METROPOLITAN TRANSIT AUTHORITY
NASHVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2011 AND 2010

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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, 2011 and 2010.

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, 2011 and 2010, 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.

METROPOLITAN TRANSIT AUTHORITY
JUNE 30, 2011

BOARD OF DIRECTORS

Thomas F. O'Connell	Chair
Jeffrey P. Yarbro	Vice Chair
Gail Carr Williams	Member
Lewis Lavine	Member
Marian T. Ott	Member

EXECUTIVE STAFF

Paul J. Ballard	Chief Executive Officer
Edward W. Oliphant	Chief Financial Officer
Robert Baulsir Jr.	General Manager of Administration
Dawn Distler	General Manager of Operations and Maintenance
Patricia Harris-Morehead	Director of Communications
James McAteer	Director of Planning

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, 2011 and 2010, 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, 2011 and 2010, 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 October 31, 2011, 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 5 - 14 and the schedules of funding progress on page 46, are not required parts 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 introductory section on pages 1 - 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal, state and local awards and related footnotes, pages 47 - 52, 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 also not a required part of the basic financial statements. The schedules of expenditures of federal, state and local awards have been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 31, 2011

This section of the MTA's annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2011 and 2010 as compared to fiscal years 2010 and 2009, 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 2011:

- In December 2010, MTA acquired the former Peterbilt property and buildings located on Myatt Drive in Madison, Tennessee for $16 million. The property was purchased in response to the May 2010 flood and will be used to relocate the administrative offices and heavy maintenance facility away from our Nestor Street facility in order to mitigate risk. Our Nestor Street facility will still be our dispatching location for our drivers for the majority of our daily pull-out schedule and will also perform light maintenance when necessary. The new Myatt Drive location will handle some dispatching for routes that are near the Madison area for efficiency purposes. A portion of the property will be used by the Metropolitan Government for purposes of a new Madison Police precinct as well as other Metro functions.

- Operating revenue for 2011 increased 10.3% from 2010 and totaled approximately $10.5 million for fiscal 2011.

- Operating expenses increased approximately 6.1% from 2010 and totaled approximately $62.7 million for fiscal 2011.

- Net non-operating revenue and capital contributions increased 58.7% to a total of approximately $74.2 million for fiscal year 2011. The increase was primarily a result of a 154.3% increase in federal, state and local capital grant funds, which totaled approximately $43.6 million. These grants funds helped MTA purchase fourteen 60-foot and twenty-five 40-foot transit buses, thirty-nine paratransit vans and several support vehicles to replace vehicles lost in the May 2010 flood. The grant funding along with the proceeds from last year's sale of the Nance Landport also provided a portion of the funding for our new Myatt Drive property. In addition to the capital funding, MTA also had an increase in local operating assistance and increases in job access reverse commute special grant funding.

Fiscal Year 2010:

- On May 2, 2010, Nashville experienced a devastating flood which resulted in most of middle Tennessee being declared a federal disaster area by President Obama. Our main Nestor Street facility was severely damaged including the loss of approximately 70 revenue vehicles, 20 support vehicles and a significant portion of our maintenance shop equipment. The first floor of building leasehold improvements was a total loss. These financial statements include extraordinary losses on disposal and impairment of assets and supplies of approximately $7.5 million as well as approximately $333,000 of flood related expenses related to restoration of our facility and getting transit services back to regular service levels. MTA continues to work with the Federal Emergency Management Agency (FEMA) and Federal Transit Administration (FTA) to evaluate the damages sustained and determine what losses will be eligible for federal relief and reimbursement.

- MTA began new bus rapid transit (BRT) service along Gallatin Road in September 2009 and initiated a new downtown circulator service in March 2010 offering free bus service on two separate continuous loops from Nashville's riverfront with one route to Bicentennial Mall area and the other route to the Gulch area.

- Primarily as a result of the flood, operating revenue for 2010 decreased 14.3% from 2009 and totaled approximately $9.5 million for fiscal 2010.

- Operating expenses increased approximately 11.3% from 2009 and totaled approximately $59.1 million for fiscal 2010.

- Net non-operating revenue increased 20.0% to a total of approximately $29.6 million for fiscal 2010, primarily as a result of increases in local and state operating assistance, increases in job access reverse commute special grant funding and a one-time gain on the sale of the Nance Landport. The Landport was sold to the Metropolitan Government of Nashville and Davidson County to make way for the new downtown convention center. Capital contributions consisting of property, materials and supplies purchased through capital grants from federal, state and local government sources for fiscal 2010 decreased 37.0% compared to fiscal 2009 and totaled approximately $17.2 million. This decrease was primarily due to the completion of the construction for Music City Central during fiscal year 2009.

- Total property and equipment (net of accumulated depreciation) was approximately $89.7 million at June 30, 2010, a decrease of 10.9% from June 30, 2009. This decrease in capital assets is primarily due to approximately $5.8 million, net, in assets lost or impaired as a result of the devastating floods in May 2010 and $7.6 million of depreciation expense for fiscal year 2010. These decreases were partially offset with new capital additions consisting of two hybrid diesel buses for our new circulator service, new replacement fare collection equipment and new bus benches and shelters that are being installed along our new BRT corridor on Gallatin Road.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of five parts: the introductory section, 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.

The financial statements include MTA's blended component unit, Davidson Transit Organization (DTO). DTO is a section 501(c)(3) not-for-profit organization that was formed for the purpose of providing all the necessary labor for the operation of MTA's transit system as a result of state laws. DTO is financially dependent on MTA and is reimbursed by MTA, at cost, for all salaries, wages and fringe benefits. Accordingly, DTO is a blended component unit for financial reporting purposes. All interagency transactions and balances have been eliminated. The agreement between MTA and DTO establishes that DTO is a federal sub-recipient as it relates to any federal grants monies that are passed through from MTA to DTO.

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 2011 as compared to fiscal year 2010:

MTA's net assets at June 30, 2011 totaled approximately $96.9 million, a 29.0% increase compared to June 30, 2010 (See Table A-1). Total assets increased 31.3% to approximately $137 million and total liabilities increased 37.1% to approximately $40.1 million.

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

	2011	**2010**	**Percentage Change 2011-2010**
Current assets	$ 9,445	$ 12,963	(27.1%)
Property and equipment, net	126,570	89,695	41.1%
Designated and net pension assets	967	1,670	(42.1%)
Total assets	**136,982**	**104,328**	**31.3%**
Current liabilities	13,841	13,625	1.6%
Deferred revenue	12,385	6,045	104.9%
Net other postemployment benefits	13,904	9,607	44.7%
Total liabilities	**40,130**	**29,277**	**37.1%**
Net Assets:			
Invested in capital assets, net	108,989	78,101	39.5%
Restricted	-	3,540	(100.0%)
Unrestricted	(12,137)	(6,590)	(84.2%)
Total net assets	**$ 96,852**	**$ 75,051**	**29.0%**

The 31.3% increase in total assets was primarily due to capital additions of approximately $45.9 million as well as increases in parts inventory. The additions were partially offset by current year depreciation of approximately $9.0 million as well as reductions in accounts receivable due to timing when compared to the prior year. The capital additions related primarily to the

purchase of fourteen 60-foot transit buses, twenty-five 40-foot transit buses to replace buses that were lost in the May 2010 flood and 39 paratransit vans also replacing vehicles lost in the flood. In addition, MTA purchased the Myatt Drive facility in Madison, Tennessee in December 2010 to relocate all its heavy maintenance shop facility as well as all administrative facilities as a result of the May 2010 flood event.

