METROPOLITAN TRANSIT AUTHORITY
NASHVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2014 AND 2013

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METROPOLITAN TRANSIT AUTHORITY

INTRODUCTION

The Nashville Metropolitan Transit Authority ("MTA") is pleased to present its Annual Financial Report for the years ended June 30, 2014 and 2013.

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, 2014 and 2013, 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 unmodified opinion of our independent external auditors, Crosslin & Associates, P.C., is included in this report.

METROPOLITAN TRANSIT AUTHORITY
AS OF JUNE 30, 2014

BOARD OF DIRECTORS

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

EXECUTIVE STAFF

Edward W. Oliphant	Interim Chief Executive Officer Chief Financial Officer
Robert Baulsir Jr.	General Manager of Administration
Charles Mitchell	Interim General Manager of Operations and Maintenance
Patricia Harris-Morehead	Director of Marketing and Communications
Felix Castrodad	Interim Director of Planning and Grants

Independent Auditor's Report

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Transit Authority as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise MTA's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal, state and local awards 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 the State of Tennessee, and are also not a required part of the basic financial statements.

The schedules of expenditures of federal, state and local awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 2014 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal, state and local awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, on our consideration of MTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MTA's internal control over financial reporting and compliance.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 30, 2014

METROPOLITAN TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the MTA's annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2014 and 2013 as compared to fiscal years 2013 and 2012, 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 2014

- Operating revenue for 2014 increased 5.3% from 2013 and totaled approximately $14.4 million for fiscal 2014.

- Operating expenses increased approximately 10.9% from 2013 and totaled approximately $84.7 million for fiscal 2014.

- Net non-operating revenue and capital contributions decreased 7.6% to a total of approximately $73.9 million for fiscal year 2014. The decrease was primarily a result of a 27.6% decrease in federal, state and local capital grant funds, which totaled approximately $30.1 million for fiscal year 2014 compared to $41.5 million in the prior year. While both fiscal years included grant funding that helped MTA purchase 60-foot transit buses, 40-foot buses, paratransit vans, support vehicles and special grants for construction projects at both of our Nestor and Myatt properties, the current year did not have as much capital purchase activity compared to prior year. In addition, the prior year also included certain grant funding for our AMP BRT Project related to phase two preliminary engineering and environmental analysis. We are currently wrapping up the environmental process and have moved into phase three final design and engineering. Both the environmental and phase three could possibly be complete some time in calendar year 2015 with the construction phase to follow.

Fiscal Year 2013:

- We opened our heavy maintenance building at our new home in Madison in January 2013. This was the last step in our operational restructuring that began when the Myatt property was purchased as a result of the May 2010 flood. Heavy maintenance operations were temporarily restored at Nestor facility just days after the flood until the new facility at Myatt was completed. Nestor still remains our main dispatching location for our drivers for the majority of our daily pull-out schedule and will also continue to perform light maintenance.

- Our AMP bus rapid transit (BRT) project was in the process of wrapping-up phase two preliminary engineering and environmental analysis. The AMP is a project that includes dedicated transit lanes along a route from Five Points in East Nashville and moving along Broadway and West End Avenue out to St. Thomas West Hospital on Harding Road in Nashville.

- Operating revenue for 2013 increased 10.9% from 2012 and totaled approximately $13.7 million for fiscal 2013.

- Operating expenses increased approximately 10.6% from 2012 and totaled approximately $76.4 million for fiscal 2013.

- Net non-operating revenue and capital contributions increased 43.0% to a total of approximately $80.0 million for fiscal year 2013. The increase was primarily a result of an 83.6% increase in federal, state and local capital grant funds, which totaled approximately $41.5 million for fiscal year 2013 compared to $22.6 million in the prior year. The current year included additional grant funding that helped MTA purchase 60-foot transit buses, 40-foot buses, paratransit vans, several support vehicles and special grants for construction projects at both of our Nestor and Myatt properties. In addition, we were also able to secure certain grant funding for our AMP BRT Project to complete phase two preliminary engineering and environmental analysis.

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.

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 Position. All assets, deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of MTA are included in the Statements of Net Position.

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 Position

Fiscal year 2014 as compared to fiscal year 2013:

MTA's net position at June 30, 2014 totaled approximately $116.7 million, a 3.1% increase compared to June 30, 2013 (See Table A-1). Total assets and deferred outflows of resources increased 9.6% to approximately $179.4 million and total liabilities and deferred inflows of resources increased 24.3% to approximately $62.7 million.

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

	2014	**2013**	**Percentage Change 2014-2013**
Current assets	$ 19,573	$ 12,841	52.4%
Restricted cash	5,637	-	>100%
Property and equipment, net	153,334	149,233	2.7%
Designated assets held for self insurance	851	1,351	(37.0%)
Effective portion of fuel hedge program	-	219	(100.0%)
Total assets and deferred outflows of resources	**179,395**	**163,644**	**9.6%**
Current liabilities	21,154	16,287	29.9%
Advance lease receipts	10,917	11,507	(5.1%)
Refundable grants	3,642	-	>100%
Net other postemployment benefits	26,922	22,634	18.9%
Effective portion of fuel hedge program	54	-	>100%
Total liabilities and deferred inflows of resources	**62,689**	**50,428**	**24.3%**
Net position:			
Net investment in capital assets	139,649	130,450	7.1%
Restricted	2,050	-	>100%
Unrestricted	(24,993)	(17,234)	(45.0%)
Total net position	**$ 116,706**	**$ 113,216**	**3.1%**

The 9.6% increase in total assets and deferred outflow of resources was primarily due to an increase in restricted cash of approximately $5.6 million, increase in property and equipment from net additions and disposals of approximately $18.7 million, increased accounts receivable of approximately $6.7 million, increased materials and supplies of approximately $1.4 million and increased prepaid assets of approximately $0.3 million. These increases were partially offset by a decrease in unrestricted cash and cash equivalents of approximately $1.6 million, current year depreciation of approximately $14.6 million and a net decrease in effective portion of our fuel hedge program of approximately $0.3 million. The change in accounts receivable and cash was primarily due to the timing of federal and state grant receivables when compared

to the prior year. The restricted cash relates to proceeds of approximately $2 million from the sale of a portion of our Myatt property that will be used for our computer aided dispatch and automatic vehicle locator projects as well as approximately $3.6 million in proceeds from FEMA that will be used on future replacement vehicle purchases.

The increase in current liabilities was due primarily to timing differences compared to prior year. Specifically, notes payable relate to differences in timing of expenditures and related grant reimbursements. The decrease in advance lease receipts represents the continued amortization of capital received from the State in 2008 as it relates to contributions made to construct Music City Central and cash received from Metro Government in 2010 related to the purchase of our Myatt property after the flood in 2010. Both arrangements require MTA to provide certain facilities for a specified period in exchange for the advance receipts. The refundable grants represent $3.6 million in restricted cash from FEMA grants that cannot be recognized until the actual vehicle replacement purchases have taken place. 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.

Fiscal year 2013 as compared to fiscal year 2012:

MTA's net position at June 30, 2013 totaled approximately $113.2 million, an 18.0% increase compared to June 30, 2012 (See Table A-2). Total assets and deferred outflows of resources increased 12.0% to approximately $163.6 million and total liabilities increased 0.5% to approximately $50.4 million.

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

	2013	2012	Percentage Change 2013-2012
Current assets	$ 12,841	$ 15,951	(19.5%)
Property and equipment, net	149,233	128,881	15.8%
Designated assets held for self insurance	1,351	1,267	6.6%
Effective portion of fuel hedge program	219	40	>100%
Total assets and deferred outflows resources	**163,644**	**146,139**	**12.0%**
Current liabilities	16,287	19,918	(18.2%)
Advance lease receipts	11,507	12,125	(5.1%)
Net other postemployment benefits	22,634	18,115	24.9%
Total liabilities	**50,428**	**50,158**	**0.5%**
Net position:			
Net investment in capital assets	130,450	107,084	21.8%
Unrestricted	(17,234)	(11,103)	(55.2%)
Total net position	**$ 113,216**	**$ 95,981**	**18.0%**

The 12.0% increase in total assets was primarily due to an increase in property and equipment from additions of approximately $32.6 million, increased cash on hand of approximately $1.1 million, increased accounts receivable, materials and supplies and prepaid assets combined of approximately $0.5 million. There were also slight increases in designated assets held for self insurance and deferred outflows of resources for the effective portion of our fuel hedging program. These increases were partially offset by a decrease in receivables from federal, state and local governments of approximately $4.7 million and current year depreciation of approximately $12.2 million. The change in accounts receivable and cash was primarily due to the timing of federal and state grant receivables when compared to the prior year.

