METROPOLITAN TRANSIT AUTHORITY
NASHVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2009 AND 2008

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METROPOLITAN TRANSIT AUTHORITY

INTRODUCTION

Metropolitan Transit Authority ("MTA") is pleased to present its Annual Financial Report for the years ended June 30, 2009 and 2008.

Responsibility and Controls

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

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

Management believes that its policies and procedures provide guidance and reasonable assurance that MTA's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position of MTA as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unqualified opinion of our independent external auditors, Crosslin & Associates, P.C., is included in this report.

CROSSLIN
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

We have audited the accompanying balance sheets of Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of June 30, 2009 and 2008, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of MTA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Transit Authority as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2009, on our consideration of MTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 4 - 13 and the schedules of funding progress presented on page 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of MTA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on Metropolitan Transit Authority's basic financial statements. The accompanying schedules of expenditures of federal, state and local awards, pages 42 - 48, are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crosslin + Associates, P.C.

Nashville, Tennessee
September 29, 2009

METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the MTA's annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2009 and 2008 as compared to fiscal years 2008 and 2007, respectively. Please read it in conjunction with the introductory section of this report and the MTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2009:

- Music City Central, our new $53 million inter-modal transfer facility, located in downtown Nashville on Charlotte Avenue between Fourth and Fifth Avenues opened in October 2008. The facility allows our riders to transfer and wait comfortably for their buses in an enclosed, conditioned facility. The facility also offers other amenities including ticket offices, ticket vending machines, restroom facilities, public meeting rooms and a Dunkin Donuts store.

- Operating revenue for 2009 increased 9.9% from 2008 and totaled approximately $11.1 million for fiscal 2009.

- Operating expenses only increased approximately 3.8% from 2008 and totaled approximately $53.1 million for fiscal 2009.

- Net non-operating revenue decreased 1.0% to a total of approximately $24.7 million for fiscal 2009, primarily as a result of decreases in local operating assistance and job access reverse commute special grant funding. The decrease was partially offset by increases in state operating assistance as well as parking revenues generated at Music City Central. Capital contributions consisting of property, materials and supplies purchased through capital grants from federal, state and local government sources for fiscal 2009 decreased 17.5% compared to fiscal 2008 and totaled approximately $27.3 million. This decrease was primarily due to the wrapping-up of the construction for Music City Central.

- Total property and equipment (net of accumulated depreciation) was approximately $100.6 million at June 30, 2009, an increase of 18.1% from June 30, 2008. This increase in capital assets is primarily due to construction activity associated with Music City Central totaling approximately $14.8 million during the fiscal year and the purchase of new hybrid articulated buses totaling approximately $5.2 million. Property and equipment decreased by depreciation expense of approximately $6.9 million for fiscal 2009.

Fiscal Year 2008:

- Construction activity continued on Music City Central; capital expenditures for the project totaled $31.4 million in fiscal 2008.

- Operating revenue for 2008 increased 9.9% from 2007 and totaled approximately $10.1 million for fiscal 2008.

- Operating expenses increased approximately 19.0% from 2007 and totaled approximately $51.1 million for fiscal 2008.

- Net non-operating revenue increased 12.6% totaling approximately $24.9 million for fiscal 2008, primarily as a result of increases in local, state operating and planning grant assistance. Capital contributions consisting of property, materials and supplies purchased by capital grants from federal, state and local government sources for fiscal 2008 increased 48.5% compared to fiscal 2007 and totaled approximately $33.0 million. This increase was primarily due to construction for Music City Central.

- Total property and equipment (net of accumulated depreciation) was approximately $85.2 million at June 30, 2009, an increase of 46.2% from June 30, 2007. This increase in capital assets is primarily due to construction activity associated with Music City Central of $31.4 million and the purchase of new fare collection equipment for our paratransit vans of approximately $1.3 million. Property and equipment decreased by depreciation expense of approximately $5.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements, required supplementary information, and additional information.

The financial statements provide both long-term and short-term information about MTA's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The section of additional information includes schedules of federal, state and local awards and the notes thereto.

MTA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred. All revenues and expenses including depreciation of assets are recognized in the Statements of Revenues, Expenses and Changes in Net Assets. All assets and liabilities associated with the operation of MTA are included in the Balance Sheets.

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

FINANCIAL ANALYSIS OF MTA

Net Assets (Balance Sheets)

Fiscal year 2009 as compared to fiscal year 2008:

MTA's net assets at June 30, 2009 totaled approximately $85.7 million, a 13.1% increase compared to June 30, 2008 (See Table A-1). Total assets increased 16.1% to approximately $112.0 million and total liabilities increased 26.9% to approximately $26.4 million.

Table A-1
Metropolitan Transit Authority's Net Assets
(in thousands of dollars)

	2009	**2008**	**Percentage Change 2009-2008**
Current assets	$ 9,527	$ 9,466	0.6%
Capital assets, net	100,633	85,175	18.1%
Designated and net pension assets	1,887	1,869	1.0%
Total assets	**112,047**	**96,510**	**16.1%**
Current liabilities	14,404	11,677	23.4%
Capital lease obligations, net of current portion	-	77	(100.0%)
Deferred lease revenue	6,305	6,500	(3.0%)
Net other postemployment benefits	5,678	2,534	124.1%
Total liabilities	**26,387**	**20,788**	**26.9%**
Net Assets:			
Invested in capital assets, net	86,935	74,260	17.1%
Unrestricted	(1,275)	1,462	(187.2%)
Total net assets	**$ 85,660**	**$ 75,722**	**13.1%**

The 16.1% increase in total assets was primarily due to capital additions of approximately $20.1 million offset by current year depreciation of approximately $6.9 million. The capital additions related primarily to the opening of Music City Central in October 2008. Other capital additions included six new articulated hybrid buses for use in new bus rapid transit services along Gallatin Road, our busiest corridor. The increase in current liabilities was due primarily to a short-term loan related to the construction for Music City Central and other timing differences. Deferred lease revenue represents an up-front contribution of $6.5 million by the State of Tennessee for the construction of Music City Central in exchange for a 25 year, long-term operating lease for 343 parking spaces in the facility. The deferred revenue will be recognized over the life of the lease. Net other postemployment benefits resulted from implementation last fiscal year of Governmental Accounting Standards Board (GASB) Statement No. 45 relating to the recognition of postemployment benefits that could be paid out for employees based upon actuarial calculations. According to the Statement, the unfunded liability must be either fully funded or recorded as a liability over a period of 30 years.

Fiscal year 2008 as compared to fiscal year 2007

MTA's net assets at June 30, 2008 totaled approximately $75.7 million, a 28.7% increase compared to June 30, 2007 (See Table A-2). Total assets increased 43.6% to approximately $96.5 million and total liabilities increased 148.7% to approximately $20.8 million.

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

	2008	**2007**	**Percentage Change 2008-2007**
Current assets	$ 9,466	$ 7,103	33.3%
Capital assets, net	85,175	58,269	46.2%
Designated and net pension assets	1,869	1,821	2.6%
Total assets	**96,510**	**67,193**	**43.6%**
Current liabilities	11,677	8,136	43.5%
Capital lease obligations, net of current portion	77	221	(65.2%)
Deferred lease revenue	6,500	-	100.0%
Net other postemployment benefits	2,534	-	100.0%
Total liabilities	**20,788**	**8,357**	**148.7%**
Net Assets:			
Invested in capital assets, net	74,260	57,899	28.3%
Unrestricted	1,462	937	56.0%
Total net assets	**$ 75,722**	**$ 58,836**	**28.7%**

The 43.6% increase in total assets was primarily due to an increase in accounts receivable for government funding of approximately $2.0 million and capital additions of approximately $32.7 million, with total property and equipment decreased by current year depreciation of approximately $5.8 million. The capital additions consisted primarily of construction in progress of approximately $31.4 million related to the construction of Music City Central. Other capital additions included new fare collection equipment for our paratransit vehicles, leasehold improvements, computer equipment and new bus stop benches. The increase in current liabilities was due primarily to an open MTA liability related to a scheduled construction draw for Music City Central and other timing differences. Deferred lease revenue represents an up-front contribution of $6.5 million by the State of Tennessee for the construction of Music City Central in exchange for a 25 year, long-term operating lease for 343 parking spaces in the facility. The deferred revenue will be recognized over the life of the lease. Net other postemployment benefits resulted from implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 relating to the recognition of postemployment benefits that could be paid out for employees based upon actuarial calculations. According to the Statement, the unfunded liability must be either fully funded or recorded as a liability over a period of 30 years.