With respect to changes in liabilities, the slight increase in current liabilities was due primarily to timing differences compared to prior year. The increase in deferred revenue relates to a $6.6 million contribution received from the Metropolitan Government toward the purchase of the Myatt Drive facility. The Metropolitan Government made the contribution in contemplation of occupying certain space at the facility. The amount of space and the terms of occupancy are expected to be agreed-upon in fiscal year 2012. The $6.6 million upfront payment has been recorded as deferred revenue and will be amortized in accordance with the terms of the future agreement. The remaining deferred revenue relates to an upfront contribution of $6.5 million by the State of Tennessee for the construction of Music City Central which opened during fiscal year 2009 in exchange for a 25-year, long-term operating lease for 343 parking spaces in the facility. The deferred revenue is being recognized over the life of the lease. Net other postemployment benefits, which MTA began recording in fiscal year 2008, 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.

Restricted net assets at June 30, 2010 related to proceeds received from the sale of the Nance Landport. The proceeds were used in accordance with FTA regulations on the purchase of the new Myatt Drive property.

Fiscal year 2010 as compared to fiscal year 2009:

MTA's net assets at June 30, 2010 totaled approximately $75.1 million, a 12.4% decrease compared to June 30, 2009 (See Table A-2). Total assets decreased 6.9% to approximately $104.3 million and total liabilities increased 11.0% to approximately $29.3 million.

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

	2010	**2009**	**Percentage Change 2010-2009**
Current assets	$ 12,963	$ 9,527	36.1%
Property and equipment, net	89,695	100,633	(10.9%)
Designated and net pension assets	1,670	1,887	(11.5%)
Total assets	**104,328**	**112,047**	**(6.9%)**
Current liabilities	13,625	14,404	(5.4%)
Deferred revenue	6,045	6,305	(4.1%)
Net other postemployment benefits	9,607	5,678	69.2%
Total liabilities	**29,277**	**26,387**	**11.0%**
Net Assets:			
Invested in capital assets, net	78,101	86,935	(10.2%)
Restricted	3,540	-	-
Unrestricted	(6,590)	(1,275)	(416.9%)
Total net assets	**$ 75,051**	**$ 85,660**	**(12.4%)**

The 6.9% decrease in total assets was primarily due to losses and impairments to capital assets as a result of the devastating flood in May 2010. While there were capital additions of approximately $4.5 million, these were offset by current year depreciation of approximately $7.6 million and extraordinary losses of $7.5 million related to flood damage. The capital additions related primarily to two new hybrid buses for use on downtown circulator transit services, new replacement fare collection equipment and new shelters and bus benches for the new BRT corridor along Gallatin Road. The decrease in current liabilities was due primarily to reduction of a short-term loan related to the construction for Music City Central that was repaid and other timing differences. The decrease in deferred revenue relates to the amortization of the 25-year, long-term operating lease for 343 parking spaces in the facility. The deferred revenue is being recognized over the life of the lease. Net other postemployment benefits increased relating to the actuarial valuation for Government Accounting Standards Board (GASB) Statement No. 45.

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 2011 as compared to fiscal year 2010:

The excess of revenues and capital contributions over expenses for the year ended June 30, 2011 was approximately $21.8 million compared to an excess of expenses over revenues and capital contributions of approximately $10.6 million for the year ended June 30, 2010 (See Table A-3). MTA's total operating revenues increased 10.3% to approximately $10.5 million from approximately $9.5 million in the prior fiscal year. Total operating expenses, including depreciation, increased 6.1% to approximately $62.7 million from approximately $59.1 million in the prior fiscal year.

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

Operating Revenue:	**2011**	**2010**	**Percentage Change 2011-2010**
Passenger fares	$ 8,046	$ 7,209	11.6%
Contracts and other revenue	2,415	2,271	6.3%
Total operating revenue	**10,461**	**9,480**	**10.3%**
Operating Expenses:			
Operating expenses	53,713	51,465	4.4%
Depreciation	8,976	7,594	18.2%
Total operating expenses	**62,689**	**59,059**	**6.1%**
Operating loss	(52,228)	(49,579)	5.3%
Net non-operating revenue and capital contributions	74,208	46,768	58.7%
Extraordinary item	(179)	(7,798)	(97.7%)
Increase (decrease) in net assets	**21,801**	**(10,609)**	**305.5%**
Total net assets, beginning of year	75,051	85,660	(12.4%)
Total net assets, end of year	**$ 96,852**	**$ 75,051**	**29.0%**

The increase in operating revenue was primarily due to an increase in ridership of approximately 8% that was related to general ridership increases and recovery of ridership that was lost in the prior year as a result of the May 2010 flood. In May 2010, our transit system was completely shut down for 4 days and operated significantly reduced services until May 24, 2010 when we were able to resume our normal, full bus service. Net non-operating revenue and capital contributions increased 58.7% to approximately $74.2 million in fiscal year 2011 compared to approximately $46.8 million in fiscal year 2010. The increase was primarily due to receiving more capital grants used to purchase fourteen 60-foot transit buses, twenty-five 40-foot buses and 39 paratransit vans and several support vehicles as we recovered from the May 2010 flood. In addition, we were able to secure certain grant funding for the purchase of the former Peterbilt property on Myatt Drive to relocate all of our administrative offices and heavy maintenance facility away from our Nestor Street facility as a result of the flood.

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

Bus:	**2011**	**2010**	**Percentage Change 2011-2010**
Labor and fringes	$ 38,334	$ 36,711	4.4%
Purchased services	2,449	2,354	4.0%
Materials and supplies	6,933	6,033	14.9%
Other	2,166	2,811	(22.9%)
Depreciation	8,976	7,594	18.2%
Elderly and disabled	3,679	3,348	9.9%
Planning	152	208	(26.9%)
Total operating expenses	**$ 62,689**	**$ 59,059**	**6.1%**

Labor and fringes expenses increased 4.4% in fiscal year 2011 as compared to 2010. The increase was primarily due to increased labor expenses as we recovered from the May 2010 flood event. For the first three to four months, we operated in make shift facilities causing operational inefficiencies and higher labor costs. In addition, other postemployment benefits increased as compared to the prior year based upon the actuarial calculation for Governmental Accounting Standards Boards (GASB) Statement No. 45.

Purchased services expenses increased 4.0% in fiscal year 2011 as compared to 2010. This increase was primarily due to several expenditures such as increases in security services as well as increases in maintenance contracts related to operating software and equipment. These increases were partially offset by decreased expenditures for legal services incurred in 2011 compared to 2010.

The 14.9% increase in materials and supplies is primarily due to increased fuel costs related to gasoline powered paratransit vans that replaced the diesel powered vans that were lost in May 2010 flood. Currently, there is not a federally tested and approved diesel engine option available for purchase due to stricter federal emissions standards. Fuel expense increased as a result of having to purchase gasoline, which is not included in our existing fuel hedge program. There was also an increase in repair and maintenance costs related to approximately thirty older buses that were on loan to MTA from other transit agencies as a result of the flood and having a fleet that was a year older.

The 22.9% decrease in other expense is primarily due to a decrease in liability reserves for potential accident claims that occurred through the end of fiscal year 2011.

The 18.2% increase in depreciation expense is primarily related to the new buses and vans that were purchased during the fiscal year to replace rolling stock either lost in the flood or that were removed due to reaching the end of their service life.

Elderly and Disabled expenses increased 9.9% primarily as a result of increased contractual commitments for supplemental paratransit overflow (taxi) services. These services were utilized more during the first half of the fiscal year until new replacement vans could be added back to our Access Ride fleet.

Planning expenses decreased 26.9% as a result of having fewer planning grant dollars available during 2011.

Fiscal year 2010 as compared to fiscal year 2009:

The excess of expenses over revenues and capital contributions for the year ended June 30, 2010 was approximately $10.6 million compared to an excess of revenues and capital contributions over expenses of approximately $9.9 million for the year ended June 30, 2009 (See Table A-5). MTA's total operating revenues decreased 14.3% to approximately $9.5 million from approximately $11.1 million in the prior fiscal year. Total operating expenses, including depreciation, increased 11.3% to approximately $59.1 million from approximately $53.1 million in the prior fiscal year.

