,058
Lease receivable	487,368
Prepaid items	782,723
Materials and supplies inventories	983,095
Total current assets	7,368,406
NONCURRENT ASSETS	
Capital assets:	
Land	3,258,047
Land improvements	67,105
Buildings and improvements	36,946,845
Transportation equipment	62,895,779
Parking equipment	3,410,323
Construction in progress	283,848
Other, primarily garage and shop equipment	26,857,350
	133,719,297
Less accumulated depreciation	(93,806,132)
Capital assets, net	39,913,165
Total assets	47,281,571
DEFERRED OUTFLOWS OF RESOURCES	
Pension	4,862,155
OPEB	5,467
Total deferred outflows of resources	4,867,622
Total assets and deferred outflows of resources	$ 52,149,193

The Notes to Basic Financial Statements are an integral part of this statement.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Accounts payable - operating	$ 1,022,835
Accounts payable - capital	210,981
Accrued liabilities	405,464
Compensated absences payable, current portion	578,059
Accident claims reserve	91,225
Total current liabilities	2,308,564
NONCURRENT LIABILITIES	
Total OPEB liability	189,917
Net pension liability	15,746,332
Total noncurrent liabilities	15,936,249
Total liabilities	18,244,813
DEFERRED INFLOWS OF RESOURCES	
Pension	450,660
OPEB	32,707
Lease	466,853
Total deferred inflows of resources	950,220
NET POSITION	
Net investment in capital assets	39,702,184
Unrestricted (deficit)	(6,748,024)
Total net position	32,954,160
Total liabilities, deferred inflows of resources, and net position	$52,149,193

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2023

OPERATING REVENUES	
Passenger fares	$ 4,992,107
Incline ancillary	543,227
Parking	5,087,504
Advertising	184,486
Total operating revenues	10,807,324
OPERATING EXPENSES	
Operations	14,315,456
Maintenance	7,241,206
Administrative	6,041,352
Depreciation	4,085,178
Total operating expenses	31,683,192
OPERATING LOSS	(20,875,868)
NONOPERATING REVENUES	
Operating subsidies	12,682,947
Planning grants	232,302
Interest income	38,478
Other	1,183
Total nonoperating revenues	12,954,910
LOSS BEFORE CONTRIBUTIONS	(7,920,958)
Capital contributions	15,033,662
CHANGE IN NET POSITION	7,112,704
NET POSITION, beginning of fiscal year	25,841,456
NET POSITION, end of fiscal year	$ 32,954,160

The Notes to Basic Financial Statements are an integral part of this statement.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 10,790,335
Payments to suppliers	(18,780,267)
Payments to employees	(8,189,282)
Net cash used in operating activities	(16,179,214)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating and planning grant funds received	10,854,392
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(12,749,712)
Capital contributions	15,737,136
Net cash provided by capital and related financing activities	2,987,424
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	38,478
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,298,920)
CASH AND CASH EQUIVALENTS, beginning of fiscal year	3,138,082
CASH AND CASH EQUIVALENTS, end of fiscal year	$ 839,162
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$(20,875,868)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	4,085,178
Changes in operating assets, deferred outflows/inflows of resources, and liabilities:	
Receivables, net	(24,675)
Lease receivable	7,686
Prepaid items	(33,169)
Other post employment benefit liability	(6,846)
Deferred outflows	(2,152,757)
Materials and supplies inventories	(27,835)
Accounts payable	70,577
Accrued liabilities and other	62,362
Net pension liability	4,617,003
Deferred inflows	(1,900,870)
Net cash used in operating activities	$(16,179,214)

The Notes to Basic Financial Statements are an integral part of this statement.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

ASSETS		
Receivables:		
Contributions:		
Employer	$	207,856
Employee		51,510
Total receivables		259,366
Investments, at fair value:		
Money market funds		827,548
Mutual funds		18,082,402
Total investments		18,909,950
Total assets		19,169,316
NET POSITION RESTRICTED FOR PENSION BENEFITS	$	19,169,316

The Notes to Basic Financial Statements are an integral part of this statement.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2023

ADDITIONS	
Contributions:	
Employer	$ 1,739,809
Employee	438,445
Total contributions	2,178,254
Investment income:	
Net depreciation in fair value of investments	(3,894,257)
Interest	520
Dividends	396,026
	(3,497,711)
Less investment expense	(89,492)
Net investment income	(3,587,203)
Total additions, net	(1,408,949)
DEDUCTIONS	
Benefits paid to participants	1,769,394
Total deductions	1,769,394
NET DECREASE	(3,178,343)
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	22,347,659
End of year	$ 19,169,316

The Notes to Basic Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Chattanooga Area Regional Transportation Authority (CARTA) is a component unit of the City of Chattanooga (the City). The City appoints ten members of CARTA's eleven-member board of directors. Additionally, the City finances the majority of CARTA's operating deficits. CARTA operates a mass transit system for the Chattanooga Metropolitan Area.

Measurement Focus/Basis of Accounting:

The financial statements of CARTA have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental entities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accompanying financial statements are prepared 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. The generally accepted accounting principles used are those applicable to comparable businesses in the private sector. Revenues are recognized when earned and expenses are recognized when incurred. All assets, deferred outflows of resources, deferred inflows of resources, and liabilities (whether current or noncurrent) associated with CARTA's activities are included in the statement of net position. The reported net position is segregated into net investment in capital assets, restricted and unrestricted components.

Operating revenues and expenses reported in CARTA's financial statements include activities related to the primary, continuing operations of CARTA. Operating revenues for CARTA are charges to customers for services. Operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues are classified as non-operating in the financial statements.

Federal, State, and Local Capital Contributions:

The U.S. Department of Transportation and the Tennessee Department of Transportation, under contracts with CARTA, have provided funds for a significant portion of the cost of acquisition and development of the mass transit system. The remaining project costs (matching contributions) have been furnished by the City and other municipalities served by CARTA.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal, State, and Local Capital Contributions (Continued):

At June 30, 2023, no amount of cash was designated for uses authorized by capital grant contracts.

Federal, State, and Local Operating Subsidies:

CARTA receives operating subsidies from the U.S. Department of Transportation, the Tennessee Department of Transportation, and local governments under operating assistance grant contracts. The amounts received or contractually receivable under such grants have been recorded as operating subsidies in the statement of revenues, expenses and changes in net position. These operating assistance grant contracts are obtained on a year-to-year basis.

Federal, State, and Local Planning Grants:

CARTA receives planning grants from the U.S. Department of Transportation and the Tennessee Department of Transportation. These planning grant contracts are obtained on a year-to-year basis.

Cash, Cash Equivalents and Investments:

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash balances in banks and overnight cash investments with original maturities of three months or less. The carrying amount approximated market value as of June 30, 2023.

CARTA invests excess cash in interest-bearing accounts and overnight cash investments with local depository institutions as authorized by the Board of Directors and in accordance with applicable State laws. CARTA's investment policy with respect to cash and overnight cash investments is to maximize investment earnings while maintaining an acceptable level of risk.

At June 30, 2023, CARTA held no amounts in investments. The Disability and Retirement Plan of the Chattanooga Area Regional Transportation Authority and Local 1212 of the Amalgamated Transit Union (Disability and Retirement Plan) is a single-employer defined benefit pension plan. Investments held by the Disability and Retirement Plan are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued):

Custodial credit risk. CARTA's policies limit deposits and investments to those instruments allowed by applicable State laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the uninsured deposits. Those deposits must be covered by Federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by CARTA's agent in CARTA's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize CARTA to invest in repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities. 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. At June 30, 2023, all deposits were entirely covered by the Federal Deposit Insurance Corporation or the Tennessee Bank Collateral Pool.

