METROPOLITAN TRANSIT AUTHORITY
NASHVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2015 AND 2014

METROPOLITAN TRANSIT AUTHORITY

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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, 2015 and 2014.

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, 2015 and 2014, 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, 2015

BOARD OF DIRECTORS

Marian T. Ott	Chair
Lewis Lavine	Vice Chair
Gail Carr Williams	Member
Thomas F. O'Connell	Member
Janet Miller	Member

EXECUTIVE STAFF

Stephen G. Bland	Chief Executive Officer
Edward W. Oliphant	Chief Financial Officer
India Birdsong	Chief Operating Officer
Mark A. Sturtevant	Chief Development Officer
Patricia Harris-Morehead	Director of Communications and Marketing

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, 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.

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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note A, in fiscal year 2015, MTA adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 to 17 and the pension plan and other postemployment benefits schedules on pages 55 to 58, 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 2015 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, 2015, 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, 2015

This section of the MTA's annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2015 and 2014, as compared to fiscal years 2014 and 2013, 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 2015

- Operating revenue for 2015 increased 1.9% from 2014 and totaled approximately $14.7 million for fiscal 2015.

- Operating expenses increased approximately 4.2% from 2014 and totaled approximately $86.9 million for fiscal 2015.

- Net non-operating revenue and capital contributions decreased 14.9%, or $11 million, to approximately $62.8 million for fiscal year 2015. The primary reason for the decrease was a mutual decision by the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government") and MTA to discontinue the West End Corridor/AMP project as well as MTA having to change vendors for our computer aided dispatch / automatic vehicle locator (CAD/AVL) project due to lack of performance under the contract with the original vendor. The write-off of work in progress related to the AMP was approximately $7.4 million. Some equipment and signage from the original CAD/AVL project could be used by the new vendor, however, the change in vendor resulted in the write-off of equipment and software not able to be re-used of approximately $3.0 million. While both fiscal years included grant funding for capital purchases for additional vehicles, equipment and improvements, the current year did not have as much capital purchase activity compared to prior year.

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. (Information is not restated for GASB Statement No. 68).

- 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 $30.0 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 2014 year did not have as much capital purchase activity compared to 2013. In addition, 2013 also included certain grant funding for our AMP BRT Project related to 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 (MD&A) (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.

These financial statements also include the required adoption of new Governmental Accounting Standards Board (GASB) Statements No. 68 and 71 related to the accounting and financial reporting of the net pension liability. Since MTA guarantees the pension obligations and payments of the pension plan in place for DTO and the Amalgamated Transit Union, the impact of these GASB Statements are reflected in the current financial statements and fiscal year 2014 has been restated for comparative purposes. Additionally, the 2014 amounts have been restated within this MD&A Section for comparison to 2015. However, it was not practical to restate the 2013 amounts for the adoption of GASB Statements Nos. 68 and 71. Accordingly, the 2014 amounts have not been restated in this MD&A Section when 2014 is compared to 2013. Details of the restatement can be found in Note A to the financial statements.

FINANCIAL ANALYSIS OF MTA

Net Position

Fiscal year 2015 as compared to fiscal year 2014:

MTA's net position at June 30, 2015 totaled approximately $93.0 million, a 9.3% decrease compared to June 30, 2014 (See Table A-1). Total assets and deferred outflows of resources decreased 8.9% to approximately $166.1 million and total liabilities and deferred inflows of resources decreased 8.4% to approximately $73.1 million.

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

	2015	2014 (1)	Percentage Change 2015-2014
Current assets	$ 11,948	$ 19,573	(39.0%)
Restricted cash	6,132	5,637	8.8%
Property and equipment, net	144,381	153,334	(5.8%)
Designated assets held for self insurance	350	851	(58.9%)
Deferred outflows of resources	3,280	2,896	13.3%
Total assets and deferred outflows of resources	**166,091**	**182,291**	**(8.9%)**
Current liabilities	11,473	21,154	(45.8%)
Advance lease receipts	10,328	10,917	(5.4%)
Refundable grants	3,772	3,642	3.6%
Net pension liability	11,794	15,770	(25.2%)
Net other postemployment benefits	32,307	26,922	20.0%
Deferred inflows or resources	3,426	1,406	143.8%
Total liabilities and deferred inflows of resources	**73,100**	**79,811**	**(8.4%)**
Net position:			
Net investment in capital assets	131,712	139,649	(5.7%)
Restricted	2,360	2,050	15.1%
Unrestricted	(41,081)	(39,219)	(4.8%)
Total net position	**$ 92,991**	**$ 102,480**	**(9.3%)**

(1) As restated for GASB Statements No. 68 and 71.

The 8.9% decrease in total assets and deferred outflow of resources was primarily due to a decrease in receivables from federal state and local governments of approximately $8.1 million, a decrease in property and equipment from net additions, disposals and depreciation of approximately $9.0 million and a decrease in designated cash held for self-insurance of approximately $0.5 million. These decreases were partially offset by an increase in unrestricted cash and cash equivalents of approximately $0.3 million, increased materials and supplies of approximately $0.2 million, increased restricted cash of approximately $0.5 million and an increase in deferred outflows related to our pension plan 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 in the prior year that will be used for our computer aided dispatch and automatic vehicle locator project as well as approximately $4.1 million in proceeds from FEMA related to losses in the 2010 flood that will be used on future replacement vehicle purchases. The decrease in property and equipment was primarily due to a mutual decision by Metro Government and MTA to discontinue our West End Corridor/AMP project as well as MTA having to cancel a vendor contract and change vendors for our computer aided dispatch / automatic vehicle locator (CAD/AVL) project due to lack of performance by the original vendor. The write-off of work in progress related to the AMP was approximately $7.4 million. Some equipment and signage from the original CAD/AVL project could be used by the new vendor, however, the change in vendor resulted in the write-off of equipment and software not able to be re-used of approximately $3.0 million. The decrease in designated assets is due to a change in health insurance providers to Blue Cross Blue Shield of Tennessee in order to receive deeper discounts on health services covered by their network. The remaining $350,000 in designated assets relates to collateral for our required bonding level for our workers' compensation coverage. The deferred outflows related to our pension plan represents employer pension contributions made during each fiscal year. Contributions made after the measurement date but before the end of the fiscal year are recorded as a deferred outflows of resources under GASB Statements No. 68 & 71 relating to accounting and financial reporting of pension plans. See Note J in the notes to the financial statements.

The decrease 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 that are used to pay down notes payable. 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 restricted cash from FEMA grants that cannot be recognized until the actual vehicle replacement purchases have taken place. Net pension liability represents the actuarially determined net pension liability using the discounted rate of 7.75%, which is the assumed long-term rate of return on the pension plan assets. Net other postemployment benefits, which MTA began recording in fiscal year 2008, resulted from implementation of GASB Statement No. 45 relating to the recognition of postemployment benefits that could be paid out for employees based upon actuarial calculations. According to Statement No. 45, the unfunded liability must be either fully funded or recorded as a liability over a period of 30 years.

Fiscal year 2014 as compared to fiscal year 2013:

MTA's net position at June 30, 2014, prior to being restated, totaled approximately $116.7 million, a 3.1% increase compared to June 30, 2013 (See Table A-2). 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-2
Metropolitan Transit Authority's Net Position
(in thousands of dollars)

	2014(2)	**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%**

(2) Not restated for GASB Statements No. 68 & 71 in order to compare to 2013.