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

Operating Revenue:	**2010**	**2009**	**Percentage Change 2010-2009**
Passenger fares	$ 7,209	$ 8,348	(13.6%)
Contracts and other revenue	2,271	2,712	(16.3%)
Total operating revenue	**9,480**	**11,060**	**(14.3%)**
Operating Expenses:			
Operating expenses	51,465	46,201	11.4%
Depreciation	7,594	6,867	10.6%
Total operating expenses	**59,059**	**53,068**	**11.3%**
Operating loss	(49,579)	(42,008)	18.0%
Net non-operating revenue and capital contributions	46,768	51,946	(10.0%)
Extraordinary item	(7,798)	-	-
(Decrease) increase in net assets	**(10,609)**	**9,938**	**(206.8%)**
Total net assets, beginning of year	85,660	75,722	13.1%
Total net assets, end of year	**$ 75,051**	**$ 85,660**	**(12.4%)**

The decrease in operating revenue was primarily due to a decrease in ridership of approximately 10% resulting from the May 2010 flood. In May, our transit system was completely shut down for 4 days and operated significantly reduced services until May 24, 2010 when we were able to resume our normal full bus service. Net non-operating revenue and capital contributions decreased 10.0% to approximately $46.8 million in fiscal year 2010 compared to approximately $51.9 million in fiscal year 2009. The decrease was primarily due to the amount of eligible capital grant expenditures related to Music City Central (MCC). The majority of construction project expenditures for MCC occurred in fiscal years 2009 and prior.

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

Bus:	**2010**	**2009**	**Percentage Change 2010-2009**
Labor and fringes	$ 36,711	$ 32,488	13.0%
Purchased services	2,354	1,950	20.7%
Materials and supplies	6,033	5,993	0.7%
Other	2,811	2,315	21.4%
Depreciation	7,594	6,867	10.6%
Elderly and disabled	3,348	3,273	2.3%
Planning	208	182	14.3%
Total operating expenses	**$ 59,059**	**$ 53,068**	**11.3%**

Labor and fringes expenses increased 13.0% in fiscal year 2010 as compared to 2009. The increase was primarily due to increased medical and workers' compensation claims, increased labor related to continuation of the new bus rapid transit service started in the prior fiscal year and an increase in the actuarial calculation for Governmental Accounting Standards Boards (GASB) Statement No. 45 relating to other postemployment benefits.

Purchased services expenses increased 20.7% in fiscal year 2010 as compared to 2009. This increase was primarily due to several expenditures such as increases in security services as a result of all morning and afternoon school children transfers being moved to Music City Central after the sale of the Nance Landport, increases in contract maintenance related to new software and other expenses incurred while restoring normal bus services after the flood.

The 0.7% increase in materials and supplies is primarily due to increased repair and maintenance costs related to a fleet that was a year older. The increases were partially offset by decreased fuel costs that resulted from the implementation of a fuel-hedging program at the beginning of fiscal year 2010 that locked in favorable fuel prices for 80% of our fuel needs for the fiscal year.

The 21.4% 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 2010.

The 10.6% increase in depreciation expense is primarily related to commencing depreciation of Music City Central in October 2008.

Elderly and Disabled expenses increased 2.3% primarily as a result of increased contractual commitments related to our supplemental paratransit overflow (taxi) services.

Planning expenses increased 14.3% as a result of allocating additional planning grant dollars to the planning project related to the development of MTA's master planning document.

Capital Assets

Fiscal year 2011 as compared to fiscal year 2010:

At the end of fiscal year 2011, MTA had invested approximately $126.6 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)

	2011	**2010**	**Percentage Change 2011-2010**
Land	$ 16,395	$ 12,993	26.2%
Buildings, shelters and benches	74,182	61,645	20.3%
Revenue vehicles	61,594	36,288	69.7%
Equipment and parts	5,594	4,803	16.5%
Construction in progress	6,404	4,949	29.4%
Office furniture and equipment	1,872	1,716	9.1%
Miscellaneous other	2,115	1,600	32.2%
Subtotal	168,156	123,994	35.6%
Less Accumulated Depreciation	(41,586)	(34,299)	21.2%
Net Capital Assets	**$ 126,570**	**$ 89,695**	**41.1%**

The increases in Capital Assets were primarily associated with the purchase of transit buses and paratransit vans to replace vehicles lost in the May 2010 flood, regularly scheduled transit bus replacement and flood related land and building acquisitions to relocate our administrative offices and heavy maintenance facility away from our Nestor Street facility. Purchases included approximately $9.0 million for twenty-five 40-foot transit buses, approximately $3.6 million for thirty-nine paratransit vans, approximately $12.5 million for fourteen 60-foot hybrid diesel transit buses and $16 million for the acquisition land and buildings which was the former Peterbilt property.

Fiscal year 2010 as compared to fiscal year 2009:

At the end of fiscal year 2010, MTA had invested approximately $89.7 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)

	2010	2009	Percentage Change 2010-2009
Land	$ 12,993	$ 14,621	(11.1%)
Buildings, shelters and benches	61,645	62,784	(1.8%)
Revenue vehicles	36,288	48,914	(25.8%)
Equipment and parts	4,803	5,013	(4.2%)
Construction in progress	4,949	3,786	30.7%
Office furniture and equipment	1,716	1,885	(9.0%)
Miscellaneous other	1,600	1,993	(19.7%)
Subtotal	123,994	138,996	(10.8%)
Less Accumulated Depreciation	(34,299)	(38,363)	(10.6%)
Net Capital Assets	**$ 89,695**	**$ 100,633**	**(10.9%)**

The decreases in Capital Assets were primarily associated with approximately $7.5 million in losses and impairments related to the May flood and $7.6 million in depreciation expense. Land also decreased 12.9% as a result of the sale of the Nance Landport. These decreases were partially offset by capital additions of approximately $1.1 million for two hybrid buses to be used on the new downtown circulator service which began in March 2010, approximately $951,000 in new bus shelters and benches being installed along the new BRT corridor on Gallatin Road, approximately $418,000 in replacement fare collection equipment and approximately $1.5 million in new automatic vehicle location and communication equipment.

Economic Factors and Next Year's Budget

MTA's Board of Directors and management considered many factors when setting the fiscal year 2012 budget. These factors include the expected increase in ridership, contract services, 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 and the permanent relocation of all administrative and heavy maintenance functions away from our Nestor Street facility, which will significantly reduce Nashville MTA exposure to potential asset impairment and will 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, 2011	June 30, 2010
CURRENT ASSETS		
Cash and cash equivalents (Note B)	$ 1,026,275	$ 1,078,167
Receivables from federal, state and local governments (Note C)	5,686,362	10,094,047
Accounts receivable, less allowances of $28,894 and $87,455, respectively	949,446	980,291
Materials and supplies, net	693,404	267,455
Prepaid expenses and other current assets	1,089,495	542,819
Total current assets	9,444,982	12,962,779
PROPERTY AND EQUIPMENT, net (Note D)	126,569,790	89,695,403
OTHER ASSETS		
Designated assets - cash and investments held by custodians for self-insurance (Note F)	966,695	1,669,376
Total assets	$136,981,467	$104,327,558

LIABILITIES AND NET ASSETS

	June 30, 2011	June 30, 2010
CURRENT LIABILITIES		
Accounts payable	$ 1,805,710	$ 2,495,148
Notes payable - Metropolitan Government (Note G)	6,043,221	5,751,765
Accrued expenses:		
Salaries, wages and payroll taxes	838,114	723,422
Accident losses (Note F)	809,332	1,045,255
Compensated absences	1,104,130	943,781
Medical benefit claims (Note F)	1,177,177	1,141,730
Workers' compensation (Note F)	1,081,000	1,007,000
Other current liabilities	981,748	516,778
Total current liabilities	13,840,432	13,624,879
NON-CURRENT LIABILITIES		
Deferred revenue (Note I)	12,384,989	6,044,993
Net other postemployment benefits obligation (Note K)	13,904,353	9,606,902
Total non-current liabilities	26,289,342	15,651,895
Total liabilities	40,129,774	29,276,774
COMMITMENTS AND CONTINGENCIES - (Note L)	-	-
NET ASSETS (Note M)		
Invested in capital assets, net of related debt	108,988,873	78,101,399
Restricted	-	3,540,000
Unrestricted	(12,137,180)	(6,590,615)
Total net assets	96,851,693	75,050,784
Total liabilities and net assets	$ 136,981,467	$ 104,327,558

See accompanying notes to financial statements.