Prepaid Items:

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Materials and Supplies Inventories:

Materials, supplies, gasoline, diesel fuel, and oil are carried in inventory accounts at average cost and are subsequently charged to expenses when consumed. Office supplies and individual items valued at less than five thousand dollars are charged to expenses when purchased.

Capital Assets:

Capital assets are defined by CARTA as assets with an initial, individual cost of $5,000 or more. Capital assets are stated at historical cost. Maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Depreciation on equipment is recorded on a straight-line basis with a half year convention over the estimated useful lives of the assets. Buildings are depreciated over 25 years. New transportation equipment is depreciated over 5 to 12 years and used transportation equipment is depreciated over 5 years. Other equipment is being depreciated over estimated useful lives ranging from 3 to 25 years. Upon retirement or sale of equipment, the cost is removed from the asset account and, for financial statement purposes, depreciation through the date of retirement is removed from accumulated depreciation. Donated capital assets are recorded at their estimated acquisition values as of the date received.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position:

CARTA's financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted – represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use. CARTA's policy is generally to use any restricted net position first, as appropriate opportunities arise.

Unrestricted – represents unrestricted net position. While management may have categorized and segmented portions for various purposes, CARTA has the unrestricted authority to revisit or alter these managerial decisions.

Compensated Absences:

CARTA employees are granted annual paid time off in varying amounts. A liability is recognized for amounts of accrued annual paid time off leave and related benefits attributable to services already rendered and for which it is probable that compensation will be paid. A liability for accumulated unused sick leave is recognized only for those employees who have elected the Deferred Retirement Option Program (DROP) since it is not paid upon termination for those employees that have not elected DROP.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources:

The Authority has deferred inflows and outflows related to the recording of changes in its net pension liability and total OPEB liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension/OPEB expense over time instead of all being recognized in the fiscal year of occurrence. Experience gains or losses result from periodic studies by the Authority's actuary which adjust the net pension liability and total OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of Plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension/OPEB expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability and total OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Contributions to the Plans which are made subsequent to the measurement date are deferred and recognized as a reduction of the total pension liability in the subsequent year.

The Authority also reports as deferred inflows of resources items that arise from leases, where the Authority is a lessor. Lease-related amounts are recognized at the inception of leases in which the Authority is a lessor and are recorded in an amount equal to the corresponding leases receivable, plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any leases incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systemic and rational manner over the term of the lease.

NOTE 2. PENSION PLAN TRUST

As of December 31, 2022, the Plan had $18,909,950 invested in the following types of investments as categorized by credit risk:

Investment	Fair Value	Credit Quality
Mutual funds	$ 18,082,402	-
Money market funds	827,548	-
Total	$ 18,909,950	

NOTE 2. PENSION PLAN TRUST (CONTINUED)

Credit risk: It is the policy of the Pension Committee and the Plan to balance the portfolio in a way that will maximize the Plan's earnings in the long-term. Equity investments are focused on large-cap and mid-cap U.S. equities and developed large-cap and small-cap and mid-cap international equities. The Plan invests in a limited number of small-cap U.S. equities and emerging market international equities.

Taxable bonds are primarily focused on U.S. Government Treasury and Agency, investment-grade corporate, and high-yield products. Domestic bonds are limited to those with ratings that meet or exceed investment grade as defined by Moody's, S&P, or Fitch. U.S. Government Treasuries and Agency bonds do not have limitations based upon credit quality. Domestic equities, international equities, alternative investments and mutual funds are also not classified by credit quality.

Interest rate risk: The Plan's investment policy adopts the following asset mix to achieve the lowest level of risk for the Plan: U.S. Equity Securities between 30% and 60% at market value, International Equity Securities between 15% and 35% at market value, Taxable Bonds between 10% and 30% at market value, Alternative Investments between 0% and 30% at market value, and Money Market Instruments between 1% and 5%. Corporate equities, international equities, and mutual funds invested in equities are not classified by interest rate risk.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan may not be able to recover its deposits.

Fair Value Measurements: The Fund has the following recurring fair value measurements, broken into the fair value hierarchy, as of December 31, 2022:

		Fair Value Hierarchy		
Investments	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 18,082,402	$ 18,082,402	$ -	$ -
Total fair value	$ 18,082,402	$ 18,082,402	$ -	$ -
Investments carried at cost				
Money market funds	$ 827,548			
Total investments	$ 18,909,950			

Mutual funds are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 2. PENSION PLAN TRUST (CONTINUED)

Foreign Currency Risk: At December 31, 2022, the Plan's total assets had no exposure of foreign currency risk through investments in foreign companies.

Rate of return: For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -18.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. The Pension Plan utilizes the accrual basis of accounting. Contributions are recognized when paid or legally due. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan administration. The Disability and Retirement Plan is administered by a committee of four persons, two appointed by the Union and two appointed by CARTA. The Disability and Retirement Plan is a single-employer defined benefit pension plan that provides pensions for all permanent full-time employees of the Authority. The Disability and Retirement Plan of the Chattanooga Area Regional Transportation Authority and Local 1212 of the Amalgamated Transit Union issues a stand-alone financial report. A copy of the report may be obtained by writing to CARTA, 1617 Wilcox Boulevard, Chattanooga, Tennessee 37406.

Plan membership. At December 31, 2022, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	120
Inactive plan members entitled to but not receiving benefits	9
Active plan members	178
	307

NOTE 3. PENSION PLAN (CONTINUED)

Benefits. All full-time, permanent employees are eligible to participate in the Plan. Participants who retire at or after age 65 with 5 years of continuous service, or when the sum of the employee's age and number of completed continuous years of service equals or exceeds 85, are entitled to a monthly benefit. Early retirement is available, with a reduced benefit which starts immediately, to employees who have completed 15 years or more of credited service and are at least 55 years old. An employee retiring with 5 to 14 years of service is not eligible to receive any immediate benefits, but is eligible to receive benefits at age 65. Participants who terminate employment prior to the completion of 5 years of continuous credited service before termination are refunded their contributions to the Plan but are not entitled to receive any contributions made to the Plan by CARTA.

Contributions. All participants in the Plan are required to make a contribution to the Plan equal to 4.50 percent of their earnings, with CARTA's required contribution of 17.0 percent of the employees' earnings for the Plan year ended December 31, 2022. The monthly employer and employee contributions are subject to certain limitations as specified in the Plan. Covered payroll for the year ended December 31, 2022 was $11,067,543.

Net Pension Liability of the Authority. The Authority's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.5% on average, including inflation of 3.0%
Investment rate of return	7.0%, net of pension plan investment expense

Mortality rates were based on the RP-2014 Total Data Set Mortality Tables with generational projection. Both pre-retirement and post-retirement mortality rates were based on the RP-2014 Total Data Set Mortality Table projected generationally with Scale MP-2014. The RP-2014 Disabled Retiree Mortality Table projected generationally with Scale MP-2014 is used for the period after disability retirement.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience analysis performed in conjunction with the January 1, 2015 valuation.

NOTE 3. PENSION PLAN (CONTINUED)

An experience investigation for the five-year period ending January 1, 2023 was performed. However, the Pension Committee of CARTA voted to lower the investment return assumption from 7.50% to 7.00% to ensure that the CARTA assumption was within 50 basis points of the assumption used by the Tennessee Consolidated Retirement System (TCRS), which used 6.75% as their most recent valuation.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The discount rate of 7.00% was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined. Projected future benefit payments for all current plan members were projected through the year 2121. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability and a municipal bond rate was not used in determining the discount rate.

