METROPOLITAN TRANSIT AUTHORITY
NASHVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2016 AND 2015

METROPOLITAN TRANSIT AUTHORITY

Table of Contents

METROPOLITAN TRANSIT AUTHORITY

INTRODUCTION

The Nashville Metropolitan Transit Authority ("MTA") is pleased to present its Annual Financial Report for the years ended June 30, 2016 and 2015.

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, PLLC, 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, 2016 and 2015, 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, PLLC, is included in this report.

METROPOLITAN TRANSIT AUTHORITY

BOARD OF DIRECTORS

Gail Carr Williams	Chair
Lewis Lavine	Vice Chair
Collen Hoy	Member
Janet Miller	Member
Walter Searcy	Member

EXECUTIVE STAFF

Stephen G. Bland	Chief Executive Officer
Edward W. Oliphant	Chief Financial Officer
India Birdsong	Chief Operating Officer
Rita Roberts - Turner	Chief Administrative Officer
Julie Navarrete	Chief Development Officer

CROSSLIN
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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Transit Authority as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 to 17 and the pension plan and other postemployment benefits schedules on pages 57 to 62, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 2016 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 24, 2016, 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, PLLC

Nashville, Tennessee
October 24, 2016

This section of the MTA's annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2016 and 2015 as compared to fiscal years 2015 and 2014, 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 2016

- Operating revenue for 2016 decreased 4.1% from 2015 and totaled approximately $14.1 million for fiscal 2016.

- Operating expenses increased approximately 7.1% from 2015 and totaled approximately $93.1 million for fiscal 2016.

- Net non-operating revenue and capital contributions increased 7.6%, or $4.8 million, to approximately $67.6 million for fiscal year 2016. The primary reason for the increase was the prior year included a write-off for discontinuing 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. Another contributing factor to our increase was a 10% increase, or $3.6 million, in our operating subsidy from the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government") compared to the prior year. 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 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 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 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements include MTA's blended component unit, Davidson Transit Organization (DTO). DTO is a section 501(c)(3) not-for-profit organization that was formed for the purpose of providing all the necessary labor for the operation of MTA's transit system as a result of state laws. DTO is financially dependent on MTA and is reimbursed by MTA, at cost, for all salaries, wages and fringe benefits. According to generally accepted accounting principles, DTO is a blended component unit for financial reporting purposes. All interagency transactions and balances have been eliminated.

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

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

FINANCIAL ANALYSIS OF MTA

Net Position

Fiscal year 2016 as compared to fiscal year 2015:

MTA's net position at June 30, 2016 totaled approximately $81.5 million, a 12.3% decrease compared to June 30, 2015 (See Table A-1). Total assets and deferred outflows of resources decreased 2.1% to approximately $162.7 million and total liabilities and deferred inflows of resources increased 11.0% to approximately $81.1 million.

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

	2016	2015	Percentage Change 2016-2015
Current assets	$ 14,657	$ 11,948	22.7%
Restricted cash	4,488	6,132	(26.8%)
Property and equipment, net	136,903	144,381	(5.2%)
Designated assets held for self insurance	350	350	-
Deferred outflows of resources	6,256	3,280	90.7%
Total assets and deferred outflows of resources	**162,654**	**166,091**	**(2.1%)**
Current liabilities	12,945	11,473	12.8%
Advance lease receipts	9,737	10,328	(5.7%)
Refundable grants	3,750	3,772	(0.6%)
Net pension liability	14,497	11,794	22.9%
Net other postemployment benefits	37,174	32,307	15.1%
Deferred inflows of resources	3,009	3,426	(12.2%)
Total liabilities and deferred inflows of resources	**81,112**	**73,100**	**11.0%**
Net position:			
Net investment in capital assets	124,676	131,712	(5.3%)
Restricted	738	2,360	(68.7%)
Unrestricted	(43,873)	(41,081)	(6.8%)
Total net position	**$ 81,541**	**$ 92,991**	**(12.3%)**

The 2.1% decrease in total assets and deferred outflow of resources was primarily due to a $7.5 million decrease in net property and equipment. There were also decreases in restricted cash of approximately $1.6 million and $0.2 million decrease in materials and supplies. These decreases were partially offset by increases in unrestricted cash and cash equivalents of approximately $2.3 million, accounts receivable of $0.2 million, prepaids of $0.8 million and an increase in deferred outflows related to our pension plan of approximately $3.0 million.

The decrease in property and equipment was primarily due to net additions and disposals of approximately $8.7 million being off-set by approximately $16.1 million of depreciation expense. The changes in accounts receivable and unrestricted cash were primarily due to the timing of federal and state grant receivables when compared to the prior year. The change in restricted cash relates to the use of proceeds of approximately $1.6 million from the sale of a portion of our Myatt property that was used for our computer aided dispatch and automatic vehicle locator project. Use of the funds in 2016 was approved by the Federal Transit Administration ("FTA").

These financial statements also include the required accounting and financial reporting under Governmental Accounting Standards Board (GASB) Statement No. 68 related to the accounting and financial reporting of pension plan 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 this GASB statement is reflected in the current financial statements. The deferred outflows related to our pension plan represents employer pension contributions made during each fiscal year as well as certain differences between expected and actual results of the pension plan. This item is required to be recorded based upon the implementation of GASB Statement No. 68 relating to accounting and financial reporting of pension plans. See Note J in the notes to the financial statements.

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 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 $3.8 million in 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 return 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 other postemployment benefits that could be paid out for employees based upon actuarial calculations. According to the Statement, the unfunded liability must be either fully funded or recorded as a liability over a period of 30 years. See Note A to the financial statements for upcoming changes relating to accounting and financial reporting for other postemployment benefits.

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

	2015	2014	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 of 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%)**

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 and 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 Metropolitan 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 primarily 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 outflow of resources under GASB Statement No. 68 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 return 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.

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 2016 as compared to fiscal year 2015:

The excess of expenses over revenues and capital contributions for the year ended June 30, 2016 was approximately $11.5 million compared to approximately $9.5 million for the year ended June 30, 2015 (See Table A-3). MTA's total operating revenues decreased 4.1% to approximately $14.1 million, or $0.6 million, from approximately $14.7 million in the prior fiscal year. Total operating expense, including depreciation, increased 7.1% to approximately $93.1 million from approximately $86.9 million in the prior fiscal year.