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

	Year Ended June 30, 2011	Year Ended June 30, 2010
OPERATING REVENUE		
Passenger fares	$ 8,046,239	$ 7,208,924
Contract revenues	1,149,371	1,123,904
Elderly and disabled passengers	662,482	608,693
Advertising	602,966	481,688
Special events	-	56,605
Total operating revenue	10,461,058	9,479,814
OPERATING EXPENSES		
Bus:		
Labor and fringe benefits	38,333,552	36,711,129
Purchased services	2,448,831	2,353,677
Materials and supplies	6,932,765	6,032,953
Other	2,165,834	2,810,686
Elderly and disabled passengers	3,679,317	3,348,267
Planning	152,459	208,026
Depreciation	8,975,722	7,593,618
Total operating expenses	62,688,480	59,058,356
Operating loss	(52,227,422)	(49,578,542)
NON-OPERATING REVENUE (EXPENSE):		
Operating assistance:		
Local	23,020,600	20,712,500
State	5,439,797	5,439,797
Planning and other assistance	1,240,392	1,749,850
Sub-recipient pass-through	(242,996)	(624,077)
(Loss) gain on disposal of property and equipment	(83,120)	1,579,907
Interest income	6,526	104,897
Interest expense	(5,522)	(17,578)
Other	1,201,978	665,420
Total non-operating revenue	30,577,655	29,610,716
DECREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS AND EXTRAORDINARY ITEM	(21,649,767)	(19,967,826)
Capital Contributions (Notes E and L)	43,630,164	17,156,848
Extraordinary Item (Note O)	(179,488)	(7,798,335)
INCREASE (DECREASE) IN NET ASSETS	21,800,909	(10,609,313)
NET ASSETS AT BEGINNING OF YEAR	75,050,784	85,660,097
NET ASSETS AT END OF YEAR	$ 96,851,693	$ 75,050,784

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 10,491,903	$ 9,328,756
Cash payments to or on behalf of employees	(33,651,613)	(32,625,039)
Cash payments to suppliers	(16,453,834)	(14,246,738)
Net cash used in operating activities	(39,613,544)	(37,543,021)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Planning assistance and other grant collections	947,093	1,719,921
State operating grant collections	5,439,797	5,439,797
Local operating grant collections	23,020,600	20,712,500
Payments to Metropolitan Government	-	(836,000)
Payments to sub-recipients	(242,996)	(624,077)
Net cash provided by non-capital financing activities	29,164,494	26,412,141
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of property and equipment	9,842	3,545,562
Payment of accounts payable for property and equipment	(552,482)	(38,156)
Cash purchases of property and equipment	(45,748,977)	(3,905,938)
Capital contributions and other capital related collections	54,931,148	12,692,238
Borrowings from Metropolitan Government	5,284,434	4,995,000
Payments to Metropolitan Government	(4,998,500)	(7,286,534)
Flood-related activity, net	(179,488)	-
Capital lease obligation repayments	-	(77,190)
Interest and fees paid to creditors	-	(3,897)
Net cash provided by capital financing activities	8,745,977	9,921,085
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and other income collected	948,500	510,313
Decrease in cash and investments placed with custodian for self-insurance	702,681	217,350
Net cash provided by investing activities	1,651,181	727,663
DECREASE IN CASH AND CASH EQUIVALENTS	(51,892)	(482,132)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,078,167	1,560,299
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,026,275	$ 1,078,167

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS - Continued

	Year Ended June 30,	
	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$(52,227,422)	$(49,578,542)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	8,975,722	7,593,618
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable, net	30,845	(151,058)
Increase in materials and supplies, net	(425,949)	(306,811)
Increase in prepaid expenses and other	(62,962)	(10,299)
(Decrease) increase in accounts payable	(331,050)	735,408
Increase in accrued salaries, wages and payroll taxes	114,692	100,470
(Decrease) increase in accrued accident losses	(235,923)	155,456
Increase in accrued compensated absences	160,349	116,593
Increase (decrease) in accrued medical benefit claims	35,447	(145,700)
Increase in accrued workers compensation	74,000	86,000
Decrease in accrued other liabilities	(18,744)	(66,883)
Increase in net other postemployment benefits obligations	4,297,451	3,928,727
Net cash used in operating activities	$(39,613,544)	$(37,543,021)
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Acquisition of property and equipment	$ 45,943,071	$ 4,458,420
Amounts included in accounts payable at year end	(194,094)	(552,482)
Total cash paid for property and equipment	$ 45,748,977	$ 3,905,938

The fair value of fuel hedges increased by $483,714 and $433,309 during 2011 and 2010, respectively. These increases are reflected in other current assets and other current liabilities.

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") MTA is governed by a Board of Directors, which is appointed by the Mayor of the Metropolitan Government and approved by the Metropolitan Council. The Metropolitan Government is financially accountable for MTA in that the Metropolitan Government provides significant financial support to MTA. MTA is also 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 the accounts and operations of a blended component unit, Davidson Transit Organization ("DTO"), a section 501(c)(3) not-for-profit organization. Although it is legally separate from MTA, DTO was formed for the purpose of providing all the necessary labor for the operation of MTA's transit system. DTO is financially dependent on MTA and is reimbursed by MTA, at cost, for all salaries, wages and fringe benefits. Accordingly, DTO is a blended component unit for financial reporting purposes. All interagency transactions and balances have been eliminated.

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 applicable 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 and valuation 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. During fiscal year 2010, as a result of the May 2010 flood extraordinary item described in Note O, MTA recorded an impairment loss on materials and supplies totaling $1,364,528. No impairment was considered necessary in fiscal year 2011.

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).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. 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. As a result of the May 2010 flood extraordinary item described in Note O, MTA recognized $5,836,226 in disposal and impairment losses in fiscal 2010. No impairment loss was considered necessary during fiscal year 2011.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 accompanying balance sheets 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.

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.

- Restricted net assets - This component consists of net assets restricted by grantors, contributors, or laws and regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation.

- Unrestricted net assets - This component consists 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 statements 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 2010 amounts in the financial statements to conform to the presentation adopted for fiscal 2011.

Recent Accounting Pronouncement

The GASB has issued the following pronouncements applicable to MTA:

Statement No. 61 - The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34

The objective of this Statement is to improve financial reporting for a governmental financial reporting entity to better meet user needs and to address reporting entity issues. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity.

The objectives of the amendments to the criteria for including component units is to allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

The amendments to the criteria for blending intends to improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic. For primary governments that are business-type activities reporting in a single column, the guidance for reporting blended component units allows users to better distinguish between the primary government and its component units by requiring condensed combining information to be included in the notes to the financial statements.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. FASB Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the AICPA Committee on Accounting Procedure.

This Statement eliminates the election provided for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Statement No. 64 - Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

Management is currently analyzing the impact of recently issued GASB Statements on MTA's financial statements and related disclosures.

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 years 2011 and 2010, MTA's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2011 and 2010, the carrying amount and corresponding bank balances of deposits were as follows:

2011:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents	$1,319,109	$1,026,275

2010:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents	$2,132,811	$1,078,167

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, 2011 and 2010.