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. 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 increased as another year of benefits were earned by employees and amortization of the unfunded liability continued.

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 2015 as compared to fiscal year 2014:

The excess of expenses over revenues and capital contributions for the year ended June 30, 2015 was approximately $9.5 million compared to approximately $4.8 million in excess revenues and capital contributions over expenses for the year ended June 30, 2014 (See Table A-3). MTA's total operating revenues increased 1.9% to approximately $14.7 million from approximately $14.4 million in the prior fiscal year. Total operating expense, including depreciation, increased 4.2% to approximately $86.9 million from approximately $83.4 million in the prior fiscal year.

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

	2015	2014(1)	Percentage Change 2015-2014
Operating revenue:			
Passenger fares	$ 10,670	$ 10,455	2.1%
Contracts and other revenue	3,978	3,921	1.5%
Total operating revenue	**14,648**	**14,376**	**1.9%**
Operating expense:			
Operating expense	71,357	68,855	3.6%
Depreciation	15,588	14,577	6.9%
Total operating expense	**86,945**	**83,432**	**4.2%**
Operating loss	(72,297)	(69,056)	4.7%
Net non-operating revenue and capital contributions	62,808	73,824	(14.9%)
(Decrease) increase in net position	**(9,489)**	**4,768**	(299.0%)
Total net position, beginning of year	102,480	97,712	4.9%
Total net position, end of year	**$ 92,991**	**$ 102,480**	**(9.3%)**

(1) As restated for GASB Statements No. 68 & 71

The increase in operating revenue was primarily the result of an increase in ridership year over year of approximately 1.0%, a 0.9% increase in the average revenue per passenger and a 2.6% increase in contract revenues related to our contract with the Regional Transportation Authority for regional bus service between Nashville and Murfreesboro. Net non-operating revenue and capital contributions decreased 14.9%, or $11.0 million, to approximately $62.8 million for fiscal year 2015. The primary reason for the decrease was a mutual decision by Metro Government and MTA to discontinue our West End Corridor/AMP project as well as MTA having to change vendors for our computer aided dispatch / automatic vehicle locator (CAD/AVL) project due to lack of performance by the vendor according to the contract terms. The write-off of work in progress related to the AMP was approximately $7.4 million. Some equipment and signage from the original CAD/AVL project could be used by the new vendor, however, the change in vendor resulted in the write-off of equipment and software that could not be re-used of approximately $3.0 million.

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

Bus:	2015	2014(1)	Percentage Change 2015-2014
Labor and fringes	$ 45,460	$ 44,095	3.1%
Purchased services	3,309	3,093	7.0%
Materials and supplies	11,085	10,796	2.7%
Other	4,254	3,897	9.2%
Depreciation	15,588	14,577	6.9%
Elderly and disabled	7,067	6,767	4.4%
Planning	182	207	(12.1%)
Total operating expense	**$ 86,945**	**$ 83,432**	**4.2%**

(1) As restated for GASB Statements No. 68 & 71

Labor and fringes expense increased 3.1% in fiscal year 2015 as compared to 2014. The increase was primarily due to implementation of new service, including BRT-Lite services along Charlotte Pike at the end of March 2015, as well as a 2.0% contractually agreed-upon increase in wages. There were also increased expenses related to other post-employment benefits as well as workers' compensation both of which were actuarially determined. All of these increases were partially offset by lower health insurance expenses compared to the prior year.

The 7.0% increase in purchased services was primarily related to increased contract maintenance, increased costs related to the Metropolitan Government's local allocation plan and increased security expenses in the current year compared to prior year. Contract maintenance expenses increased primarily as a result of having more equipment and software to maintain compared to last year as well as an increased charge for services provided through the Metropolitan Government. The increase in security services involved adding additional off-duty Metropolitan Government police officers and expanded weekend service for better coverage compared to the prior year.

The 2.7% increase in materials and supplies was due primarily to increased parts expense related to bus and van repairs along with increased building maintenance and cleaning expenses. These increases were partially offset by lower fuel costs as a result of better than expected diesel and gasoline prices compared to last year.

Other expense increased 9.2% in fiscal year 2015 compared to the prior year. The increase was due primarily to an increase in insurance for potential accident claims that occurred through the end of fiscal year 2015. Additionally, there was an increase related to a transition to a new third party payroll provider for the processing of our bi-weekly payrolls.

The 6.9% increase in depreciation expense is primarily related to recording additional depreciation on new capital purchases as well as a full year of depreciation for building construction completed throughout last fiscal year.

Elderly and Disabled expense increased 4.4% primarily as a result of increased labor expenses for paratransit services as we expand our in-house service and increased overflow taxi service expenses in order to address an 8.5% increase in Access Ride ridership compared to the prior fiscal year.

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, prior to restatement, was approximately $3.5 million compared to approximately $17.2 million for the year ended June 30, 2013 (See Table A-5). 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-5
Changes in Metropolitan Transit Authority's Net Position
(in thousands of dollars)

	2014(2)	2013	Percentage Change 2014-2013
Operating revenue:			
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	70,133	64,195	9.2%
Depreciation	14,577	12,199	19.5%
Total operating expense	**84,710**	**76,394**	**10.9%**
Operating loss	(70,334)	(62,740)	12.1%
Net non-operating revenue and capital contributions	73,824	79,975	(7.7%)
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%**

(2) Not restated for GASB Statements No. 68 & 71 in order to compare to 2013

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 7.7% to approximately $73.8 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 2014 as a result of decreased vehicle purchases and fewer construction projects compared to 2013.

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

Bus:	2014(2)	2013	Percentage Change 2014-2013
Labor and fringes	$ 45,373	$ 41,805	8.5%
Purchased services	3,093	2,644	17.0%
Materials and supplies	10,796	9,921	8.8%
Other	3,897	3,334	16.9%
Depreciation	14,577	12,199	19.5%
Elderly and disabled	6,767	6,304	7.3%
Planning	207	187	10.7%
Total operating expense	**$ 84,710**	**$ 76,394**	**10.9%**

(2) Not restated for GASB Statements No. 68 & 71 in order to compare to 2013

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 2014 compared to 2013. 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 Metropolitan Government police officers and expanded weekend service for better coverage compared to 2013.

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 2013 fiscal year for approximately 70% of our diesel purchases.

Other expense increased 16.9% 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.

Capital Assets

Fiscal year 2015 as compared to fiscal year 2014:

At the end of fiscal year 2015, MTA had invested approximately $144.4 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)

	2015	2014	Percentage Change 2015-2014
Land	$ 15,155	$ 15,155	0.0%
Buildings, shelters and benches	97,224	96,253	1.0%
Revenue vehicles	92,313	90,541	2.0%
Equipment and parts	9,464	8,227	15.0%
Work in progress	12,887	11,959	7.8%
Office furniture and equipment	3,722	3,396	9.6%
Miscellaneous other	3,887	2,859	36.0%
Subtotal	234,652	228,390	2.7%
Less accumulated depreciation	(90,271)	(75,056)	20.3%
Net capital assets	**$ 144,381**	**$ 153,334**	**(5.8%)**

The decreases in capital assets were primarily due to the AMP project being discontinued by mutual decision of MTA and the Metropolitan Government and the change of vendors for our CAD/AVL contract due to lack of performance by the original vendor. This change in vendors resulted in approximately $3.0 million of equipment not able to be used by the new vendor to be written off. The discontinuing of the AMP project resulted in approximately $7.4 million of work in progress being written off. Other activity in property and equipment included the purchase of replacement buses, new shelters for our new BRT-Lite route on Charlotte Pike as well as our 100 shelter project and a fare equipment upgrade. We also had additions to construction in progress related to the purchase of our new electric buses, the construction of electric charging stations and expenditures on our CAD/AVL project with our new vendor. The electric buses will be used on our free downtown circulator service and will be placed into service sometime in fiscal year 2016 upon the completion of the charging stations necessary to operate the service. The CAD/AVL project will be complete and functional by the end of 2015.