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

Operating revenue:	**2016**	**2015**	**Percentage Change 2016-2015**
Passenger fares	$ 9,562	$ 10,670	(10.4%)
Contracts and other revenue	4,490	3,978	12.9%
Total operating revenue	**14,052**	**14,648**	**(4.1%)**
Operating expense:			
Operating expense	76,961	71,357	7.9%
Depreciation	16,151	15,588	3.6%
Total operating expense	**93,112**	**86,945**	**7.1%**
Operating loss	(79,060)	(72,297)	9.4%
Net non-operating revenue and capital contributions	67,610	62,808	7.6%
Decrease in net position	**(11,450)**	**(9,489)**	20.7%
Total net position, beginning of year	92,991	102,480	(9.3%)
Total net position, end of year	**$ 81,541**	**$ 92,991**	**(12.3%)**

The 4.1% overall decrease in operating revenue was primarily due to a 10.4% decrease in passenger fares compared to the prior year. This decrease was partially off-set by a 12.9% increase in contracts and other revenue. The decrease in fares was due to a combination of a decrease in ridership year over year of approximately 2.4%, a write-off of approximately $300,000 in youth ridership receivables from Metropolitan Nashville Public Schools due to lack of funding and lost revenues related to software problems we experienced with our fare collection system for approximately six months of the fiscal year. The increase in contract and other revenues was primarily the result of a 3% increase in our contract with the Regional Transportation Authority and a 65% increase in advertising revenues. Net non-operating revenue and capital contributions increased 7.6%, or $4.8 million, to approximately $67.6 million for fiscal year 2016. The primary reason for the increase was 10% increase in our subsidy from the Metropolitan Government and the fact that the prior year included a $10.6 million write-off due to a mutual decision by Metropolitan 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.

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

Bus:	**2016**	**2015**	**Percentage Change 2016-2015**
Labor and fringes	$ 49,020	$ 45,460	7.8%
Purchased services	5,162	3,309	56.0%
Materials and supplies	10,521	11,085	(5.1%)
Other	3,905	4,254	(8.2%)
Depreciation	16,151	15,588	3.6%
Elderly and disabled	8,150	7,067	15.3%
Planning	203	182	11.5%
Total operating expense	$ **93,112**	$ **86,945**	**7.1%**

Labor and fringes expense increased 7.8% in fiscal year 2016 as compared to 2015. The increase was primarily due to operating a full year of new BRT-Lite services along Charlotte Pike that was implemented in March 2015 as well as a 2.0% - 2.4% contractually agreed-upon increase in wages. There were also increased expenses related to actuarially calculated health insurance, pension and workers' compensation expenses compared to the prior year. All of these increases were partially offset by slightly lower other post-employment benefit expenses compared to the prior year.

The 56.0% increase in purchased services was primarily related to two lawsuit settlements and the related attorney's fees that occurred during fiscal year 2016. There were also increased security, advertising and promotion as well as building maintenance expenses in the current year compared to prior year. The increase in security services involved adding additional off-duty Metro police officers and expanded weekend service for better coverage compared to the prior year. The increase in building maintenance relates to our effort to implement improved facilities maintenance plans for our three properties at Nestor, Myatt and Music City Central. The advertising and promotion increases were related to the printing of schedules and maps due to more system and route changes occurring in the current fiscal year compared to last year.

The 5.1% decrease in materials and supplies was primarily due to lower fuel costs as a result of better than expected diesel and gasoline prices compared to last year. These decreases were partially offset by increased parts expense related to bus and van repairs along with increased building maintenance and cleaning expenses.

Other expense decreased 8.2% in fiscal year 2016 compared to the prior year. The decrease was primarily due to a decrease in insurance for potential accident claims that occurred through the end of fiscal year 2016. Additionally, there were decreases related to travel, utilities and leased equipment expenses compared to the prior year.

The 3.6% increase in depreciation expense is primarily related to recording additional depreciation related to new capital purchases throughout the fiscal year as well as work-in-progress capital items from the prior year that were completed during the current year.

Elderly and Disabled expense increased 15.3% primarily as a result of increased operator labor expenses for paratransit services as we expand our in-house service and increased overflow taxi service expenses in order to address a 3.2% increase in Access Ride ridership compared to the prior fiscal year.

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 expense for the year ended June 30, 2014 (See Table A-5). 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-5
Changes in Metropolitan Transit Authority's Net Position
(in thousands of dollars)

Operating revenue:	**2015**	**2014**	**Percentage Change 2015-2014**
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%)**

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

Bus:	**2015**	**2014**	**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	208	(12.5%)
Total operating expense	$ **86,945**	$ **83,433**	**4.2%**

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 primarily due 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 primarily due 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 was primarily related to recording additional depreciation related to 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.

Capital Assets

Fiscal year 2016 as compared to fiscal year 2015:

At the end of fiscal year 2016, MTA had invested approximately $136.9 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)

	2016	**2015**	**Percentage Change 2016-2015**
Land	$ 15,155	$ 15,155	0.0%
Buildings, shelters and benches	98,162	97,224	9.4%
Revenue vehicles	97,821	92,313	6.0%
Equipment and parts	10,317	9,464	9.0%
Work in progress	4,006	12,887	(68.9%)
Office furniture and equipment	3,806	3,722	2.3%
Miscellaneous other	11,848	3,887	204.8%
Subtotal	241,115	234,652	2.8%
Less accumulated depreciation	(104,212)	(90,271)	15.4%
Net capital assets	**$ 136,903**	**$ 144,381**	**(5.2%)**

The decreases in net capital assets were primarily due to depreciation exceeding the amount of capital additions for the fiscal year. The majority of the additions in property and equipment for the year were related to our new CAD/AVL project which was implemented in December 2015. Other capital additions included some shop equipment in our maintenance department, additional bus shelters and some minor building improvements.

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-8.

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

	2015	2014	PercentageChange 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 Metro 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.

Economic Factors and Next Year's Budget

MTA's Board of Directors and management considered many factors when setting the fiscal year 2017 budget. These factors included an expected increase in ridership, contract services, a full year of BRT-Lite services on Nolensville Road, a new maintenance initiative to hire more qualified mechanics, 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, 2016	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,094,422	$ 2,825,875
Receivables from federal, state and local governments	4,543,177	4,963,790
Accounts receivable, less allowances of $6,000 in both years	1,204,145	988,610
Materials and supplies, net	2,557,325	2,740,948
Prepaid expenses and other current assets	1,258,244	429,299
Total current assets	14,657,313	11,948,522
Restricted funds:		
Cash and cash equivalents	4,487,978	6,131,767
Property and equipment, net	136,903,107	144,380,526
Other assets:		
Designated assets - cash and investments held by custodians for self-insurance	350,000	350,000
Total assets	156,398,398	162,810,815
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	6,255,597	3,201,780
Effective portion of fuel hedge program	-	78,143
Total deferred outflows of resources	6,255,597	3,279,923
Total assets and deferred outflows of resources	$ 162,653,995	$ 166,090,738