C. RECEIVABLES FROM OTHER GOVERNMENTS

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

	2011	2010
Non-capital grants:		
FTA	$ 259,701	$ 102,884
FEMA	56,704	-
TDOT	121,872	201,049
TEMA	9,045	-
Metropolitan Government	100,448	54,329
Capital grants:		
FTA	3,618,404	7,954,877
TDOT	881,929	864,210
Metropolitan Government	638,259	916,698
	$5,686,362	$10,094,047

D. PROPERTY AND EQUIPMENT

A summary of the changes in property, equipment and related accumulated depreciation for the years ended June 30, 2011 and 2010 is as follows:

	Estimated Economic Lives In Years	Balance at June 30, 2010	Additions
Property and equipment:			
Motor buses	10 - 12	$ 36,288,459	$26,695,514
Spare parts	5	248,093	29,592
Fare equipment	10 - 20	3,889,604	323,275
Service cars	3 - 10	183,319	305,361
Shop and garage equipment	10	482,212	132,073
Furniture and office equipment	10	185,496	12,270
Computer equipment	5 - 10	1,531,397	142,460
Miscellaneous equipment	10	1,599,731	276,722
Shelters and benches	10 - 20	2,322,249	23,110
Buildings	10 - 40	7,387,395	12,812,902
Music City Central	7 - 30	46,950,277	71,720
Landport	20	4,984,807	-
Land	-	12,992,774	3,402,492
Construction in-progress (Note L)	-	4,948,883	1,715,580
		123,994,696	45,943,071
Accumulated depreciation:			
Motor buses		$ 16,990,487	$ 4,630,157
Spare parts		231,272	8,774
Fare equipment		1,802,791	401,102
Service cars		145,300	52,673
Shop and garage equipment		413,668	32,280
Furniture and office equipment		126,459	30,455
Computer equipment		1,186,619	182,002
Miscellaneous equipment		846,652	309,955
Shelters and benches		781,049	270,513
Buildings		6,359,901	1,133,611
Music City Central		2,702,072	1,636,837
Landport		2,713,023	287,363
Land		-	-
Construction in-progress		-	-
		34,299,293	8,975,722
Property and equipment, net		$ 89,695,403	$36,967,349

Disposals	Reclassifications	Balance at June 30, 2011
$(1,412,253)	$ 21,945	$ 61,593,665
-	-	277,685
-	-	4,212,879
-	-	488,680
-	-	614,285
-	-	197,766
-	-	1,673,857
-	238,266	2,114,719
(20,538)	-	2,324,821
(293,436)	-	19,906,861
(56,188)	-	46,965,809
-	-	4,984,807
-	-	16,395,266
-	(260,211)	6,404,252
(1,782,415)	-	168,155,352
(1,378,015)	-	20,242,629
-	-	240,046
-	-	2,203,893
-	-	197,973
-	-	445,948
-	-	156,914
-	-	1,368,621
-	-	1,156,607
(6,562)	-	1,045,000
(289,157)	-	7,204,355
(15,719)	-	4,323,190
-	-	3,000,386
-	-	-
-	-	-
(1,689,453)	-	41,585,562
$(92,962)	$ -	$126,569,790

D. PROPERTY AND EQUIPMENT

	Estimated Economic Lives In Years	Balance at July 1, 2009	Additions
Property and equipment:			
Motor buses	10 - 12	$ 48,543,774	$ 1,144,734
Spare parts	5	229,168	18,925
Fare equipment	10 - 20	3,470,960	418,644
Vans - E&D	4 - 7	64,408	-
Service cars	3 - 10	620,878	49,998
Trolleys	12	305,898	-
Shop and garage equipment	10	691,513	10,760
Furniture and office equipment	10	286,374	23,968
Computer equipment	5 - 10	1,598,957	102,338
Miscellaneous equipment	10	1,993,262	86,605
Shelters and benches	10 - 20	1,479,523	950,971
Buildings	40	8,733,338	43,969
Music City Central	7 - 30	46,879,809	70,468
Landport	20	5,691,196	-
Land	-	14,621,239	-
Construction in-progress (Note L)	-	3,785,659	1,537,040
		138,995,956	4,458,420
Accumulated depreciation:			
Motor buses		21,469,931	3,968,241
Spare parts		227,761	3,511
Fare equipment		1,437,718	365,073
Vans - E&D		64,408	-
Service cars		530,773	53,733
Trolleys		305,898	-
Shop and garage equipment		601,062	27,446
Furniture and office equipment		216,993	29,067
Computer equipment		1,036,278	286,219
Miscellaneous equipment		998,061	287,919
Shelters and benches		730,125	156,042
Buildings		6,899,326	474,447
Music City Central		1,066,688	1,635,384
Landport		2,778,452	306,536
Land		-	-
Construction in-progress		-	-
		38,363,474	7,593,618
Property and equipment, net		$100,632,482	$(3,135,198)

Disposals and Impairment	Reclassifications	Balance at June 30, 2010
$(13,400,049)	$ -	$ 36,288,459
-	-	248,093
-	-	3,889,604
(64,408)	-	-
(487,557)	-	183,319
(305,898)	-	-
(220,061)	-	482,212
(124,846)	-	185,496
(174,898)	5,000	1,531,397
(480,136)	-	1,599,731
(108,245)	-	2,322,249
(1,389,912)	-	7,387,395
-	-	46,950,277
(706,389)	-	4,984,807
(1,628,465)	-	12,992,774
(368,816)	(5,000)	4,948,883
(19,459,680)	-	123,994,696
(8,447,685)	-	16,990,487
-	-	231,272
-	-	1,802,791
(64,408)	-	-
(439,206)	-	145,300
(305,898)	-	-
(214,840)	-	413,668
(119,601)	-	126,459
(135,878)	-	1,186,619
(439,328)	-	846,652
(105,118)	-	781,049
(1,013,872)	-	6,359,901
-	-	2,702,072
(371,965)	-	2,713,023
-	-	-
-	-	-
(11,657,799)	-	34,299,293
$(7,801,881)	$ -	$ 89,695,403

D. PROPERTY AND EQUIPMENT - Continued

During fiscal year 2010, MTA sold its Nance Landport facility to the Metropolitan Development and Housing Agency, a related party, for use in the Metropolitan Government's Convention Center project. Proceeds from the sale totaled $3,540,000, resulting in a gain on sale of $1,577,111. The Nance Landport was purchased with federal funding from the FTA. FTA approved the sale and required that the proceeds be used for other capital projects. Accordingly, the proceeds were reported as restricted net assets at June 30, 2010, as described in Note M.

During fiscal year 2011, MTA purchased the Myatt Drive Facility to serve as its future headquarters and heavy maintenance facility. The purchase price totaled $16,000,000 and was financed through federal and state grants, the proceeds from the Nance Landport sale described above and grants and other amounts received from the Metropolitan Government (See Note I).

During fiscal year 2011, MTA received several vehicles, which were donated by the State of Tennessee. The fair value of the vehicles was approximately $1,680,000 and was recorded as contributed capital at the donation date.

E. CAPITAL CONTRIBUTIONS

Capital contributions consist of property, materials and supplies purchased with federal, state and local government capital grants. Unexpended available capital contribution awards totaled approximately $19,500,000 as of June 30, 2011 and $33,600,000 as of June 30, 2010. 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 $809,332 and $1,045,255 has been made for all such known losses incurred as of June 30, 2011 and 2010, respectively. Accident losses exceeding $100,000 are covered under an insurance program subject to certain annual and aggregate limits.