Revenues, Expenses and Changes in Net Assets

While the Balance Sheets show the financial position of MTA at year-end, the Statements of Revenue, Expenses and Changes in Net Assets provide answers to the nature and source of the changes in MTA's financial position.

Fiscal year 2009 as compared to fiscal year 2008:

The excess of revenues and capital contributions over expenses for the year ended June 30, 2009 was approximately $9.9 million compared to approximately $16.9 million for the year ended June 30, 2008 (See Table A-3). MTA's total operating revenues increased 9.9% to approximately $11.1 million from approximately $10.1 million in the prior fiscal year. Total operating expenses, including depreciation, increased 3.8% to approximately $53.1 million from approximately $51.1 million in the prior fiscal year.

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

Operating Revenue:	**2009**	**2008**	**Percentage Change 2009-2008**
Passenger Fares	$ 8,348	$ 7,359	13.4%
Contracts and other revenue	2,712	2,709	0.1%
Total operating revenue	**11,060**	**10,068**	**9.9%**
Operating Expenses:			
Operating expenses	46,201	45,303	2.0%
Depreciation	6,867	5,817	18.1%
Total operating expenses	**53,068**	**51,120**	**3.8%**
Operating loss	(42,008)	(41,052)	2.3%
Net non-operating revenue and capital contributions	51,946	57,939	(10.3%)
Excess of revenue over expenses	**9,938**	**16,887**	**(41.1%)**
Total net assets, beginning of year	75,722	58,835	28.7%
Total net assets, end of year	**$ 85,660**	**$ 75,722**	**13.1%**

The increase in passenger fare revenue was primarily due to fare increases implemented in February and July of 2008 due to higher than expected fuel costs. The higher fares resulted in an increase in the average revenue per passenger of approximately 20.7%. The increased fares were partially offset by a decrease in ridership of approximately 6.0% that was primarily due to the current economic recession, lower fuel prices and a reduction in the number of budgeted fixed bus routes effective July 1, 2008.

Net non-operating revenue and capital contributions decreased 10.3% to approximately $51.9 million in fiscal year 2009 compared to approximately $57.9 million in fiscal year 2008. The decrease was primarily due to the amount of eligible capital grant expenditures related to Music City Central. The majority of construction project expense occurred in fiscal years 2008 and prior as compared to fiscal year 2009, which resulted in less capital grant contributions being recognized in fiscal year 2009.

Table A-4
Metropolitan Transit Authority's Operating Expenses
(in thousands of dollars)

Bus:	**2009**	**2008**	**Percentage Change 2009-2008**
Labor, fringes	$ 32,488	$ 30,911	5.1%
Purchased services	1,950	1,746	11.7%
Materials and supplies	5,993	6,992	(14.3%)
Other	2,315	2,099	10.3%
Depreciation	6,867	5,817	18.1%
Elderly and disabled	3,273	3,399	(3.7%)
Planning	182	156	16.7%
Total operating expenses	**$ 53,068**	**$ 51,120**	**3.8%**

Labor and fringes expenses increased 5.1% in fiscal year 2009 as compared to 2008. The increase was primarily due to increased medical claims, a 2.5% average wage increase and an increase in the actuarial calculation for Governmental Accounting Standards Boards (GASB) Statement No. 45 relating to other postemployment benefits that was adopted last fiscal year.

Purchased services expenses increased 11.7% in fiscal year 2009 as compared to 2008. This increase was primarily due to increases in advertising and promotion related to the opening of Music City Central and security costs directed toward passenger safety at Music City Central.

The 14.3% decrease in materials and supplies is primarily due to decreased fuel costs over the fiscal year. While there were increased operating costs associated with Music City Central for the fiscal year, the increases were more than offset by decreased maintenance expenses and over $1 million in decreased diesel fuel for the bus operation.

The 10.3% increase in other expense is primarily due to an increase in liability insurance reserves for potential accident claims that occurred through the end of fiscal year 2009 as well as increased purchases related to Music City Central.

The 18.1% increase in depreciation expense is primarily related to commencing depreciation of Music City Central in October 2008.

Elderly and Disabled expenses decreased 3.7% primarily as a result of decreased diesel fuel cost to operate the Access Ride vans.

Planning expenses increased 16.7% as a result of allocating additional planning grant dollars to the planning project related to the development of MTA's master planning document .

Fiscal year 2008 as compared to fiscal year 2007:

The excess of revenues and capital contributions over expenses for the year ended June 30, 2008 was approximately $16.9 million compared to approximately $10.6 million for the year ended June 30, 2007 (See Table A-5). MTA's total operating revenues increased 9.9% to approximately $10.1 million from approximately $9.2 million in the prior fiscal year. Total operating expenses, including depreciation, increased 19.0% to approximately $51.1 million from approximately $43.0 million in the prior fiscal year.

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

Operating Revenue:	**2008**	**2007**	**Percentage Change 2008-2007**
Passenger Fares	$ 7,359	$ 6,553	12.3%
Contracts and other revenue	2,709	2,609	3.8%
Total operating revenue	**10,068**	**9,162**	**9.9%**
Operating Expenses:			
Operating expenses	45,303	37,441	21.0%
Depreciation	5,817	5,530	5.2%
Total operating expenses	**51,120**	**42,971**	**19.0%**
Operating loss	(41,052)	(33,809)	21.4%
Net non-operating revenue and capital contributions	57,939	44,368	30.6%
Excess of revenue over expenses	**16,887**	**10,559**	**59.9%**
Total net assets, beginning of year	58,835	48,277	21.9%
Total net assets, end of year	**$ 75,722**	**$ 58,836**	**28.7%**

The increase in passenger fare revenue was primarily due to a combination of increased ridership of approximately 10.8%, a change in the sales mix resulting from transit riders utilizing different types of fare media and a small fare increase in February 2008. All of these factors resulted in an increase in the average revenue per rider of approximately 1.5%. Contracts and other revenue increased primarily as a result of the amendment of two contracts related to express bus services in which additional service was added due to increased demand and increased ridership in service for the elderly and disabled. These increases were partially offset by a decrease in advertising revenues compared to the prior year.

Net non-operating revenue and capital contributions increased 30.6% to approximately $57.9 million in fiscal year 2008 compared to approximately $44.4 million in fiscal year 2007. The increase was primarily due to the amount of eligible capital grant expenditures related to Music City Central in fiscal year 2008 as compared to fiscal year 2007, which resulted in more capital grant contributions being recognized in fiscal year 2008.

Table A-6
Metropolitan Transit Authority's Operating Expenses
(in thousands of dollars)

Bus:	**2008**	**2007**	**Percentage Change 2008-2007**
Labor, fringes	$ 30,911	$ 25,479	21.3%
Purchased services	1,746	1,376	26.9%
Materials and supplies	6,992	5,098	37.2%
Other	2,099	1,837	14.3%
Depreciation	5,817	5,530	5.2%
Elderly and disabled	3,399	3,524	(3.5%)
Planning	156	127	22.8%
Total operating expenses	**$ 51,120**	**$ 42,971**	**19.0%**

Labor and fringes expenses increased 21.3% in fiscal year 2008 as compared to 2007. The increase was primarily due to increased medical claims, workers' compensation claims and the adoption of Governmental Accounting Standards Boards (GASB) Statement No. 45 relating to other postemployment benefits. There was also an overall increase in driver wages due to MTA reaching a full staffing level in fiscal year 2008 after being short an adequate number of bus drivers for most of the prior year. There was also a 2.5% average increase in salaries and wages. This increase was partially offset by a corresponding decrease in related overtime pay.