The decrease in current liabilities was due primarily to timing differences compared to prior year. The decrease in advance lease receipts represents the continued amortization of capital received from the State in 2008 as it relates to contributions made to construct Music City Central and cash received from Metro Government in 2010 related to the purchase of our Myatt property after the flood in 2010. Net other postemployment benefits relate to the recognition of postemployment benefits that could be paid out for employees based upon actuarial calculations.

Revenues, Expenses and Changes in Net Position

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

Fiscal year 2014 as compared to fiscal year 2013:

The excess of revenues and capital contributions over expense for the year ended June 30, 2014 was approximately $3.5 million compared to approximately $17.2 million for the year ended June 30, 2013 (See Table A-3). MTA's total operating revenues increased 5.3% to approximately $14.4 million from approximately $13.7 million in the prior fiscal year. Total operating expense, including depreciation, increased 10.9% to approximately $84.7 million from approximately $76.4 million in the prior fiscal year.

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

Operating revenue:	**2014**	**2013**	**Percentage Change 2014-2013**
Passenger fares	$ 10,455	$ 10,120	3.3%
Contracts and other revenue	3,921	3,534	11.0%
Total operating revenue	**14,376**	**13,654**	**5.3%**
Operating expense:			
Operating expense	70,168	64,195	9.3%
Depreciation	14,577	12,199	19.5%
Total operating expense	**84,745**	**76,394**	**10.9%**
Operating loss	(70,369)	(62,740)	12.2%
Net non-operating revenue and capital contributions	73,859	79,975	(7.6%)
Increase in net position	**3,490**	**17,235**	(79.8%)
Total net position, beginning of year	113,216	95,981	18.0%
Total net position, end of year	**$ 116,706**	**$ 113,216**	**3.1%**

The increase in operating revenue was primarily the result of a 1.7% increase in ridership year over year, a 2.7% increase in the average revenue per passenger and an 11.4% increase in contract revenues related to our contract with the Regional Transportation Authority for expanded regional bus service between Nashville and Murfreesboro. Net non-operating revenue and capital contributions decreased 7.6% to approximately $73.9 million in fiscal year 2014 compared to approximately $80.0 million in fiscal year 2013. The decrease was primarily due to receiving less capital grants in the current year as a result of decreased vehicle purchases and fewer construction projects compared to the prior year.

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

Bus:	2014	2013	Percentage Change 2014-2013
Labor and fringes	$ 45,374	$ 41,805	8.5%
Purchased services	3,093	2,644	17.0%
Materials and supplies	10,796	9,921	8.8%
Other	3,930	3,334	17.9%
Depreciation	14,577	12,199	19.5%
Elderly and disabled	6,767	6,304	7.3%
Planning	208	187	11.2%
Total operating expense	**$ 84,745**	**$ 76,394**	**10.9%**

Labor and fringes expense increased 8.5% in fiscal year 2014 as compared to 2013. The increase was primarily due to having a full year of expanded bus services associated with BRT-Lite along Murfreesboro Road and our University Connector service that were both implemented the last quarter of fiscal year 2013, as well as expanded contractual express bus service from Nashville to Murfreesboro implemented in the second quarter of fiscal year 2013. There were also contractually agreed-upon increases in wages as well as increased healthcare and pension costs.

The 17.0% increase in purchased services was primarily related to increased legal, banking and security expenses in the current year compared to prior year. Legal expenses related to lawsuits involving contracts cancelled for our CAD/AVL installation project due to lack of performance along with change in parking managers due to contract expiration. The increase in banking services related to a change in armored car services involving our vaulted cash services and the increased security cost involved adding additional off-duty Metro police officers and expanded weekend service for better coverage compared to the prior year.

The 8.8% increase in materials and supplies was primarily due to increased fuel costs related to our fuel hedging program for diesel and gasoline fuel. The new diesel fuel hedging contracts for fiscal year 2014 increased to $2.96 per gallon from $2.77 per gallon in the last fiscal year for approximately 70% of our diesel purchases.

Other expense increased 17.9% in fiscal year 2014 compared to the prior year. The increase was primarily due to an increase in insurance for potential accident claims that occurred through the end of fiscal year 2014.

The 19.5% increase in depreciation expense is primarily related to recording additional depreciation related to new bus and paratransit van purchases as well as the building construction capitalization completed during the fiscal year.

Elderly and Disabled expense increased 7.3% primarily as a result of increased labor expenses for paratransit services as we expand our in-house service in lieu of expanding our overflow taxi services in order to address some of the customer input we received during the prior fiscal year.

Fiscal year 2013 as compared to fiscal year 2012:

The excess of revenues and capital contributions over expense for the year ended June 30, 2013 was approximately $17.2 million compared to an excess of expense over revenues and capital contributions of approximately $871,000 for the year ended June 30, 2012 (See Table A-5). MTA's total operating revenues increased 10.9% to approximately $13.7 million from approximately $12.3 million in the prior fiscal year. Total operating expense, including depreciation, increased 10.6% to approximately $76.4 million from approximately $69.1 million in the prior fiscal year.

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

Operating revenue:	**2013**	**2012**	**Percentage Change 2013-2012**
Passenger fares	$ 10,120	$ 9,278	9.1%
Contracts and other revenue	3,534	3,038	16.3%
Total operating revenue	**13,654**	**12,316**	**10.9%**
Operating expense:			
Operating expense	64,195	58,468	9.8%
Depreciation	12,199	10,635	14.7%
Total operating expense	**76,394**	**69,103**	**10.6%**
Operating loss	(62,740)	(56,787)	10.5%
Net non-operating revenue and capital contributions	79,975	55,916	43.0%
Increase (decrease) in net position	**17,235**	**(871)**	**>100%**
Total net position, beginning of year	95,981	96,852	(0.9%)
Total net position, end of year	**$ 113,216**	**$ 95,981**	**18.0%**

The increase in operating revenue was primarily the result of a general fare increase of approximately 6% that took effect January 1, 2012, a 2.4% increase in ridership year over year and a 30.7% increase in contract revenues related to our contract with the Regional Transportation Authority for expanded regional bus service between Nashville and Murfreesboro. Net non-operating revenue and capital contributions increased 43.0% to approximately $80.0 million in fiscal year 2013 compared to approximately $55.9 million in fiscal year 2012. The increase was primarily due to receiving more capital grants in the current year that were used to purchase 60-foot transit buses, 40-foot buses, paratransit vans, support vehicles and funding for several construction projects at our Nestor property, Myatt property and the AMP project.

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

Bus:	**2013**	**2012**	**Percentage Change 2013-2012**
Labor and fringes	$ 41,805	$ 39,940	4.7%
Purchased services	2,644	2,502	5.7%
Materials and supplies	9,921	8,611	15.2%
Other	3,334	2,975	12.1%
Depreciation	12,199	10,635	14.7%
Elderly and disabled	6,304	4,190	50.5%
Planning	187	250	(25.2%)
Total operating expense	**$ 76,394**	**$ 69,103**	**10.6%**

Labor and fringes expense increased 4.7% in fiscal year 2013 as compared to 2012. The increase was primarily due to a contractually agreed upon 2.5% increase in wages as well as increased healthcare and pension costs.

The 15.2% increase in materials and supplies was primarily due to increased fuel costs related to our fuel hedging program for diesel and gasoline fuel. The new diesel fuel hedging contracts for fiscal year 2013 increased to $2.77 per gallon from $2.31 per gallon in the last fiscal year for approximately 80% of our diesel purchases. There was also an increase in repair and maintenance costs related to having a fleet that was a year older.

Other expense increased 12.1% in fiscal year 2013 compared to the prior year. The increase was primarily due to increased utility costs related to our new Myatt Drive property and an increase in insurance for potential accident claims that occurred through the end of fiscal year 2013.

The 14.7% increase in depreciation expense is primarily related to recording additional depreciation related to new bus and paratransit van purchases as well as the building construction capitalization completed during the fiscal year.

Elderly and Disabled expense increased 50.5% primarily as a result of reclassifications of labor expenses from bus operations half-way through fiscal year 2012 for paratransit services to more accurately reflect the percentage of drivers assigned to this type service especially as it related to split shifts between bus and paratransit service. These reclassifications were in place for the entire fiscal year for 2013. There were also some increased contractual commitments for supplemental paratransit overflow (taxi) services.

Planning expense decreased 25.2% as a result of having fewer planning grant dollars available during 2013.

Capital Assets

Fiscal year 2014 as compared to fiscal year 2013:

At the end of fiscal year 2014, MTA had invested approximately $153.3 million in a broad range of land, buildings, shelters and benches, revenue vehicles, equipment and ongoing projects as shown in Table A-7.