F. SELF-INSURANCE - Continued

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 $170,000 (160,000 prior to March 1, 2011) 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 fiscal years 2011 and 2010 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 employees. The accrued medical claims and reinsurance amounts are recorded by the Trust. MTA funds the Trust, through DTO, on a break-even basis. At June 30, 2011 and 2010, MTA owed the Trust $1,177,177 and $1,141,730, respectively. Such amounts are included in accrued expenses.

Changes in the reported liability for the years ended June 30, 2011 and 2010 are as follows:

	Balance At Beginning of Year	Net Claims Expenses	Claim Payments	Balance At End of Year
2011	$1,141,730	$7,659,210	$7,623,763	$1,177,177
2010	$1,287,430	$8,090,823	$8,236,523	$1,141,730

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, 2011 and 2010. MTA has purchased reinsurance for workers compensation claims in excess of $500,000 per employee. The maximum available for reinsurance in the contract period is $1,000,000. During 2011 and 2010, MTA's workers' compensation claims did not exceed the maximum. At June 30, 2011 and 2010, provisions of $1,081,000 and $1,007,000, respectively are included in accrued expenses relating to workers' compensation claims.

F. SELF-INSURANCE - Continued

Self-insurance investments:

MTA transfers certain funds to the Metropolitan Government to cover self-insurance claims, for which the Metropolitan Government acts as custodian. These funds, if needed, 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, 2011 and 2010 was $599,868 and $1,283,367, 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 $350,000 at both June 30, 2011 and 2010, respectively.

G. NOTES PAYABLE - METROPOLITAN GOVERNMENT

MTA has a $2,000,000 revolving credit line agreement with the Metropolitan Government for the purpose of funding operational activities. The outstanding balance totaled $756,631 and $755,236 as of June 30, 2011 and 2010, respectively.

MTA also has a $5,000,000 credit line agreement with the Metropolitan Government for the purpose of providing interim funding of capital activities until MTA receives expected Federal and State grant monies from capital grants. The outstanding balance totaled $5,001,834 and $4,996,529 as of June 30, 2011 and 2010, respectively.

During the construction of Music City Central ("MCC"), MTA also had a $10,000,000 credit line agreement with the Metropolitan Government for the purpose of providing short-term construction financing for the MCC project. The note was repaid in full during fiscal year 2010.

During September 2010, MTA entered into a $2,000,000 credit line agreement with the Metropolitan Government to finance certain expenditures related to the May 2010 flood. It is anticipated that the draws on the credit line be repaid with federal and state grant funds. The outstanding balance totaled $284,756 at June 30, 2011.

Interest on the outstanding principal balance of the notes payable to the Metropolitan Government is calculated at the same rate of interest that 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 outstanding principal.

G. NOTES PAYABLE - METROPOLITAN GOVERNMENT - Continued

Borrowings and repayments under the credit line agreements for the years ended June 30, 2011 and 2010 are as follows:

2011:

	Balance At Beginning of Year	Borrowings	Accrued Interest	Repayments	Balance At End of Year
Operating	$ 755,236	$ -	$1,395	$ -	$ 756,631
Capital	4,996,529	5,000,000	3,805	(4,998,500)	5,001,834
Flood	-	284,434	322	-	284,756
	$5,751,765	$5,284,434	$5,522	$(4,998,500)	$6,043,221

2010:

	Balance At Beginning of Year	Borrowings	Accrued Interest	Repayments	Balance At End of Year
Operating	$1,588,685	$ -	$ 2,551	$(836,000)	$ 755,236
Capital	1,999,558	4,995,000	4,971	(2,003,000)	4,996,529
MCC	5,277,375	-	6,159	(5,283,534)	-
	$8,865,618	$4,995,000	$13,681	$(8,122,534)	$5,751,765

During August and September 2011, MTA made net repayments on the notes payable to the Metropolitan Government totaling approximately $4,100,000.

H. FUEL-HEDGING PROGRAM

Effective July 1, 2009, MTA began participating in the Metropolitan Government's fuel hedging program. MTA's objective is to hedge the changes in cash flows due to market price fluctuations related to a portion of expected purchases of diesel fuel. Details of MTA's participation in the fuel-hedging program at June 30, 2011 and 2010 are as follows:

Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
47,000 gallons	7/1/09	6/30/11	Pay $1.875 per gallon; Settlement based on Nymex heating oil	A3/BBB+
62,700 gallons	7/1/09	6/30/11	Pay $1.89 per gallon; Settlement based on Nymex heating oil	A3/BBB+
47,000 gallons	7/1/11	6/30/12	Pay $2.30 per gallon; Settlement based on Nymex heating oil	A3/BBB+
62,700 gallons	7/1/11	6/30/12	Pay $2.30 per gallon; Settlement based on Nymex heating oil	A3/BBB+

The fair value of the fuel hedging instruments was an asset of $917,023 and $433,309 at June 30, 2011 and 2010, respectively, which has been recorded in other current assets in the accompanying balance sheets. The fair value was estimated based on the present value of the estimated future cash flows. The fuel hedges were determined to be effective hedges based on regression analysis; accordingly, the change in fair value of the hedges is a deferred outflow.

MTA is exposed to credit risk on hedging derivative instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2011 and 2010, was $917,023 and $433,309, respectively. This represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. MTA relies primarily on the credit rating of the counterparty. MTA is exposed to basis risk on its fuel hedging contracts because the expected commodity purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle (Nymex). As the fuel-hedging program is administered by the Metropolitan Government, the Metropolitan Government or its counterparts may terminate the contracts if the other party fails to perform under the terms of the contracts. If at the time of termination, a hedging derivative instrument is in a liability position, MTA, through the Metropolitan Government, would be liable to the counterparty for a payment equal to the liability.

I. DEFERRED 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 commenced 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 sheets and will be recognized as revenue 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 $5,784,989 and $6,044,993 at June 30, 2011, and 2010, respectively.

During fiscal year 2011, MTA received $6,600,000 from the Metropolitan Government for purchase of the Myatt Drive Facility, as described in Note D. In connection with the contribution, the Metropolitan Government will share certain space at the facility. The amount of space to be utilized by the Metropolitan Government, and the terms of such occupancy, will be established by the parties upon occupancy in fiscal year 2012. Accordingly, the $6,600,000 has been recorded as deferred revenue in the accompanying balance sheet and will be amortized over the term of the agreement.

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. As of the most recent actuarial valuation date, July 1, 2010, the plan covered 172 retirees receiving benefits; 1 terminated vested; and 481 active plan participants.

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 9.55% and 9.54% of covered payroll in fiscal years 2011 and 2010, respectively. All administrative costs of the Pension Plan are paid out of plan assets.

J. PENSION PLAN - Continued

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 2011, 2010 and 2009 is as follows:

Fiscal Year	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2011	$2,029,836	100%	$ -
2010	$1,902,271	100%	$ -
2009	$1,582,524	100%	$ -

Funded Status and Funding Progress:

The funded status of the Pension Plan as of the most recent actuarial valuation date, July 1, 2010 is detailed below:

Actuarial accrued liability (a)	$39,298,204
Actuarial value of plan assets (b)	23,604,383
Unfunded actuarial accrued liability (a) - (b)	$15,693,821
Funded ratio (b) / (a)	60.1%
Covered payroll (c)	$20,820,372
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	75.4%

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.

J. PENSION PLAN - Continued

Actuarial Assumptions

Actuarial methods and assumptions as of July 1, 2010, the latest actuarial valuation, are detailed below:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open; 20 year amortization
Asset valuation method	Phase-in of realized or unrealized gains and losses over five-years with floor of 80% and a ceiling of 120% of market value
Rate of investment return	7.75% per annum, compounded annually
Projected salary increases	4.00% per annum, compounded annually
Remaining amortization period	20 years
Normal retirement age	65
Mortility table	RP 2000 Blue Collar Projected to 2006 with AA Scales

See further information in the Pension Plan Schedule of Funding Progress (Unaudited) on page 46.