Purchased services expenses increased 26.9% in fiscal year 2008 as compared to 2007. This increase was primarily due to increases in legal fees related to the construction of Music City Central, and labor issues as well as increased maintenance contracts associated with our new transit planning and dispatch software. Security costs also increased as more emphasis was directed toward passenger safety in anticipation of the opening of Music City Central.

The 37.2% increase in materials and supplies is primarily due to increased fuel costs and elimination of certain bus parts that could not be reengineered for use in the current bus fleet.

The 14.3% increase in other expense is primarily due to an increase in liability insurance reserves for potential accident claims that occurred through the end of fiscal year 2008.

Planning expenses increased 22.8% primarily as a result of the planning director position being filled only for eight months in the prior fiscal year compared to all of fiscal year 2008.

Capital Assets

Fiscal year 2009 as compared to fiscal year 2008:

At the end of fiscal year 2009, MTA had invested approximately $100.6 million in a broad range of land, buildings, shelters and benches, revenue vehicles and equipment and parts as shown in Table A-7.

Table A-7
Metropolitan Transit Authority's Capital Assets
(in thousands of dollars)

	2009	**2008**	**Percentage Change 2009-2008**
Land	$ 14,621	$ 14,621	0.0%
Buildings, shelters and benches	62,784	16,482	280.9%
Revenue vehicles	48,914	43,664	12.0%
Equipment and parts	5,013	4,819	4.0%
Construction in progress	3,786	35,256	(89.3%)
Office furniture and equipment	1,885	2,000	(5.8%)
Miscellaneous other	1,993	2,085	(4.4%)
Subtotal	138,996	118,927	16.9%
Less Accumulated Depreciation	(38,363)	(33,752)	13.7%
Net Capital Assets	**$ 100,633**	**$ 85,175**	**18.1%**

The increases in Capital Assets were primarily associated with the completion and opening of Music City Central in October 2008 for a net increase from last year totaling approximately $14.8 million. There was also a net increase in Revenue vehicles from the purchase of six articulated buses totaling approximately $5.2 million.

Fiscal year 2008 as compared to fiscal year 2007:

At the end of fiscal year 2008, MTA had invested approximately $85.2 million in a broad range of land, buildings, shelters and benches, revenue vehicles and equipment and parts as shown in Table A-8.

Table A-8
Metropolitan Transit Authority's Capital Assets
(in thousands of dollars)

	2008	**2007**	**Percentage Change 2008-2007**
Land	$ 14,621	$ 14,621	0.0%
Buildings, shelters and benches	16,482	16,102	2.4%
Revenue vehicles	43,664	43,935	(0.6%)
Equipment and parts	4,819	4,144	16.3%
Construction in progress	35,256	3,843	817.4%
Office furniture and equipment	2,000	1,859	7.6%
Miscellaneous other	2,085	2,118	(1.6%)
Subtotal	118,927	86,622	37.3%
Less Accumulated Depreciation	(33,752)	(28,354)	19.0%
Net Capital Assets	**$ 85,175**	**$ 58,268**	**46.2%**

The increases in Capital Assets were primarily associated with the construction in progress for Music City Central totaling approximately $29.0 million. Additional fare collection equipment for Access Ride vans totaling approximately $2.4 million was also purchased during the fiscal year.

Economic Factors and Next Year's Budget

MTA's Board of Directors and management considered many factors when setting the fiscal year 2010 budget. These factors include the expected increase in ridership, contract services hourly rates, ever changing fuel costs and costs related to health, workers' compensation and pension and postemployment benefits. Also considered were the anticipated capital grant funding for new buses and bus facilities, which will significantly improve operating efficiencies and help reduce maintenance costs for the year and future years.

Contacting MTA's Financial Management

This financial report is designed to provide our patrons and other interested parties with a general overview of MTA's finances and to demonstrate MTA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Metropolitan Transit Authority's Finance Department, 130 Nestor Street, Nashville, TN 37210.

METROPOLITAN TRANSIT AUTHORITY
BALANCE SHEETS

ASSETS

	June 30, 2009	June 30, 2008
CURRENT ASSETS		
Cash and cash equivalents (Note B)	$ 1,560,299	$ 1,906,203
Receivables from federal, state and local governments (Note C)	5,599,508	5,543,568
Accounts receivable, less allowances of $81,623 and $84,896, respectively	829,233	488,381
Materials and supplies, net	1,325,172	1,310,517
Prepaid expenses and other current assets	213,737	217,065
Total current assets	9,527,949	9,465,734
PROPERTY AND EQUIPMENT, net (Note D)	100,632,482	85,175,263
OTHER ASSETS		
Designated assets - cash and investments held by custodian for self-insurance (Note F)	1,886,726	1,868,722
Total assets	$112,047,157	$96,509,719

LIABILITIES AND NET ASSETS

	June 30, 2009	June 30, 2008
CURRENT LIABILITIES		
Accounts payable	$ 762,359	$ 5,539,596
Note payable - Metropolitan Government (Note G)	8,865,618	1,578,175
Accrued expenses:		
Salaries, wages and payroll taxes	622,952	515,959
Accident losses (Note F)	889,799	867,687
Compensated absences	827,188	800,456
Medical benefit claims (Note F)	1,287,430	1,283,684
Workers' compensation (Note F)	921,000	801,000
Miscellaneous	150,352	146,824
Capital lease obligations - current portion (Note H)	77,190	143,620
Total current liabilities	14,403,888	11,677,001
NON-CURRENT LIABILITIES		
Capital lease obligations, net of current portion (Note H)	-	77,190
Deferred lease revenue (Note I)	6,304,997	6,500,000
Net other postemployment benefits obligation (Note K)	5,678,175	2,533,727
Total non-current liabilities	11,983,172	9,110,917
Total liabilities	26,387,060	20,787,918
COMMITMENTS AND CONTINGENCIES - (Note L)	-	-
NET ASSETS (Note M)		
Invested in capital assets, net of related debt	86,935,206	74,260,134
Unrestricted	(1,275,109)	1,461,667
Total net assets	85,660,097	75,721,801
Total liabilities and net assets	$ 112,047,157	$96,509,719

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2009	2008
OPERATING REVENUE		
Passenger fares	$ 8,347,800	$ 7,359,008
Contract revenues	1,242,243	1,065,144
Advertising	666,465	685,856
Special events	91,663	331,510
Elderly and disabled passengers	712,121	626,117
Total operating revenue	11,060,292	10,067,635
OPERATING EXPENSES		
Bus:		
Labor and fringe benefits	32,488,324	30,910,888
Purchased services	1,949,534	1,746,326
Materials and supplies	5,993,404	6,992,067
Other	2,315,036	2,099,418
Elderly and disabled passengers	3,272,923	3,398,672
Planning	181,854	155,796
Depreciation	6,866,670	5,817,222
Total operating expenses	53,067,745	51,120,389
Operating loss	(42,007,453)	(41,052,754)
NON-OPERATING REVENUE (EXPENSE):		
Operating assistance:		
Local	18,412,600	19,665,100
State	5,325,046	3,787,174
Planning and other assistance	937,235	908,600
Sub-recipient pass-through	(359,393)	-
Loss on disposal of property and equipment	(295,501)	(5,820)
Interest income	67,239	268,922
Interest expense	(36,743)	(75,677)
Other	629,528	357,706
Total non-operating revenue	24,680,011	24,906,005
DECREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	(17,327,442)	(16,146,749)
Capital contributions (Note E)	27,265,738	33,032,900
INCREASE IN NET ASSETS	9,938,296	16,886,151
NET ASSETS AT BEGINNING OF YEAR	75,721,801	58,835,650
NET ASSETS AT END OF YEAR	$ 85,660,097	$ 75,721,801