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-8.

Table A-8
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 completed 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 certain Myatt property to Nashville Electric Service in October 2013.

Economic Factors and Next Year's Budget

MTA's Board of Directors and management considered many factors when setting the fiscal year 2016 budget. These factors include an expected increase in ridership, contract services, new BRT-Lite services on Nolensville Road, costs related to health, workers' compensation and pension and postemployment benefits. Also considered were anticipated capital grant funding for bus and van replacements and any facility maintenance or rehab needed for all administrative and heavy maintenance functions at our Nestor Street and Myatt Drive facilities. This will help 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, 2015	June 30, 2014 As Restated (Note A)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,825,875	$ 2,563,552
Receivables from federal, state and local governments	4,963,790	13,010,875
Accounts receivable, less allowances of $6,000 and $8,451, respectively	988,610	925,604
Materials and supplies, net	2,740,948	2,571,838
Prepaid expenses and other current assets	429,299	501,202
Total current assets	11,948,522	19,573,071
Restricted funds:		
Cash and cash equivalents	6,131,767	5,636,986
Property and equipment, net	144,380,526	153,333,916
Other assets:		
Designated assets - cash and investments held by custodians for self-insurance	350,000	851,393
Total assets	162,810,815	179,395,366
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	3,201,780	2,895,419
Effective portion of fuel hedge program	78,143	-
Total deferred outflows of resources	3,279,923	2,895,419
Total assets and deferred outflows of resources	$ 166,090,738	$ 182,290,785

	June 30, 2015	June 30, 2014 As Restated (Note A)
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,467,311	$ 4,128,837
Notes payable	1,183,850	10,000,000
Accrued expenses:		
Salaries, wages and payroll taxes	641,450	1,484,695
Accident losses	1,027,145	840,000
Compensated absences	1,020,970	1,020,966
Medical benefit claims	1,419,409	2,426,774
Workers' compensation	1,316,000	1,021,000
Other current liabilities	397,106	231,624
Total current liabilities	11,473,241	21,153,896
Non-current liabilities:		
Advance lease receipts	10,327,470	10,917,477
Refundable grants	3,771,767	3,642,082
Net pension liability	11,794,276	15,770,227
Net other postemployment benefits obligation	32,306,716	26,922,207
Total non-current liabilities	58,200,229	57,251,993
Total liabilities	69,673,470	78,405,889
DEFERRED INFLOWS OF RESOURCES		
Pensions	3,426,187	1,350,466
Effective portion of fuel hedge program	-	54,050
Total deferred inflows of resources	3,426,187	1,404,516
NET POSITION		
Net investment in capital assets	131,712,263	139,648,849
Restricted for capital purchases	2,360,000	2,050,000
Unrestricted, as restated	(41,081,182)	(39,218,469)
Total net position, as restated	92,991,081	102,480,380
Total liabilities, deferred inflows of resources and net position, as restated	$ 166,090,738	$ 182,290,785

See accompanying notes to financial statements.

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

	Year Ended June 30,	
	2015	2014 As Restated (Note A)
OPERATING REVENUES		
Passenger fares	$ 10,669,740	$ 10,455,484
Contract revenues	2,415,330	2,355,110
Elderly and disabled passengers	871,450	871,443
Advertising	690,960	694,103
Total operating revenues	14,647,480	14,376,140
OPERATING EXPENSES		
Bus:		
Labor and fringe benefits	45,460,644	44,094,901
Purchased services	3,309,094	3,092,975
Materials and supplies	11,084,682	10,796,519
Other	4,253,798	3,896,514
Elderly and disabled passengers	7,067,110	6,766,890
Planning	181,660	207,850
Depreciation	15,587,786	14,576,826
Total operating expenses	86,944,774	83,432,475
Operating loss	(72,297,294)	(69,056,335)
NON-OPERATING REVENUES (EXPENSES)		
Operating assistance:		
Local	36,370,600	33,370,600
State	4,585,000	4,585,322
Planning and other assistance	3,045,508	4,113,286
Sub-recipient pass-through	(509,190)	(591,550)
(Loss) gain on disposal of property and equipment	(10,606,695)	824,530
Interest expense, net	(28,120)	(41,437)
Other	1,698,450	1,548,632
Total non-operating revenues	34,555,553	43,809,383
DECREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(37,741,741)	(25,246,952)
CAPITAL CONTRIBUTIONS	28,252,442	30,015,029
CHANGE IN NET POSITION, as restated	(9,489,299)	4,768,077
NET POSITION AT BEGINNING OF YEAR, as restated	102,480,380	97,712,303
NET POSITION AT END OF YEAR, as restated	$ 92,991,081	$ 102,480,380

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2015	2014
		As Restated (Note A)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 14,584,474	$ 15,119,798
Cash payments to or on behalf of employees	(43,838,332)	(40,346,412)
Cash payments to suppliers	(25,924,656)	(26,377,487)
Net cash used in operating activities	(55,178,514)	(51,604,101)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Planning assistance and other grant collections	3,388,661	4,201,167
State operating grant collections	4,585,000	4,585,322
Local operating grant collections	36,370,600	33,370,600
Payments to Metropolitan Government	-	(254,296)
Payments to sub-recipients	(509,190)	(591,550)
Net cash provided by non-capital financing activities	43,835,071	41,311,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposal of property and equipment	311,336	2,071,361
Payment of accounts payable for property and equipment	(1,850,780)	(3,279,233)
Cash purchases of property and equipment	(15,211,634)	(18,073,852)
Capital contributions and other capital related collections	35,956,374	22,507,800
Refundable grants	129,685	3,642,082
Payments to Metropolitan Government	-	(3,996,658)
Net (repayments) borrowings on note payable	(8,816,150)	10,000,000
Net cash provided by capital and related financing activities	10,518,831	12,871,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income collected	1,080,323	917,636
Change in cash and investments placed with custodian for self-insurance	501,393	500,000
Net cash provided by investing activities	1,581,716	1,417,636
INCREASE IN CASH AND CASH EQUIVALENTS	757,104	3,996,278
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,200,538	4,204,260
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,957,642	$ 8,200,538

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS - Continued

	Year Ended June 30,	
	2015	2014
		As Restated (Note A)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (72,297,294)	$ (69,056,335)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	15,587,786	14,576,826
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(63,006)	743,658
Materials and supplies, net	(169,110)	(1,417,606)
Prepaid expenses and other	17,853	(225,302)
Increase (decrease) in:		
Accounts payable	(151,539)	(195,769)
Accrued salaries, wages, and payroll taxes	(843,245)	256,466
Accrued accident losses	187,145	140,000
Accrued compensated absences	4	(51,695)
Accrued medical benefit claims	(1,007,365)	605,323
Accrued workers compensation	295,000	(71,256)
Accrued other liabilities	87,339	81,938
Net other postemployment benefits obligation	5,384,509	4,288,429
Net pension liability and related amounts	(2,206,591)	(1,278,778)
Net cash used in operating activities	$ (55,178,514)	$ (51,604,101)
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Acquisition of property and equipment	$ 17,552,427	$ 19,924,632
Amounts included in accounts payable at year end	(2,340,793)	(1,850,780)
Total cash paid for property and equipment	$ 15,211,634	$ 18,073,852

The estimated fair value of fuel hedges were ($78,143) and $54,050 at June 30, 2015 and 2014, respectively. The changes in the fair values of the fuel hedges of ($132,193) for 2015, and $272,965 for 2014, 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 O).