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. As of July 1, 2010, the latest actuarial valuation date, the Health Plan covered 153 retirees receiving benefits and 447 active participants.

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

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 third party administrator, 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 years ended June 30, 2011 and 2010 totaled $244,454 and $249,480, 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 years 2011, 2010 and 2009 are as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$6,031,828	28.75%	$13,904,353
2010	$5,591,089	29.73%	$9,606,902
2009	$4,809,724	34.10%	$5,678,175

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, 2010 is detailed below:

Actuarial accrued liability (a)	$36,649,395
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	$36,649,395
Funded ratio (b) / (a)	-%
Covered payroll (c)	$19,993,464
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	183.3%

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, 2010 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 2012; reducing to 5.5% in fiscal 2016 and thereafter
Mortality	UP 1984 Group Annuity Mortality Table
Retirement rates	Rates vary by age, with average of 61

See further information in the Other Postemployment Benefits Schedule of Funding Progress (Unaudited) on page 46.

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.

According to grant agreements with the FTA, MTA is liable for certain, reimbursement of federal funds used to purchase property and equipment assets if such assets are disposed of prior to the end of their useful lives, except in situations where MTA expects to replace or restore the assets. In May 2010, as a result of the flood described in Note O, MTA disposed of numerous assets that were purchased with federal funds. MTA is currently working with the FTA and FEMA to replace or restore all federal purchased assets. However, MTA could be liable if certain assets are not properly replaced or restored. Management believes all such property will be replaced or restored in accordance with grant agreements, and accordingly, no provision has been made for potential reimbursement to grantors.

L. COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress:

During fiscal 2007, MTA's Board of Directors approved a project to replace bus radios and have an Automatic Vehicle Locator (AVL) installed in the dispatch center. As of June 30, 2011, the costs incurred on the project totaled $3,856,491. A portion of the project was destroyed in the May 2010 flood and is included in the 2010 impairment described at Note O. The estimated costs to complete the project are approximately $3,000,000. The costs of the project are expected to be reimbursed through federal, state, and local grants. Work on the project was suspended as a result of the May 2010 flood; however, work is expected to resume in fiscal year 2012.

Also included in construction in progress at June 30, 2011 is $1,912,056 relating to the Gallatin Road Bus Rapid Transit infrastructure. The project is expected to cost approximately $3,350,000, and will be funded primarily through federal capital grants.

Other projects are also included in construction in progress and the estimated costs to complete these projects are not determined at June 30, 2011. However, grant or other funding sources will be identified for the projects.

Litigation:

In the ordinary course of business, 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, 2011 and 2010 were as follows:

	2011	2010
Property and equipment, net	$ 126,569,790	$ 89,695,403
Less: Borrowings and other liabilities	(10,980,917)	(11,594,004)
Total net assets invested in capital assets, net of related debt	115,588,873	78,101,399
Restricted for federal approved expenditures	-	3,540,000
Unrestricted	(12,137,180)	(6,590,615)
Total net assets	$ 103,451,693	$ 75,050,784

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.

Restricted net assets at June 30, 2010 relate to funds received from the sale of the Nance Landport, as described in Note D. These funds were used to finance the purchase of the Myatt Drive Facility in fiscal year 2011.

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 2011 and 2010 for certain contracted bus services. Revenue from the RTA for all contracted services during fiscal 2011 and 2010 totaled $913,458 and $1,104,263, respectively. At June 30, 2011 and 2010, the receivable from the RTA, included in accounts receivable in the accompanying balance sheets, totaled $192,730 and $455,277, respectively.

O. EXTRAORDINARY ITEM - MAY 2010 FLOOD

In May 2010, Nashville, Tennessee experienced a significant flood, which was declared a federal disaster area by President Obama. MTA experienced losses to assets and equipment stored at the Nestor Street location, including damage to the Nestor Street facility, buses, vehicles, general equipment and materials and supplies. Additionally, MTA incurred various flood-related relocation and recovering expenses. The destruction and impairment of assets as well as flood-related expenses have been classified as an extraordinary item in the accompanying statements of revenues, expenses and changes in net assets. Detail of the asset disposals, impairments and flood expenses, is as follows:

	2011	2010
Disposal/impairment of property and equipment	$ -	$5,836,226
Disposal/impairment of materials and supplies	-	1,364,528
Disposal/impairment of other assets	-	264,771
Flood related expenditures	558,810	332,810
Recovery and gain on sale of impaired assets	(379,322)	-
Total extraordinary loss	$ 179,488	$7,798,335

P. SUBSEQUENT EVENTS

MTA has evaluated subsequent events through October 31, 2011, the date the financial statements were available for issuance, and has determined that there are no items requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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

PENSION PLAN:

($ In Millions)		Actuarial Valuation Date July 1, 2010	2009	2008
Actuarial value of assets	(a)	$23.6	$23.3	$23.4
Actuarial accrued liability (AAL)	(b)	$39.3	$38.1	$37.4
Unfunded AAL (UAAL)	(b - a)	$15.7	$14.8	$14.0
Funded ratio	(a) / (b)	60%	61%	63%
Covered payroll	(c)	$20.8	$19.5	$19.1
UAAL as a percentage of covered payroll	((b-a)/c)	75%	76%	73%

OTHER POSTEMPLOYMENT BENEFITS PLAN:

($ In Millions)		Actuarial Valuation Date July 1, 2010	2009	2008
Actuarial value of assets	(a)	$ -	$ -	$ -
Actuarial accrued liability (AAL)	(b)	$36.6	$35.5	$34.0
Unfunded AAL (UAAL)	(b - a)	$36.6	$35.5	$34.0
Funded ratio	(a) / (b)	-%	-%	-%
Covered payroll	(c)	$20.0	$21.1	$19.3
UAAL as a percentage of covered payroll	((b-a)/c)	183%	168%	176%

ADDITIONAL INFORMATION

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/ Program Title	Federal CFDA Number	Federal/ State Grant Number	Grant Period	Federal Awards	State Awards	Local Awards
U.S. DEPARTMENT OF TRANSPORTATION - FEDERAL TRANSIT ADMINISTRATION:						
Capital Grant	20.507 *	TN-90-X226/ GG-09-22275-00	7/1/04 - 7/30/08	$ 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	1,104,250	1,105,589
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-90-X294/ GG-09-30149-00	7/1/08 - 6/30/11	9,949,913	1,243,739	1,243,739
Capital Grant	20.507 *	TN-90-X312/ GG-11-33865-01	7/1/09 - 6/30/13	10,708,262	1,338,532	1,338,532
Capital Grant	20.507 *	TN-90-X331/ In process	7/1/10 - 6/30/14	9,684,965	1,210,621	1,210,621
Capital Grant	20.507 *	TN-95-X041/ Not Applicable	6/1/10 - 9/30/11	40,000	-	-
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-95-X036/ Not Applicable	10/1/09 - 9/30/12	1,000,000	-	250,000
ARRA Capital Grant	20.507 *	TN-96-X012/ Not Applicable	10/1/08 - 9/30/11	9,510,151	-	-
ARRA Capital Grant	20.507 *	TN-66-X002/ Not Applicable	5/1/10 - 4/30/12	1,459,772	-	-
ARRA Capital Grant	20.507 *	TN-66-X005/ Not Applicable	7/1/10 - 6/30/11	553,007	-	-
Capital Grant	20.500 *	TN-04-0042/ GG-09-34750-00	10/1/08 - 9/30/11	1,162,770	145,347	145,347
Jobs Access Reverse Commute	20.516	TN-37-X054/ GG-09-26772-00	1/2/07 - 6/30/11	684,889	342,445	342,445
Jobs Access Reverse Commute	20.516	TN-37-X081/ GG-10-32335-00	10/1/09 - 9/24/10	827,658	331,583	331,583
New Freedom	20.521	TN-57-X002/ GG-09-26716-00	1/2/07 - 6/30/11	410,286	205,143	205,143
New Freedom	20.521	TN-57-X009/ GG-10-32487-00	10/1/09 - 9/24/10	503,353	200,391	200,391
		Total Direct Awards:		77,928,432	8,810,654	9,311,993
PASS-THROUGH GRANTS:						
Passed-through Metropolitan Planning Commission:						
Transportation Planning	20.505	MPO L-2187/ A-22726	10/1/08 - 9/30/10	200,000	-	95,000
Passed-through Tennessee Department of Transportation:						
Transportation Planning	20.505	TN-80-X004/ GG-11-35895	12/1/10 - 11/30/15	127,774	15,972	-
Passed-through Greater Nashville Regional Council:						
Travel Trainer	93.044	2011-38	7/1/10 - 6/30/11	50,000	-	-
Passed-through Tennessee Emergency Management Agency:						
Public Assistance	97.036	34101-0000006615	4/30/10 - 4/29/15	364,576	20,254	20,254
		Total Pass-Through Awards:		742,350	36,226	115,254
		Total Federal Awards:		$ 78,670,782	$ 8,846,880	$ 9,427,247