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 10,719,440	$ 10,004,786
Cash payments to or on behalf of employees	(29,086,405)	(27,977,910)
Cash payments to suppliers	(14,319,511)	(14,716,620)
Net cash used in operating activities	(32,686,476)	(32,689,744)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Planning assistance and other grant collections	844,902	774,055
State operating grant collections	5,325,046	3,794,000
Local operating grant collections	18,412,600	19,665,100
Payments to Metropolitan Government	(15,000)	-
Payments to sub-recipients	(359,393)	-
Net cash provided by non-capital financing activities	24,208,155	24,233,155
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of property and equipment	1,889	6,228
Payment of accounts payable for property and equipment	(4,194,320)	(585,209)
Cash purchases of property and equipment	(22,508,885)	(28,541,579)
Capital grant collections	27,302,131	31,150,082
Receipt of lease payment from State	-	6,500,000
Borrowings from Metropolitan Government	18,125,686	-
Payments to Metropolitan Government	(10,927,551)	-
Capital lease obligation repayments	(143,620)	(149,425)
Interest and fees paid to creditors	(6,673)	(12,296)
Net cash provided by capital financing activities	7,648,657	8,367,801
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and other income collected	501,764	626,628
Increase in cash and investments placed with custodian for self-insurance	(18,004)	(48,226)
Net cash provided by investing activities	483,760	578,402
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(345,904)	489,614
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,906,203	1,416,589
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,560,299	$ 1,906,203

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS - Continued

	Year Ended June 30,	
	2009	2008
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$(42,007,453)	$(41,052,754)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,866,670	5,817,222
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(340,852)	(62,849)
(Increase) decrease in materials and supplies, net	(14,655)	161,848
Decrease in prepaid expenses and other	3,328	38,902
Decrease in accounts payable	(621,073)	(370,308)
Increase in accrued salaries, wages and payroll taxes	106,993	121,595
Increase in accrued accident losses	22,112	100,230
Increase in accrued compensated absences	26,732	88,250
Increase in accrued medical benefit claims	3,746	369,406
Increase (decrease) in accrued workers compensation	120,000	(180,000)
Increase (decrease) in accrued miscellaneous expenses	3,528	(255,013)
Increase in net other postemployment benefits obligations	3,144,448	2,533,727
Net cash used in operating activities	$(32,686,476)	$(32,689,744)
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Acquisition of property and equipment	$ 22,621,279	$ 32,735,899
Capitalized interest on construction of property	(74,238)	-
Amounts included in accounts payable at year end	(38,156)	(4,194,320)
Total cash paid for property and equipment	$ 22,508,885	$ 28,541,579

See accompanying notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizations

The accompanying financial statements encompass the financial activities of the Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government"), the principal reporting entity and primary government. The primary government is financially accountable for MTA in that the Metropolitan Government provides significant financial support to MTA. MTA is governed by a Board of Directors, which is appointed by the Mayor and approved by the Metropolitan Council. MTA is financially assisted by the U.S. Department of Transportation, Federal Transit Administration ("FTA"), and the Tennessee Department of Transportation ("TDOT").

Services Rendered by Davidson Transit Organization

The financial statements include, on a combined basis, the accounts and operations of Davidson Transit Organization ("DTO"), a Section 501(c)(3) not-for-profit organization, which was formed to provide the necessary labor for the operation of MTA's transit system. DTO is reimbursed by MTA, at cost, for all salaries, wages and fringe benefits. All interagency transactions and balances have been eliminated in combination.

Measurement Focus and Basis of Accounting

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. MTA applies all Government Accounting Standards Board (GASB) pronouncements. MTA has elected to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, except for those that may conflict with or contradict GASB pronouncements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful lives of property and equipment, the valuation of accounts receivable and materials and supplies, and self-insurance accruals. Actual results could differ from those estimates.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Operating and Non-Operating Revenues and Expense

MTA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The principal operating revenues of MTA include passenger fares, revenues from contracted services, and advertising. Operating expenses include the cost of services, administrative expenses, and depreciation on property and equipment assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Significant non-operating revenues relate primarily to operating assistance grants from state and local sources.

Cash Balances and Statements of Cash Flows

For purposes of the statements of cash flows, MTA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Materials and Supplies

Materials and supplies consist primarily of vehicle parts and are stated at cost as determined on the average cost method. At June 30, 2009 and 2008, a valuation allowance of $30,000 and $94,000, respectively, has been provided to bring materials and supplies to their net realizable value.

Property, Equipment and Depreciation

Property and equipment is stated at cost, except for contributions of property received from governmental agencies, which is recorded at fair value at the time of contribution. Capitalized cost of property and equipment includes improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is calculated on the straight-line method to allocate the cost of the assets over their estimated economic lives (see Note D).

Impairment of Long-Lived Assets

The carrying value of long-lived assets held and used are reviewed whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For purpose of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows before consideration of interest expense. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The evaluation of asset impairment requires MTA to make assumptions about future cash flows over the life of the asset being evaluated. During fiscal years 2009 and 2008, no impairment loss was recorded. Assets to be disposed of are reported at the lower of their carrying amount or fair value less costs to sell, and are no longer depreciated.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

Accumulated unpaid vacation is accrued when earned on a calendar year basis. Employees earn ten or more days of vacation each year depending on length of service. Unused vacation time may not be carried forward after the end of the calendar year.

In December each year, an employee who has been employed for the entire previous twelve-month period and has accumulated sick leave is entitled to a cash payment for a portion of his accumulated sick leave balance. The employee may request a lump sum payment for a maximum of six days, to be paid at 80% of his or her regular hourly rate.

Sick leave is paid on the basis of straight-time and may not be used to compute overtime pay. Except for retirement, there is no compensation for accrued sick leave when an employee's service is terminated. In the case of retirement, MTA purchases one-half of the retiree's accrued sick leave at the rate of 100% of wages, or the employee may opt for no pay and full credit for pension purposes. The maximum allowable number of days accruable for this benefit is 164.

Self-insurance

MTA is primarily self-insured, up to certain limits, for automobile and general liability, workers' compensation, and employee group health insurance claims. MTA has purchased reinsurance in order to limit its exposure. The reinsurance limits are described in Note F. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported. Liabilities for unpaid workers' compensation and employee group health insurance claims, including incurred but not reported losses, are actuarially determined and reflected in the balance sheet as accrued liabilities. Self-insurance losses for automobile and general liabilities are accrued based on MTA's consultation with its risk management service provider and attorneys. The determination of self-insurance claims and expenses, and the appropriateness of the related liability, are continually reviewed and updated by management. Self-insurance claims are described further in Note F.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

MTA's net assets classifications are as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, capital lease obligations or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

- Unrestricted net assets - This component of net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Operating Assistance Grants

Revenue from government operating assistance grants is recognized as non-operating revenue in the period to which the grant applies.

Capital Contributions

Capital contributions are not recognized until the period a liability for the related expenditure is incurred, at which time such amounts are recognized in the statement of revenue, expenses and changes in net assets as a separate line item after non-operating revenue and expenses.

Reclassifications

Certain reclassifications have been made to the fiscal 2008 amounts in the financial statements to conform to the presentation adopted for fiscal 2009.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements

The GASB has issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. GASB 51 provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

The requirements of GASB 51 are effective for financial statements for periods beginning after June 15, 2009, (fiscal year 2010 for MTA) and for the most part require retroactive application. MTA is developing a course of action on this matter, and is currently analyzing its intangible assets.

The GASB has issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the "GAAP hierarchy," which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP and the framework for selecting those principles.

GASB Statement No. 55 was effective upon the Statement's issuance and contributes to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. MTA's financial statements have been prepared under the GAAP hierarchy prescribed in GASB Statement No. 55.

The GASB has issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the AICPA auditing literature into the GASB's accounting and financial reporting literature for state and local governments. GASB Statement No. 56 addresses three issues from the AICPA's literature: (1) related party transactions; (2) going concern considerations; and (3) subsequent events.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB Statement No. 56 brings existing guidance (to the extent appropriate in a governmental environment) without substantive changes into the GASB's body of standards. GASB Statement No. 56 is part of the GASB's effort to codify all generally accepted accounting principles for state and local governments so that they derive from a single source. This is intended to make it easier for preparers of state and local government financial statements to identify and apply relevant accounting guidance.

GASB 56 was effective April 16, 2009, and MTA's financial statements have been prepared in accordance with the provisions of the Statement.