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, pension and other postemployment benefit liabilities, 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, 2015 and 2014, 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. MTA maintains an Asset Management Policy, which generally classifies capital assets as tangible items with a purchase price of $500 or more. 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 2015 or 2014.

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 reports deferred outflows or deferred inflows relating to its hedge program. 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, 2015 and 2014.

At June 30, 2015 and 2014, MTA also reports deferred outflows of resources relating to pension contributions made after the measurement date as well as deferred inflows of resources relating to differences between actual and expected experience and differences between actual and projected investment earnings related to the pension plan (See Note J).

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 Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, note disclosures, and required supplementary information. See additional information regarding MTA's pension benefits in Recent Accounting Pronouncements below and in Note J.

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

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 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 position 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."

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain reclassifications have been made to the fiscal 2014 amounts in the financial statements to conform to the presentation adopted for fiscal 2015.

Recent Accounting Pronouncements and Restatement of Net Position

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, *An Amendment of GASB Statement No. 27*, 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 resulted 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 resulted in a decrease in the unrestricted net position on the statements 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 were required to be applied simultaneously with the provisions of Statement No. 68.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The impact on the financial statements of the adoption of these accounting pronouncements is restatement of beginning net position for the earliest period presented, as follows:

	June 30, 2014
Unrestricted net position, beginning of year, as previously reported	$ 113,216,355
GASB 68 adjustment to record net pension liability and related deferred outflows of resources	(15,504,052)
Unrestricted net position, beginning of year, as restated	$ 97,712,303

	Year Ended June 30, 2014
Change in net position, as previously reported	$3,489,299
Less: Pension expense, as previously reported	2,895,419
Pension expense under GASB Statement No. 68	1,616,641
Change in net position, as restated	$4,768,077

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 2015 and 2014, MTA's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2015 and 2014, the carrying amount and corresponding bank balances of deposits were as follows:

2015:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents, including restricted amounts	$10,644,902	$8,957,642

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

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, 2015 and 2014.

C. RECEIVABLES FROM OTHER GOVERNMENTS

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

	2015	2014
Non-capital grants:		
FTA	$ 296,091	$ 505,787
TDOT	285,661	378,464
Metropolitan Government	75,707	116,361
Capital grants:		
FTA	2,080,348	8,351,148
TDOT	1,109,568	1,002,786
Metropolitan Government	1,116,415	2,656,329
	$4,963,790	$13,010,875

D. PROPERTY AND EQUIPMENT

A summary of the changes in property and equipment and related accumulated depreciation for the year ended June 30, 2015 is as follows:

	Estimated Economic Lives In Years	Balance at June 30, 2014	Additions
Property and equipment:			
Motor buses	10 - 12	$ 90,541,344	$ 2,615,757
Spare parts	5	318,797	-
Fare equipment	10 - 20	5,649,724	116,900
Service cars	3 - 10	1,248,617	-
Shop and garage equipment	10	1,009,828	109,752
Furniture and office equipment	10	880,398	2,908
Computer equipment	5 - 10	2,516,098	326,116
Miscellaneous equipment	10	2,859,460	881,510
Shelters and benches	10 - 20	6,280,561	709,439
Buildings	10 - 40	37,898,550	20,871
Music City Central	7 - 30	47,078,535	-
Landport	20	4,993,741	1,084
Land	-	15,155,266	-
Construction in-progress (Note L)	-	11,959,308	12,768,090
		228,390,227	17,552,427
Accumulated depreciation:			
Motor buses		35,950,894	8,225,068
Spare parts		256,346	26,868
Fare equipment		3,524,097	371,106
Service cars		636,128	215,861
Shop and garage equipment		528,550	100,622
Furniture and office equipment		370,834	102,639
Computer equipment		1,741,649	332,082
Miscellaneous equipment		2,007,757	420,018
Shelters and benches		2,583,085	735,373
Buildings		14,386,680	3,169,628
Music City Central		9,266,217	1,651,194
Landport		3,804,074	237,327
Land		-	-
Construction in-progress		-	-
		75,056,311	15,587,786
Property and equipment, net		$153,333,916	$ 1,964,641

Disposals	Reclassifications	Balance at June 30, 2015
$(844,341)	$ -	$ 92,312,760
-	-	318,797
-	1,010,012	6,776,636
-	-	1,248,617
-	-	1,119,580
(2,928)	-	880,378
-	-	2,842,214
(6,115)	151,811	3,886,666
-	-	6,990,000
-	241,127	38,160,548
-	-	47,078,535
-	-	4,994,825
-	-	15,155,266
(10,437,225)	(1,402,950)	12,887,223
(11,290,609)	-	234,652,045
(364,055)	-	43,811,907
-	-	283,214
-	-	3,895,203
-	-	851,989
-	-	629,172
(2,408)	-	471,065
-	-	2,073,731
(6,115)	-	2,421,660
-	-	3,318,458
-	-	17,556,308
-	-	10,917,411
-	-	4,041,401
-	-	-
-	-	-
(372,578)	-	90,271,579
$(10,918,031)	$ -	$144,380,526

D. PROPERTY AND EQUIPMENT - Continued

A summary of the changes in property and equipment and related accumulated depreciation for the year ended June 30, 2014 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

Construction in progress at June 30, 2015, is attributable to the following (See Note L):

Electric bus charging stations	$ 7,823,144
CAD/AVL project	4,013,858
Other projects	1,050,221
Total construction in progress	$12,887,223

During fiscal year 2015, the following projects were substantially completed and were transferred to capital assets:

Farebox upgrades	$1,010,012
Other projects	392,938
Total construction in progress	$1,402,950

During fiscal year 2015, West End Corridor study/AMP project was discontinued by the Metropolitan Government. Accordingly, MTA wrote-off the construction in progress costs associated with this project. Total construction in progress costs of $7,417,322 were written-off and recognized as a loss on disposal of property and equipment.

Additionally, in connection with changes in the project, including a change in vendor and certain litigation, $3,019,903 of the CAD/AVL project was removed from construction in progress and recognized as a loss on disposal of property and equipment (See Note L).

Construction in progress at June 30, 2014, is attributable to the following:

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 $41,000,000 as of June 30, 2015 and $26,000,000 as of June 30, 2014. 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.

During fiscal year 2015, another $206,614 was received and $76,929 was spent for asset replacement. Refundable grants totaled $3,771,767 at June 30, 2015.

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 $1,027,145 and $840,000 has been made for all such known losses incurred as of June 30, 2015 and 2014, 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 2015 and 2014 did not exceed the aggregate maximum.