NOTE 3. PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability of the Authority. The changes in the components of the net pension liability of the Authority for the year ended December 31, 2022, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2021	$ 33,476,988	$ 22,347,659	$ 11,129,329
Changes for the year			
Service cost	1,217,910	-	1,217,910
Interest	2,281,460	-	2,281,460
Differences between expenced and actual	(291,316)	-	(291,316)
Contributions - employer	-	1,739,809	(1,739,809)
Contributions - employee	-	438,445	(438,445)
Net investment income	-	(3,497,711)	3,497,711
Benefit payments	(1,769,394)	(1,769,394)	-
Administrative expense	-	(89,492)	89,492
Net changes	1,438,660	(3,178,343)	4,617,003
Balance at December 31, 2022	$ 34,915,648	$ 19,169,316	$ 15,746,332

The Plan's fiduciary net position as a percentage of the total pension liability is 54.9%.

The required schedule of changes in the Authority's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of Plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.00 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's net pension liability	$ 19,086,617	$ 15,746,332	$ 12,923,056

NOTE 3. PENSION PLAN (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2022, and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the fiscal year ended June 30, 2023, the Authority recognized pension expense of $2,479,773. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 2,469,100	$ -
Changes of assumptions	1,126,921	-
Difference between expected and actual experience	310,933	450,660
Contributions subsequent to the measurement date	955,201	-
Total	$ 4,862,155	$ 450,660

Authority contributions subsequent to the measurement date of $955,201 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	
2024	$ 413,402
2025	871,475
2026	1,031,833
2027	1,163,640
2028	24,056
Total	$ 3,456,294

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS

CARTA has adopted an other postemployment benefit obligation (OPEB) plan that was established by the Authority's Board. The Board is authorized to approve amendments to the Plan. The Board has not elected to advance fund the Plan, but rather maintain the Plan as a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The Plan has no assets accumulated in a trust which meets the requirements to be netted against OPEB liabilities. The Plan does not issue separate financial statements.

Plan Description. CARTA provides life insurance and supplemental retirement benefits for certain members of management. The Plan is a single-employer defined benefit plan. Participants of this plan who retire are entitled to a set benefit of $1,500 for life insurance, with additional supplemental benefits available based on the retiree's age.

Funding Policy Contributions. CARTA pays a $1,500 supplement for life insurance and supplemental retirement benefits. The contribution requirements of CARTA are established and may be amended by CARTA's Board of Directors. Plan members are currently not required to contribute. For the fiscal year ended June 30, 2023, the Authority contributed $9,009 for the pay as you go benefits.

Membership. The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Plan as of June 30, 2023:

Inactive employees or beneficiaries currently receiving benefits	102
DROP members	12
Active employees	178
Total	292

Total OPEB Liability. The required schedule of changes in the Authority's total OPEB liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about whether the value of plan assets are increasing or decreasing over time relative to the total OPEB liability.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Change in the Total OPEB Liability. The Authority's changes in the total OPEB liability by source for the fiscal year ended June 30, 2023, is reflected below:

Total OPEB liability as of June 30,2022	$	196,763
Changes for the year:		
Service cost at the end of the year		3,276
Interest on TOL and cash flows		6,479
Difference between actual and expected		(650)
Changes of assumptions		(6,942)
Benefit Payments		(9,009)
Net changes		(6,846)
Total OPEB liability as of June 30, 2023	$	189,917

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of the valuation date, June 30, 2023. The following actuarial assumptions apply to all periods included in the measurement:

Discount rate	3.66%
Salary increases	N/A
Inflation rate	3.00%
Municipal bond index rate	3.66%
Long-term expected rate of return	3.66%

Mortality rates were based on the RP-2014 Total Data Set Mortality Table projected generationally with Scale MP-2014, for service. The RP-2014 Disabled Retiree Mortality Table projected generationally with Scale MP-2014 is used for the period after disability retirement.

NOTE 4. OTHER POST EMPLOYMENT BENEFIT PLANS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority, calculated using the discount rate, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

The following table represents the sensitivity analysis discussed above as of June 30, 2023:

	1% Decrease (2.66%)	Current Assumption (3.66%)	1% Increase (4.66%)
Authority's total OPEB Liability	$ 215,865	$ 189,917	$ 169,008

For the fiscal year ended June 30, 2023, the Authority recognized OPEB expense of $273. At June 30, 2023, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 325	$ 6,441
Changes in assumptions	5,142	26,266
Total	$ 5,467	$ 32,707

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

Fiscal Year Ending June 30:	
2024	$ (9,647)
2025	(8,587)
2026	(8,014)
2027	(992)
Total	$ (27,240)

NOTE 5. RISK MANAGEMENT

CARTA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CARTA purchases commercial insurance for claims and for all other risks of loss. At June 30, 2023, there are no significant claims liabilities outstanding. CARTA's exposure to risks of loss is detailed as follows:

Accident Claims Reserve:

CARTA is insured for public liability and property damage with the Tennessee Municipal League and is responsible for the deductible portion of claims up to a maximum of $10,000 per individual claim. Amounts over this limit are fully covered by insurance. CARTA has recorded an estimated reserve of $50,000 at June 30, 2023. In the opinion of management, these reserves are sufficient to provide for the estimated costs of claims not covered by insurance.

Workers' Compensation Insurance:

CARTA is fully-insured for workers' compensation claims, to an annual maximum of $1,000,000. The charges to operating expenses associated with workers' compensation insurance for the fiscal year ended June 30, 2023, was $490,857. CARTA has recorded an estimated reserve of $39,465 at June 30, 2023. Settled claims resulting from these insured risks have not exceeded the Authority's insurance coverage in any of the past three fiscal years.

NOTE 6. LONG-TERM DEBT

Changes in long-term liabilities and obligations for the fiscal year ended June 30, 2023, were as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Compensated absences	$ 505,291	$ 122,155	$ (49,387)	$ 578,059	$ 578,059
Net pension liability	11,129,329	7,086,573	(2,469,570)	15,746,332	-
Total OPEB liability	196,763	9,755	(16,601)	189,917	-
Total	$ 11,831,383	$ 7,218,483	$ (2,535,558)	$ 16,514,308	$ 578,059

NOTE 7. LEASE RECEIVABLE

CARTA is a lessor for a noncancellable lease of a parking garage. CARTA recognizes a lease receivable in the financial statements.

At the commencement of a lease, CARTA initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how CARTA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- When the interest rate is not provided, CARTA generally uses the estimated incremental borrowing rate as the discount rate for leases. For the River City Lease, the estimated rate was 5.76%.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments. The lease period ends on November 9, 2049.

CARTA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Changes in the lease receivable for the fiscal year ended June 30, 2023, were as follows:

	Balance July 1, 2022	Additions	Principal Payments	Balance June 30, 2023
River City Lease	$ 495,054	$ -	$ 7,686	$ 487,368
Total	$ 495,054	$ -	$ 7,686	$ 487,368

NOTE 8. CAPITAL ASSETS

Capital assets are summarized as follows:

	Beginning Balance	Increase	Disposal	Transfers	Ending Balance
Capital assets - nondepreciable					
Land	$ 3,258,047	$ -	$ -	$ -	$ 3,258,047
Construction in progress	398,870	662,247	-	(777,269)	283,848
Total nondepreciable capital assets	3,656,917	662,247	-	(777,269)	3,541,895
Capital assets - depreciable					
Land improvements	67,105	-	-	-	67,105
Parking equipment	3,188,100	222,223	-	-	3,410,323
Building and improvements	36,450,064	434,009	-	62,772	36,946,845
Transportation equipment	52,388,986	10,506,793	-	-	62,895,779
Other, primarily garage and shop equipment	25,894,230	248,623	-	714,497	26,857,350
Total capital assets - depreciable	117,988,485	11,411,648	-	777,269	130,177,402
Total capital assets	121,645,402	12,073,895	-	-	133,719,297
Less accumulated depreciation	(89,720,954)	(4,085,178)	-	-	(93,806,132)
Capital assets, net	$ 31,924,448	$ 7,988,717	$ -	$ -	$ 39,913,165