B. CASH AND CASH EQUIVALENTS

MTA's deposit policy is governed by the laws of the State of Tennessee. Deposits in financial institutions are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount covered by federal depository insurance. MTA's financial institutions participate in the State of Tennessee Bank Collateral Pool. Banks participating in the Collateral Pool determine the aggregate balance of their public fund accounts and the required collateral for MTA. The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

B. CASH AND CASH EQUIVALENTS - Continued

During fiscal 2009 and 2008, MTA's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2009 and 2008, the carrying amount and corresponding bank balances of deposits were as follows:

2009:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents	$3,010,808	$1,560,299

2008:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents	$5,612,747	$1,906,203

The difference between the deposits per bank and the carrying amount of cash per the books is due primarily to checks outstanding at June 30, 2009 and 2008.

C. RECEIVABLES FROM OTHER GOVERNMENTS

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

	2009	2008
Non-capital grants:		
FTA	$ 143,462	$ 209,778
TDOT	73,652	26,222
Metropolitan Government	111,219	-
Capital grants:		
FTA	1,762,975	1,749,220
TDOT	1,269,149	1,457,070
Metropolitan Government	2,239,051	2,101,278
	$5,599,508	$5,543,568

D. PROPERTY AND EQUIPMENT

A summary of the changes in property, equipment and related accumulated depreciation for the years ended June 30, 2009 and 2008 is as follows:

	Estimated Economic Lives In Years	Balance at July 1, 2008	Additions
Property and equipment:			
Motor buses	10 - 12	$ 43,262,091	$ 5,948,744
Spare parts	5	350,501	-
Fare equipment	10 - 20	2,941,580	529,380
Vans - E& D	4 - 7	95,889	-
Service cars	3 - 10	620,878	-
Trolleys	12	305,898	-
Shop and garage equipment	10	906,243	6,830
Furniture and office equipment	10	237,030	55,324
Computer equipment	5 - 10	1,763,468	143,242
Miscellaneous equipment	10	2,084,114	101,540
Shelters and benches	10 - 20	2,158,033	325,567
Buildings	40	8,633,066	101,018
Music City Central	7 - 30	-	762,764
Landport	20	5,691,196	-
Land	-	14,621,239	-
Construction in progress (Note L)	-	35,255,834	14,646,870
		118,927,060	22,621,279
Accumulated depreciation:			
Motor buses		18,287,714	3,819,521
Spare parts		341,285	7,809
Fare equipment		1,107,624	330,094
Vans - E&D		95,889	-
Service cars		464,587	66,186
Trolleys		305,898	-
Shop and garage equipment		796,977	25,645
Furniture and office equipment		187,003	35,970
Computer equipment		1,041,640	292,368
Miscellaneous equipment		901,713	288,740
Shelters and benches		1,351,217	125,375
Buildings		6,414,522	485,550
Music City Central		-	1,066,688
Landport		2,455,728	322,724
Land		-	-
Construction in progress		-	-
		33,751,797	6,866,670
Property and equipment, net		$85,175,263	$15,754,609

Deletions	Reclassifications	Balance at June 30, 2009
$(667,061)	$ -	$ 48,543,774
(121,333)	-	229,168
-	-	3,470,960
(31,481)	-	64,408
-	-	620,878
-	-	305,898
(221,560)	-	691,513
(5,980)	-	286,374
(307,753)	-	1,598,957
(192,392)	-	1,993,262
(1,004,077)	-	1,479,523
(746)	-	8,733,338
-	46,117,045	46,879,809
-	-	5,691,196
-	-	14,621,239
-	(46,117,045)	3,785,659
(2,552,383)	-	138,995,956
(637,304)	-	21,469,931
(121,333)	-	227,761
-	-	1,437,718
(31,481)	-	64,408
-	-	530,773
-	-	305,898
(221,560)	-	601,062
(5,980)	-	216,993
(297,730)	-	1,036,278
(192,392)	-	998,061
(746,467)	-	730,125
(746)	-	6,899,326
-	-	1,066,688
-	-	2,778,452
-	-	-
-	-	-
(2,254,993)	-	38,363,474
$(297,390)	$ -	$ 100,632,482

D. PROPERTY AND EQUIPMENT

	Estimated Economic Lives In Years	Balance at July 1, 2007	Additions
Property and equipment:			
Motor buses	10 - 12	$43,532,838	$ -
Spare parts	5	350,501	-
Fare equipment	10 - 20	2,266,480	687,300
Vans - E& D	4 - 7	95,889	-
Service cars	3 - 10	620,878	-
Trolleys	12	305,898	-
Shop and garage equipment	10	906,243	-
Furniture and office equipment	10	229,115	7,915
Computer equipment	5 - 10	1,629,596	156,398
Miscellaneous equipment	10	2,117,625	69,317
Shelters and benches	10 - 20	2,049,618	131,195
Buildings	40	8,618,142	14,924
Landport	20	5,434,747	249,581
Land	-	14,621,239	-
Construction in progress (Note L)	-	3,843,433	31,419,269
		86,622,242	32,735,899
Accumulated depreciation:			
Motor buses		14,667,783	3,890,678
Spare parts		278,741	62,544
Fare equipment		831,043	276,733
Vans - E&D		95,889	-
Service cars		398,401	66,186
Trolleys		305,898	-
Shop and garage equipment		771,498	25,479
Furniture and office equipment		154,227	32,776
Computer equipment		781,320	282,846
Miscellaneous equipment		720,187	284,354
Shelters and benches		1,244,097	129,900
Buildings		5,929,563	484,959
Landport		2,174,961	280,767
Land		-	-
Construction in progress		-	-
		28,353,608	5,817,222
Property and equipment, net		$58,268,634	$26,918,677

Deletions	Reclassifications	Balance at June 30, 2008
$(270,747)	$ -	$ 43,262,091
-	-	350,501
(12,200)	-	2,941,580
-	-	95,889
-	-	620,878
-	-	305,898
-	-	906,243
-	-	237,030
(22,526)	-	1,763,468
(102,828)	-	2,084,114
(22,780)	-	2,158,033
-	-	8,633,066
-	6,868	5,691,196
-	-	14,621,239
-	(6,868)	35,255,834
(431,081)	-	118,927,060
(270,747)	-	18,287,714
-	-	341,285
(152)	-	1,107,624
-	-	95,889
-	-	464,587
-	-	305,898
-	-	796,977
-	-	187,003
(22,526)	-	1,041,640
(102,828)	-	901,713
(22,780)	-	1,351,217
-	-	6,414,522
-	-	2,455,728
-	-	-
-	-	-
(419,033)	-	33,751,797
$(12,048)	$ -	$ 85,175,263

E. CAPITAL CONTRIBUTIONS

Capital contributions consist of property, materials and supplies purchased by federal, state and local government capital grants. Unexpended available capital contribution awards totaled approximately $27,400,000 as of June 30, 2009 and $15,500,000 as of June 30, 2008. These grant revenue amounts will be recognized in the financial statements when grant funds are utilized in accordance with the grant agreements.

F. SELF-INSURANCE

Vehicle operation:

MTA is self-insured up to $100,000 for all losses relating to the operation of any vehicle. A provision of $889,799 and $867,687 has been made for all such known losses incurred as of June 30, 2009 and 2008, respectively. Accident losses exceeding $100,000 are covered under an insurance program subject to certain limits. During July 2008, MTA changed its insurance service provider for vehicle operation claims; however, the reinsurance limits remain substantially the same.

Employee medical benefit claims:

MTA is self-insured for employee medical claims. MTA has purchased reinsurance, which provides for reimbursement of paid medical claims in excess of $160,000 per participant per agreement year. The policy also provides a maximum of $1,000,000 during the lifetime of a covered participant, and an aggregate maximum for total claims paid per year. The aggregate maximum each year fluctuates based on the number of employees under single or family coverage contracts. The maximum amount that the reinsurance carrier will pay out in a plan year is $1,000,000. Total claims paid in 2009 and 2008 did not exceed the aggregate maximum.

As required by a collective bargaining labor agreement, the Davidson Transit Organization Employee Benefit Trust (the “Trust”) was established to pay all medical claims for MTA employees. The accrued medical claims and reinsurance amounts are recorded by the Trust. MTA funds the Trust on a break-even basis. At June 30, 2009 and 2008, MTA owed the Trust $1,287,430 and $1,283,684, respectively. Such amounts are included in accrued expenses.