F. SELF-INSURANCE - Continued

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, 2015 and 2014, MTA owed the Trust $1,419,409 and $2,426,774, 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, 2015 and 2014 are as follows:

	Balance at Beginning of Year	Net Claims Expenses	Claim Payments	Balance at End of Year
2015	$2,426,774	$ 9,896,335	$10,903,700	$1,419,409
2014	$1,821,451	$11,556,142	$10,950,819	$2,426,774

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, 2015 and 2014. 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 2015 and 2014, MTA's workers' compensation claims did not exceed the maximum. At June 30, 2015 and 2014, provisions of $1,316,000 and $1,021,000, 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. The outstanding balance of these funds was $501,393 at June 30, 2014. MTA discontinued use of this fund during 2015; therefore, the funds were transferred back to MTA, and there was no balance at June 30, 2015.

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, 2015 and 2014, 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. In April 2015, MTA increased the revolving credit line amount to $10,750,000. The outstanding balance was $1,183,850 as of June 30, 2015. MTA has pledged certain assets under the credit line, including all revenues, 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 both June 30, 2015 and 2014), and matures on March 31, 2016.

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.

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.

A summary of the borrowings and repayments under the credit line agreements for the years ended June 30, 2015 and 2014 is as follows:

2015:

	Balance at Beginning of Year	Borrowings	Accrued Interest Added to Principal	Repayments	Balance at End of Year
SunTrust	$10,000,000	$7,000,000	$ -	$(15,816,150)	$1,183,850

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

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, 2015 and 2014 are as follows:

Monthly Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
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+
63,621 gallons, diesel	9/1/14	6/30/15	Pay $2.8880 per gallon; Settlement based on Platts USG Ultra Low Sulfur Diesel	A3/BBB+
14,000 gallons, gasoline	9/1/14	6/30/16	Pay $2.6865 per gallon; Settlement based on Nymex NYH RBOB Gasoline	A3/BBB+
111,343 gallons, diesel	7/1/15	6/30/16	Pay $1.728 per gallon; Settlement based on Platts USG Ultra Low Sulfur Diesel	A3/BBB+

The fair value of the fuel hedging instruments was a (liability) of ($78,143) and an asset of $54,050 at June 30, 2015 and 2014, 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 outflow/inflow 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.

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 $4,744,970 and $5,004,977 at June 30, 2015 and 2014, 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 $5,582,500 and $5,912,500 at June 30, 2015 and 2014, respectively.

J. PENSION PLAN

General Information About the Pension Plan

Plan Description

MTA offers, through DTO (the "Employer"), the Disability and Retirement Plan of Davidson Transit Organization and Local 1235 of the Amalgamated Transit Union, 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 measurement date, June 30, 2014, the Pension Plan covered 202 retirees receiving benefits; 1 terminated vested; and 526 active participants.

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.

Benefits Provided

Upon termination of employment, for any reason, an employee with at least seven years of service is entitled to the full pension benefit accrued to the date of termination beginning at normal retirement age. Normal retirement age is the earlier of attainment of age 65, attainment of age 55 with 29 years of service, or when the sum of the employee's years of service and attained age is not less than 84. Early retirement can begin at age 55 with seven years of service and provides for reduced benefits.

Retirement benefits are calculated as 1.6% of the average monthly earnings of a member's highest five of the last eight years of salary plus one-half of any accrued sick days, multiplied by the number of years of service at retirement. The normal form of benefit is an annuity payable over the life of the participant with a guarantee return of the participant's required contribution. Retirees receive a 1.3% cost-of-living adjustment per year, through fiscal year 2015, as contractually agreed upon in the labor union contract between the Employer and the Union.

Disability retirement benefits are provided for members with total and permanent disability after seven years of service. They are payable immediately and determined in the same manner as retirement benefits but without reduction. Death benefits are also provided for by the Plan.

A participant leaving employment with the Employer prior to seven years of service shall be refunded an amount equal to 100% of their required contributions plus four percent interest compounded annually.

J. PENSION PLAN - Continued

Contributions

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 10.54% and 10.70% in fiscal years 2015 and 2014, respectively. The Employer's contributions totaled $3,201,780 and $2,895,419, for fiscal years 2015 and 2014, respectively. The Employer's actuarially determined contributions ("ADC") and member contributions are expected to finance the cost of benefits earned by members, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

MTA's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of July 1, 2013, with rollfoward procedures to the measurement date.

Actuarial Assumptions

Actuarial methods and assumptions as of July 1, 2013, based on a rollfoward of the entry age normal liabilities to June 30, 2014, the measurement date, 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, including inflation
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

J. PENSION PLAN - Continued

Investment Policy and Rate of Return

The Administrative Committee of the Plan (the "Committee") is responsible for oversight of the Plan's investments and has adopted investment policy and performance standards. The primary investment objective of the Plan is to achieve long-term returns while preserving principal after inflation and minimize risk. Actual investing is performed by an investment manager hired by the Committee. The Committee has developed investment guidelines and objectives for the investment manager to adhere to when managing investments which include the following asset allocation guidelines:

Assets Class	Long-Term Target Allocation
Total equities:	45%
Domestic large cap equities (30%)	
Domestic mid cap equities (5%)	
Domestic small cap equities (5%)	
International large cap equities (5%)	
Domestic investment-grade fixed income	35%
Alternative investments	20%
Total	100%

(no single investment larger than 10%)

The long-term expected rate of return on pension plan investments was determined using a simulation of capital market in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Best estimates of the arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of (as discussed in the Pension Plan's investment policy) are summarized in the following table:

Assets Class	Long-Term Expected Real Rate of Return
Total equities:	
Domestic large cap equities	8.52%
Domestic mid cap equities	10.55%
Domestic small cap equities	10.66%
International large cap equities	7.69%
Domestic investment-grade fixed income	1.87%
Alternative investments	4.72%

J. PENSION PLAN - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the Plan's contributions will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended discount rate is equal to the long-term rate of return of 7.75%. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014 (June 30, 2013 measurement date)	$ 46,696,623	$ 30,926,396	$ 15,770,227
Changes for the year:			
Service cost	1,765,386	-	1,765,386
Interest	3,623,679	-	3,623,679
Differences between expected and actual experience	-	-	-
Contributions-employer	-	2,895,419	(2,895,419)
Contributions-employees	-	1,199,775	(1,199,775)
Net investment income	-	5,413,466	(5,413,466)
Benefit payments, including refunds of employee contributions	(3,409,727)	(3,409,727)	-
Administrative expense	-	(143,644)	143,644
Net changes	1,979,338	5,955,289	(3,975,951)
Balance at June 30, 2015 (June 30, 2014 measurement date)	$ 48,675,961	$ 36,881,685	$ 11,794,276

J. PENSION PLAN - Continued

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current arte:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	$17,670,783	$11,794,276	$6,799,098

Pension Plan Fiduciary Net Position

Detailed information amount the Pension Plan's fiduciary net position is available in the separately issued plan financial statements. No significant changes have occurred since the measurement date.

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense: For the years ended June 30, 2015 and 2014, MTA recognized pension expense of $995,189 and $1,616,641, respectively.

J. PENSION PLAN - Continued

Deferred outflows of resources and deferred inflows of resources: For the years ended June 30, 2015 and 2014, MTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2015:		
Net difference between projected and actual earnings on pension plan investments	$ -	$3,426,187
Contributions subsequent to the measurement date	3,201,780	-
Total	$3,201,780	$3,426,187
2014:		
Net difference between projected and actual earnings on pension plan investments	$ -	$1,350,466
Contributions subsequent to the measurement date	2,895,419	-
Total	$2,895,419	$1,350,466

The amounts shown above for contributions subsequent to the measurement date will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ended June 30,	
2016	$(940,950)
2017	(940,950)
2018	(940,950)
2019	(603,337)
	$(3,426,187)

In table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015 and 2014, MTA's payables for the outstanding amount of contributions to the pension plan required were not material.