NOTE 9. PARKING AUTHORITY

Effective October 22, 2012, the City of Chattanooga (City) authorized CARTA to serve as the City of Chattanooga Parking Authority (Parking Authority) in addition to CARTA's normal operations. As the Parking Authority, CARTA is responsible for all metered parking and the enforcement of parking in the City. City Ordinance, Article X, Division 2, Section 24-311 through 24-349 discusses the formation of the Parking Authority and authorizes the Parking Authority to use parking revenues "…for the purpose of rental, acquisition, establishment, erection, maintenance, replacement and operation of all parking meters, parking garages and lots, and other parking facilities provided by the Parking Authority; for the purpose of making the parking system safe and effective; for the expenses incurred by and through the Parking Authority in the regulation of vehicular parking and enforcement of these ordinances; and for providing downtown shuttle service. Any sums remaining after expenses for the foregoing purposes shall be remitted to the general fund of the City of Chattanooga…"

NOTE 9. PARKING AUTHORITY (CONTINUED)

Summarized operating results for the Parking Authority portion of CARTA's operations for the fiscal year ended June 30, 2023 is as follows:

	June 30, 2023
Revenues:	
Parking meters	$ 1,723,425
Parking enforcement	958,729
Grants - shuttle	539,181
Total revenues	3,221,335
Expenses:	
Operating	841,906
Maintenance	1,097,112
Administrative	1,788,687
Depreciation	152,507
Total expenses	3,880,212
Net income (loss)	$ (658,877)

REQUIRED SUPPLEMENTARY INFORMATION

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	$ 1,217,910	$ 1,024,251	$ 1,031,265	$ 897,913	$ 897,515	$ 876,699	$ 825,353	$ 781,830	$ 640,413
Interest on total pension liability	2,281,460	2,215,237	2,088,343	2,037,895	1,998,546	1,889,138	1,793,901	1,685,711	1,702,982
Changes of assumptions	-	1,732,793	-	-	-	-	-	-	-
Differences between expected and actual experience	(291,316)	(87,820)	635,477	(230,162)	(530,294)	315,281	120,854	427,251	599,063
Benefit payments, including refunds of employee contributions	(1,769,394)	(1,887,946)	(2,238,379)	(1,827,627)	(1,854,598)	(1,390,100)	(1,550,446)	(1,354,069)	(1,863,839)
Net change in total pension liability	1,438,660	2,996,515	1,516,706	878,019	511,169	1,691,018	1,189,662	1,540,723	1,078,619
Total pension liability - beginning	33,476,988	30,480,473	28,963,767	28,085,748	27,574,579	25,883,561	24,693,899	23,153,176	22,074,557
Total pension liability - ending (a)	$34,915,648	$33,476,988	$30,480,473	$28,963,767	$28,085,748	$27,574,579	$25,883,561	$24,693,899	$23,153,176
Plan fiduciary net position									
Contributions - employer	1,739,809	1,790,217	1,746,168	1,799,928	1,639,268	1,481,647	1,209,166	1,151,775	948,691
Contributions - employee	438,445	472,501	461,933	303,884	403,345	342,803	316,547	301,249	285,125
Net investment income	(3,497,711)	2,930,169	2,030,848	2,924,506	(997,225)	1,741,636	717,533	(234,245)	689,053
Benefit payments, including refunds of employee contributions	(1,769,394)	(1,887,946)	(2,238,379)	(1,827,627)	(1,854,598)	(1,390,100)	(1,550,446)	(1,354,069)	(1,863,839)
Administrative expenses	(89,492)	(79,323)	(54,703)	(58,591)	(24,333)	(86)	(25,581)	(104,038)	(91,581)
Net change in plan fiduciary net position	(3,178,343)	3,225,618	1,945,867	3,142,100	(833,543)	2,175,900	667,219	(239,328)	(32,551)
Plan fiduciary net position - beginning	22,347,659	19,122,041	17,176,174	14,034,074	14,867,617	12,691,717	12,024,498	12,263,826	12,296,377
Plan fiduciary net position - ending (b)	$19,169,316	$22,347,659	$19,122,041	$17,176,174	$14,034,074	$14,867,617	$12,691,717	$12,024,498	$12,263,826
Net pension liability - ending (a) - (b)	$15,746,332	$11,129,329	$11,358,432	$11,787,593	$14,051,674	$12,706,962	$13,191,844	$12,669,401	$10,889,350
Plan fiduciary net position as a percentage of the total pension liability	54.9%	66.8%	62.7%	59.3%	50.0%	53.9%	49.0%	48.7%	53.0%
Covered payroll	$11,067,543	$10,647,609	$10,609,212	$ 9,513,855	$ 9,537,829	$ 9,407,872	$ 8,721,617	$ 8,249,619	$ 7,460,259
Authority's net pension liability as a percentage of covered payroll	142.3%	104.5%	107.1%	123.9%	147.3%	135.1%	151.3%	153.6%	146.0%

Notes to the Schedule
The schedule will present 10 years of information once it is accumulated.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

SCHEDULES OF AUTHORITY CONTRIBUTIONS
DISABILITY AND RETIREMENT PLAN

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 1,597,649	$ 1,497,359	$ 1,557,077	$ 1,497,141	$ 1,435,535	$ 1,379,283	$ 1,390,734	$ 1,231,247	$ 1,231,247
Contributions in relation to the actuarially determined contribution	1,739,809	1,790,217	1,746,168	1,799,928	1,639,268	1,481,647	1,209,166	1,151,775	948,691
Contribution deficiency (excess)	$ (142,160)	$ (292,858)	$ (189,091)	$ (302,787)	$ (203,733)	$ (102,364)	$ 181,568	$ 79,472	$ 282,556
Covered payroll	$ 10,234,171	$ 10,647,609	$ 10,609,212	$ 9,513,855	$ 9,537,829	$ 9,407,872	$ 8,721,617	$ 8,249,619	$ 7,460,259
Contributions as a percentage of Covered payroll	17.0%	16.8%	16.5%	18.9%	17.2%	15.7%	13.9%	14.0%	12.7%

Notes to the Schedule

Valuation Date	January 1, 2021
Cost Method	Entry Age
Actuarial Asset Valuation Method	Market Value, with 5-year recognition of investment gains and losses, not less than 80% or greater than 120% of market value
Assumed Rate of Return on Investments	7.50%
Projected Salary Increases	3.5% (including 3.0% for inflation)
Cost-of-living Adjustment	None
Amortization Method	Level dollar, closed
Remaining Amortization Period	25.2 years

Changes in actuarial assumptions and methods: Effective January 1, 2022, the investment rate of return was lowered from 7.50% to 7.00%.

The schedule will present 10 years of information once it is accumulated.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
DISABILITY AND RETIREMENT PLAN

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return net of investment expense	-18.97%	12.99%	10.33%	16.69%	-7.42%	11.83%	5.70%	-1.95%	5.12%

Notes to the Schedule
The schedule will present 10 years of information once it is accumulated.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN THE AUTHORITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service Cost at end of year	$ 3,276	$ 4,429	$ 4,073	$ 3,215	$ 3,273	$ 3,246
Interest	6,479	4,828	4,947	6,930	6,975	6,877
Experience differences	(650)	549				
Changes of benefit terms	-	-	(1,198)	(29,766)	1,438	8,107
Assumption changes	(6,942)	(35,201)	1,945	23,892	-	-
Benefit payments	(9,009)	(9,007)	(9,006)	(9,758)	(16,568)	(13,418)
Net change in total pension liability	(6,846)	(34,402)	761	(5,487)	(4,882)	4,812
Total OPEB liability - beginning	196,763	231,165	230,404	235,891	240,773	235,961
Total OPEB liability - ending	$ 189,917	$ 196,763	$ 231,165	$ 230,404	$ 235,891	$ 240,773
Covered payroll	$11,067,543	$10,647,609	$10,609,212	$ 9,513,855	$ 9,537,829	$ 9,407,872
Authority's total OPEB liability as a percentage of covered payroll	1.72%	1.85%	2.18%	2.42%	2.47%	2.56%

Notes to the Schedule
The schedule will present 10 years of information once it is accumulated.
No assets are accumulated in a qualifying trust.