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

	2014	2013	Percentage Change 2014-2013
Land	$ 15,155	$ 16,395	(7.6%)
Buildings, shelters and benches	96,253	93,017	3.5%
Revenue vehicles	90,541	80,932	11.9%
Equipment and parts	8,227	7,333	12.2%
Work in progress	11,959	9,602	24.5%
Office furniture and equipment	3,396	2,909	16.7%
Miscellaneous other	2,859	2,635	8.5%
Subtotal	228,390	212,823	7.3%
Less accumulated depreciation	(75,056)	(63,590)	18.0%
Net capital assets	**$ 153,334**	**$ 149,233**	**2.7%**

The increases in capital assets were similar to the prior year and primarily associated with the purchase of new buses and paratransit vans and the fare collection equipment associated with those new vehicles. We also had building renovations and construction in progress on our Nestor facility as well as our administrative building and heavy maintenance facility at our Myatt Drive property in Madison. In addition, we incurred additional work in progress costs associated with our BRT project, called the AMP, as we wrap-up phase two preliminary engineering and environmental analysis and moved into phase three final design and engineering. The increases were partially offset by a decrease in land as a result of a sale of a portion of our Myatt property to Nashville Electric Service in October 2013.

Fiscal year 2013 as compared to fiscal year 2012:

At the end of fiscal year 2013, MTA had invested approximately $149.2 million in a broad range of land, buildings, shelters and benches, revenue vehicles and equipment and parts as shown in Table A-8.

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

	2013	**2012**	**Percentage Change 2013-2012**
Land	$ 16,395	$ 16,395	0.0%
Buildings, shelters and benches	93,017	81,681	13.9%
Revenue vehicles	80,932	62,125	30.3%
Equipment and parts	7,333	5,805	26.3%
Work in progress	9,602	9,689	(0.9%)
Office furniture and equipment	2,909	2,575	13.0%
Miscellaneous other	2,635	2,330	13.1%
Subtotal	212,823	180,600	17.8%
Less accumulated depreciation	(63,590)	(51,719)	23.0%
Net capital assets	**$ 149,233**	**$ 128,881**	**15.8%**

The increases in capital assets were primarily associated with the purchase of new buses and paratransit vans and the fare collection equipment associated with those new vehicles. We also had building renovations and construction in progress on our Nestor facility as well as our new administrative building and heavy maintenance facility at our Myatt Drive property in Madison. In addition, we incurred additional costs associated with the AMP, as we complete phase two preliminary engineering and environmental analysis and move into phase three final design and engineering.

Economic Factors and Next Year's Budget

MTA's Board of Directors and management considered many factors when setting the fiscal year 2015 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 the AMP as well as bus and van replacements and any additional rehab needed for all administrative and heavy maintenance functions at our Nestor Street and Myatt Drive facilities, 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, granting agencies 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, 430 Myatt Drive, Nashville, TN 37115.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF NET POSITION

	June 30, 2014	June 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,563,552	$ 4,204,260
Receivables from federal, state and local governments	13,010,875	5,591,527
Accounts receivable, less allowances of $8,451 and $11,791, respectively	925,604	1,669,262
Materials and supplies, net	2,571,838	1,154,232
Prepaid expenses and other current assets	501,202	221,850
Total current assets	19,573,071	12,841,131
Restricted funds:		
Cash and cash equivalents	5,636,986	-
Property and equipment, net	153,333,916	149,232,941
Other assets:		
Designated assets - cash and investments held by custodians for self-insurance	851,393	1,351,393
Total assets	179,395,366	163,425,465
DEFERRED OUTFLOWS OF RESOURCES		
Effective portion of fuel hedge program	-	218,915
Total assets and deferred outflows of resources	$ 179,395,366	$ 163,644,380

	June 30, 2014	June 30, 2013
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,128,837	$ 5,753,059
Notes payable - Metropolitan Government	-	4,250,509
Notes payable - other	10,000,000	-
Accrued expenses:		
Salaries, wages and payroll taxes	1,484,695	1,228,229
Accident losses	840,000	700,000
Compensated absences	1,020,966	1,072,661
Medical benefit claims	2,426,774	1,821,451
Workers' compensation	1,021,000	1,092,256
Other current liabilities	231,624	368,601
Total current liabilities	21,153,896	16,286,766
Non-current liabilities:		
Advance lease receipts	10,917,477	11,507,481
Refundable grants	3,642,082	-
Net other postemployment benefits obligation	26,922,207	22,633,778
Total non-current liabilities	41,481,766	34,141,259
Total liabilities	62,635,662	50,428,025
DEFERRED INFLOWS OF RESOURCES		
Effective portion of fuel hedge program	54,050	-
NET POSITION		
Net investment in capital assets	139,648,849	130,450,014
Restricted for capital purchases	2,050,000	-
Unrestricted	(24,993,195)	(17,233,659)
Total net position	116,705,654	113,216,355
Total liabilities, deferred inflows of resources and net position	$ 179,395,366	$ 163,644,380

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended June 30, 2014	Year Ended June 30, 2013
OPERATING REVENUES		
Passenger fares	$ 10,455,484	$ 10,120,073
Contract revenues	2,355,110	2,115,042
Elderly and disabled passengers	871,443	812,303
Advertising	694,103	606,588
Total operating revenues	14,376,140	13,654,006
OPERATING EXPENSES		
Bus:		
Labor and fringe benefits	45,373,679	41,804,928
Purchased services	3,092,975	2,644,308
Materials and supplies	10,796,519	9,920,786
Other	3,930,098	3,334,186
Elderly and disabled passengers	6,766,890	6,304,548
Planning	207,850	186,689
Depreciation	14,576,826	12,198,815
Total operating expenses	84,744,837	76,394,260
Operating loss	(70,368,697)	(62,740,254)
NON-OPERATING REVENUES (EXPENSES)		
Operating assistance:		
Local	33,370,600	29,370,600
State	4,585,322	3,939,797
Planning and other assistance	4,049,775	4,547,948
Sub-recipient pass-through	(557,966)	(721,222)
Gain on disposal of property and equipment	824,530	679
Interest expense, net	(41,437)	(4,461)
Other	1,548,632	1,323,090
Total non-operating revenues	43,779,456	38,456,431
DECREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(26,589,241)	(24,283,823)
CAPITAL CONTRIBUTIONS	30,078,540	41,519,316
INCREASE IN NET POSITION	3,489,299	17,235,493
NET POSITION AT BEGINNING OF YEAR	113,216,355	95,980,862
NET POSITION AT END OF YEAR	$ 116,705,654	$ 113,216,355

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 15,119,798	$ 13,326,181
Cash payments to or on behalf of employees	(40,346,412)	(37,544,894)
Cash payments to suppliers	(26,411,071)	(22,949,284)
Net cash used in operating activities	(51,637,685)	(47,167,997)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Planning assistance and other grant collections	4,137,656	4,931,916
State operating grant collections	4,585,322	3,939,797
Local operating grant collections	33,370,600	29,370,600
Payments to Metropolitan Government	(254,296)	(754,515)
Payments to sub-recipients	(557,966)	(721,222)
Net cash provided by non-capital financing activities	41,281,316	36,766,576
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of property and equipment	2,071,361	679
Payment of accounts payable for property and equipment	(3,279,233)	(2,184,749)
Cash purchases of property and equipment	(18,073,852)	(29,271,153)
Capital contributions and other capital related collections	22,571,311	45,804,254
Refundable grants	3,642,082	-
Borrowings from Metropolitan Government	-	8,995,000
Payments to Metropolitan Government	(3,996,658)	(12,500,211)
Borrowings on note payable	10,000,000	-
Net cash provided by capital and related financing activities	12,935,011	10,843,820
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income collected	917,636	716,675
Change in cash and investments placed with custodian for self-insurance	500,000	(84,585)
Net cash provided by investing activities	1,417,636	632,090
INCREASE IN CASH AND CASH EQUIVALENTS	3,996,278	1,074,489
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,204,260	3,129,771
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,200,538	$ 4,204,260

See accompanying notes to financial statements.

	Year Ended June 30, 2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (70,368,697)	$ (62,740,254)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	14,576,826	12,198,815
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	743,658	(327,825)
Materials and supplies, net	(1,417,606)	(107,430)
Prepaid expenses and other	(225,302)	(49,656)
Increase (decrease) in:		
Accounts payable	(195,769)	(380,133)
Accrued salaries, wages, and payroll taxes	256,466	146,728
Accrued accident losses	140,000	(64,274)
Accrued compensated absences	(51,695)	(43,180)
Accrued medical benefit claims	605,323	(291,451)
Accrued workers compensation	(71,256)	(70,744)
Accrued other liabilities	81,938	42,726
Net other postemployment benefits obligation	4,288,429	4,518,681
Net cash used in operating activities	$ (51,637,685)	$ (47,167,997)
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Acquisition of property and equipment	$ 19,924,632	$ 32,550,386
Amounts included in accounts payable at year end	(1,850,780)	(3,279,233)
Total cash paid for property and equipment	$ 18,073,852	$ 29,271,153

The estimated fair value of fuel hedges were $54,050 and ($218,915) at June 30, 2014 and 2013, respectively. The changes in the fair values of the fuel hedges of $272,965 for 2014 and ($179,242) for 2013 are included in deferred outflows / inflows of resources.