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, 2015, the latest actuarial valuation date, the Health Plan covered 179 retirees receiving benefits and 565 active participants.

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, 2015 and 2014 totaled $275,000 and $263,445, 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 2015, 2014 and 2013 are as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$7,725,142	30.30%	$32,306,713
2014	$6,419,657	33.20%	$26,922,207
2013	$6,527,865	30.78%	$22,633,778

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

The following table summarizes the changes in MTA's net OPEB obligation for the years ended June 30, 2015 and 2014:

	2015	2014
Annual OPEB Cost:		
Annual required contribution	$ 7,991,009	$ 6,643,174
Plus: Interest on the net OPEB obligation	1,682,638	1,414,611
Less: Amortization on the net OPEB obligation	(1,948,505)	(1,638,128)
Annual OPEB cost	7,725,142	6,419,657
Contributions made	(2,340,636)	(2,131,228)
Increase in the net OPEB obligation	5,384,506	4,288,429
Net OPEB obligation, Beginning of year	26,922,207	22,633,778
End of year	$ 32,306,713	$ 26,922,207

Funded Status and Funding Progress:

The funded status of the Health Plan as of the most recent actuarial valuation date, June 30, 2015, is detailed below:

Actuarial accrued liability (a)	$51,657,459
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	$51,657,459
Funded ratio (b) / (a)	-%
Covered payroll (c)	$26,947,285
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	191.7%

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, 2015 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 2015; reducing to 4.50% in fiscal 2019 and thereafter
Mortality	RP-2000 Combined Mortality Table with Projection AA (2017)
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.

L. COMMITMENTS AND CONTINGENCIES

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, 2015, $4,013,858 was included in construction in progress in relation to the CAD/AVL project. The estimated costs to complete are approximately $2,700,000.

Also included in construction in progress at June 30, 2015 is the electric bus and charging station project, which totaled $7,823,144. Estimated costs to complete the project total approximately $1,500,000.

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, 2015. 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. Certain allowances are provided as information is available. MTA consults with its legal counsel in determining the allowances. There was one significant outstanding lawsuit at June 30, 2015 for which the outcome is not presently determinable, but could be significant. As the possible outcome of the lawsuit is not presently determinable, no provision for loss, if any, related to the matter has been made in the financial statements.

L. COMMITMENTS AND CONTINGENCIES - Continued

MTA is involved in another matter for which the plaintiff has filed a complaint in U.S. District Court alleging copyright infringement as well as certain claims filed in State Court (Davidson County) for breach of contract. MTA filed a counterclaim for breach of contract in State Court. The copyright infringement claim is in discovery and the outcome is not presently determinable for this matter. No amount has been accrued within the financial statements. The breach of contract claims were tried before a jury in October 2015. The jury found in favor of the plaintiff for one claim and in favor of MTA in another. The total damages awarded to the plaintiff were approximately $220,000. Both parties have the right to file various post-trial motions. The likelihood or outcome of such motions is not determinable, and therefore, are not reflected in the financial statements.

MTA is also engaged in various employment related lawsuits and claims arising in the normal course of business. In consultation with legal counsel, management has determined that the outcome and amount of liability, if any, associated with such matters is not presently determinable. Accordingly, no reserve has been recorded in the accompanying financial statements.

M. NET POSITION

The details of net position, as restated (See Note A), as of June 30, 2015 and 2014, are as follows:

	2015	2014
Net investment in capital assets:		
Property and equipment, net	$ 144,380,526	$ 153,333,916
Less: Borrowings and other liabilities related to capital assets:		
Portion of note payable relating to capital assets	-	(916,810)
Unearned revenues	(10,327,470)	(10,917,477)
Other liabilities relating to capital assets	(2,340,793)	(1,850,780)
Total net investment in capital assets	131,712,263	139,648,849
Restricted	2,360,000	2,050,000
Unrestricted	(41,081,182)	(39,218,469)
Total net position	$ 92,991,081	$ 102,480,380

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 Service, 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.

During June 2015, MTA received insurance proceeds of $310,000 for a bus destroyed by fire in July 2014. The bus was purchased with grant funds awarded by the Federal Transit Administration. However, the Federal Transit Administration has not yet provided disposition instructions for this bus; and 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 2015 and 2014 for certain contracted bus services. Revenue from the RTA for all contracted services during fiscal 2015 and 2014 totaled $2,347,582 and $2,212,635, respectively. At June 30, 2015 and 2014, the receivable from the RTA, included in accounts receivable in the accompanying statements of net position, totaled $387,700 and $533,007, respectively.

O. 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:*

O. CONDENSED FINANCIAL INFORMATION BY ENTITY - Continued

	June 30, 2015		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	$ 10,083,481	$ 1,865,041	$ 11,948,522
Capital assets, net	144,380,526	-	144,380,526
Other assets	6,131,767	350,000	6,481,767
Total assets	160,595,774	2,215,041	162,810,815
Deferred outflows of resources	78,143	3,201,780	3,279,923
Total assets and deferred outflows of resources	$ 160,673,917	$ 5,416,821	$ 166,090,738
Liabilities			
Current liabilities	$ 6,633,743	$ 4,839,498	$ 11,473,241
Noncurrent liabilities	14,099,237	44,100,992	58,200,229
Total liabilities	20,732,980	48,940,490	69,673,470
Deferred inflows of resources	-	3,426,187	3,426,187
Net position			
Net investment in capital assets	131,712,263	-	131,712,263
Restricted	2,360,000	-	2,360,000
Unrestricted	5,868,674	(46,949,856)	(41,081,182)
Total net position	139,940,937	(46,949,856)	92,991,081
Total liabilities, deferred inflows of resources and net position	$ 160,673,917	$ 5,416,821	$ 166,090,738
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 14,647,480	$ -	$ 14,647,480
Operating expenses	36,539,567	50,405,207	86,944,774
Operating (loss)	(21,892,087)	(50,405,207)	(72,297,294)
Nonoperating revenues (expenses), net	34,555,553	-	34,555,553
Capital contributions	28,252,442	-	28,252,442
Transfers	(48,347,900)	48,347,900	-
Change in net position	(7,431,992)	(2,057,307)	(9,489,299)
Net position - beginning of year	147,372,929	(44,892,549)	102,480,380
Net position - end of year	$ 139,940,937	$ (46,949,856)	$ 92,991,081
Condensed Statements of Cash Flows			
Cash flows from operating activities	$ (6,581,246)	$ (48,597,268)	$ (55,178,514)
Cash flows from noncapital financing activities	43,835,071	-	43,835,071
Cash flows from capital and related financing activities	10,518,831	-	10,518,831
Cash flows from investing activities	1,581,716	-	1,581,716
Transfers	(48,347,900)	48,347,900	-
Change in cash and cash equivalents	1,006,472	(249,368)	757,104
Cash and cash equivalents - beginning of year	6,245,246	1,955,292	8,200,538
Cash and cash equivalents - end of year	$ 7,251,718	$ 1,705,924	$ 8,957,642