SUPPLEMENTARY INFORMATION

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga)

SUPPLEMENTAL SCHEDULE OF INSURANCE COVERAGE
June 30, 2023

The following schedule is presented to conform to the requirements of the State of Tennessee, Comptroller of the Treasury Standards for Reporting:

Type of Coverage	Amount of Coverage
Felonious assault	$ 100,000
Auto and general liability	5,000,000
Boiler and machinery	54,905,181*
Workers' compensation excess	1,000,000
Electronics floater	530,875
Fiduciary	2,000,000
Crime – employee dishonesty	500,000
Crime – forgery and alteration	150,000
Crime – computer fraud	150,000
Crime – theft, disappearance or destruction	150,000
Cyber	1,000,000

*Includes a maximum of $2,500,000 of business interruption coverage.

COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

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*

To the Board of Directors
Chattanooga Area Regional Transportation Authority
Chattanooga, 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 business-type activities and the remaining fund information of the Chattanooga Area Regional Transportation Authority ("CARTA"), a component unit of the City of Chattanooga, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise CARTA's basic financial statements, and have issued our report thereon dated October 12, 2023.

Report on Internal Control Over Financial Reporting

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

200 W. MARTIN LUTHER KING BLVD., SUITE 1100 ● CHATTANOOGA, TENNESSEE 37402 ● 423-756-6133 ● FAX 756-2727 ● www.mjcpa.com
MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 12, 2023

MAULDIN & JENKINS
CPAs & ADVISORS

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

To the Board of Directors
Chattanooga Area Regional Transportation Authority
Chattanooga, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Chattanooga Area Regional Transportation Authority's ("CARTA"), a component unit of the City of Chattanooga, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of CARTA's major federal programs for the fiscal year ended June 30, 2023. CARTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CARTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 CARTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CARTA's compliance with the compliance requirements referred to above.

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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 CARTA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *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 CARTA'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 CARTA'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 CARTA'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.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 12, 2023

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Grant Revenue June 30, 2022	Grant Revenue Received	Expenditures	Adjustments	(Accrued) Deferred Grant Revenue June 30, 2023
FEDERAL GRANTS							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Cluster							
Direct:							
Federal Transit - Capital Investment Grants	20.500	TN-2017-048	$ (2,292)	$ 2,292	$ -	$ -	$ -
Total Federal Transit - Capital Investment Grants			(2,292)	2,292	-	-	-
Direct:							
Federal Transit - Formula Grants	20.507	TN-90-0375	-	-	25,198	-	(25,198)
Federal Transit - Formula Grants	20.507	TN-2016-023	(3,201)	6,249	3,048	-	-
Federal Transit - Formula Grants	20.507	TN-2017-049	-	5,800	66,067	-	(60,267)
Federal Transit - Formula Grants	20.507	TN-2018-029	-	1,494,818	1,494,818	-	-
Federal Transit - Formula Grants	20.507	TN-2019-030	-	16,556	16,556	-	-
Federal Transit - Formula Grants	20.526	TN-2019-031	-	1,305	1,305	-	-
Federal Transit - Formula Grants	20.526	TN-2020-032	-	14,175	14,175	-	-
Federal Transit - Formula Grants	20.507	TN-2021-034	(612,549)	2,984,857	2,212,867	-	159,441
Federal Transit - Formula Grants	20.526	TN-2021-035	-	4,702,499	4,702,499	-	-
Federal Transit - Formula Grants	20.526	TN-2021-036	(87,435)	612,580	537,677	-	(12,532)
Federal Transit - Formula Grants	20.507	TN-2023-020	-	-	870,064	-	(870,064)
Total Federal Transit - Formula Grants			(703,185)	9,838,839	9,944,274	-	(808,620)
Direct:							
State of Good Repair Formula Grants	20.525	TN-2017-053	1,399	-	-	(1,399)	-
Total State of Good Repair Formula Grants			1,399	-	-	(1,399)	-
Direct:							
COVID-19 CARES Act	20.507	TN-2020-009	(16,188)	48,459	45,273	-	(13,002)
Total CARES Act			(16,188)	48,459	45,273	-	(13,002)
Direct:							
COVID-19 CRRSAA	20.507	TN-2021-026	(204,575)	252,436	47,861	-	-
Total CRRSAA			(204,575)	252,436	47,861	-	-
Direct:							
American Rescue Plan Act (ARPA)	20.507	TN-2022-021	-	3,643,964	3,772,168	-	(128,204)
Total ARPA			-	3,643,964	3,772,168	-	(128,204)
Total Federal Transit Cluster			(924,841)	13,785,990	13,809,576	(1,399)	(949,826)
Transit Services Cluster							
Direct:							
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	TN-2018-010	(7)	-	-	7	-
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	TN-2020-029	(3,133)	25,285	34,906	-	(12,754)
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	TN-2021-032	-	-	48,000	-	(48,000)
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	TN-2022-022	-	-	28,873	-	(28,873)
Total STP Transfer			(3,140)	25,285	111,779	7	(89,627)
Direct:							
New Freedom Program	20.521	TN-57-0016	(8,947)	22,428	19,374	-	(5,893)
Total New Freedom Program			(8,947)	22,428	19,374	-	(5,893)
Total Transit Services Program Cluster			(12,087)	47,713	131,153	7	(95,520)
Total U.S. Department of Transportation			(936,928)	13,833,703	13,940,729	(1,392)	(1,045,346)
U.S. DEPARTMENT OF ENERGY							
Direct:							
Energy Efficiency & Renewable Energy	81.086	DE-EE0008467	$ (19,270)	$ -	$ -	$ 19,270	$ -
Energy Efficiency & Renewable Energy	81.086	DE-EE0009212	(37,073)	431,569	481,976	9,026	(78,454)
Total Energy Efficiency & Renewable Energy Grant			(56,343)	431,569	481,976	28,296	(78,454)
Total U.S. Department of Energy			(56,343)	431,569	481,976	28,296	(78,454)
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ (993,271)	$ 14,265,272	$ 14,422,705	$ 26,904	$ (1,123,800)

continued

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the City of Chattanooga)