See accompanying notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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. Additionally, MTA appoints the Board of Directors of DTO and MTA's management has operational responsibility for DTO. DTO has no operations outside of MTA. Accordingly, DTO is a blended component unit for financial reporting purposes. All significant interagency transactions and balances have been eliminated. No separate financial statements are issued for DTO (See Note P).

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.

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 Expenses

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

Cash Balances and Statements of Cash Flows

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

Materials and Supplies

Materials and supplies consist primarily of vehicle parts and are stated at cost as determined on the average cost method. At June 30, 2014 and 2013, no valuation allowance was considered necessary.

Property and Equipment and Depreciation

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

Impairment of Long-Lived Assets

The carrying value of long-lived assets held and used are reviewed whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For purpose of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows before consideration of interest expense. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The evaluation of asset impairment requires MTA to make assumptions about future cash flows over the life of the asset being evaluated. 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. No impairment losses were recorded in fiscal years 2014 or 2013.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

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

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

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

Self-insurance

MTA is primarily self-insured, up to certain limits, for automobile and general liability, workers' compensation, and employee group health insurance claims. MTA has purchased reinsurance in order to limit its exposure. The reinsurance limits are described in Note F. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported. Liabilities for unpaid workers' compensation and employee group health insurance claims, including incurred but not reported losses, are actuarially determined and reflected in the accompanying statements of net position 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.

Operating Assistance Grants

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

Capital Contributions

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets

Restricted Assets consist of cash and cash equivalents which are restricted for specific purposes under grant agreements or as otherwise approved by federal agencies.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

MTA has one item that qualifies for reporting in this category which relates to fuel hedge program, as reported in the statements of net position. MTA's fuel hedges are considered to be derivatives, the effective portion of which is accounted for as deferred inflows/deferred outflows of resources at June 30, 2014 and 2013.

Unearned Revenues and Refundable Grants

MTA's unearned revenues represent lease rentals, received in advance, for certain leases entered into with the State of Tennessee and the Metropolitan Government. The unearned rental income is being recognized in nonoperating income on a straight-line basis over the terms of the related agreements. Unearned revenues for advance lease receipts are included within liabilities in the accompanying statements of net position as such amounts may be returned to the counterparty if the related agreements were to be terminated.

Amounts received from grants in advance of meeting certain eligibility requirements are recorded within liabilities as refundable grants until the eligibility requirements are met (See Note E).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Postemployment Benefits

Postemployment pension benefits are accounted for under GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information. Note disclosures regarding pension information are made in accordance with GASB Statement No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and 27. S*ee additional information regarding MTA's pension benefits in Recent Accounting Pronouncements below and in Note J.

Postemployment healthcare benefits other than pension benefits are accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,* which establishes standards for the measurement, recognition, and display of postemployment healthcare benefits expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information.

Net Position

MTA's net position classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt and deferred inflows of resources 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 net investment in capital assets. Rather, that portion of the debt is included in the same net positions component as the unspent proceeds.

- Restricted - This component consists of net position restricted by grantors, contributors, or laws and regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.

- Unrestricted - This component consists of net position that do not meet the definition of "restricted" or "Net investment in capital assets."

Reclassifications

Certain reclassifications have been made to the fiscal 2013 amounts in the financial statements to conform to the presentation adopted for fiscal 2014.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is intended to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhance the value for assessing accountability by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of Statement No. 68 are effective in fiscal year 2015 for MTA.

The new standard intends to improve the accounting and financial reporting by state and local governments for pensions and by improving the transparency about the pension plan through new note disclosures and supplementary information. It will result in MTA recognizing the net pension liability on the statement of net position for its pension plan. The net pension liability is the discounted liability determined based on the expected benefit payments for past periods of service (i.e., the Total Pension Liability) less the net position of the plan based on the fair value of assets at the measurement date (i.e., the Fiduciary Net Position). The statement requires retroactive application through restatement of beginning net position. This adjustment will result in a decrease in the unrestricted net position on the statement of net position. Additionally, the new standard computes the annual actuarially determined contribution in a new manner. Other measurement changes include recognizing annual pension expense in-lieu-of pension cost. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68, which MTA will implement in fiscal year 2015.

MTA management is evaluating the impact of these Statements on financial condition and operations.

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.

B. CASH AND CASH EQUIVALENTS - Continued

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.

During fiscal years 2014 and 2013, MTA's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2014 and 2013, the carrying amount and corresponding bank balances of deposits were as follows:

2014:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents, including restricted amounts	$9,123,439	$8,200,538

2013:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents	$5,951,081	$4,204,260

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, 2014 and 2013.

C. RECEIVABLES FROM OTHER GOVERNMENTS

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

	2014	2013
Non-capital grants:		
FTA	$ 505,787	$ 639,682
TDOT	378,464	325,410
Metropolitan Government	116,361	123,401
Capital grants:		
FTA	8,351,148	389,099
TDOT	1,002,786	946,030
Metropolitan Government	2,656,329	3,167,905
	$13,010,875	$5,591,527

D. PROPERTY AND EQUIPMENT

A summary of the changes in property, equipment and related accumulated depreciation for the years ended June 30, 2014 and 2013 is as follows:

	Estimated Economic Lives In Years	Balance at June 30, 2013	Additions
Property and equipment:			
Motor buses	10 - 12	$ 80,932,328	$12,470,045
Spare parts	5	243,090	75,707
Fare equipment	10 - 20	5,267,757	381,967
Service cars	3 - 10	1,019,826	228,791
Shop and garage equipment	10	802,195	207,633
Furniture and office equipment	10	863,530	17,652
Computer equipment	5 - 10	2,045,697	470,401
Miscellaneous equipment	10	2,634,696	224,764
Shelters and benches	10 - 20	5,237,291	57,914
Buildings	10 - 40	35,718,643	120,558
Music City Central	7 - 30	47,071,708	6,827
Landport	20	4,989,432	4,309
Land	-	16,395,266	-
Construction in-progress (Note L)	-	9,601,735	5,658,064
		212,823,194	19,924,632
Accumulated depreciation:			
Motor buses		$ 31,312,917	$ 7,748,535
Spare parts		230,929	25,417
Fare equipment		3,126,378	397,719
Service cars		447,397	188,731
Shop and garage equipment		457,190	71,360
Furniture and office equipment		267,083	103,961
Computer equipment		1,521,585	219,579
Miscellaneous equipment		1,672,412	330,572
Shelters and benches		1,992,099	590,739
Buildings		11,380,971	3,011,214
Music City Central		7,615,194	1,651,023
Landport		3,566,098	237,976
Land		-	-
Construction in-progress		-	-
		63,590,253	14,576,826
Property and equipment, net		$149,232,941	$ 5,347,806

Disposals	Reclassifications	Balance at June 30, 2014
$(3,116,815)	$ 255,786	$ 90,541,344
-	-	318,797
-	-	5,649,724
-	-	1,248,617
-	-	1,009,828
(784)	-	880,398
-	-	2,516,098
-	-	2,859,460
-	985,356	6,280,561
-	2,059,349	37,898,550
-	-	47,078,535
-	-	4,993,741
(1,240,000)	-	15,155,266
-	(3,300,491)	11,959,308
(4,357,599)	-	228,390,227
(3,110,558)	-	35,950,894
-	-	256,346
-	-	3,524,097
-	-	636,128
-	-	528,550
(210)	-	370,834
-	-	1,741,649
-	-	2,007,757
-	-	2,583,085
-	-	14,386,680
-	-	9,266,217
-	-	3,804,074
-	-	-
-	-	-
(3,110,768)	-	75,056,311
$(1,246,831)	$ -	$153,333,916

D. PROPERTY AND EQUIPMENT - Continued

	Estimated Economic Lives In Years	Balance at June 30, 2012	Additions
Property and equipment:			
Motor buses	10 - 12	$ 62,124,845	$18,807,483
Spare parts	5	238,190	4,900
Fare equipment	10 - 20	4,320,549	947,208
Service cars	3 - 10	620,370	399,456
Shop and garage equipment	10	626,118	176,472
Furniture and office equipment	10	601,379	264,702
Computer equipment	5 - 10	1,974,196	250,930
Miscellaneous equipment	10	2,329,953	415,106
Shelters and benches	10 - 20	4,350,305	902,171
Buildings	10 - 40	25,293,360	1,842,884
Music City Central	7 - 30	47,052,694	19,014
Landport	20	4,984,807	4,625
Land	-	16,395,266	-
Construction in-progress (Note L)	-	9,688,799	8,515,435
		180,600,831	32,550,386
Accumulated depreciation:			
Motor buses		$ 25,440,060	$ 5,872,857
Spare parts		216,723	14,206
Fare equipment		2,642,981	483,397
Service cars		291,707	155,690
Shop and garage equipment		418,708	38,877
Furniture and office equipment		178,272	91,362
Computer equipment		1,536,771	184,343
Miscellaneous equipment		1,498,470	284,305
Shelters and benches		1,513,096	494,188
Buildings		8,730,789	2,650,182
Music City Central		5,964,603	1,650,591
Landport		3,287,281	278,817
Land		-	-
Construction in-progress		-	-
		51,719,461	12,198,815
Property and equipment, net		$128,881,370	$20,351,571