	June 30, 2016	June 30, 2015
LIABILITIES		
Current liabilities:		
Accounts payable	$ 2,883,384	$ 4,467,311
Notes payable	4,500,000	1,183,850
Accrued expenses:		
Salaries, wages and payroll taxes	623,645	641,450
Accident losses	1,260,835	1,027,145
Compensated absences	1,194,171	1,020,970
Medical benefit claims	985,773	1,419,409
Workers' compensation	1,212,535	1,316,000
Other current liabilities	284,401	397,106
Total current liabilities	12,944,744	11,473,241
Non-current liabilities:		
Advance lease receipts	9,737,469	10,327,470
Refundable grants	3,750,231	3,771,767
Net pension liability	14,496,565	11,794,276
Net other postemployment benefits obligation	37,174,406	32,306,716
Total non-current liabilities	65,158,671	58,200,229
Total liabilities	78,103,415	69,673,470
DEFERRED INFLOWS OF RESOURCES		
Pensions	2,485,237	3,426,187
Effective portion of fuel hedge program	523,974	-
Total deferred inflows of resources	3,009,211	3,426,187
NET POSITION		
Net investment in capital assets	124,676,314	131,712,263
Restricted for capital purchases	737,747	2,360,000
Unrestricted	(43,872,692)	(41,081,182)
Total net position	81,541,369	92,991,081
Total liabilities, deferred inflows of resources and net position	$ 162,653,995	$ 166,090,738

See accompanying notes to financial statements.

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

	Year Ended June 30, 2016	Year Ended June 30, 2015
OPERATING REVENUES		
Passenger fares	$ 9,561,529	$ 10,669,740
Contract revenues	2,470,648	2,415,330
Elderly and disabled passengers	879,160	871,450
Advertising	1,140,723	690,960
Total operating revenues	14,052,060	14,647,480
OPERATING EXPENSES		
Bus:		
Labor and fringe benefits	49,020,311	45,460,644
Purchased services	5,162,344	3,309,094
Materials and supplies	10,520,744	11,084,682
Other	3,904,426	4,253,798
Elderly and disabled passengers	8,150,180	7,067,110
Planning	202,540	181,660
Depreciation	16,151,055	15,587,786
Total operating expenses	93,111,600	86,944,774
Operating loss	(79,059,540)	(72,297,294)
NON-OPERATING REVENUES (EXPENSES)		
Operating assistance:		
Local	40,013,600	36,370,600
State	4,585,000	4,585,000
Planning and other assistance	3,194,971	3,045,508
Sub-recipient pass-through	(385,315)	(509,190)
Loss on disposal of property and equipment	(56,469)	(10,606,695)
Interest expense, net	(38,022)	(28,120)
Other	1,853,673	1,698,450
Total non-operating revenues	49,167,438	34,555,553
DECREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(29,892,102)	(37,741,741)
CAPITAL CONTRIBUTIONS	18,442,390	28,252,442
CHANGE IN NET POSITION	(11,449,712)	(9,489,299)
NET POSITION AT BEGINNING OF YEAR	92,991,081	102,480,380
NET POSITION AT END OF YEAR	$ 81,541,369	$ 92,991,081

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2016	Year Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 13,836,525	$ 14,584,474
Cash payments to or on behalf of employees	(45,826,804)	(43,838,332)
Cash payments to suppliers	(28,107,885)	(25,924,656)
Net cash used in operating activities	(60,098,164)	(55,178,514)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Planning assistance and other grant collections	1,585,067	3,388,661
State operating grant collections	4,585,000	4,585,000
Local operating grant collections	40,013,600	36,370,600
Net borrowings on revolving credit lines	1,829,123	-
Payments to sub-recipients	(385,315)	(509,190)
Net cash provided by non-capital financing activities	47,627,475	43,835,071
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposal of property and equipment	32,693	311,336
Payment of accounts payable for property and equipment	(2,340,793)	(1,850,780)
Cash purchases of property and equipment	(7,760,501)	(15,211,634)
Capital contributions and other capital related collections	20,472,907	35,956,374
Refundable grants	(21,536)	129,685
Net borrowings (repayments) on revolving credit lines	1,487,027	(8,816,150)
Net cash provided by capital and related financing activities	11,869,797	10,518,831
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income collected	1,225,650	1,080,323
Change in cash and investments placed with custodian for self-insurance	-	501,393
Net cash provided by investing activities	1,225,650	1,581,716
INCREASE IN CASH AND CASH EQUIVALENTS	624,758	757,104
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,957,642	8,200,538
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9,582,400	$ 8,957,642

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS - Continued

	Year Ended June 30, 2016	Year Ended June 30, 2015
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (79,059,540)	$ (72,297,294)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	16,151,055	15,587,786
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(215,535)	(63,006)
Materials and supplies, net	183,623	(169,110)
Prepaid expenses and other	(304,971)	17,853
Increase (decrease) in:		
Accounts payable	(245,431)	(151,539)
Accrued salaries, wages, and payroll taxes	(17,805)	(843,245)
Accrued accident losses	233,690	187,145
Accrued compensated absences	173,201	4
Accrued medical benefit claims	(433,636)	(1,007,365)
Accrued workers compensation	(103,465)	295,000
Accrued other liabilities	(34,562)	87,339
Net other postemployment benefits obligation	4,867,690	5,384,509
Net pension liability and related amounts	(1,292,478)	(2,206,591)
Net cash used in operating activities	$ (60,098,164)	$ (55,178,514)
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Acquisition of property and equipment	$ 8,762,798	$ 17,552,427
Amounts included in accounts payable at year end	(1,002,297)	(2,340,793)
Total cash paid for property and equipment	$ 7,760,501	$ 15,211,634

The estimated fair value of fuel hedges were $523,974 and ($78,143) at June 30, 2016 and 2015, respectively. The changes in the fair values of the fuel hedges of $602,117 for 2016, and ($132,193) for 2015, 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, 2016 and 2015, 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 2016 or 2015.

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 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 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, 2016 and 2015.

At June 30, 2016 and 2015, MTA also reports deferred outflows of resources relating to pension contributions made after the measurement date as well as deferred outflows and 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.

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

Recent Accounting Pronouncements

The following are recent accounting pronouncements that management expects to have a significant impact on MTA's financial statements in future periods:

- MTA plans to adopt GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, required for fiscal periods beginning after June 15, 2016, in fiscal 2017. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

- MTA plans to adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, required for fiscal periods beginning after June 15, 2017, in fiscal 2018. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

B. CASH AND CASH EQUIVALENTS

MTA's deposit policy is governed by the laws of the State of Tennessee. Deposits in financial institutions are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount covered by federal depository insurance. MTA's financial institutions participate in the State of Tennessee Bank Collateral Pool. Banks participating in the Collateral Pool determine the aggregate balance of their public fund accounts and the required collateral for MTA.

The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

B. CASH AND CASH EQUIVALENTS - Continued

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.

During fiscal years 2016 and 2015, MTA's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2016 and 2015, the carrying amount and corresponding bank balances of deposits were as follows:

2016:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents, including restricted amounts	$10,448,408	$9,582,400

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

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, 2016 and 2015.

