METROPOLITAN TRANSIT AUTHORITY
NASHVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2017 AND 2016

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, 2017 and 2016.

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, 2017 and 2016, 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
JUNE 30, 2017

BOARD OF DIRECTORS

Gail Carr Williams	Chair
Lewis Lavine	Vice Chair
Janet Miller	Member
Hannah Paramore Breen	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 E. 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Transit Authority as of June 30, 2017 and 2016, 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 59 to 64, 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 2017 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 31, 2017, 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 31, 2017

This section of the MTA's annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2017 and 2016 as compared to fiscal years 2016 and 2015, 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 2017

- Operating revenue for 2017 decreased 3.1% from 2016 and totaled approximately $13.6 million for fiscal 2017.

- Operating expenses increased approximately 6.3% from 2016 and totaled approximately $99.0 million for fiscal 2017.

- Net non-operating revenue and capital contributions increased 12.9%, or $8.8 million, to approximately $76.4 million for fiscal year 2017. The primary reason for the increase was the sale of the Clement Landport which resulted in a gain of approximately $6.5 million. The proceeds from the sale will be used on building improvement projects at our Nestor, Myatt and Music City Central properties. Another contributing factor to our increase was a 5% increase, or $2.0 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 capital purchase activity increased approximately 3.3% compared to prior year.

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 that 2015 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 compared from 2015 to 2016. While both fiscal years included grant funding for capital purchases for additional vehicles, equipment and improvements, 2016 did not have as much capital purchase activity compared with 2015.

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 2017 as compared to fiscal year 2016:

MTA's net position at June 30, 2017 totaled approximately $72.5 million, a 11.1% decrease compared to June 30, 2016 (See Table A-1). Total assets and deferred outflows of resources decreased 1.3% to approximately $160.5 million and total liabilities and deferred inflows of resources increased 8.5% to approximately $88.0 million.

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

	2017	2016	Percentage Change 2017-2016
Current assets	$ 13,479	$ 14,657	(8.0%)
Restricted cash	13,314	4,488	196.7%
Property and equipment, net	126,728	136,903	(7.4%)
Designated assets held for self insurance	350	350	-
Deferred outflows of resources	6,636	6,256	6.1%
Total assets and deferred outflows of resources	**160,507**	**162,654**	**(1.3%)**
Current liabilities	12,486	12,945	(3.5%)
Advance lease receipts	9,148	9,738	(6.1%)
Refundable grants	5,186	3,750	38.3%
Net pension liability	16,973	14,497	17.1%
Net other postemployment benefits	42,936	37,174	15.5%
Deferred inflows of resources	1,262	3,009	(58.1%)
Total liabilities and deferred inflows of resources	**87,991**	**81,113**	**8.5%**
Net position:			
Net investment in capital assets	117,008	124,676	(6.2%)
Restricted	8,128	738	1,001.4%
Unrestricted	(52,620)	(43,873)	(19.9%)
Total net position	**$ 72,516**	**$ 81,541**	**(11.1%)**

The 1.3% decrease in total assets and deferred outflow of resources was primarily due to a $10.2 million decrease in net property and equipment. There were also decreases in cash and cash equivalence of approximately $2.7 million and $0.5 million decrease in prepaid expenses and other current assets. These decreases were partially offset by increases in restricted cash of approximately $8.8 million, accounts and grants receivable of $1.5 million, materials and supplies of $0.5 million and an increase in deferred outflows related to our pension plan of approximately $0.2 million.

The decrease in property and equipment was primarily due to net additions and disposals of approximately $5.8 million being offset by approximately $16.0 million of depreciation expense. The changes in cash and cash equivalence and prepaid expenses were primarily due to the timing of federal and state grant receivables when compared to the prior year and having fewer prepaid expenses actually paid before year-end compared to last year. The change in restricted cash mainly relates to proceeds from the sale of the Clement Landport. The Federal Transit Administration ("FTA") approved the use of the proceeds for other capital projects related to improvements at our Myatt, Nestor and Music City Central properties.

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. 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 \$5.2 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 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-2). 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-2
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	9,738	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	**81,113**	**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").