Disposals	Reclassifications	Balance at June 30, 2013
$ -	$ -	$ 80,932,328
-	-	243,090
-	-	5,267,757
-	-	1,019,826
(395)	-	802,195
(2,551)	-	863,530
(199,529)	20,100	2,045,697
(110,363)	-	2,634,696
(15,185)	-	5,237,291
-	8,582,399	35,718,643
-	-	47,071,708
-	-	4,989,432
-	-	16,395,266
-	(8,602,499)	9,601,735
(328,023)	-	212,823,194
-	-	31,312,917
-	-	230,929
-	-	3,126,378
-	-	447,397
(395)	-	457,190
(2,551)	-	267,083
(199,529)	-	1,521,585
(110,363)	-	1,672,412
(15,185)	-	1,992,099
-	-	11,380,971
-	-	7,615,194
-	-	3,566,098
-	-	-
-	-	-
(328,023)	-	63,590,253
$ -	$ -	$149,232,941

D. PROPERTY AND EQUIPMENT - Continued

During October 2013, MTA sold certain land to Nashville Electric Service as further described in footnote M.

Construction in progress at June 30, 2014 is attributable to the following (See Note L):

West End Corridor study/AMP	$ 5,990,583
CAD/AVL project	4,398,871
Farebox upgrades	1,010,012
Other projects	559,842
Total construction in progress	$11,959,308

During fiscal year 2014, the following projects were substantially completed and were transferred to capital assets:

Nestor Street facilities	$1,393,720
Bus rapid transit project	985,356
Myatt Drive facilities	613,734
Other projects	307,681
	$3,300,491

E. CAPITAL CONTRIBUTIONS AND REFUNDABLE GRANTS

Capital contributions consist of property, materials and supplies purchased with federal, state and local government capital grants. Unexpended available capital contribution awards totaled approximately $26,000,000 as of June 30, 2014 and $29,000,000 as of June 30, 2013. These grant revenue amounts will be recognized in the financial statements when grant funds are utilized in accordance with the grant agreements.

During fiscal year 2014, MTA received $3,642,082 from the Federal Emergency Management Agency (FEMA) for potential claims relating to the May 2010 historic flood experienced in Nashville. The flood was declared a federal disaster by President Obama. MTA experienced losses to assets and equipment, including damage to the Nestor Street facility, buses, other vehicles, and materials and supplies. Since the flood, MTA has worked with the FTA and FEMA to obtain funds for asset replacements. FEMA has advanced funds, subject to review and determination of certain reimbursements previously received by FTA. Accordingly, the advanced funds have been recorded as refundable grants in the statement of net positon until final settlement with FEMA is made.

F. SELF-INSURANCE

Vehicle operation:

MTA is self-insured up to $100,000 for all losses relating to the operation of any revenue vehicle. A provision of $840,000 and $700,000 has been made for all such known losses incurred as of June 30, 2014 and 2013, respectively. Accident losses exceeding $100,000 on any revenue vehicle are covered under an insurance program subject to certain annual and aggregate limits.

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 per participant per agreement year. The policy also provides certain maximums 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 2014 and 2013 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, 2014 and 2013, MTA owed the Trust $1,862,346 and $1,821,451, respectively. Such amounts are included in accrued expenses. Medical claims are paid by the Trust through a third party administrator, which was Consociates through June 1, 2014 and Blue Cross thereafter.

Changes in the medical claims liability for the years ended June 30, 2014 and 2013 are as follows:

	Balance at Beginning of Year	Net Claims Expenses	Claim Payments	Balance at End of Year
2014	$1,821,451	$11,856,142	$11,250,819	$2,426,774
2013	$2,112,902	$9,882,012	$10,173,463	$1,821,451

F. SELF-INSURANCE - Continued

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, 2014 and 2013. 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 2014 and 2013, MTA's workers' compensation claims did not exceed the maximum. At June 30, 2014 and 2013, provisions of $1,021,000 and $1,092,256, respectively are included in accrued expenses relating to workers' compensation claims.

Self-insurance investments:

MTA has transferred 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, 2014 and 2013 was $501,393 and $1,001,393, 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, 2014 and 2013, respectively.

G. DEBT

In March 2014, MTA entered into a $10,000,000 revolving credit line agreement with SunTrust Bank for the purpose of providing, interim funding for capital activities until grant funds are received, as well as other operational activities. The outstanding balance was $10,000,000 as of June 30, 2014. MTA has pledged certain assets under the credit line, including all revenues, accounts, accounts receivable, investments, and machinery and equipment. The credit line bears interest at one month LIBOR plus 2.25% (an effective rate of 2.4% at June 30, 2014) and matures on February 28, 2015.

MTA had a $2,000,000 revolving credit line agreement with the Metropolitan Government for the purpose of funding operational activities. The revolving credit line was repaid in fiscal year 2013.

MTA had a $9,000,000 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 credit line was repaid in fiscal year 2014. The outstanding balance totaled $3,996,213 as of June 30, 2013.

G. DEBT - Continued

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. The credit line was repaid in fiscal year 2014. The outstanding balance totaled $254,296 at June 30, 2013.

A summary of the borrowings and repayments under the credit line agreements for the years ended June 30, 2014 and 2013 is as follows:

2014:

	Balance at Beginning of Year	Borrowings	Accrued Interest Added to Principal	Repayments	Balance at End of Year
SunTrust	$ -	$10,000,000	$ -	$ -	$10,000,000
Metro Capital	3,996,213	-	445	(3,996,658)	-
Metro Flood	254,296	-	-	(254,296)	-
	$4,250,509	$10,000,000	$ 445	$(4,250,954)	$10,000,000

2013:

	Balance at Beginning of Year	Borrowings	Accrued Interest Added to Principal	Repayments	Balance at End of Year
Metro Operating	$ 753,653	$ -	$ 862	$(754,515)	$ -
Metro Capital	7,487,209	8,995,000	14,215	(12,500,211)	3,996,213
Metro Flood	253,823	-	473	-	254,296
	$8,494,685	$8,995,000	$15,550	$(13,254,726)	$4,250,509

H. FUEL-HEDGING PROGRAM

MTA participates 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, 2014 and 2013 are as follows:

Monthly Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
111,350 gallons, diesel	7/1/12	6/30/13	Pay $2.645 - $2.90 per gallon; Settlement based on Platts USG Ultra Low Sulfur Diesel	A3/BBB+
28,000 gallons, gasoline	7/1/12	6/30/13	Pay $2.50 - $2.60 per gallon; Settlement based on Nymex NYH RBOB Gasoline	A3/BBB+
95,443 gallons, diesel	7/1/13	6/30/14	Pay $2.94 - $3.00 per gallon; Settlement based on Platts USG Ultra Low Sulfur Diesel	A3/BBB+
28,000 gallons, gasoline	7/1/13	6/30/14	Pay $2.75 per gallon; Settlement based on Nymex NYH RBOB Gasoline	A3/BBB+
47,722 gallons, diesel	7/1/14	6/30/15	Pay $2.8675 per gallon; Settlement based on Platts USG Ultra Low Sulfur Diesel	A3/BBB+
14,000 gallons, gasoline	7/1/14	6/30/16	Pay $2.69 per gallon; Settlement based on Nymex NYH RBOB Gasoline	A3/BBB+

The fair value of the fuel hedging instruments was an asset (liability) of $54,050 and $(218,915) at June 30, 2014 and 2013, respectively. 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 corresponding deferred inflow/outflow of resources.

H. FUEL-HEDGING PROGRAM - Continued

MTA is exposed to credit risk on hedging derivative instruments that are in asset positions. 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 or Platts). 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.

During September 2014, the Metropolitan Government entered into additional fuel hedges, under which MTA will participate through June 2015. MTA's portion of the fuel hedges includes 62,114 gallons diesel per month; pay $2.888 per gallon and receive Platts USB Ultra Low Sulfur Diesel; and 14,000 gallons gasoline per month; pay $2.6865 per gallon and receive Nymex NYH RBOB Gasoline.

I. AGREEMENTS WITH THE STATE AND METROPOLITAN GOVERNMENTS

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 approximately 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 unearned revenue in the accompanying statements of net position 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 remaining balance totaled $5,004,977 and $5,264,981 at June 30, 2014 and 2013, respectively.