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Grant Revenue June 30, 2022	Grant Revenue Received	Expenditures	Adjustments	(Accrued) Deferred Grant Revenue June 30, 2023
STATE GRANTS							
TENNESSEE DEPARTMENT OF TRANSPORTATION							
Direct:							
State Funding for TN-57-0016	N/A	GG-22-72742	$ (5,809)	$ 5,810	$ 2,422	$ -	$ (2,421)
State Funding for TN-90-0375	N/A	GG-21-6952301	(9,782)	-	3,150	12,932	-
State Funding for TN-2016-023	N/A	GG-1753104	(18,297)	-	381	-	(18,678)
State Funding for TN-2016-026	N/A	GG-22-72446	(19,857)	6,682	-	-	(13,175)
State Funding for TN-2017-048	N/A	GG-23-76680	(286)	-	-	-	(286)
State Funding for TN-2017-049	N/A	GG-1857971	(3,991)	-	8,258	-	(12,249)
State Funding for TN-2018-040	N/A	Z-22-530704	(4,597)	4,597	-	-	-
State Funding for TN-2018-010	N/A	Z-22-EMSP47	(11,285)	-	-	11,285	-
State Funding for TN-2019-016	N/A	GG-21-69282	(8,104)	-	-	8,104	-
State Funding for TN-2019-029	N/A	GG-21-69277	(5,546)	5,546	-	-	-
State Funding for TN-2019-030	N/A	Z-20-530707	(6,683)	9,229	2,070	-	476
State Funding for TN-2019-031	N/A	Z-20-BP0012	-	-	163	-	(163)
State Funding for TN-2020-032	N/A	Z-21-533901	(25,523)	33,418	7,051	-	844
State Funding for TN-2021-032	N/A	GG-22-74306	(9,989)	9,989	-	-	-
State Funding for TN-2021-034	N/A	Z-22-530707	(659,492)	914,777	261,360	-	(6,075)
State Funding for TN-2021-035	N/A	GG-22-74483	-	1,272,820	1,272,820	-	-
State Funding for TN-2021-035	N/A	GG-22-74494	-	-	122,929	-	(122,929)
State Funding for TN-2021-036	N/A	Z-22-BP0007	(43,198)	71,773	67,210	-	(38,635)
State Funding for TN-2023-020	N/A		-	-	97,851	-	(97,851)
State Funding	N/A	33-IMPV-S3-002	-	48,149	48,149	-	-
State Funding	N/A	33-IMPV-S3-004	(312,611)	346,658	34,048	-	(1)
State Funding	N/A	33-5339-S3-010	-	21,288	-	(21,288)	-
State Funding	N/A	33-5339-S3-016	-	404,477	404,477	-	-
State Funding	N/A	32701-04111	-	1,877,428	1,877,428	-	-
State Operating	N/A	Z22UROP-16-00	(400,060)	400,060	2,462,100	-	(2,462,100)
TOTAL EXPENDITURES OF STATE AWARDS			(1,545,110)	5,432,701	6,671,867	11,033	(2,773,243)
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			$ (2,538,381)	$ 19,697,973	$ 21,094,572	$ 37,937	$ (3,897,043)

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

Note 1. Basis of Presentation

The accompanying supplemental Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of CARTA under programs of the Federal and State governments for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards.* Because the schedule presents note only a selected portion of the operations of CARTA, it is not intended to and does not present the financial position, changes in net position or cash flows of CARTA.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. CARTA has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Subrecipients

There were no payments to subrecipients during the fiscal year ended June 30, 2023.

Note 4. Adjustments

Adjustments to the Schedule of Expenditures of Federal and State Awards reflect adjustments to prior fiscal year ending accrued revenues that will not be received, adjustments to record accruals not recorded in prior years, or reclassifications of accrual amounts to the proper grants.

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga)

SCHEDULE OF FINDING AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	____ Yes	_X_ No
• Significant deficiencies identified?	____ Yes	_X_ None Reported
Noncompliance material to financial statements noted?	____ Yes	_X_ No

Federal Awards

Internal control over major federal programs:		
• Material weaknesses identified?	____ Yes	_X_ No
• Significant deficiencies identified?	____ Yes	_X_ None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	____ Yes	_X_ No

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
20.500, 20.507, and 20.525	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	_X_ Yes	___ No

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga)

SCHEDULE OF FINDING AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY
(A component unit of the City of Chattanooga)

SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS
Fiscal Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Department of the Treasury
Internal Revenue Service
P. O. Box 941
Atlanta, Georgia 30370-000

Date: 02/17/87

CHATTANOOGA AREA REG TRANSPORTATION
1617 WILCOX BOULEVARD
CHATTANOOGA TN. 37406

District Office Code and Case Serial Number:	626212017
Name of Plan:	CHATTANOOGA AREA REGIONAL TRANSPORTATION AUTHORITY PLAN
Application Form:	5303
Date Amended:	09/05/84
Employer Identification Number:	62-6103220
Plan Number:	001
File Number:	620001463

Dear Applicant:

Based on the information supplied, we have made a favorable determination on your application identified above. Please keep this letter in your permanent records.

Continued qualification of the plan will depend on its effect in operation under its present form. (See section 1.401-1(b)(3) of the Income Tax Regulations.) The status of the plan in operation will be reviewed periodically.

The enclosed document describes some events that could occur after you receive this letter that would automatically nullify it without specific notice from us. The document also explains how operation of the plan may affect a favorable determination letter, and contains information about filing requirements.

This letter relates only to the status of your plan under the Internal Revenue Code. It is not a determination regarding the effect of other Federal or local statutes.

All correspondence should be sent to the address shown above.

The enclosed Caveat Listing(s) should be considered a part of this determination letter.

If you have any questions, please contact JOEL HOBBS at (404)331-6971.

Sincerely,

Paul D. Williams
District Director

Enclosures:
Caveat Listing(s)
Publication 794
OPWBP 515

CAVEAT LISTING FOR: CHATTANOOGA AREA REGIONAL
TRANSPORTATION AUTHORITY PLAN

PLAN NUMBER: 001 EMPLOYER IDENTIFICATION NUMBER: 62-6103220

This determination does not indicate that the Internal Revenue Service is is any way passing on the actuarial soundness of the plan or on the reasonableness of the actuarial computations.

This determination is subject to your adoption of the proposed amendments submitted in your or your representative's letter(s) dated 06/27/86 .
The proposed amendments should be adopted on or before the date prescribed by the regulations under Code section 401(b). A copy of of the executed amendments should be maintained in your file; however, it is not necessary to forward a copy to this office.

This determination letter also applies to:
THIS LETTER ALSO APPLIES TO YOUR
EXECUTED AMENDMENTS DATED 12/20/84

We have sent a copy of this letter to your representative as indicated in the power of attorney, WALLACE M DAVIES .

FY2027 Strategic Imperatives

A. **Long-Term Aspirational Vision**:
   - Connecting communities and empowering lives
   - Fueling the city's economic engine
   - Shaping the future of sustainable mobility

B. **Key Foundational Objectives for FY2027**:
   - Continue key foundational business upgrade
   - Begin 20-year plan process

C. **FY2026 Focus Areas**:
   - Highest Priority = Green
   - High Priority = Yellow
   - Priority = Blue

- **Engage the Customer and Enhance the Customer Experience**
  Deliver exceptional service through proactive engagement, responsive feedback systems, and amenities that improve the customer journey across all business units.

- **Ensure Safety, Security, and Risk Management Excellence**
  Maintain the highest standards of safety through rigorous training, hazard prevention, and compliance with all applicable regulations.

- **Foster a High-Performance Workforce**
  Recruit, develop, and retain skilled employees through competitive benefits, professional development, workforce planning, and a strong organizational culture.

- **Optimize Operational Efficiency and Reliability**
  Continuously improve service delivery, asset utilization, and on-time performance through data-driven decision-making, process improvement, and technology adoption.

- **Advance Innovation and Technology**
  Implement modern systems, tools, and infrastructure that improve service efficiency, enhance the customer experience, and strengthen internal operations.
- **Strengthen Financial Stewardship and Accountability**
  Ensure fiscal responsibility through accurate reporting, effective budget management, strong internal controls, and maximizing revenue potential.

- **Enhance Planning and Service Design**
  Conduct comprehensive planning to optimize routes, schedules, facility use, and infrastructure investments that meet community and market needs.

- **Build Brand Awareness and Strengthen Communications**
  Increase visibility, trust, and public understanding of CARTA's value through effective marketing, public relations, and stakeholder engagement.

- **Expand Funding Sources and Strategic Partnerships**
  Develop diverse revenue streams and cultivate partnerships with public, private, and nonprofit sectors to support growth and long-term sustainability.

- **Cultivate Organizational Alignment and Strategic Vision**
  Maintain a unified direction through clear strategic planning, performance measurement, and alignment of leadership, staff, and stakeholders with organizational goals.