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 increased primarily due to the amortization of the unfunded 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 2017 as compared to fiscal year 2016:

The excess of expenses over revenues and capital contributions for the year ended June 30, 2017 was approximately $9.0 million compared to approximately $11.5 million for the year ended June 30, 2016 (See Table A-3). MTA's total operating revenues decreased 3.1% to approximately $13.6 million, or $0.4 million, from approximately $14.1 million in the prior fiscal year. Total operating expense, including depreciation, increased 6.3% to approximately $99.0 million from approximately $93.1 million in the prior fiscal year.

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

Operating revenue:	**2017**	**2016**	**Percentage Change 2017-2016**
Passenger fares	$ 9,249	$ 9,562	(3.3%)
Contracts and other revenue	4,363	4,490	(2.8%)
Total operating revenue	**13,612**	**14,052**	**(3.1%)**
Operating expense:			
Operating expense	82,991	76,961	7.8%
Depreciation	16,011	16,151	(0.9%)
Total operating expense	**99,002**	**93,112**	**6.3%**
Operating loss	(85,390)	(79,060)	8.0%
Net non-operating revenue and capital contributions	76,365	67,610	12.9%
Decrease in net position	**(9,025)**	**(11,450)**	21.2%
Total net position, beginning of year	81,541	92,991	(12.3%)
Total net position, end of year	**$ 72,516**	**$ 81,541**	**(11.1%)**

The 3.1% overall decrease in operating revenue was primarily due to a 2.7% overall decrease in ridership compared to the prior year as well as a decrease in advertising revenues. These decreases were partially off-set by a slight increase in contract revenue. The increase in contract revenues was primarily the result of a 3% increase in our operating contracts with the Regional Transportation Authority. Net non-operating revenue and capital contributions increased 12.9%, or $8.8 million, to approximately $76.4 million for fiscal year 2017. The primary reason for the increase was a $6.5 million gain on the sale of the Clement Landport as well as a $2 million, or 5%, increase in our annual subsidy from the Metropolitan Government.

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

Bus:	**2017**	**2016**	**Percentage Change 2017-2016**
Labor and fringes	$ 56,577	$ 49,020	15.4%
Purchased services	4,559	5,162	(11.7%)
Materials and supplies	9,133	10,521	(13.2%)
Other	3,647	3,905	(6.6%)
Depreciation	16,011	16,151	(0.9%)
Elderly and disabled	8,858	8,150	8.7%
Planning	217	203	6.9%
Total operating expense	$ **99,002**	$ **93,112**	**6.3%**

Labor and fringes expense increased $7.6 million, or 15.4%, in fiscal year 2017 as compared to 2016. The increase was primarily due to actuarially calculated health insurance, pension, workers' compensation and other post-employment benefit expenses compared to the prior year. The increase is also due to a 2.3% - 2.7% contractually agreed-upon increase in wages as well as contractually built in wage step increases ranging from 5% to 7% depending on where employees are in their four-year wage progression.

The 11.7% decrease in purchased services was primarily due to decreased legal fees compared to the prior year. The prior year expense included two lawsuit settlements and the related attorney's fees that did not continue into fiscal year 2017. This decrease was partially offset by increased security, consultant expenses related to a comprehensive operational analysis as well as building maintenance expenses in the current year compared to prior year. The increase in security services involved a required change in our contract with the Metropolitan Police Department that resulted in higher minimum requirements for the use of off-duty officers. The comprehensive operational analysis is a study of our existing service and routing that will enable MTA to optimize future operations. This type analysis is typically done every five years in order to maintain and improve operational efficiencies. 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 13.2% decrease in materials and supplies was primarily due to lower fuel costs as a result of lower overall 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 other materials and supplies expenses.

Other expense decreased 6.6% in fiscal year 2017 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 2017 as well as decreased advertising media. These decreases were partially offset by increased expenses related to training, utilities and other miscellaneous expenses compared to the prior year.

The 0.9% decrease in depreciation expense is primarily related to the sale of the Clement Landport resulting in less depreciation being recorded during the current year.

Elderly and Disabled expense increased 8.7% 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 3.8% increase in Access Ride ridership compared to the prior fiscal year.