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Accrued Grant Revenue 6/30/10	Federal Receipts	State Receipts	Local Receipts	Federal Expenditures	State Expenditures	Local Expenditures	Accrued Grant Revenue 6/30/11
$ 18,769	$ 15,015	$ 1,877	$ 1,877	$ -	$ -	$ -	$ -
18,929	18,929	-	-	-	-	-	-
6,490	36,527	4,674	4,566	31,421	3,928	3,928	-
-	19,432	-	2,429	19,430	2,429	2,429	2,427
462,005	661,830	59,214	53,229	297,014	37,127	37,127	59,000
8,100,000	10,684,323	1,335,540	1,335,540	4,204,323	525,540	525,540	-
-	3,199,005	-	399,874	6,800,000	850,000	850,000	4,901,121
-	-	-	-	23,502	-	-	23,502
-	87,451	-	20,162	92,961	-	23,240	8,588
-	24,175	-	6,044	24,175	-	6,044	-
1,018,604	6,043,232	-	-	5,036,528	-	-	11,900
-	1,459,772	-	-	1,459,772	-	-	-
-	553,007	-	-	553,007	-	-	-
-	1,162,770	145,347	145,347	1,162,770	145,347	145,347	-
14,387	-	14,387	-	-	-	-	-
273,262	446,069	249,516	158,088	443,102	171,717	197,835	232,243
70,613	52,606	40,805	26,980	28,015	14,007	7,756	-
-	88,388	27,379	21,458	121,489	51,212	38,009	73,485
9,983,059	24,552,531	1,878,739	2,175,594	20,297,509	1,801,307	1,837,255	5,312,266
52,697	68,421	-	628	16,015	-	337	-
-	-	-	-	127,774	15,972	-	143,746
-	50,000	-	-	50,000	-	-	-
-	106,106	-	-	162,810	9,045	9,045	74,794
52,697	224,527	-	628	356,599	25,017	9,382	218,540
$ 10,035,756	$ 24,777,058	$ 1,878,739	$ 2,176,222	$ 20,654,108	$ 1,826,324	$ 1,846,637	$ 5,530,806

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2011

	Grant Number	Grant Period	State Program Award	Accrued Grant Revenue 6/30/10	State Receipts	State Expenditures	Accrued Grant Revenue 6/30/11
TENNESSEE DEPARTMENT OF TRANSPORTATION:							
Operating Assistance Grant	GG-11-33888-00	7/1/10 - 6/30/11	$ 1,500,000	$ -	$ 1,500,000	$ 1,500,000	$ -
Opearting Assistance Grant	GG-11-33775-00	7/1/10 - 6/30/11	3,939,797	-	3,939,797	3,939,797	-
Total State Awards			$ 5,439,797	$ -	$ 5,439,797	$ 5,439,797	$ -

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF LOCAL AWARDS
YEAR ENDED JUNE 30, 2011

	Grant Period	Local Program Award	Accrued Grant Revenue 6/30/10	Local Receipts	Local Expenditures	Accrued Grant Revenue 6/30/11
METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY:						
Operating Assistance	7/1/10 - 6/30/11	$ 23,020,600	$ -	$ 23,020,600	$ 23,020,600	$ -
Metro Capital - 7840-1008	7/1/07 - Open	7,000,000	-	971,550	971,550	-
Metro Capital - 7840-2010(1)	7/1/09 - Open	4,400,000	912,736	2,176,222	1,837,592	574,106
Metro Capital - 7840-3010	7/1/09 - Open	3,500,000	-	3,044	3,044	-
Metro Capital - 7840-4010	7/1/09 - Open	3,500,000	26,686	865,293	994,163	155,556
Metro Capital - 7840-5010	7/1/09 - Open	2,600,000	29,515	2,588,645	2,559,130	-
Metro Capital - 7840-6010	7/1/09 - Open	10,100,000	2,090	10,084,831	10,082,741	-
Metro Capital - 7840-3011	7/1/10 - Open	800,000	-	308,668	308,668	-
Metro Capital - 7840-6011	7/1/10 - Open	5,200,000	-	4,165,402	4,165,402	-
Total Local Awards		$ 60,120,600	$ 971,027	$ 44,184,255	$ 43,942,890	$ 729,662
			(2)			(2)

(1) This Metro Capital award was used for local match funds for federal capital grants. For the year ended June 30, 2011, the grant funded $1,837,592 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 47 - 48.

(2) The accrued grant revenue at June 30, 2011 and 2010 included $574,106 and $912,736, respectively in match funds on federal capital grants. These local match funds are also included as accrued grant revenue at June 30, 2011 and 2010, respectively in the Schedule of Expenditures of Federal Awards on pages 47 - 48.

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

METROPOLITAN TRANSIT AUTHORITY
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL, STATE AND LOCAL AWARDS
YEAR ENDED JUNE 30, 2011

A. BASIS OF PRESENTATION

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

The schedules of expenditures of federal, state and local awards include the grant activity of the Metropolitan Transit Authority ("MTA") and its blended component unit, Davidson Transit Organization ("DTO"). DTO is a legally separate 501(c)(3) not-for-profit organization which was formed to provide the necessary labor to operate MTA's transit system. Accordingly, certain federal, state and local awards received by MTA are used to reimburse labor costs incurred by DTO. Such funds received by MTA and used to reimburse DTO are reported in the accompanying schedules of federal, state and local awards by the receiving agency to avoid duplication of the aggregate level of federal awards expected by MTA, the reporting entity. Accordingly, such pass-through funds are included only once. Such funds are subject to the compliance requirements that could have a direct and material effect on a major program and are subject to audit under OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

The detail of federal awards passed from MTA to DTO, included in the accompanying schedule of expenditures of federal awards is as follows:

Program Title	Federal CFDA Number	Expenditures
Capital Grant	20.507	$2,576,140
Jobs Access Reverse Commute	20.516	233,634
New Freedom Program	20.521	55,673
Transportation Planning	20.505	127,774
Public Assistance	97.036	15,183
		$3,008,404

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	$118,610
New Freedom Program	20.521	56,667
		$175,277

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, 2011, 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 October 31, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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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
October 31, 2011

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance With Requirements that Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of MTA's major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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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 the planning and performing our audit, we considered MTA's internal control over compliance with the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MTA's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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
October 31, 2011

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 OMB 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		
20.507	American Recovery and Reinvestment Act (ARRA) - Federal Transit Administration Capital Grant	$ 7,049,307
20.507	Federal Transit Administration Capital Grants	11,492,826
20.500	Federal Transit Administration Capital Grants	1,162,770
	Total Major Programs	$19,704,903

Dollar threshold used to distinguish between Type A and Type B programs: $619,623

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, 2011

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