FY2027 Imperatives

1. **Safety & Training**
   - Goal - Reduce incidents and accidents
   - Tactics:
     - Align safety and training teams to develop and implement a plan
     - Create a recurring mitigation and training strategy for accidents & incidents
     - Develop and/or modify standard operating procedures
     - Leverage AI tools to minimize hazards
   - Draft KPI's:
     - % decrease in number of incidents
     - % decrease in number of accidents
     - Total number of targeted training sessions conducted

2. **Information Technology**
   - Goal - Improve the use of technology resources to enhance efficiency and effectiveness
   - Tactics:
     - Improve technology for all transit services
     - Modernize network security and back-office systems
     - Train staff on all technology resources
     - Implement mobile ticketing pilot
     - Upgrade finance/accounting/payroll/HR systems to Oracle
     - Implement Data Warehouse and KPI dashboard
   - Draft KPI's:
     - Mobile ticketing pilot started (0/1)
     - Oracle implementation completed (0/1)
     - Fixed route hardware / software issues resolved (0/1)
     - Wireless maintenance shop implemented (0/1)
     - Paratransit hardware / software upgraded (0/1)
     - % Network uptime

- % Network vulnerabilities mitigated

3. Care-A-Van (Paratransit)

- Goal – Develop multi-tiered Program geographically
- Tactics:
  - Educate staff on ADA / paratransit rules and compliance
  - Develop and implement policies and procedures
  - Train staff on effective use of technology
  - Integrate GPS with dispatch systems for real-time updates and optimized routing
- Draft KPIs:
  - % of employees trained in ADA / paratransit compliance
  - % of employees trained in paratransit technology
  - % improvement in OTP (On-Time Performance)
  - % reduction in trip denials
  - % reduction in time on vehicle

4. Incline Railway

- Goal – Engage PGAV .for Incline long-term development plan
- Tactics:
  - Complete third-party assessment
  - Resolve existing safety and facility issues
  - Assess operating hours and staffing requirements
  - Initiate long-term master development plan
  - Issue Request for Information to modernize Incline drive technology
  - Upgrade passenger amenities
- Draft KPI's:
  - % reduction in safety incidents
  - Number of safety concerns resolved
  - % increase in ticket sales
  - % reduction in overtime (OT)
  - Master plan development initiated (0/1)

5. Planning

- Goal - Improve the quality of transportation services
- Tactics:
  - Complete inventory of all passenger amenities (shelters, benches, ADA compliant access, etc.)
  - Complete infrastructure (stop, bench, shelter) expansion program
  - Procure fixed route & shuttle scheduling service
  - Develop comprehensive service scheduling process
  - Evaluate and modify current fixed route and microtransit performance standards

- Establish fixed route, paratransit and microtransit policies
- Set benchmarks of current services
- Identify the location of CARTA's first mobility and innovation hub
- Establish a contract with Uber or other transport network companies
- Update comprehensive operational analysis (COA) for FR, Shuttle and Carta Go.
- Improve ITS data sets (real-time information, etc/)

- Draft KPIs:
  - Director of Planning hired (0/1)
  - Inventory of passenger amenities completed (0/1)
  - Scheduling software service procured (0/1)
  - Service performance standards evaluated and modified (0/1)
  - Service policies developed (0/1)
  - Mobility and innovation hub location identified (0/1)

6. Grants & Compliance

- Goal – Increase grant awards and maintain compliance with state and federal requirements
- Tactics:
  - Research and identify grant opportunities
  - Implement project management software
  - Develop calendar of events to support key funding opportunities
  - Establish FTA Triennial review workgroup and complete internal mock audit

- Draft KPIs:
  - % increase in the number of grant submissions
  - Internal audit completed prior to external review (0/1)
  - Total amount of funds awarded

7. Funding & Partnerships

- Goal - Establish additional local, state, and federal funding streams
- Tactics:
  - Build rapport with potential funding partners
  - Conduct windshield tours with elected officials
  - Arrange transit tours with community leaders and transit advocates
  - Engage in networking presentations and speaking opportunities
  - Develop mobility and infrastructure plans for municipalities
  - Develop strategy to pursue dedicated funding through the Improve Act
- Draft KPI's:
  - Total number of funding partners added
  - % increase in level of funding in aggregate
  - Total number of windshield tours conducted
  - Total number of transit tours conducted

8. Human Resources

- Goal - Improve and professionalize HR functions
- Tactics:
  - 2nd year annual employee engagement survey
  - Establish Employee Suggestion Program
  - Establish a workforce development plan
- Draft KPIs:
  - HR hiring completed within 90 days (0/1)
  - % improvement in engagement scores annually
  - 100% staff completed reviews
  - Workforce development plan established (0/1)

9. Organizational Management and Business Strategy

- Goal - Champion strategy design and ensure alignment
- Tactics:
  - Facilitate alignment of the Executive Leadership Team and the Management Leadership Team with organizational goals
  - Ensure communication and feedback loop for all employees
  - Initiate the development of a 3–5-year strategic plan
  - Establish Key Performance Indicators (KPI's)
- Draft KPIs:
  - Total number of weekly meetings held with ELT
  - Total number of quarterly FY 2025 strategy check-ins conducted
  - 3–5-year strategic plan development initiated (0/1)
  - % improvement in employee engagement scores

10. CARTA Go (Microtransit)

- Goal - Improve efficiency
- Tactics:
  - Recommend an economically feasible fare policy for premium service
  - Re-evaluate and update zone characteristics
  - Establish pilot program for alternate software program
  - Determine optimal software partner/program
  - Procure new software program
  - Develop new fare policy
- Draft KPIs:
  - Replacement of software/technology (0/1)
  - Development of fare policy (0/1)
  - Zone characteristics standard developed (0/1)

11. Fixed Route

- Goal - Improve service quality and on-time performance
- Tactics:
  - Fill budgeted Supervisor positions (2)

    - ☐ Crosstrain management team on all fixed route technologies
    - ☐ Create a supervisor task force to monitor and enforce timely service
    - ☐ Implement recurring customer service training for operators
    - ☐ Implement additional in bus cleaning services
  - ☐ Draft KPIs:
    - ☐ Supervisors hired (0/1)
    - ☐ % supervisors and managers trained on technology
    - ☐ % improvement in OTP (On-Time Performance)
    - ☐ % reduction in the number of missed trips
    - ☐ Number of operators trained in customer satisfaction skills

12. Parking

- ☐ Goal - Increase parking utilization and maximize profitability
  - ☐ Tactics: Develop legislation to allow booting
  - ☐ Convene private lot owners regarding signage
  - ☐ Implement advanced technology resources
  - ☐ Create customer satisfaction survey
  - ☐ Capture baseline voice of the customer survey
- ☐ Draft KPI's:
  - ☐ % increase in parking utilization
  - ☐ % increase in net revenue
  - ☐ % increase in technology utilization (number of users)
  - ☐ Number of new technology features deployed
  - ☐ Improvement in fine recovery
  - ☐ Create customer survey (0/1)
  - ☐ Baseline voice of the customer survey conducted (0/1)

13. Facilities

- ☐ Goal - Improve the state of good repair
- ☐ Tactics:
  - ☐ Hire Facilities Manager
  - ☐ Update facilities maintenance plan
  - ☐ Update Transit Asset Management (TAM) plan
  - ☐ Secure third-party preventive maintenance resources
  - ☐ Conduct routine facility inspections
  - ☐ Update capital budget with improvement needs
- ☐ Draft KPIs:
  - ☐ Hire Facilities Manager (0/1)
  - ☐ Update facilities maintenance plan (0/1)
  - ☐ Update TAM plan (0/1)

14. Community Engagement

- ☐ Goal - Improve and expand community engagement

- Tactics:
  - Participate in impactful community events
  - Meet with community engagement groups
  - Create community focus groups
  - Develop and implement meaningful community partnerships
- Draft KPIs:
  - Total number of community impactful engagements completed
  - Total number of focus groups held

15. Customer Service

- Goal - Improve the customer experience
- Tactics:
  - Hire key budgeted staff positions
  - Create a customer feedback database
  - Create and conduct a recurring annual rider survey
  - Establish rider advisory committees
- Draft KPIs:
  - Customer service manager hired (0/1)
  - Customer satisfaction survey created (0/1)
  - Baseline voice of the customer survey conducted (0/1)