F. SELF-INSURANCE - Continued

Changes in the reported liability for the years ended June 30, 2009 and 2008 are as follows:

	Balance At Beginning of Year	Net Claims Expenses	Claim Payments	Balance At End of Year
2009	$1,283,684	$7,292,764	$7,289,018	$1,287,430
2008	$914,278	$6,897,012	$6,527,606	$1,283,684

Workers' compensation:

MTA is self-insured, up to certain limits, for its workers' compensation claims. A provision has been made for all such known claims incurred as of June 30, 2009 and 2008. MTA has purchased reinsurance for workers compensation claims in excess of $500,000 per employee. The maximum available for reinsurance in a plan year is $1,000,000. During 2009 and 2008, MTA's workers' compensation claims did not exceed the maximum. At June 30, 2009 and 2008, provisions of $921,000 and $801,000, respectively are included in accrued expenses relating to workers' compensation claims.

Self-insurance investments:

MTA transfers funds to the Metropolitan Government to cover self-insurance claims, for which the Metropolitan Government acts as custodian. These funds are used to pay claims for public liability and property damage claims as well as medical claims. Reinsurance proceeds, if any, are applied along with contributions from MTA to reimburse the account. The outstanding balance of these funds at June 30, 2009 and 2008 was $1,280,717 and $1,262,714, respectively. MTA has also transferred funds to a third party administrator to serve as collateral for its self-insured workers' compensation bond. The balance of these funds was $570,000 at both June 30, 2009 and 2008.

G. NOTE PAYABLE - METROPOLITAN GOVERNMENT

MTA has a $2,000,000 revolving credit line agreement with the Metropolitan Government for the purpose of funding operational activities. Interest on the outstanding principal balance is calculated at the same rate of interest as is earned on the Metropolitan Government's funds in its Metro Investment Pool ("MIP"). MTA is not required to make monthly interest payments; the amount of any unpaid interest accrued each month is added to the amount of principal outstanding. The outstanding balance totaled $1,588,685 as of June 30, 2009 and $1,578,175 as of June 30, 2008.

G. NOTE PAYABLE - METROPOLITAN GOVERNMENT - Continued

MTA also has a $10,000,000 credit line agreement with the Metropolitan Government for the purpose of providing short-term construction financing for the Music City Central ("MCC") project. Interest on the outstanding principal balance is calculated at the same rate as is earned on the Metropolitan Government's funds in its MIP. MTA is not required to make monthly interest payments; the amount of any unpaid interest accrued each month is added to the amount of principal outstanding. The outstanding balance totaled $5,277,375 as of June 30, 2009. There was no outstanding balance as of June 30, 2008. Subsequent to year-end, MTA repaid $4,535,847 of the principal and accrued interest and will repay the remainder of the balance when grant funds are received from the State of Tennessee.

In May 2009, MTA entered into a $5,000,000 credit line agreement with the Metropolitan Government for the purpose of funding capital activities until MTA receives expected Federal and State grant monies from capital grants. Interest on the outstanding principal balance is calculated at the same rate of interest as is earned on the Metropolitan Government's funds in its MIP. MTA is not required to make monthly interest payments; the amount of any unpaid interest accrued each month is added to the amount of principal outstanding. The outstanding balance totaled $1,999,558 as of June 30, 2009. Subsequent to year-end, MTA repaid the balance in full and the credit line expired on September 1, 2009.

Borrowings and repayments under the credit line agreements for the years ended June 30, 2009 and 2008 are as follows:

	Balance At Beginning of Year	Borrowings	Accrued Interest	Repayments	Balance At End of Year
Operating	$1,578,175	$ -	$ 25,510	$(15,000)	$1,588,685
MCC	-	13,130,686	74,240	(7,927,551)	5,277,375
Capital	-	4,995,000	4,558	(3,000,000)	1,999,558
	$1,578,175	$18,125,686	$104,308	$(10,942,551)	$8,865,618

	Balance At Beginning of Year	Borrowings	Accrued Interest	Repayments	Balance At End of Year
Operating	$1,514,794	$ -	$63,381	$ -	$1,578,175

H. CAPITAL LEASE OBLIGATIONS

During fiscal year 2000, MTA entered into a capital lease agreement for new buses with a total cost of $990,591. Also, during fiscal years 2004 - 2007, MTA entered into capital lease agreements with the Metropolitan Government for certain computer equipment. The cost of leased computer equipment included in property and equipment at June 30, 2009 and 2008 total $113,364 and $175,522, respectively. Depreciation on property under capital leases is calculated using the straight-line method over the estimated useful lives of the property. Accumulated depreciation for all property under capital leases totaled $849,741 and $856,345 at June 30, 2009 and 2008, respectively. The future minimum lease payments required under the capital leases as of June 30, 2009, are as follows:

Fiscal Year Ending	Amount
2010	$ 78,757
Less: amount representing interest (5.05% imputed rate)	(1,567)
Present value of net maximum lease payments	77,190
Less: current portion due within one year	(77,190)
Long-term capital lease obligations	$ -

I. DEFERRED LEASE REVENUE

During fiscal year 2008, MTA entered into an agreement to lease certain parking facilities to the State of Tennessee. The term of the lease is 25 years and commences in October 2008.

Under the provisions of the lease agreement, MTA received, in advance, the entire lease rental payments totaling $6,500,000. The advance rental payments have been recorded as deferred lease revenue in the accompanying balance sheet and will be recognized as revenue on the straight-line-basis over the term of the lease. MTA utilized the upfront cash payments to finance a portion of the construction costs for Music City Central. The deferred balance totaled $6,304,997 and $6,500,000 at June 30, 2009, and 2008, respectively.

J. PENSION PLAN

Plan Description:

MTA offers, through DTO, a single-employer defined benefit pension plan ("Pension Plan") covering substantially all eligible employees of DTO (except part-time employees) and the Amalgamated Transit Union, Local 1235. The Pension Plan provides for retirement and disability benefits to members and their beneficiaries. Specific benefits are established in Articles XII and XIII of the Pension Plan document. The Pension Plan issues a publicly available report that includes the financial statements and certain required supplementary information. That report may be obtained by writing to MTA, 130 Nestor Street, Nashville, Tennessee, 37210, or by calling (615)-862-5969.

Funding Policy:

The Pension Plan is funded by monthly contributions from both DTO and plan members. Contribution requirements of the plan members and DTO are established in Article VII of the Pension Plan document. Plan members are required to contribute 4.50% of their covered payroll. DTO is required to contribute at an actuarially determined rate, which was 9.12% and 9.40% of covered payroll in fiscal years 2009 and 2008, respectively. All administrative costs of the Pension Plan are paid out of plan assets.

Annual Pension Cost and Net Pension Obligation:

MTA's annual pension cost is calculated based on the annual required contribution of the employer ("ARC"), which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 27. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize the unfunded actuarial liabilities over a period not to exceed twenty years.

MTA's three-year trend information including the annual pension cost, the percentage of annual pension cost contributed, and the net pension obligation for fiscal years 2009, 2008 and 2007 is as follows:

Fiscal Year	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2009	$1,872,171	100%	$ -
2008	$1,737,909	100%	$ -
2007	$1,510,725	100%	$ -

J. PENSION PLAN - Continued

Funded Status and Funding Progress:

The funded status of the Pension Plan as of the most recent actuarial valuation date, July 1, 2008 is detailed below:

Actuarial accrued liability (a)	$ 37,361,538
Actuarial value of plan assets (b)	(23,381,938)
Unfunded actuarial accrued liability (a) – (b)	$ 13,979,600
Funded ratio (b) / (a)	62.6%
Covered payroll (c)	$19,054,287
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) – (b)] / (c)	73.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the projected salary increases. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Pension Plan Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Assumptions

Actuarial methods and assumptions as of July 1, 2008, the latest actuarial valuation, are detailed below:

Actuarial cost method	Entry age normal
Amortization method	Level percentage open; 20 year amortization
Asset valuation method	Phase-in of 5-year adjusted market value from August 31, 1989 with floor of 80% of market
Rate of investment return	7.75% per annum, compounded annually
Projected salary increases	4.00% per annum, compounded annually
Cost-of-living adjustments	3.00% effective 7/1/2008; 2.50% effective 7/1/2009
Remaining amortization period	20 years

See further information in the Pension Plan Schedule of Funding Progress (Unaudited) on page 41.