C. RECEIVABLES FROM OTHER GOVERNMENTS

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

	2016	2015
Non-capital grants:		
FTA	$1,684,085	$ 296,091
TDOT	368,524	285,661
Metropolitan Government	214,754	75,707
Capital grants:		
FTA	306,409	2,080,348
TDOT	1,409,046	1,109,568
Metropolitan Government	560,359	1,116,415
	$4,543,177	$4,963,790

D. PROPERTY AND EQUIPMENT

A summary of the changes in property and equipment and related accumulated depreciation for the year ended June 30, 2016 is as follows:

	Estimated Economic Lives In Years	Balance at June 30, 2015	Additions
Property and equipment:			
Motor buses	10 - 12	$ 92,312,760	$ -
Electric buses	12	-	-
Spare parts	5	318,797	-
Fare equipment	10 - 20	6,776,636	15,942
Service cars	3 - 10	1,248,617	52,559
Shop and garage equipment	10	1,119,580	784,947
Furniture and office equipment	10	880,378	1,169
Computer equipment	5 - 10	2,842,214	94,435
Miscellaneous equipment	10	3,886,666	130,814
Shelters and benches	10 - 20	6,990,000	303,218
Buildings	10 - 40	38,160,548	318,652
Music City Central	7 - 30	47,078,535	5,106
Landport	20	4,994,825	17,500
Land	-	15,155,266	-
Construction in-progress (Note L)	-	12,887,223	7,038,456
		234,652,045	8,762,798
Accumulated depreciation:			
Motor buses		43,811,907	7,701,332
Electric buses		-	378,977
Spare parts		283,214	26,733
Fare equipment		3,895,203	443,300
Service cars		851,989	178,087
Shop and garage equipment		629,172	131,285
Furniture and office equipment		471,065	100,066
Computer equipment		2,073,731	327,135
Miscellaneous equipment		2,421,660	985,101
Shelters and benches		3,318,458	791,413
Buildings		17,556,308	3,208,597
Music City Central		10,917,411	1,642,558
Landport		4,041,401	236,471
Land		-	-
Construction in-progress		-	-
		90,271,519	16,151,055
Property and equipment, net		$144,380,526	$(7,388,257)

Disposals	Reclassifications	Balance at June 30, 2016
$(2,287,786)	$ -	$ 90,024,974
-	7,796,089	7,796,089
-	-	318,797
-	-	6,792,578
-	-	1,301,176
-	-	1,904,527
-	-	881,547
(12,297)	-	2,924,352
-	7,829,902	11,847,382
-	-	7,293,218
-	285,928	38,765,128
-	7,874	47,091,515
-	-	5,012,325
-	-	15,155,266
-	(15,919,793)	4,005,886
(2,300,083)	-	241,114,760
(2,198,624)	-	49,314,615
-	-	378,977
-	-	309,947
-	-	4,338,503
-	-	1,030,076
-	-	760,457
-	-	571,131
(12,297)	-	2,388,569
-	-	3,406,761
-	-	4,109,871
-	-	20,764,905
-	-	12,559,969
-	-	4,277,872
-	-	-
-	-	-
(2,210,921)	-	104,211,653
$(89,162)	$ -	$136,903,107

D. PROPERTY AND EQUIPMENT - Continued

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)	-	90,271,519
$(10,918,031)	$ -	$144,380,526

D. PROPERTY AND EQUIPMENT - Continued

Construction in progress at June 30, 2016, is attributable to the following (See Note L):

Signal priority project	$ 687,609
Strategic master plan	658,919
Electric bus charging stations	653,647
BRT lines	1,070,930
Other projects	934,781
Total construction in progress	$4,005,886

During fiscal year 2016, the following projects were substantially completed and were transferred to capital assets:

Electric buses and charging stations	$ 8,635,572
CAD/AVL project	6,824,140
Other projects	460,081
	$15,919,793

Construction in progress at June 30, 2015, is attributable to the following:

Electric buses and 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
	$1,402,950

During fiscal year 2015, the 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.

Also during fiscal year 2015, 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.

D. PROPERTY AND EQUIPMENT - Continued

During August 2016, the Board of Directors approved the sale of the Clement Landport to the Metropolitan Government. The agreement was approved by the Metropolitan Council in October 2016. The sale is contingent upon approval of the Federal Transit Administration. Expected proceeds from the sale total $8,400,000.

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 $46,000,000 as of June 30, 2016, and $41,000,000 as of June 30, 2015. 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) and the Tennessee Emergency Management Agency (TEMA) 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. During fiscal year 2016, $21,536 was spent for asset replacement. Refundable grants totaled $3,750,231 at June 30, 2016.

During July 2016, MTA received an additional $1,536,539 from FEMA and TEMA for flood related claims. This amount is recorded to refundable grants in fiscal year 2017.

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 $1,260,835 and $1,027,145 has been made for all such known losses incurred as of June 30, 2016 and 2015, respectively. Accident losses exceeding $100,000 on any revenue vehicle are covered under an insurance program subject to certain annual and aggregate limits.

F. SELF-INSURANCE - Continued

Employee medical benefit claims:

MTA is self-insured for employee medical claims. MTA has purchased reinsurance, which provides for reimbursement of paid medical claims in excess of $170,000 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 2016 and 2015 did not exceed the aggregate maximum.

As required by a collective bargaining labor agreement, the Davidson Transit Organization Employee Benefit Trust (the "Trust") was established to pay all medical claims for employees. The accrued medical claims and reinsurance amounts are recorded by the Trust. MTA funds the Trust, through DTO, on a break-even basis. At June 30, 2016 and 2015, MTA owed the Trust $985,773 and $1,419,409, respectively. Such amounts are included in accrued expenses. Medical claims are paid by the Trust through a third party administrator, which was Blue Cross Blue Shield of Tennessee

Changes in the medical claims liability for the years ended June 30, 2016 and 2015 are as follows:

	Balance at Beginning of Year	Net Claims Expenses	Claim Payments	Balance at End of Year
2016	$1,419,409	$11,028,874	$11,462,510	$ 985,773
2015	2,426,774	9,896,335	10,903,700	1,419,409

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, 2016 and 2015. 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 2016 and 2015, MTA's workers' compensation claims did not exceed the maximum. At June 30, 2016 and 2015, provisions of $1,212,535 and $1,316,000, respectively are included in accrued expenses relating to workers' compensation claims.

Self-insurance investments:

MTA has 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, 2016 and 2015, 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. 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.

In April 2016, MTA entered into an $11,100,000 revolving line-of-credit with Fifth Third Bank, to replace the previously outstanding credit line. The balance outstanding totaled $4,500,000 at June 30, 2016. MTA has pledged certain assets under the line-of-credit, including all revenues, accounts receivable, investments, and machinery and equipment. The line-of-credit bears interest at one month LIBOR plus 1.75% (an effective rate of 2.25% at June 30, 2016), and matures on April 1, 2017. The credit line is also subject to a 0.20% per annum line fee on any unused amount.