During fiscal year 2012, MTA received $6,600,000 from the Metropolitan Government for purchase of the Myatt Drive Facility. In connection with the contribution, the Metropolitan Government will share certain space at the facility. The Metropolitan Government took occupancy of its portion of the facility during fiscal year 2013. Accordingly, the $6,600,000 has been recorded as unearned revenue in the accompanying statements of net position and will be amortized over the term of the agreement, which is expected to be 20 years. The remaining balance totaled $5,912,500 and $6,242,500 at June 30, 2014 and 2013, respectively.

J. PENSION PLAN

Plan Description:

MTA offers, through DTO, a single-employer defined benefit pension plan ("Pension Plan") covering substantially all eligible employees of DTO (except part-time employees) and the Amalgamated Transit Union, Local 1235. The Pension Plan provides for retirement and disability benefits to members and their beneficiaries. Specific benefits are established in Articles XII and XIII of the Pension Plan document. As of the most recent actuarial valuation date, July 1, 2013, the Pension Plan covered 191 retirees receiving benefits; 1 terminated vested; and 516 active participants.

Plan and Employer Reporting:

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, 430 Myatt Drive, Madison, Tennessee, 37115, or by calling (615)-862-5969.

The Pension Plan has adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25,* which is effective in fiscal year 2014. The new financial reporting requirements for the Pension Plan under GASB No. 67 are contained in the Pension Plan's separate report, which can be obtained as noted above. MTA will adopt employer financial reporting requirements for the Pension Plan, as required by GASB Statement No. 68, in fiscal year 2015, as further described in Note A.

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 10.70% and 10.86% of covered payroll in fiscal years 2014 and 2013, respectively. All administrative costs of the Pension Plan are paid out of plan assets.

Annual Pension Cost and Net Pension Obligation:

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

J. PENSION PLAN - Continued

MTA has contributed an amount equal to the ARC, and accordingly, had no net pension obligation at June 30, 2014 and 2013. 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 2014, 2013 and 2012 is as follows:

Fiscal Year	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2014	$2,924,946	100%	$ -
2013	$2,681,174	100%	$ -
2012	$2,309,076	100%	$ -

Funded Status and Funding Progress:

The funded status of the Pension Plan as of the most recent actuarial valuation date, July 1, 2013 is detailed below:

Actuarial accrued liability (a)	$46,696,623
Actuarial value of plan assets (b)	26,821,197
Unfunded actuarial accrued liability (a) - (b)	$19,875,426
Funded ratio (b) / (a)	57.4%
Covered payroll (c)	$23,750,900
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	83.7%

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, 2013, 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
Inflation	2.5%
Cost of living adjustments	1.3% effective July 1, 2014
Remaining amortization period	20 years
Normal retirement age	65
Mortality table	RP 2000 Blue Collar Projected to 2020 with AA Scales

See further information in the Pension Plan Schedule of Funding Progress (Unaudited) in the Required Supplementary Information section.

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, 430 Myatt Drive, Madison, Tennessee, 37115, or by calling (615) 862-5969. As of June 30, 2014, the latest actuarial valuation date, the Health Plan covered 170 retirees receiving benefits and 500 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, 2014 and 2013 totaled \$263,445 and \$253,177, 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 2014, 2013 and 2012 are as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$6,419,657	33.20%	\$26,922,207
2013	\$6,527,865	30.78%	\$22,633,778
2012	\$6,038,365	30.27%	\$18,115,097

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

The following table summarizes the changes in MTA's net OPEB obligation for the years ended June 30, 2014 and 2013:

	2014	2013
Annual OPEB Cost:		
Annual required contribution	$ 6,643,174	$ 6,706,758
Plus: Interest on the net OPEB obligation	1,414,611	1,132,194
Less: Amortization on the net OPEB obligation	(1,638,128)	(1,311,087)
Annual OPEB cost	6,419,657	6,527,865
Contributions made	(2,131,228)	(2,009,184)
Increase in the net OPEB obligation	4,288,429	4,518,681
Net OPEB obligation,		
Beginning of year	22,633,778	18,115,097
End of year	$ 26,922,207	$ 22,633,778

Funded Status and Funding Progress:

The funded status of the Health Plan as of the most recent actuarial valuation date, June 30, 2014, is detailed below:

Actuarial accrued liability (a)	$44,949,508
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	$44,949,508
Funded ratio (b) / (a)	-%
Covered payroll (c)	$25,163,530
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	178.6%

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

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.

In the June 30, 2014 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	6.50% in fiscal year 2014; reducing to 4.5% in fiscal 2018 and thereafter
Mortality	RP-2000 Combined Mortality Table with Projection AA (2018)
Retirement rates	Rates vary by age, with average of 61

See further information in the Other Postemployment Benefits Schedule of Funding Progress (Unaudited) in the Required Supplementary Information section.

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, except as described in Note E.

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, Nashville, Tennessee experienced a significant flood, and MTA experienced losses to assets. Many of these assets were purchased with federal funds. MTA management has worked with, and is continuing to work with, the FTA and FEMA to replace or restore all federal purchased assets. MTA could be liable if certain assets are not properly replaced or restored. However, management believes all such property has been or will be replaced or restored in accordance with grant agreements, and accordingly, no provision has been made for potential reimbursement to grantors.

Construction in Progress (See Note D):

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. A portion of this project was destroyed, and work on the project was suspended, as a result of the May 2010 flood and vendor complications; however, a new vendor for the project was selected and approved in June 2013 and work began in fiscal year 2014. As of June 30, 2014, $4,398,871 was included in construction in progress in relation to the CAD/AVL project. The estimated costs to complete are approximately $5,000,000.

Also included in construction in progress at June 30, 2014 is the West End Corridor / AMP assessment study, including preliminary engineering and environmental work. Construction in progress related to the West End Corridor Study/AMP totaled $5,990,583 at June 30, 2014. This is a multi-year project and MTA is in the process of securing the necessary grant funding.

During fiscal year 2014 MTA completed the renovation work for the Nestor Street and Myatt Drive facilities. Approximately $2,000,000 was transferred from construction in progress to fixed assets. Also during 2014, $985,000 was transferred from construction in progress to fixed assets in relation to the Murfreesboro Road BRT line project.

L. COMMITMENTS AND CONTINGENCIES - Continued

MTA expects that all significant costs to complete construction in progress will be funded through federal, state and local 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, 2014. 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 management, in consultation with legal counsel, 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 POSITION

The details of net position as of June 30, 2014 and 2013 are as follows:

	2014	2013
Net investment in capital assets:		
Property and equipment, net	$ 153,333,916	$ 149,232,941
Less: Borrowings and other liabilities related to capital assets:		
Portion of note payable relating to capital assets	(916,810)	-
Note payable - Metropolitan Government	-	(3,996,213)
Unearned revenues	(10,917,477)	(11,507,481)
Other liabilities relating to capital assets	(1,850,780)	(3,279,233)
Total net investment in capital assets	139,648,849	130,450,014
Restricted	2,050,000	-
Unrestricted	(24,993,195)	(17,233,659)
Total net position	$ 116,705,654	$ 113,216,355

M. NET POSITION - Continued

Net investment in capital assets 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.

During October 2013, MTA entered into an agreement to transfer 25 acres of land at the Myatt Drive Facility to Nashville Electric Company, a component unit of the Metropolitan Government. In exchange for the transfer, MTA received $2,050,000. The transfer was approved by the Federal Transit Administration and MTA's Board of Directors. A condition of the Federal Transit Administration's approval was that the proceeds had to be utilized for specific kinds of purchases. Accordingly, these funds have been reported as restricted.

N. RELATED PARTY TRANSACTION

MTA has 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 2014 and 2013 for certain contracted bus services. Revenue from the RTA for all contracted services during fiscal 2014 and 2013 totaled $2,212,635 and $2,076,374, respectively. At June 30, 2014 and 2013, the receivable from the RTA, included in accounts receivable in the accompanying statements of net position, totaled $533,007 and $361,482, respectively.

O. SUBSEQUENT EVENT

During July 2014, MTA made $9,010,000 in repayments on the revolving credit line with SunTrust Bank.