K. OTHER POSTEMPLOYMENT BENEFITS

Plan Description:

MTA offers, through DTO, postemployment medical, dental, vision, prescription card and life insurance benefits to eligible retirees and dependents through the Davidson Transit Organization Employee Benefit Trust (the "Health Plan"). The Health Plan is a single-employer defined benefit plan. Benefit provisions are established and amended primarily through negotiations between DTO and the Amalgamated Transit Union. The Health Plan issues a publicly available report that includes the financial statements and certain required supplementary information. That report may be obtained by writing to MTA, 130 Nestor Street, Nashville, Tennessee, 37210, or by calling (615)-862-5969.

Funding Policy:

The Health Plan is funded by monthly contributions from (i) the Employer, based on rates determined by management in consultation with the Health Plan's actuary, and (ii) covered retirees through deductions from their pension benefits, in accordance with the agreement between DTO and the Amalgamated Transit Union. Employer contributions are generally made on a pay-as-you-go basis. Retiree contributions are generally $90 for retiree-only and $165 for retiree and family coverage. Retiree contributions received during the year ended June 30, 2009 and 2008 totaled $248,900 and $229,500, respectively.

Annual OPEB Cost and Net OPEB Obligation:

MTA's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution of the employer ("ARC"), which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize the unfunded actuarial liabilities over a period not to exceed thirty years.

MTA's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year 2009 and 2008 are as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$4,809,724	34.10%	$5,678,175
2008	$4,386,952	42.24%	$2,533,727

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

Funded Status and Funding Progress:

The funded status of the Health Plan as of the most recent actuarial valuation date, July 1, 2008 is detailed below:

Actuarial accrued liability (a)	$34,004,859
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) – (b)	$34,004,859
Funded ratio (b) / (a)	-%
Covered payroll (c)	$19,347,059
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) – (b)] / (c)	175.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Other Postemployment Benefits Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

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

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

In the July 1, 2008 actuarial valuation, the following significant actuarial methods and assumptions were used:

Actuarial valuation method	Projected unit cost method
Amortization method	Level dollar over 30 years
Discount rate	6.25%
Health care cost trend rate	7.50% through fiscal year 2010; reducing to 5.5% in fiscal 2015 and thereafter
Mortality	UP 1984 Group Annuity Mortality Table
Retirement rates	Rates vary by age, with average of 61

MTA adopted the requirements of GASB Statement No. 45 for fiscal year 2008. MTA elected to apply the provisions of the Statement on a prospective basis, and accordingly, the disclosures presented in Note K and the information in the Other Postemployment Benefits Schedule of Funding Progress on page 41 are presented for fiscal year 2009 and 2008 only.

L. COMMITMENTS AND CONTINGENCIES

Grants:

MTA has received federal, state and local grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to grantors.

Construction in Progress:

During fiscal 2007, MTA's Board of Directors approved a $7.3 million project to replace bus radios and have an Automatic Vehicle Locator (AVL) installed in the dispatch center. As of June 30, 2009, the costs incurred on the project totaled $3,437,042. The estimated costs to complete the project are approximately $3,800,000, and the project is estimated to be completed in fiscal year 2010. The costs of the project will be reimbursed through federal, state, and local grants.

Also included in construction in progress at June 30, 2009 are other minor projects. The estimated costs to complete the projects are expected to be immaterial to the financial statements.

L. COMMITMENTS AND CONTINGENCIES - Continued

Litigation:

MTA is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of MTA's attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of MTA. Accordingly, no provision for loss, if any, related to these matters has been made in the financial statements.

M. NET ASSETS

The net assets as of June 30, 2009 and 2008 were as follows:

	2009	2008
Property and equipment, net	$ 100,632,482	$ 85,175,263
Less: Borrowings and other liabilities	(13,602,086)	(10,694,319)
Less: Capital lease obligations	(77,190)	(220,810)
Total net assets invested in capital assets, net of related debt	86,935,206	74,260,134
Unrestricted	(1,275,109)	1,461,667
Total net assets	$ 85,660,097	$ 75,721,801

Net assets invested in capital assets, net of related debt represents the property and equipment that MTA has full ownership of through settlement of the debt issued in order to obtain and construct those assets.

N. RELATED PARTY TRANSACTION

During December 2008, MTA entered into an agreement with the Regional Transportation Authority ("RTA") under which MTA provides contracted labor and other support to RTA. Specifically, the senior leadership team of MTA, including the Chief Executive Officer and Chief Financial Officer, also serve as senior leadership of RTA. MTA also provides certain accounting and support services under the agreement. MTA has also had agreements with RTA during fiscal years 2009 and 2008 for certain contracted bus services. Revenue from the RTA for all contracted services during fiscal 2009 and 2008 totaled $871,154 and $773,619, respectively. At June 30, 2009 and 2008, the receivable from the RTA, included in accounts receivable in the accompanying balance sheet, totaled $321,927 and $137,578, respectively.

P. SUBSEQUENT EVENTS

MTA has evaluated subsequent events through September 29, 2009, the issuance date of the financial statements, and has determined that except, for the repayment of debt described in Note G, there are no subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS (UNAUDITED)

PENSION PLAN:

($ In Millions)		Actuarial Valuation Date July 1, 2008	2007	2006
Actuarial value of assets	(a)	$23.4	$22.1	$20.8
Actuarial accrued liability (AAL)	(b)	$37.4	$36.9	$32.5
Unfunded AAL (UAAL)	(b - a)	$14.0	$14.8	$11.7
Funded ratio	(a) / (b)	63%	60%	64%
Covered payroll	(c)	$19.1	$18.8	$16.6
UAAL as a percentage of covered payroll	((b-a)/c)	73%	79%	70%

OTHER POSTEMPLOYMENT BENEFITS PLAN:

($ In Millions)		Actuarial Valuation Date July 1, 2008	2007
Actuarial value of assets	(a)	$ -	$ -
Actuarial accrued liability (AAL)	(b)	$34.0	$29.0
Unfunded AAL (UAAL)	(b - a)	$34.0	$29.0
Funded ratio	(a) / (b)	-%	-%
Covered payroll	(c)	$19.3	$18.7
UAAL as a percentage of covered payroll	((b-a)/c)	176%	155%

ADDITIONAL INFORMATION

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Federal Grantor/ Program Title	Federal CFDA Number	Federal/ State Grant Number	Grant Period	Federal Awards	State Awards	Local Awards
U.S. DEPARTMENT OF TRANSPORTATION AND TENNESSEE DEPARTMENT OF TRANSPORTATION:						
Federal Transit Administration:						
Capital Grant	20.507*	TN-90-X226/ GG-06-12275-00	7/1/04 - 9/30/08	$ 6,969,901	$ 871,238	$ 871,238
Capital Grant	20.507*	TN-90-X243/ GG-06-12786-00	7/1/05 - 7/30/08	8,924,581	1,097,237	1,112,602
Capital Grant	20.507*	TN-90-X260/ GG-07-22961-00	7/1/06 - 6/30/09	6,854,426	856,803	856,803
Capital Grant	20.507*	TN-90-X270/ GG-08-24761-00	7/1/07 - 6/30/10	7,684,498	960,562	960,562
Capital Grant	20.507*	TN-95-X017/ Not applicable	7/1/07 - 6/30/09	1,000,000	-	250,000
Capital Grant	20.507*	TN-90-X294/ Not available	7/1/08 - 6/30/11	9,592,779	1,199,097	1,199,097
Capital Grant	20.500*	TN-03-0092/ GG-06-12277-00	2/15/06 - 7/30/09	2,913,526	364,191	364,191
Capital Grant	20.500*	TN-04-0009/ GG-08-24774-00	9/1/07 - 8/31/10	3,156,960	394,620	394,620
Capital Grant	20.500*	TN-04-0013/ GG-09-26742-00	4/1/08 - 12/31/08	3,430,040	428,755	428,755
Jobs Access Reverse Commute Program	20.516*	TN-37-X053/ GG-07-12835-00	7/1/06 - 6/30/08	336,300	168,150	168,150
Jobs Access Reverse Commute Program	20.516*	TN-37-X054/ GG-09-26772-00	1/2/07 - 6/30/11	684,889	342,445	342,445
New Freedom	20.521*	TN-57-X002/ GG-09-26716-00	1/2/07 - 6/30/11	410,286	205,143	205,143
		Total Direct Awards		51,958,186	6,888,241	7,153,606
PASS THROUGH GRANTS:						
Passed through Metropolitan Planning Commission:						
FTA Transportation Planning	20.505	MPO L-2187/ A-22726	10/1/08 - 9/30/09	200,000	-	50,000
Passed through Tennessee Department of Transportation:						
FTA Transportation Planning	20.505	TN-80-0002/ 19-5303-S3-008	1/1/07 - 12/31/10	290,946	36,369	-
		Total Pass Through		490,946	36,369	50,000
		Total Federal Awards		$52,449,132	$6,924,610	$7,203,606