A summary of the borrowings and repayments under the credit line agreements for the years ended June 30, 2016 and 2015 is as follows:

2016:

	Balance at Beginning of Year	Borrowings	Repayments	Balance at End of Year
Fifth Third Bank	$ -	$10,500,000	$(6,000,000)	$4,500,000
SunTrust	1,183,850	-	(1,183,850)	-
Total	$1,183,850	$10,500,000	$(7,183,850)	$4,500,000

2015:

	Balance at Beginning of Year	Borrowings	Repayments	Balance at End of Year
SunTrust	$10,000,000	$7,000,000	$(15,816,150)	$1,183,850

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, 2016 and 2015 are as follows:

Monthly Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
47,722 gallons, diesel	7/1/14	6/30/15	Pay $2.8675 per gallon; Settlement based on Platts USG Ultra Low Sulfur Diesel	Baa1/BBB+
14,000 gallons, gasoline	7/1/14	6/30/16	Pay $2.69 per gallon; Settlement based on Nymex NYH RBOB Gasoline	Baa1/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	Baa1/BBB+
14,000 gallons, gasoline	9/1/14	6/30/16	Pay $2.6865 per gallon; Settlement based on Nymex NYH RBOB Gasoline	Baa1/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	Baa1/BBB+
50,700 gallons, diesel	7/16	6/30/17	Pay $1.2025 per gallon; Settlement based on ULSD-New York Harbor-NYMEX	Baa1/BBB+
33,800 gallons, diesel	7/1/16	6/30/17	Pay $1.1950 per gallon; Settlement based on ULSD-New York Harbor-NYMEX	Baa1/BBB+

H. FUEL-HEDGING PROGRAM - Continued

Monthly Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
33,800 gallons, diesel	7/1/16	6/30/17	Pay $1.3695 per gallon; Settlement based on ULSD-New York Harbor-NYMEX	Baa1/BBB+
9,125 gallons, gasoline	7/1/16	6/30/17	Pay $1.50 per gallon; Settlement based on NYMEX NYH RBOB Gasoline	Baa1/BBB+
23,375 gallons, gasoline	7/1/16	6/30/17	Pay $1.2365 per gallon; Settlement based on NYMEX NYH RBOB Gasoline	Baa1/BBB+

The fair value of the fuel hedging instruments was an asset of $523,974 and a (liability) of $(78,143) at June 30, 2016 and 2015, respectively. The fair value was estimated based on the present value of the estimated future cash flows. The fuel hedges were determined to be effective hedges based on regression analysis; accordingly, the change in fair value of the hedges is a corresponding deferred inflow/outflow of resources.

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 $4,484,969 and $4,744,970 at June 30, 2016 and 2015, 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 $5,252,500 and $5,582,500 at June 30, 2016 and 2015, 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.

Oversight and administration of the Pension Plan is the responsibility of the Pension Administrative Committee (the "Committee") with administrative support provided by DTO. The Committee consists of four persons; two appointed by the Union and two appointed by the Employer. This Committee has power to make and enforce such reasonable rules and regulations consistent with the provisions of the Pension Plan.

J. PENSION PLAN

As of the most recent measurement date, June 30, 2015, the Pension Plan covered 211 retirees receiving benefits; 1 terminated vested; and 568 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. The adjustment was increased to 1.5% each year for fiscal years 2016 to 2018.

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 of payroll, which was 8.60% and 10.54% in fiscal years 2016 and 2015, respectively. Contributions to the plan exceeded the required rates for 2016 and 2015. The Employer's contributions totaled $3,000,551 and $3,054,164, for fiscal years 2016 and 2015, 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, 2015, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of July 1, 2014, with rollfoward procedures to the measurement date.

Actuarial Assumptions

Actuarial methods and assumptions as of July 1, 2014, based on a rollfoward of the entry age normal liabilities to June 30, 2015, 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	None assumed
Remaining amortization period	20 years
Normal retirement age	65
Mortality rates	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustments with fully generational mortality improvement projections using Scale BB and the RP-2000 Disability Retiree Mortality Table with fully generational mortality improvement projections using Scale BB.

J. PENSION PLAN - Continued

The mortality assumptions for the healthy lives used in the valuation were updated in 2015 from the Static RP-2000 Combined Healthy Table with Blue Collar Adjustments and life expectancy, improvements projected to 2020 using Scale AA to the Fully Generational RP-2000 Combined Healthy Table with Blue Collar Adjustment and life expectancy improvements projected using Scale BB. The disability tables were also updated to the Fully Generational RP-2000 Disabled retiree Mortality Table with life expectancy improvements projected using Scale BB. These changes increased the unfunded liability by approximately $1.7 million.

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%)

J. PENSION PLAN - Continued

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 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%

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.

J. PENSION PLAN - Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	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
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
Changes for the year:			
Service cost	2,067,568	-	2,067,568
Interest	3,796,926	-	3,796,926
Differences between expected and actual experience	499,931	-	499,931
Change of assumptions	1,754,196	-	1,754,196
Contributions-employer	-	3,054,164	(3,054,164)
Contributions-employees	-	1,265,337	(1,265,337)
Net investment income	-	1,238,070	(1,238,070)
Benefit payments, including refunds of employee contributions	(3,568,443)	(3,568,443)	-
Administrative expense	-	(141,239)	141,239
Net changes	4,550,178	1,847,889	2,702,289
Balance at June 30, 2016 (June 30, 2015 measurement date)	$ 53,226,139	$ 38,729,574	$ 14,496,565

J. PENSION PLAN - Continued

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability as of June 30, 2016, 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 rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	$20,662,230	$14,496,565	$9,288,493

Pension Plan Fiduciary Net Position

Detailed information about 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, 2016 and 2015, MTA recognized pension expense of $1,414,427 and $995,189, respectively.

J. PENSION PLAN - Continued

Deferred outflows of resources and deferred inflows of resources: As of June 30, 2016 and 2015, 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
2016:		
Difference between projected and actual earnings on pension plan investments	$1,322,937	$2,485,237
Difference between expected and actual experience	428,512	-
Changes in assumptions	1,503,597	-
Contributions subsequent to the measurement date	3,000,551	-
Total	$6,255,597	$2,485,237
2015:		
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

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 at June 30, 2016 will be recognized in pension expense as follows:

Year Ended June 30,	
2017	$(288,198)
2018	(288,198)
2019	49,415
2020	652,753
2021	322,018
2022	322,019
	$ 769,809

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

J. PENSION PLAN - Continued

Payable to the Pension Plan

At June 30, 2016 and 2015, MTA's payables for the outstanding amount of contributions to the pension plan required were not material.