P. CONDENSED FINANCIAL INFORMATION BY ENTITY

The following information presents the condensed financial information for MTA and its blended component unit, DTO. No separate financial statements are prepared or issued for DTO. Such information is presented in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and 34:*

P. CONDENSED FINANCIAL INFORMATION BY ENTITY - Continued

	June 30, 2014		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	$ 17,485,604	$ 2,087,467	$ 19,573,071
Capital assets, net	153,333,916	-	153,333,916
Other assets	6,138,379	350,000	6,488,379
Total assets	176,957,899	2,437,467	179,395,366
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	$ 176,957,899	$ 2,437,467	$ 179,395,366
Liabilities			
Current liabilities	$ 14,971,361	$ 6,182,535	$ 21,153,896
Noncurrent liabilities	14,559,559	26,922,207	41,481,766
Total liabilities	29,530,920	33,104,742	62,635,662
Deferred inflows of resources	54,050	-	54,050
Net position			
Net investment in capital assets	139,648,849	-	139,648,849
Restricted	2,050,000	-	2,050,000
Unrestricted net position	5,674,080	(30,667,275)	(24,993,195)
Total net position	147,372,929	(30,667,275)	116,705,654
Total liabilities, deferred inflows of resources and net position	$ 176,957,899	$ 2,437,467	$ 179,395,366
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 14,376,140	$ -	$ 14,376,140
Operating expenses	34,823,881	49,920,956	84,744,837
Operating (loss)	(20,447,741)	(49,920,956)	(70,368,697)
Nonoperating revenues (expenses), net	43,779,456	-	43,779,456
Capital contributions	30,078,540	-	30,078,540
Transfers	(45,827,249)	45,827,249	-
Increase (decrease) in net position	7,583,006	(4,093,707)	3,489,299
Net position - beginning of year	139,789,923	(26,573,568)	113,216,355
Net position - end of year	$ 147,372,929	$ (30,667,275)	$ 116,705,654
Condensed Statements of Cash Flows			
Cash flows from operating activities	$ (6,805,848)	$ (44,831,837)	$ (51,637,685)
Cash flows from noncapital financing activities	41,281,316	-	41,281,316
Cash flows from capital and related financing activities	12,935,011	-	12,935,011
Cash flows from investing activities	1,417,636	-	1,417,636
Transfers	(45,827,249)	45,827,249	-
Increase (decrease) in cash and cash equivalents	3,000,866	995,412	3,996,278
Cash and cash equivalents - beginning of year	3,244,380	959,880	4,204,260
Cash and cash equivalents - end of year	$ 6,245,246	$ 1,955,292	$ 8,200,538

P. CONDENSED FINANCIAL INFORMATION BY ENTITY - Continued

	June 30, 2013		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	$ 11,813,719	$ 1,027,412	$ 12,841,131
Capital assets, net	149,232,941	-	149,232,941
Other assets	1,001,393	350,000	1,351,393
Total assets	162,048,053	1,377,412	163,425,465
Deferred outflows of resources	218,915	-	218,915
Total assets and deferred outflows of resources	$ 162,266,968	$ 1,377,412	$ 163,644,380
Liabilities			
Current liabilities	$ 10,969,564	$ 5,317,202	$ 16,286,766
Noncurrent liabilities	11,507,481	22,633,778	34,141,259
Total liabilities	22,477,045	27,950,980	50,428,025
Deferred inflows of resources	-	-	-
Net position			
Net investment in capital assets	130,450,014	-	130,450,014
Restricted	-	-	-
Unrestricted net position	9,339,909	(26,573,568)	(17,233,659)
Total net position	139,789,923	(26,573,568)	113,216,355
Total liabilities, deferred inflows of resources and net position	$ 162,266,968	$ 1,377,412	$ 163,644,380
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 13,654,006	$ -	$ 13,654,006
Operating expenses	30,863,333	45,530,927	76,394,260
Operating (loss)	(17,209,327)	(45,530,927)	(62,740,254)
Nonoperating revenues (expenses), net	38,456,431	-	38,456,431
Capital contributions	41,519,316	-	41,519,316
Transfers	(41,936,680)	41,936,680	-
Increase (decrease) in net position	20,829,740	(3,594,247)	17,235,493
Net position - beginning of year	118,960,183	(22,979,321)	95,980,862
Net position - end of year	$ 139,789,923	$ (26,573,568)	$ 113,216,355
Condensed Statements of Cash Flows			
Cash flows from operating activities	$ (5,910,928)	$ (41,257,069)	$ (47,167,997)
Cash flows from noncapital financing activities	36,766,576	-	36,766,576
Cash flows from capital and related financing activities	10,843,820	-	10,843,820
Cash flows from investing activities	632,090	-	632,090
Transfers	(41,936,680)	41,936,680	-
Increase (decrease) in cash and cash equivalents	394,878	679,611	1,074,489
Cash and cash equivalents - beginning of year	2,849,502	280,269	3,129,771
Cash and cash equivalents - end of year	$ 3,244,380	$ 959,880	$ 4,204,260

REQUIRED SUPPLEMENTARY INFORMATION

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

PENSION PLAN:

($ In Millions)		Actuarial Valuation Date July 1, 2013	2012	2011
Actuarial value of assets	(a)	$26.8	$25.0	$24.4
Actuarial accrued liability (AAL)	(b)	$46.7	$44.9	$42.2
Unfunded AAL (UAAL)	(b - a)	$19.9	$19.9	$17.8
Funded ratio	(a) / (b)	57%	56%	58%
Covered payroll	(c)	$23.8	$22.8	$21.5
UAAL as a percentage of covered payroll	((b-a)/c)	84%	87%	83%

OTHER POSTEMPLOYMENT BENEFITS PLAN:

($ In Millions)		Actuarial Valuation Date June 30, 2014	2013	2012
Actuarial value of assets	(a)	$ -	$ -	$ -
Actuarial accrued liability (AAL)	(b)	$45.0	$40.9	$38.3
Unfunded AAL (UAAL)	(b - a)	$45.0	$40.9	$38.3
Funded ratio	(a) / (b)	-%	-%	-%
Covered payroll	(c)	$25.2	$22.8	$20.8
UAAL as a percentage of covered payroll	((b-a)/c)	179%	179%	184%

ADDITIONAL INFORMATION

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/ Program Title	Federal CFDA Number	Federal/ State Grant Number	Grant Period	Federal Awards (1)	State Awards (1)	Local Awards (1)
DIRECT AWARDS - U.S. DEPARTMENT OF TRANSPORTATION - FEDERAL TRANSIT ADMINISTRATION:						
Federal Transit Cluster:						
Capital Grant	20.507 *	TN-90-X294-01/ GG-10-37417	7/1/09 - 6/30/14	$ 357,134	$ 44,642	$ 44,642
Capital Grant	20.507 *	TN-90-X376-00/ In Process	7/1/13- 6/30/16	7,920,000	990,000	990,000
Capital Grant	20.507 *	TN-90-X331-01/ GG-11-37407	7/1/10 - 6/30/15	6,453,646	806,707	806,707
Capital Grant	20.507 *	TN-90-X358/ GG-14-39342	7/1/12 - 6/30/17	7,812,880	976,610	976,610
Capital Grant	20.507 *	TN-95-X017/ Not Applicable	7/1/07 - open	1,000,000	-	250,000
Capital Grant	20.507 *	TN-95-X036/ Not Applicable	10/1/09 - open	1,000,000	-	250,000
ARRA Capital Grant	20.507 *	TN-96-X012-01/ Not Applicable	10/1/08 - open	2,590,151	-	-
Capital Grant	20.507 *	TN-90-X345-01/ GG-13-35651	7/1/11 - 6/30/16	4,470,832	558,854	558,854
Capital Grant	20.507 *	TN-95-X051-01/ GG-14-39901	7/1/11 - 6/30/14	350,000	43,750	43,750
Capital Grant	20.507 *	TN-95-X054-01/ Not Applicable	7/1/10 - 6/30/14	4,400,000	-	1,100,000
Capital Grant	20.507 *	TN-90-X367/ GG-14-42107	10/1/12 - 9/30/17	1,000,000	227,502	696,068
Capital Grant	20.507 *	TN-95-X062/ Not Applicable	7/1/12 - 6/30/16	480,000	-	120,000
Capital Grant	20.500 *	TN-04-0051-02/ GG-13-34337	10/1/10 - 6/30/16	200,000	25,000	25,000
Capital Grant	20.500 *	TN-04-0057/ GG-13-34486	11/1/11 - 9/30/14	5,370,950	671,369	671,369
		Total Federal Transit Cluster:		43,405,593	4,344,434	6,533,000
Transit Services Programs Cluster:						
Jobs Access Reverse Commute	20.516	TN-37-X085/ GG-11-37659	7/1/10 - 6/30/15	427,294	186,688	186,688
Jobs Access Reverse Commute	20.516	TN-37-X088/ GG-13-34487	7/1/11 - 6/30/14	857,377	404,757	404,757
Elderly and Disabled	20.513	TN-16-X006/ GG-14-42112	7/1/12 - 6/30/15	377,453	78,980	216,774
New Freedom	20.521	TN-57-X015-01/ GG-13-34503	7/1/11 - 6/30/16	534,873	230,749	230,749
New Freedom	20.521	TN-57-X009/ GG-10-32487	10/1/09 - 9/30/14	503,353	200,391	200,391
New Freedom	20.521	TN-57-X012/ GG-11-37162	7/1/10 - 6/30/15	264,525	118,946	118,946
		Total Transit Services Programs Cluster:		2,964,875	1,220,511	1,358,305
		Total Direct Awards:		46,370,468	5,564,945	7,891,305
PASS-THROUGH GRANTS:						
U.S. Department of Homeland Security - Federal Emergency Management Agency; Passed-through Tennessee Emergency Management Agency:						
May 2010 Flood	97.036	34101-000006615	4/30/10 - 4/29/15	5,146,764	285,931	-
U.S. Department of Transportation; Passed-through Metropolitan Planning Organization:						
Transportation Planning	20.505	L-2966	7/1/11 - 9/30/13	256,000	32,000	-
U.S. Department of Health and Human Services; Passed-through Greater Nashville Regional Council:						
Travel Trainer	93.044	2014-38	7/1/13 - 6/30/14	50,000	-	-
		Total Pass-Through Awards:		5,452,764	317,931	-
		Total Federal Awards:		$ 51,823,232	$ 5,882,876	$ 7,891,305