*Considered a major program in accordance with OMB Circular A-133.

Accrued Grant Revenue 6/30/08	Federal Receipts	State Receipts	Local Receipts	Federal Expenditures	State Expenditures	Local Expenditures	Accrued Grant Revenue 6/30/09
$ 559	$ 1,395,512	$ 106,011	$ 190,156	$ 1,535,742	$ 191,968	$ 191,968	$ 228,558
680,447	573,288	70,397	71,197	33,517	2,352	3,152	4,586
90,243	768,426	25,154	26,274	695,335	86,917	86,917	139,558
1,134,208	1,816,511	219,484	219,484	910,577	113,822	113,822	16,950
-	109,084	-	-	116,026	-	29,006	35,948
-	7,268,712	-	-	8,844,788	1,105,598	1,105,598	3,787,272
69,762	624,027	78,170	78,004	569,564	71,194	71,199	1,518
394,620	-	394,620	-	-	-	-	-
-	3,430,040	428,755	428,755	3,430,040	428,755	428,755	-
336,300	168,150	84,075	84,075	-	-	-	-
-	375,648	129,060	-	436,064	179,896	95,276	206,528
-	79,132	25,062	-	79,994	38,747	15,943	30,490
2,706,139	16,608,530	1,560,788	1,097,945	16,651,647	2,219,249	2,141,636	4,451,408
-	141,144	-	-	173,060	-	43,265	75,181
236,000	-	209,778	26,222	82,184	9,131	-	91,315
236,000	141,144	209,778	26,222	255,244	9,131	43,265	166,496
$2,942,139	$16,749,674	$1,770,566	$1,124,167	$16,906,891	$2,228,380	$2,184,901	$4,617,904

See notes to schedules of expenditures of federal, state and local awards.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2009

	Grant Number	Grant Period	State Program Award	Accrued Grant Revenue June 30, 2008
TENNESSEE DEPARTMENT OF TRANSPORTATION				
Operating Assistance Project	Z-09-213801-00	7/1/08 to 6/30/09	$3,825,046	$ -
Operating Assistance Project	GG-09-27122-00	2/1/09 to 1/31/12	1,500,000	-
Special Legislative Apportionment Grant	DG-08-23608-00	3/1/08 to 2/28/10	781,861	781,861
Total State Awards			$6,106,907	$781,861

Receipts	Expenditures	Accrued Grant Revenue June 30, 2009
$3,825,046	$3,825,046	$ -
1,500,000	1,500,000	-
781,861	-	-
$6,106,907	$5,325,046	$ -

See notes to schedules of expenditures of federal, state and local awards.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF LOCAL AWARDS
YEAR ENDED JUNE 30, 2009

	Grant Period	Local Program Award	Accrued Grant Revenue June 30, 2008
METROPOLITAN GOVERNMENT OF NASHVILLE/ DAVIDSON COUNTY			
Operating Assistance	7/1/08 - 6/30/09	$18,412,600	$ -
Metro Capital - 7840-0103(1)	7/1/04 - open	11,079,800	431
Metro Capital - 7841-0190(1)	7/1/05 - open	16,152,100	6,976
Metro Capital - 7840-4007(1)	7/1/06 - open	9,419,500	877,377
Metro Capital - 7840-1008(1)	7/1/07 - open	7,000,000	1,216,494
Metro Capital - 7840-2300(1)	N/A	-	-
Total Local Awards		$62,064,000	$2,101,278(2)

(1) The Metro Capital 7840-0103, 7841-0190, 7840-4007, 7840-1008, and 7840-2300 grants are used for capital purchases as well as local match funds for FTA federal capital grants. For the year ended June 30, 2009, the grants funded $6,882,801 in capital purchases and $2,184,901 in local match funds for federal capital grants. These expenditures for local match have also been included in the Schedule of Expenditures of Federal Awards on pages 42 - 43.

(2) The accrued grant revenue at June 30, 2009 and 2008 included $1,368,666 and $281,710, respectively in match funds on federal capital grants. These local match funds are also included as accrued grant revenue at June 30, 2009 and 2008, respectively in the Schedule of Expenditures of Federal Awards on pages 42 - 43.

Receipts	Expenditures	Accrued Grant Revenue June 30, 2009
$18,412,600	$18,412,600	$ -
191,031	196,662	6,062
7,064	88	-
6,071,399	5,286,360	92,338
2,549,216	3,509,394	2,176,672
-	75,198	75,198
$27,231,310	$27,480,302	$2,350,270(2)

See notes to schedules of expenditures of federal, state and local awards.

METROPOLITAN TRANSIT AUTHORITY
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL, STATE AND LOCAL AWARDS
YEAR ENDED JUNE 30, 2009

A. BASIS OF ACCOUNTING

The schedules of expenditures of federal, state and local awards are prepared on the accrual basis of accounting.

B. PROGRAM CLUSTERS

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested accordingly.

C. CONTINGENCY

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

D. SUB-RECIPIENTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, MTA provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Pass-through Expenditures
Jobs Access Reverse Commute	20.516	$290,564
New Freedom Program	20.521	68,829
		$359,393

OTHER REPORTS

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

We have audited the balance sheet of Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of June 30, 2009, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MTA's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was limited for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors and management, federal awarding agencies, the Metropolitan Government of Nashville and Davidson County, Tennessee, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin + Associates, P.C.

Nashville, Tennessee
September 29, 2009

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

Compliance

We have audited the compliance of Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. MTA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of MTA's management. Our responsibility is to express an opinion on MTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on MTA's compliance with those requirements.

In our opinion, MTA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

MTA's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered MTA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MTA's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was limited for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors and management, federal awarding agencies, the Metropolitan Government of Nashville and Davidson County, Tennessee, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin + Associates, P.C.

Nashville, Tennessee
September 29, 2009

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	___yes _x_ no
Significant deficiency(ies) identified not considered to be material weaknesses?	___yes _x_ none reported
Noncompliance material to financial statements noted?	___yes _x_ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___yes _x_ no
Significant deficiency(ies) identified not considered to be material weaknesses?	___yes _x_ none reported
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___yes _x_ no

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Federal Awards - Continued

Identification of major programs:

CFDA Number	Name of Federal Program	
Federal Transit Cluster		
20.500	Federal Transit Administration Capital Grants	$ 3,999,604
20.507	Federal Transit Administration Capital Grants	12,135,985
		16,135,589
Transit Services Program Cluster		
20.516	Job Access - Reverse Commute Program Grants	436,064
20.521	New Freedom Program Grants	79,994
		516,058
	Total Major Programs	$16,651,647

Dollar threshold used to distinguish between Type A and Type B programs: $507,207

Auditee qualified as low-risk auditee? __X__ yes ____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

A. Significant Deficiencies in Internal Control

None

B. Compliance Findings

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

METROPOLITAN TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

MTA had no prior year audit findings related to the testing of its federal and state awards programs.