Other Information Relating to the Pension Plan

Subsequent to plan year end, the actuary of the Plan conducted a study of select demographic assumptions used in the Plan's actuarial valuation. The study included an analysis of rates of retirement, rates of termination, rates of disability, salary increases and rates of mortality. The review was based on Plan experience from the period July 1, 2010 through June 30, 2015. The study revealed:

- Higher than assumed rates for reduced early retirement, higher rates for normal retirement in certain age groups, and higher rates of termination particularly for nonvested participants with less than seven years of service. The impact provides a proposed savings on the actuarial accrued liability and normal cost of $721, 181 and $253,095, respectively. The total contribution percentage would reduce by 1.11%.

- Lower than expected numbers of disabilities were revealed resulting in a proposed cost increase on the actuarial accrued liability, normal cost and total contribution percentage of minimal amounts.

- Salary increases for employees with less than 5 years of service were higher than expected and for employees with 5 years or more were less than expected. This results in proposed savings of $990,632, $68,512 and .56% on the actuarial accrued liability, normal costs and total contribution percentage, respectively.

- The mortality study resulted in a recommendation to update the tables to the RP-2014 base table with blue collar adjustment and generational future mortality improvements based on the actuary's modified MP-2015 improvement scale. The size of the Plan's population and lack of credible experience led the actuary to propose the use of this standard table and improvement scale, which are based on national experiences. Adoption of this table and improvement scales would provide a cost increase to the actuarial accrued liability and a savings to both the normal cost and total contribution percentage of minimal amounts.

In total the proposed changes would provide a savings on the actuarial accrued liability, normal cost and total contribution percentage of $1,702,949, $320,016 and 1.66%, respectively. The Committee elected to adopt the changes in the July 1, 2015 valuation.

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, 2016, the latest actuarial valuation date, the Health Plan covered 174 retirees receiving benefits and 598 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, 2016 and 2015 totaled $277,861 and $275,000, 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 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 2016, 2015 and 2014 are as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$7,211,331	32.50%	$37,174,406
2015	$7,725,142	30.30%	$32,306,716
2014	$6,419,657	33.20%	$26,922,210

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

The following table summarizes the changes in MTA's net OPEB obligation for the years ended June 30, 2016 and 2015:

	2016	2015
Annual OPEB Cost:		
Annual required contribution	$ 7,530,372	$ 7,991,009
Plus: Interest on the net OPEB obligation	2,019,170	1,682,638
Less: Amortization on the net OPEB obligation	(2,338,211)	(1,948,505)
Annual OPEB cost	7,211,331	7,725,142
Contributions made	(2,343,641)	(2,340,636)
Increase in the net OPEB obligation	4,867,690	5,384,506
Net OPEB obligation,		
Beginning of year	32,306,716	26,922,210
End of year	$ 37,174,406	$ 32,306,716

Funded Status and Funding Progress:

The funded status of the Health Plan as of the most recent actuarial valuation date, June 30, 2016, is detailed below:

Actuarial accrued liability (a)	$51,528,604
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	$51,528,604
Funded ratio (b) / (a)	-%
Covered payroll (c)	$28,677,030
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	179.69%

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 2016; reducing to 4.50% in fiscal 2020 and thereafter
Mortality	RP-2014 Total Table with Projection MP-2015 Full Generational
Retirement rates	Rates vary by age, with average of 61

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

L. COMMITMENTS AND CONTINGENCIES

Grants:

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

According to grant agreements with the FTA, MTA is liable for certain reimbursement of federal funds used to purchase property and equipment assets if such assets are disposed of prior to the end of their useful lives, except in situations where MTA expects to replace or restore the assets. In May 2010, Nashville, Tennessee experienced a significant flood, and MTA experienced losses to assets. Many of these assets were purchased with federal funds. MTA management has worked with, and is continuing to work with, the FTA and FEMA to replace or restore all federal purchased assets. MTA could be liable if certain assets are not properly replaced or restored. However, management believes all such property has been or will be replaced or restored in accordance with grant agreements, and accordingly, no provision has been made for potential reimbursement to grantors.

Construction in Progress:

Included in construction in progress at June 30, 2016 are various projects, as described in Note D. Estimated costs to complete these projects were as follows at June 30, 2016:

Signal priority project	$12,900,000
Strategic master plan	190,000
Electric bus charging station	1,600,000
BRT lines	3,500,000
Other projects	45,000
	$18,235,000

MTA expects that all significant costs to complete construction in progress will be funded through federal, state and local capital grants.

L. COMMITMENTS AND CONTINGENCIES - Continued

Litigation:

In the ordinary course of business, MTA is a defendant in various lawsuits. When necessary, reserves are provided as information is available. MTA consults with its legal counsel in determining the reserves. Certain lawsuits were settled during fiscal year 2016, and the related settlements were not materially different than the related reserves. Based on management's analysis as of June 30, 2016, there are no current or pending items that are expected to have a material adverse impact on MTA's financial condition or operations. Accordingly, no reserves have been provided as of June 30, 2016.

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 of June 30, 2016 and 2015, are as follows:

	2016	2015
Net investment in capital assets:		
Property and equipment, net	$ 136,903,107	$ 144,380,526
Less: Borrowings and other liabilities related to capital assets:		
Portion of note payable relating to capital assets	(1,487,027)	-
Unearned revenues	(9,737,469)	(10,327,470)
Other liabilities relating to capital assets	(1,002,297)	(2,340,793)
Total net investment in capital assets	124,676,314	131,712,263
Restricted	737,747	2,360,000
Unrestricted	(43,872,692)	(41,081,182)
Total net position	$ 81,541,369	$ 92,991,081

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.

M. NET POSITION - Continued

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 were recorded 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 were recorded as restricted.

During fiscal year 2016, MTA received approval from FTA to utilize a portion of the funds for approved projects. MTA utilized $1,622,253 of the restricted funds during 2016.