O. 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	-	2,895,419	2,895,419
Total assets and deferred outflows of resources	$ 176,957,899	$ 5,332,886	$ 182,290,785
Liabilities			
Current liabilities	$ 14,971,361	$ 6,182,535	$ 21,153,896
Noncurrent liabilities	14,559,559	42,692,434	57,251,993
Total liabilities	29,530,920	48,874,969	78,405,889
Deferred inflows of resources	54,050	1,350,466	1,404,516
Net position			
Net investment in capital assets	139,648,849	-	139,648,849
Restricted	2,050,000	-	2,050,000
Unrestricted	5,674,080	(44,892,549)	(39,218,469)
Total net position	147,372,929	(44,892,549)	102,480,380
Total liabilities, deferred inflows of resources and net position	$ 176,957,899	$ 5,332,886	$ 182,290,785
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 14,376,140	$ -	$ 14,376,140
Operating expenses	34,790,297	48,642,178	83,432,475
Operating (loss)	(20,414,157)	(48,642,178)	(69,056,335)
Nonoperating revenues (expenses), net	43,809,383	-	43,809,383
Capital contributions	30,015,029	-	30,015,029
Transfers	(45,827,249)	45,827,249	-
Change in net position	7,583,006	(2,814,929)	4,768,077
Net position - beginning of year	139,789,923	(42,077,620)	97,712,303
Net position - end of year	$ 147,372,929	$ (44,892,549)	$ 102,480,380
Condensed Statements of Cash Flows			
Cash flows from operating activities	$ (6,772,264)	$ (44,831,837)	$ (51,604,101)
Cash flows from noncapital financing activities	41,311,243	-	41,311,243
Cash flows from capital and related financing activities	12,871,500	-	12,871,500
Cash flows from investing activities	1,471,636	-	1,471,636
Transfers	(45,827,249)	45,827,249	-
Change 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

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS

PENSION PLAN

	2015 Financial Statement Date 2014 Measurement Date
TOTAL PENSION LIABILITY	
Service cost	$ 1,765,386
Interest	3,623,679
Change in benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	-
Benefit payments	(3,409,727)
Net change in total pension liability	1,979,338
Total pension liability beginning	46,696,623
Total pension liability ending (a)	$ 48,675,961
PLAN FIDUCIARY NET POSITION	
Contributions - employer	2,895,419
Contributions - member	1,199,775
Net investment income	5,413,466
Benefit payments, including refunds of member contributions	(3,409,727)
Administration expenses	(143,644)
Other	-
Net change in plan fiduciary net position	5,955,289
Plan fiduciary net position - beginning	30,926,396
Plan fiduciary net position - ending (b)	$ 36,881,685
Net pension liability (a) - (b)	$ 11,794,276
Plan fiduciary net position as a percentage of total pension liability	75.77%
Covered - employee payroll	$26,188,569
Net pension liability as a percentage of covered - employee payroll	45.04%

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

METROPOLITAN TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS

PENSION PLAN

Fiscal Year Ended	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contributions	Contribution (Excess) Deficiency	Covered Employee Payroll	Contribution as a Percent of Covered Employee Payroll
June 30, 2015	$3,201,780	$3,201,780	$ -	$28,103,347	11.39%
June 30, 2014	$2,895,419	$2,895,419	$ -	$26,188,569	11.06%

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

PENSION PLAN

METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates for the fiscal years ended June 30, 2015 and 2014, for the Plan were calculated as the result of an actuarial valuation performed on July 1, 2014 and 2013, respectively. The following assumptions were used to determine contribution rates as reported in the Schedule for Employer Contributions:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Amortization period	20 years
Asset valuation method	5-year phase-in of realized and unrealized gains and losses, 20% corridor
Investment rate of return	7.75%
Projected salary increases	4.00%
Increase to retirees	1.30% effective July 1, 2014; none thereafter
Mortality rates	July 1, 2013
	For periods of healthy retirement: RP-2000 combined health mortality table with blue collar adjustments projected to 2020 with AA Scales
	For periods after disability retirement: RP-2000 disability mortality table projected to 2020 with AA Scales
	July 1, 2014
	For periods of healthy retirement: Fully generational RP-2000 combined healthy table with blue collar adjustment and life expectancy improvements projected using Scale BB
	For periods after disability retirement: Fully generational RP-2000 disabled retiree mortality table with life expectancy improvements projected using Scale BB
Inflation	2.50%

Additionally, it is assumed that contributions from plan members will be made at the current contribution rate and the contributions from the Employer will continue to follow the current funding policy, which is actuarially determined.

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

OTHER POSTEMPLOYMENT BENEFITS PLAN

		Actuarial Valuation Date June 30,		
($ In Millions)		2015	2014	2013
Actuarial value of assets	(a)	$ -	$ -	$ -
Actuarial accrued liability (AAL)	(b)	$51.7	$45.0	$40.9
Unfunded AAL (UAAL)	(b - a)	$51.7	$45.0	$40.9
Funded ratio	(a) / (b)	-%	-%	-%
Covered payroll	(c)	$26.9	$25.2	$22.8
UAAL as a percentage of covered payroll	((b-a)/c)	192%	179%	179%

ADDITIONAL INFORMATION

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/ Program Title	Federal CFDA Number	Federal Grant Number	State Grant Number
DIRECT AWARDS - U.S. DEPARTMENT OF TRANSPORTATION - FEDERAL TRANSIT ADMINISTRATION:			
Federal Transit Cluster:			
Capital Grant	20.507 *	TN-90-X294/	GG-10-37417
Capital Grant	20.507 *	TN-90-X376/	195307-S3-022
Capital Grant	20.507 *	TN-90-X331/	GG-11-37407
Capital Grant	20.507 *	TN-90-X358/	GG-14-39342
Capital Grant	20.507 *	TN-95-X017/	Not Applicable
Capital Grant	20.507 *	TN-95-X036/	Not Applicable
Capital Grant	20.507 *	TN-90-X345/	GG-13-35651
Capital Grant	20.507 *	TN-95-X051/	GG-14-39901
Capital Grant	20.507 *	TN-95-X054/	Not Applicable
Capital Grant	20.507 *	TN-90-X367/	GG-14-42107
Capital Grant	20.507 *	TN-95-X062/	Not Applicable
Capital Grant	20.507 *	TN-90-X386/	GG-15-47193
Capital Grant	20.507 *	TN-37-X080/	Not Applicable
Capital Grant	20.500 *	TN-04-0051/	GG-13-34337
Capital Grant	20.500 *	TN-04-0067/	GG-14-41448
Capital Grant	20.500 *	S3-021/	GG-14-41920
Capital Grant	20.500 *	TN-04-0057/	GG-13-34486
			Total Federal Transit Cluster:
Transit Services Programs Cluster:			
Jobs Access Reverse Commute	20.516	TN-37-X085/	GG-11-37659
Jobs Access Reverse Commute	20.516	TN-37-X088/	GG-13-34487
Elderly and Disabled	20.513	TN-16-X006/	GG-14-42112
New Freedom	20.521	TN-57-X015/	GG-11-37162
New Freedom	20.521	TN-57-X012/	GG-11-37162
			Total Transit Services Programs Cluster:
Other Direct Awards:			
Capital Grant	20.519 *	TN-58-0003/	GG-14-41449
Capital Grant	20.933	TN-79-0001/	Not Applicable
			Total Direct Awards:

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Accrued Grant Revenue 6/30/14	Federal Receipts	State Receipts	Local Receipts	Federal Expenditures	State Expenditures	Local Expenditures	Accrued Grant Revenue 6/30/15
$ 25,781	$ 20,625	$ 2,282	$ 2,874	$ -	$ -	$ -	$ -
9,900,000	7,920,000	990,000	990,000	-	-	-	-
6,303	60,157	5,403	7,520	57,177	7,148	7,148	4,696
37,901	136,439	16,155	17,055	230,310	28,789	28,789	156,140
421,115	491,773	-	122,943	165,263	-	28,338	-
-	761,489	-	190,372	799,581	-	199,895	47,615
43,603	419,627	52,453	52,453	384,744	48,093	48,093	-
295,660	331,088	-	41,386	113,472	14,184	14,184	65,026
131,860	1,208,672	-	302,170	1,218,331	-	304,585	143,934
223,481	422,746	200,581	29,043	401,565	198,195	122,009	292,880
29,927	102,390	-	27,625	118,863	-	29,716	48,491
-	7,816,138	-	977,017	8,600,000	1,075,000	1,075,000	1,956,845
-	-	-	-	1,102,968	-	275,742	1,378,710
17,210	76,914	9,617	9,615	63,148	7,894	7,894	-
-	2,078,291	259,786	259,786	2,078,291	259,786	259,786	-
-	19,885	2,486	2,486	19,885	2,486	2,486	-
-	98,255	161	12,283	127,426	15,929	15,929	48,585
11,132,841	21,964,489	1,538,924	3,044,628	15,481,024	1,657,504	2,419,594	4,142,922
16,547	-	16,547	-	-	-	-	-
17,556	17,373	2,051	1,868	1,868	-	1,868	-
106,387	217,633	77,568	78,213	177,945	40,842	78,269	30,029
51,604	11,789	51,604	11,788	11,789	-	11,788	-
17,588	15,470	10,150	-	5,415	2,617	-	-
209,682	262,265	157,920	91,869	197,017	43,459	91,925	30,029
-	3,043,200	380,400	380,400	3,043,200	380,400	380,400	-
-	1,309	-	496	1,309	-	496	-
11,342,523	25,271,263	2,077,244	3,517,393	18,722,550	2,081,363	2,892,415	4,172,951

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/ Program Title	Federal CFDA Number	Federal/ State Grant Number	Federal/ State Grant Number
PASS-THROUGH GRANTS:			
U.S. Department of Homeland Security - Federal Emergency Management Agency; Passed-through Tennessee Emergency Management Agency:			
May 2010 Flood	97.036	Not Applicable	34101-000006615
U.S. Department of Transportation; Passed-through Metropolitan Planning Organization:			
Transportation Planning	20.505	Not Applicable	L-3249
U.S. Department of Health and Human Services; Passed-through Greater Nashville Regional Council:			
Travel Trainer	93.044	Not Applicable	2015
			Total Pass-Through Awards:
			Total Federal Awards:

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Accrued Grant Revenue 6/30/14	Federal Receipts	State Receipts	Local Receipts	Federal Expenditures	State Expenditures	Local Expenditures	Accrued Grant Revenue 6/30/15
(3,642,082)	206,614	-	-	76,929	-	-	(3,771,767)
110,000	168,720	42,180	-	142,400	35,600	-	77,100
-	50,000	-	-	50,000	-	-	-
(3,532,082)	425,334	42,180	-	269,329	35,600	-	(3,694,667)
$ 7,810,441	$ 25,696,597	$ 2,119,424	$ 3,517,393	$ 18,991,879	$ 2,116,963	$ 2,892,415	$ 478,284

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, 2015

	Grant Number	Accrued Grant Revenue 6/30/14	State Receipts	State Expenditures	Accrued Grant Revenue 6/30/15
TENNESSEE DEPARTMENT OF TRANSPORTATION:					
Adopt-a-Stop Litter Grant	Z13SLG006	$ 552	$ 552	$ -	-
Operating Assistance Grant	Z15UROP15-00	-	4,585,000	4,585,000	-
Total State Awards		$ 552	$ 4,585,552	$ 4,585,000	$ -

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF LOCAL AWARDS
YEAR ENDED JUNE 30, 2015

	Accrued Grant Revenue 6/30/14	Local Receipts	Local Expenditures	Accrued Grant Revenue 6/30/15
METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY:				
Operating Assistance	$ -	$ 33,370,600	$ 33,370,600	$ -
Metro Capital - 7840-3010	86,096	276,066	225,139	35,169
Metro Capital - 7840-3011	-	43,613	48,363	4,750
Metro Capital - 7840-6011	-	76,584	77,955	1,371
Metro Capital - 7840-2013 (1)	1,196,515	1,693,427	496,912	-
Metro Capital - 7840-3013	-	568,565	769,626	201,061
Metro Capital - 7840-5013	-	66,686	153,257	86,571
Metro Capital - 7840-7013	-	2,605,791	2,615,702	9,911
Metro Capital - 7840-8013	75,734	285,814	254,405	44,325
Metro Capital - 7840-8014	141,607	453,144	311,537	-
Metro Capital - 7840-9014	13,627	63,302	51,755	2,080
Metro Capital - 7840-1014	231,271	1,480,511	1,249,240	-
Metro Capital - 7840-2014 (1)	-	250,000	250,000	-
Metro Capital - 7840-7014	1,010,012	1,171,496	489,985	328,501
Metro Capital - 7840-2015	-	4,327	4,327	-
Metro Capital - 7840-5015	-	208,202	208,202	-
Metro Capital - 7840-6015	-	760,897	760,897	-
Metro Capital - 7840-3014 (1)	17,828	1,665,120	2,115,787	468,495
MFLD - G	-	409,475	409,475	-
Walk/Bike Nashville (1)	-	19,828	29,716	9,888
Total Local Awards	$ 2,772,690 (2)	$ 45,473,448	$ 43,892,880	$ 1,192,122 (2)

(1) These Metro Capital awards were used to provide local match funds for certain federal capital grants. For the year ended June 30, 2015, the Metro grants funded $2,892,415 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 page 59 - 62.

(2) The accrued grant revenue at June 30, 2015 and 2014 included $478,383 and $1,214,343, respectively in match funds on federal capital grants. These local match funds are also included as accrued grant revenue at June 30, 2015 and 2014, respectively in the Schedule of Expenditures of Federal Awards on pages 59 - 62.

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, 2015

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	$8,088,813
New Freedom Program	20.521	10,890
EMSID	20.513	72,450
Transportation Planning	20.505	126,577
		$8,298,730

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 $3,771,767, 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
New Freedom Program	20.521	$ 8,032
Jobs Access Reverse Commute / Capital Grant Program	20.507	382,296
Enhanced Mobility for Senior and Disabled	20.513	140,511
		$530,839

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 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, 2015, 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, 2015.

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.

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, 2015

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 each of MTA's major federal programs for the year ended June 30, 2015. MTA's major federal programs are 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 each of MTA's major federal programs 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 each 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 each of its major federal programs for the year ended June 30, 2015.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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, 2015

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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	Federal Transit Administration Capital Grants	$13,192,274
20.500	Federal Transit Administration Capital Grants	2,288,750
		15,481,024
Other:		
20.519	Federal Transit Administration Capital Grant	3,043,200
		$18,524,224

Dollar threshold used to distinguish between Type A and Type B programs: $569,756

Auditee qualified as low-risk auditee? _X_yes ____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

A. Significant Deficiencies in Internal Control

None reported.

B. Compliance Findings

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

METROPOLITAN TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

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