16. Shuttle

- Goal - Increase effectiveness (ridership) and efficiency
- Tactics:
  - Engagement with hotels, riders, employers, downtown partners, and operators
  - Evaluate existing service effectiveness
  - Pilot innovative technologies
  - Modify routes and schedules as necessary
- Draft KPIs:
  - Number engagement activities conducted
  - % of shuttle operators engaged for input
  - Number of innovative technologies implemented
  - % increase in overall ridership

17. Vehicle Maintenance

- Goal - Improve the state of good repair & cleanliness
- Tactics:
  - Monitor road call reports, repair orders, and crew assignments to identify recurring problem areas and maintenance gaps
  - Review and update federally required plans
  - Conduct regular audits of maintenance work
  - Develop and implement maintenance apprentice program

- Provide continuous education to maintain proficiency in advanced repair techniques and emerging vehicle technologies
- Develop comprehensive onboard vehicle cleaning plan
- Draft KPIs:
  - % reduction in off-road time due to maintenance needs
  - % reduction in road calls
  - % reduction in return work (fixed right the first time)
  - % increase in mean distance between breakdowns
  - Apprenticeship program developed (0/1)

18. Procurement

- Goal - Improve the effectiveness and efficiency of procurement
- Tactics:
  - Implement project management software
  - Train user groups on the procurement process
  - Create Disadvantaged Business Enterprise (DBE) strategy
- Draft KPIs:
  - % reduction in length of time for procurement processes
  - % compliance on all procurements
  - % increase in DBE vendors to 5% or greater

19. Accounting & Finance

- Goal - Maintain accuracy and compliance
- Tactics:
  - Hire a new staff accountant
  - Streamline all accounting processes
  - Streamline NTD (National Transit Database) reporting processes
  - Develop new fare policy across services
- Draft KPIs:
  - Staff accountant hired (0/1)
  - % of financial activities closed within specified days of month-end
  - % reduction in audit findings

20. Payroll

- Goal – Maximize efficiency
- Tactics:
  - Modernize technology
  - Implement self-service portal
  - Train users on new technology systems
- Draft KPI's:
  - New payroll system implemented (0/1)
  - % of employees trained on self-service module
  - % reduction in payroll errors

21. Board Collaboration

- Goal – Leverage the Board's ability to influence additional investment in CARTA
- Tactics:
  - Create engagement opportunities with elected officials, potential funders and transit allies
  - Create collateral materials for board outreach efforts

- Draft KPIs:
  - Collateral materials created for board (0/1)
  - Total number of board engagement opportunities created
  - Total number of year-1 operational policies approved by the board

22. Marketing & Communications

- Goal - Develop internal/external communications plan
- Tactics:
  - Hire the budgeted communications specialist position
  - Develop external relations strategy
  - Develop an internal communication strategy
- Draft KPIs:
  - Communications specialist hired (0/1)
  - Internal/external communications plan created (0/1)
  - % increase in social media engagement
  - % increase in total social media followers

23. Advertising Revenue

- Goal - Increase revenue
- Tactics:
  - Develop an advertising strategy
  - Develop an RFP for advertising sales
  - Update advertising policy and exclusions
- Draft KPI's:
  - Develop RFP for advertising sales (0/1)
  - Update advertising policy & exclusions (0/1)
  - % increase in revenue

24. Call Center

- Goal - Improve internal operational efficiencies
- Tactics:
  - Form a consolidated call center
  - Blend micro/para transit reservations, dispatch and customer service
  - Crosstrain staff on operations and technology

- Draft KPI’s:
  - Creation of physical call center (0/1)
  - % of customer service representatives cross-trained
  - Capture baseline data for CSR availability and call resolution (0/1)

City of East Ridge

1517 Tombras Avenue
East Ridge, Tennessee 37412
(423)867~7711 • www.eastridgetn.gov

January 30, 2026

Mr. Scott Wilson
Chief of Staff
Chattanooga Area Regional Transportation Authority
1617 Wilcox Blvd, Chattanooga, TN 37406

RE: Letter of Support for CARTA's Hamilton County Budget Request for Fiscal Year 2026-2027

Mr. Wilson,

On behalf of the City of East Ridge, Tennessee, we are pleased to express our strong support for CARTA's Hamilton County Budget Request for Fiscal Year 2026-2027. Affordable, accessible, and reliable transportation is vital for the well-being and economic prosperity of our residents and the broader Hamilton County region.

CARTA's Cara-A-Van services play an essential role in meeting the transportation needs of East Ridge residents, particularly through its affordable options. These services are lifelines for individuals and families, providing access to employment, education, healthcare, and essential resources. Subsidized medical transportation, in particular, has proven extremely critical to improving community health outcomes, enabling residents to access life-saving treatments and preventative care.

Additionally, transit access supports workforce participation by connecting East Ridge workers to job opportunities across the county and reducing barriers for those who lack reliable personal transportation. These connections enhance the economic stability of families and strengthen the region's labor force. This program has served the citizens of East Ridge since September 2017. During that time, we have logged more than **16,000 trips** and have assisted over **160 residents** in the duration of the program.

Furthermore, CARTA exemplifies the importance of regional cooperation in delivering essential services. The City of East Ridge recognizes the value of partnerships that bridge communities and foster shared prosperity. Continued collaboration with CARTA aligns with our commitment to improving the quality of life for all residents in our city and the surrounding areas.

While these numbers may seem insignificant against the population of East Ridge and Hamilton County, it has become a significant necessity for those that are elderly and handicapped. It is considered an important and a valued service to the residents of East Ridge. We respectfully urge the County Commission to fully support CARTA's budget request for Fiscal Year 2025-2026. This investment in public transportation is an investment in our community's health, workforce, and future.

Thank you for your leadership and consideration of this important matter.

Sincerely,

J. Scott Miller
City Manager
City of East Ridge

Brian Williams *Mayor* | **David Tyler** *Vice Mayor* | **Jacky Cagle** *Councilmember* | **Andrea Witt** *Councilmember* | **Jeff Ezell** *Councilmember* | **J. Scott Miller** *City Manager*

CHAMBLISS CENTER FOR CHILDREN
GROWING YOUNG LIVES 24•7•365

January 29, 2026

Hamilton County Mayor and County Commissioners
Hamilton County Government
625 Georgia Avenue
Chattanooga, TN 37402

Re: Letter of Support for CARTA's Hamilton County Budget Request for Fiscal Year 2026-2027

Dear Mayor Wamp and Honorable County Commissioners:

On behalf of Chambliss Center for Children, I am pleased to express strong support for CARTA's Hamilton County Budget Request for Fiscal Year 2026-2027. Affordable, accessible, and reliable transportation is vital for the well-being and economic prosperity of families in our community, especially those utilizing our Extended Child Care Program.

Our partnership with CARTA plays a critical role in supporting working families and ensures that our school-aged children can safely access our before- and after-school programs while their parents maintain employment. This strengthens workforce participation and stabilizes families throughout the community.

This service outlined in CARTA's Budget Request will provide transportation to and from our main campus in Brainerd for children in area elementary schools whose parents are working. This allows those parents to maintain employment and allows for quality, supportive care for the children. Our program operates 24 hours per day to accommodate non-traditional work times and assists parents who are working or in school. The service will provide transportation for approximately 50 school-aged passengers per day, depending on the zoned schools of program participants for school year 2026-2027.

Thank you for your consideration and for your support of programs that improve quality of life and economic opportunity for Hamilton County residents.

Sincerely,

Katie C. Harbison

Katie Harbison
President/CEO

315 GILLESPIE ROAD CHATTANOOGA, TN 37411 • TEL (423) 698-2456 • FAX (423) 622-6549 • WEB WWW.CHAMBLISSCENTER.ORG