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 2016 and 2015 for certain contracted bus services. Revenue from the RTA for all contracted services during fiscal 2016 and 2015 totaled $2,446,540 and $2,347,582, respectively. At June 30, 2016 and 2015, the receivable from the RTA, included in accounts receivable in the accompanying statements of net position, totaled $391,058 and $387,700, 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, 2016		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	$ 12,364,915	$ 2,292,398	$ 14,657,313
Capital assets, net	136,903,107	-	136,903,107
Other assets	4,487,978	350,000	4,837,978
Total assets	153,756,000	2,642,398	156,398,398
Deferred outflows of resources	-	6,255,597	6,255,597
Total assets and deferred outflows of resources	$ 153,756,000	$ 8,897,995	$ 162,653,995
Liabilities			
Current liabilities	$ 8,534,326	$ 4,410,418	$ 12,944,744
Noncurrent liabilities	13,487,700	51,670,971	65,158,671
Total liabilities	22,022,026	56,081,389	78,103,415
Deferred inflows of resources	523,974	2,485,237	3,009,211
Net position			
Net investment in capital assets	124,676,314	-	124,676,314
Restricted	737,747	-	737,747
Unrestricted	5,795,939	(49,668,631)	(43,872,692)
Total net position	131,210,000	(49,668,631)	81,541,369
Total liabilities, deferred inflows of resources and net position	$ 153,756,000	$ 8,897,995	$ 162,653,995
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 14,052,060	$ -	$ 14,052,060
Operating expenses	38,904,598	54,207,002	93,111,600
Operating (loss)	(24,852,538)	(54,207,002)	(79,059,540)
Nonoperating revenues (expenses), net	49,167,438	-	49,167,438
Capital contributions	18,442,390	-	18,442,390
Transfers	(51,370,024)	51,370,024	-
Change in net position	(8,612,734)	(2,836,978)	(11,449,712)
Net position - beginning of year	139,940,937	(46,949,856)	92,991,081
Net position - end of year	$ 131,328,203	$ (49,786,834)	$ 81,541,369
Condensed Statements of Cash Flows			
Cash flows from operating activities	$ (8,990,945)	$ (51,107,219)	$ (60,098,164)
Cash flows from noncapital financing activities	47,627,475	-	47,627,475
Cash flows from capital and related financing activities	11,869,797	-	11,869,797
Cash flows from investing activities	1,225,650	-	1,225,650
Transfers	(51,370,024)	51,370,024	-
Change in cash and cash equivalents	361,953	262,805	624,758
Cash and cash equivalents - beginning of year	7,251,718	1,705,924	8,957,642
Cash and cash equivalents - end of year	$ 7,613,671	$ 1,968,729	$ 9,582,400

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

REQUIRED SUPPLEMENTARY INFORMATION

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

PENSION PLAN

	2016	2015
TOTAL PENSION LIABILITY		
Service cost	$ 2,067,568	$ 1,765,386
Interest	3,796,926	3,623,679
Change in benefit terms	-	-
Difference between expected and actual experience	499,931	-
Change of assumptions	1,754,196	-
Benefit payments	(3,568,443)	(3,409,727)
Net change in total pension liability	4,550,178	1,979,338
Total pension liability beginning	48,675,961	46,696,623
Total pension liability ending (a)	$ 53,226,139	$ 48,675,961
PLAN FIDUCIARY NET POSITION		
Contributions - employer	3,054,164	2,895,419
Contributions - member	1,265,337	1,199,775
Net investment income	1,238,070	5,413,466
Benefit payments, including refunds of member contributions	(3,568,443)	(3,409,727)
Administration expenses	(141,239)	(143,644)
Other	-	-
Net change in plan fiduciary net position	1,847,889	5,955,289
Plan fiduciary net position - beginning	36,881,685	30,926,396
Plan fiduciary net position - ending (b)	$ 38,729,574	$ 36,881,685
Net pension liability (a) - (b)	$ 14,496,565	$ 11,794,276
Plan fiduciary net position as a percentage of total pension liability	72.76%	75.77%
Covered - employee payroll	$28,118,610	$26,661,317
Net pension liability as a percentage of covered - employee payroll	51.56%	44.24%

See accompanying notes to required supplementary information.

PENSION PLAN - Continued

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

A. Benefit Changes: None.

B. Changes of assumptions: The mortality table for healthy lives was updated from the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment projected to 2020 using Scale AA to the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustments with fully generational mortality improvement projections using Scale BB. The disabled lives mortality table was changed form the RP-2000 Disabled Retiree Mortality Table projected to 2020 using Scale AA to the RP-2000 Disabled Retiree Mortality Table with fully generational mortality improvement projections using Scale BB.

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, 2016	$2,731,056	$3,000,551	$(269,495)	$31,756,476	9.45%
June 30, 2015	2,963,701	3,054,164	(90,463)	28,118,610	10.86%
June 30, 2014	2,852,761	2,895,419	(42,658)	26,661,347	10.86%

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, 2016 and 2015, for the Plan were calculated as the result of an actuarial valuation performed on July 1, 2015 and 2014, 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%
Inflation	2.50%
Increase to retirees	1.30% effective July 1, 2014; none thereafter
Mortality rates	July 1, 2015 For periods of healthy retirement: RP-2014 base mortality table with blue collar adjustment and guaranteed future mortality improvements based on the actuary's modified MP-2015 improvement scale. For periods after disability retirement: RP-2014 base mortality table with disabled adjustment and guaranteed future based mortality improvements based on the actuary's modified MP-2015 improvement scale.

PENSION PLAN

METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS - Continued

Mortality rates	<u>July 1, 2014</u> 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

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

($ In Millions)		Actuarial Valuation Date June 30, 2016	2015	2014
Actuarial value of assets	(a)	$ -	$ -	$ -
Actuarial accrued liability (AAL)	(b)	$51.5	$51.7	$45.0
Unfunded AAL (UAAL)	(b - a)	$51.5	$51.7	$45.0
Funded ratio	(a) / (b)	-%	-%	-%
Covered payroll	(c)	$28.7	$26.9	$25.2
UAAL as a percentage of covered payroll	((b-a)/c)	179%	192%	179%

ADDITIONAL INFORMATION

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-though Grantor / Program or Cluster 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-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-X036/	Not Applicable
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	20.507 *	TN-90-X391/	195307-S3-025
Capital Grant	20.507 *	TN-90-X400/	Pending
Capital Grant	20.507 *	Pending	Pending
Capital Grant	20.507 *	Pending	Pending
			Total CFDA 20.507:
Capital Grant	20.500 *	TN-04-0051/	GG-13-34337
Capital Grant	20.500 *	S3-021/	GG-14-41920
Capital Grant	20.500 *	TN-04-0057/	GG-13-34486
			Total CFDA 20.500:
			Total Federal Transit Cluster:
Other Direct Awards:			
Elderly and Disabled	20.513	TN-16-X006/	GG-14-42112
Elderly and Disabled	20.513	TN-16-X009/	GG-16-48698
			Total CFDA 20.513:
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, 2016