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

(1) In certain cases, if a grant award has been amended, only the incremental amount of the current amendment is presented.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Accrued Grant Revenue 6/30/13	Federal Receipts	State Receipts	Local Receipts	Federal Expenditures	State Expenditures	Local Expenditures	Accrued Grant Revenue 6/30/14
$ -	$ 33,475	$ 4,184	$ 4,184	$ 54,100	$ 6,466	$ 7,058	$ 25,781
-	-	-	-	7,920,000	990,000	990,000	9,900,000
35,240	168,103	21,014	21,014	144,954	18,120	18,120	6,303
984,120	151,576	928,181	18,947	121,989	15,248	15,248	37,901
-	154,587	-	38,648	481,097	-	133,253	421,115
-	8,340	-	2,085	8,340	-	2,085	-
111,392	533,351	-	-	421,959	-	-	-
168,716	420,877	52,609	52,609	320,786	40,098	40,098	43,603
185,031	349,999	43,750	43,751	438,502	54,813	54,814	295,660
136,909	1,281,534	-	320,384	1,277,495	-	319,374	131,860
-	481,764	-	260,627	542,636	124,395	298,841	223,481
-	28,489	-	5,095	50,809	-	12,702	29,927
-	21,125	2,638	2,640	34,891	4,361	4,361	17,210
68,290	584,587	73,073	73,073	529,955	66,244	66,244	-
1,689,698	4,217,807	1,125,449	843,057	12,347,513	1,319,745	1,962,198	11,132,841
-	33,092	-	16,547	33,092	16,547	16,547	16,547
260,581	211,473	135,718	38,754	100,496	40,648	1,776	17,556
-	109,815	-	33,135	164,834	36,766	47,737	106,387
144,207	267,732	70,287	95,986	180,300	84,447	76,655	51,604
17,280	8,640	-	8,640	-	-	-	-
56,483	40,667	14,720	12,566	19,371	9,687	-	17,588
478,551	671,419	220,725	205,628	498,093	188,095	142,715	209,682
2,168,249	4,889,226	1,346,174	1,048,685	12,845,606	1,507,840	2,104,913	11,342,523
-	3,642,082	-	-	-	-	-	(3,642,082)
288,000	288,000	-	-	110,000	-	-	110,000
-	50,000	-	-	50,000	-	-	-
288,000	3,980,082	-	-	160,000	-	-	(3,532,082)
$ 2,456,249	$ 8,869,308	$ 1,346,174	$ 1,048,685	$ 13,005,606	$ 1,507,840	$ 2,104,913	$ 7,810,441

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2014

	Grant Number	Grant Period	State Program Award	Accrued Grant Revenue 6/30/13	State Receipts	State Expenditures	Accrued Grant Revenue 6/30/14
TENNESSEE DEPARTMENT OF TRANSPORTATION:							
Adopt-a-Stop Litter Grant	Z13SLG006	3/15/13 - 6/30/16	$ 50,000	$ 2,085	$ 7,696	$ 6,163	552
Operating Assistance Grant	GG-14-39882	7/1/13 - 6/30/14	4,585,332	-	4,585,332	4,585,332	-
Total State Awards			$ 4,635,332	$ 2,085	$ 4,593,028	$ 4,591,495	$ 552

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF LOCAL AWARDS
YEAR ENDED JUNE 30, 2014

	Grant Period	Local Program Award	Accrued Grant Revenue 6/30/13	Local Receipts	Local Expenditures	Accrued Grant Revenue 6/30/14
METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY:						
Operating Assistance	7/1/13 - 6/30/14	$ 33,370,600	$ -	$ 33,370,600	$ 33,370,600	$ -
Metro Capital - 7840-3010	7/1/09 - Open	3,500,000	350,515	599,795	335,376	86,096
Metro Capital - 7840-4010	7/1/09 - Open	5,170,000	-	9,387	9,387	-
Metro Capital - 7840-5011	7/1/10 - Open	1,200,000	-	309,216	309,216	-
Metro Capital - 7840-6011	7/1/10 - Open	4,950,000	4,900	125,258	120,358	-
Metro Capital - 7840-2013 (1)	7/1/12 - Open	4,143,800	158,113	1,048,683	2,087,085	1,196,515
Metro Capital - 7840-3013	7/1/12 - Open	4,800,000	667,588	759,383	91,795	-
Metro Capital - 7840-5013	7/1/12 - Open	3,360,000	1,186,980	1,735,096	548,116	-
Metro Capital - 7840-6013	7/1/12 - Open	18,000,000	923,210	2,265,503	1,342,293	-
Metro Capital - 7840-6014	7/1/13 - Open	10,000,000	-	10,000,000	10,000,000	-
Metro Capital - 7840-8013	7/1/13 - Open	1,108,000	-	45,774	121,508	75,734
Metro Capital - 7840-8014	7/1/13 - Open	2,000,000	-	1,230,287	1,371,894	141,607
Metro Capital - 7840-9014	7/1/13 - Open	1,500,000	-	1,181,769	1,195,396	13,627
Metro Capital - 7840-1014	7/1/13 - Open	7,500,000	-	873,330	1,104,601	231,271
Metro Capital - 7840-7014	7/1/13 - Open	1,500,000	-	-	1,010,012	1,010,012
Metro Capital - 7840-3014 (1)	7/1/13 - Open	2,250,000	-	-	17,828	17,828
Total Local Awards		$ 104,352,400	$ 3,291,306 (2)	$ 53,554,081	$ 53,035,465	$ 2,772,690 (2)

(1) These Metro Capital awards were used to provide local match funds for certain federal capital grants. For the year ended June 30, 2014, the Metro grants funded $2,104,913 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 51 - 52.

(2) The accrued grant revenue at June 30, 2014 and 2013 included $1,214,343 and $158,113, respectively in match funds on federal capital grants. These local match funds are also included as accrued grant revenue at June 30, 2014 and 2013, respectively in the Schedule of Expenditures of Federal Awards on pages 51 - 52.

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, 2014

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	CFDA Number	Expenditures
Capital Grant	20.507	$5,518,613
Jobs Access Reverse Commute	20.516	374,917
New Freedom Program	20.521	43,473
EMSID	20.513	144,824
Transportation Planning	20.505	128,000
		$6,209,827

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 reported and 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.

Funds received from the Federal Emergency Management Agency (FEMA) passed - through the Tennessee Emergency Management Agency (TEMA), totaling $3,642,082, have been recorded by MTA as a refundable grant until such time when FEMA/TEMA performs close-out procedures on the related grants and determine final eligibility of expenditures.

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	CFDA Number	Pass-through Expenditures
Jobs Access Reverse Commute	20.516	$ 96,945
New Freedom Program	20.521	34,956
Capital Grant Program	20.507	218,434
Enhanced Mobility for Senior and Disabled	20.513	117,098
		$467,433

OTHER REPORTS

CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Crosslin & Associates, P.C.

Nashville, Tennessee
October 30, 2014

CROSSLIN
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance
Required by OMB Circular A-133

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on MTA's major federal program for the year ended June 30, 2014. MTA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for MTA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for the major federal program. However, our audit does not provide a legal determination of MTA's compliance.

Opinion on Each Major Federal Program

In our opinion, MTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of MTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MTA's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 30, 2014

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? ___yes _x_ no
Significant deficiency(ies) identified not considered to be material weaknesses? ___yes _x_ none reported

Noncompliance material to financial statements noted? ___yes _x_ no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? ___yes _x_ no
Significant deficiency(ies) identified not considered to be material weaknesses? ___yes _x_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ___yes _x_ no

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	$ 421,959
20.507	Federal Transit Administration Capital Grants	11,360,708
20.500	Federal Transit Administration Capital Grants	564,846
		$12,347,513

Dollar threshold used to distinguish between Type A and Type B programs: $390,168

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

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