Accrued Grant Revenue 6/30/15	Federal Receipts	State Receipts	Local Receipts	Federal Expenditures	State Expenditures	Local Expenditures	Accrued Grant Revenue 6/30/16	Passed-through to Subrecipients
$ -	$ 514,638	$ 62,736	$ 64,330	$ 517,103	$ 64,638	$ 64,638	$ 4,675	$ -
4,696	155,968	20,124	19,498	164,035	20,507	20,506	14,154	-
156,140	784,578	53,811	99,666	690,636	86,330	86,329	81,380	-
47,615	38,092	-	9,523	-	-	-	-	-
65,026	18,913	43,750	2,364	1	-	-	-	-
143,934	115,151	-	28,788	4	-	1	-	-
292,880	81,199	248,157	41,518	56,276	27,859	28,418	34,559	-
48,491	153,351	-	34,107	126,167	-	31,542	18,742	126,167
1,956,845	899,938	1,089,509	112,491	117,638	14,704	14,704	1,953	-
1,378,710	1,600,000	-	400,000	497,032	-	124,258	-	-
-	135,802	25,901	35,531	187,494	93,747	35,548	119,555	116,398
-	8,880,000	-	1,110,000	8,880,000	1,110,000	1,110,000	1,110,000	-
-	-	-	-	250,379	31,297	31,297	312,973	-
-	-	-	-	1,272,000	159,000	159,000	1,590,000	-
4,094,337	13,377,630	1,543,988	1,957,816	12,758,765	1,608,082	1,706,241	3,287,991	242,565
-	88,348	11,043	11,044	88,348	11,043	11,044	-	-
-	14,974	1,872	1,872	276,974	34,622	34,622	327,500	-
48,585	81,906	22,360	10,239	52,735	6,592	6,593	-	-
48,585	185,228	35,275	23,155	418,057	52,257	52,259	327,500	-
4,142,922	13,562,858	1,579,263	1,980,971	13,176,822	1,660,339	1,758,500	3,615,491	242,565
30,029	21,370	-	21,023	6,790	-	6,009	435	-
-	308,972	81,115	114,309	392,175	175,098	124,871	187,748	142,436
30,029	330,342	81,115	135,332	398,965	175,098	130,880	188,183	142,436
-	566,876	-	169,442	566,876	-	184,538	15,096	-
4,172,951	14,460,076	1,660,378	2,285,745	14,142,663	1,835,437	2,073,918	3,818,770	385,001

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, 2016

Federal Grantor / Pass-though Grantor / Program or Cluster Title	Federal CFDA Number	Federal/ Grant Number	Pass-through Entity Identifying Number
PASS-THROUGH GRANTS:			
U.S. Department of Homeland Security - Federal Emergency Management Agency; Passed-through Tennessee Department of Military / 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
			Total Pass-Through Awards:
			Total Federal Awards:

* - Considered a major program in accordance with the Uniform Guidance.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Accrued Grant Revenue 6/30/15	Federal Receipts	State Receipts	Local Receipts	Federal Expenditures	State Expenditures	Local Expenditures	Accrued Grant Revenue 6/30/16	Passed-through to Subrecipients
(3,771,767)	-	-	-	21,536	-	-	(3,750,231)	-
77,100	68,533	8,567	-	-	-	-	-	-
(3,694,667)	68,533	8,567	-	21,536	-	-	(3,750,231)	-
$ 478,284	$ 14,528,609	$ 1,668,945	$ 2,285,745	$ 14,164,199	$ 1,835,437	$ 2,073,918	$ 68,539	$ 385,001

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, 2016

	Grant Number	Accrued Grant Revenue 6/30/15	State Receipts	State Expenditures	Accrued Grant Revenue 6/30/16
TENNESSEE DEPARTMENT OF TRANSPORTATION:					
Adopt-a-Stop Litter Grant	Z13SLG006	$ -	$ 2,566	$ 5,918	$ 3,352
Operating Assistance Grant	Z15UROP15-00	-	4,585,000	4,585,000	-
		-	4,587,566	4,590,918	3,352
TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION:					
Clean Tennessee Energy Grant Program	4174	-	-	212,500	212,500
		-	-	212,500	212,500
Total State Awards		$ -	$ 4,587,566	$ 4,803,418	$ 215,852

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF LOCAL AWARDS
YEAR ENDED JUNE 30, 2016

	Accrued Grant Revenue 6/30/15	Local Receipts	Local Expenditures	Accrued Grant Revenue 6/30/16
METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY:				
Operating Assistance	$ -	$ 40,013,600	$ 40,013,600	$ -
Metro Capital - 7840-3010	35,169	460,015	424,846	-
Metro Capital - 7840-3011	4,750	234,684	295,468	65,534
Metro Capital - 7840-6011	1,371	1,371	-	-
Metro Capital - 7840-3013	201,061	1,130,859	1,124,522	194,724
Metro Capital - 7840-5013	86,571	302,272	215,701	-
Metro Capital - 7840-7013	9,911	229,144	280,034	60,801
Metro Capital - 7840-8013 (1)	44,325	214,622	250,464	80,167
Metro Capital - 7840-9014	2,080	6,180	4,100	-
Metro Capital - 7840-1014 (1)	-	111,129	173,242	62,113
Metro Capital - 7840-1015 (1)	-	1,504,508	1,771,064	266,556
Metro Capital - 7840-7014	328,501	328,501	-	-
Metro Capital - 7840-2015	-	16,301	17,500	1,199
Metro Capital - 7840-5015	-	669,436	710,316	40,880
Metro Capital - 7840-6015	-	-	3,139	3,139
Metro Capital - 7840-3014 (1)	468,495	495,791	27,296	-
Walk/Bike Nashville	9,888	9,888	-	-
Total Local Awards	$ 1,192,122	$ 45,728,301	$ 45,311,292	$ 775,113
	(2)			(2)

(1) These Metro Capital awards were used to provide local match funds for certain federal capital grants. For the year ended June 30, 2016, the Metro grants funded $1,924,846 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 63 - 66.

(2) The accrued grant revenue at June 30, 2016 and 2015 included $266,556 and $478,383, respectively in match funds on federal capital grants. These local match funds are also included as accrued grant revenue at June 30, 2016 and 2015, respectively in the Schedule of Expenditures of Federal Awards on pages 63 - 66.

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

A. BASIS OF PRESENTATION

The schedules of expenditures of federal, state and local awards are prepared on the accrual basis of accounting. The information in the schedule of expenditures of federal awards is presented in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the schedules of expenditures of federal, state and local awards present only a selected portion of MTA's operations, they are not intended to and do not present the financial position, changes in net position or cash flows of MTA.

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 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 Uniform Guidance.

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 Grants	20.507	$7,486,752
EMSID	20.513	239,982
		$7,726,734

As the funds above are passed within the same financial reporting entity, they are not included as pass-through funds reported separately in the schedule of expenditures of federal awards.

B. PROGRAM CLUSTERS

Uniform Guidance 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 $3,750,231, 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. DE MINIMIS COST RATE

MTA has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER REPORTS

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, 2016, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements, and have issued our report thereon dated October 24, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
October 24, 2016

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for The Major Program
and on Internal Control Over Compliance
Required by The Uniform Guidance

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

Report on Compliance for the 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 Compliance Supplement* that could have a direct and material effect on MTA's major federal program for the year ended June 30, 2016. MTA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for MTA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of MTA's compliance.

Opinion on the Major Federal Program

In our opinion, MTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of MTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MTA's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
October 24, 2016

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? ___yes _x_ no
Significant deficiency(ies) identified? ___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) indentified? ___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 2 CFR 200.516(a)? ___yes _x_ no

Identification of major programs:

CFDA Number	Name of Federal Program	
Federal Transit Cluster:		
20.507	Federal Transit Administration Capital Grants	$12,758,765
20.500	Federal Transit Administration Capital Grants	418,057
		$13,176,822

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

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, 2016

MTA had no prior year audit findings.