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-5). 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-5
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-6
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.

Capital Assets

Fiscal year 2017 as compared to fiscal year 2016:

At the end of fiscal year 2017, MTA had invested approximately $126.7 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)

	2017	**2016**	**Percentage Change 2017-2016**
Land	$ 14,733	$ 15,155	(2.8%)
Buildings, shelters and benches	93,879	98,162	(4.4%)
Revenue vehicles	98,770	97,821	1.0%
Equipment and parts	10,540	10,317	2.2%
Work in progress	8,540	4,006	113.2%
Office furniture and equipment	4,099	3,806	7.7%
Miscellaneous other	11,982	11,848	1.1%
Subtotal	242,543	241,115	0.6%
Less accumulated depreciation	(115,815)	(104,212)	11.1%
Net capital assets	**$ 126,728**	**$ 136,903**	**(7.4%)**

The decreases in net capital assets were primarily due to depreciation exceeding the amount of capital additions for the fiscal year and the sale of the Clement Landport. The majority of the additions in property and equipment for the year were related to projects that were still in progress at June 30, 2017. Some of the projects included a new charging station near Rosa Parks Boulevard for our electric buses, transit signal priority upgrades along the Murfreesboro Road corridor, analysis and consulting services for a new fare collection system, facility assessments for improvements to all MTA properties as well as some equipment in our maintenance department and additional bus shelters.

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-8.

Table A-8
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	9.6%
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.

Economic Factors and Next Year's Budget

MTA's Board of Directors and management considered many factors when setting the fiscal year 2018 budget. These factors included expected increases in costs for existing core services, short-term initiatives resulting from recommendations out of our nMotion Plan including elimination of payment penalties for transfers, extension of our fare free downtown Music City Circuit to Tennessee State University, improvements in access ride paratransit services and implementation of a new mobility on demand concept to better integrate customer needs with appropriate, efficient transit services. 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, 2017	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,354,719	$ 5,094,422
Receivables from federal, state and local governments	5,628,296	4,543,177
Accounts receivable, less allowances of $6,000 in both years	1,644,529	1,204,145
Materials and supplies, net	3,096,647	2,557,325
Prepaid expenses and other current assets	754,835	1,258,244
Total current assets	13,479,026	14,657,313
Restricted funds:		
Cash and cash equivalents	13,314,028	4,487,978
Property and equipment, net	126,727,575	136,903,107
Other assets:		
Designated assets - cash and investments held by custodians for self-insurance	350,000	350,000
Total assets	153,870,629	156,398,398
DEFERRED OUTFLOWS OF RESOURCES		
Effective portion of fuel hedge program	223,197	-
Pensions	6,412,991	6,255,597
Total deferred outflows of resources	6,636,188	6,255,597
Total assets and deferred outflows of resources	$ 160,506,817	$ 162,653,995

	June 30, 2017	June 30, 2016
LIABILITIES		
Current liabilities:		
Accounts payable	$ 3,277,700	$ 2,883,384
Notes payable	2,850,000	4,500,000
Accrued expenses:		
Salaries, wages and payroll taxes	763,828	623,645
Accident losses	1,127,687	1,260,835
Compensated absences	1,286,553	1,194,171
Medical benefit claims	1,294,792	985,773
Workers' compensation	1,292,216	1,212,535
Other current liabilities	593,650	284,401
Total current liabilities	12,486,426	12,944,744
Non-current liabilities:		
Advance lease receipts	9,147,465	9,737,469
Refundable grants	5,185,951	3,750,231
Net pension liability	16,972,784	14,496,565
Net other postemployment benefits obligation	42,936,147	37,174,406
Total non-current liabilities	74,242,347	65,158,671
Total liabilities	86,728,773	78,103,415
DEFERRED INFLOWS OF RESOURCES		
Effective portion of fuel hedge program	-	523,974
Pensions	1,262,057	2,485,237
Total deferred inflows of resources	1,262,057	3,009,211
NET POSITION		
Net investment in capital assets	117,007,697	124,676,314
Restricted for capital purchases	8,128,077	737,747
Unrestricted	(52,619,787)	(43,872,692)
Total net position	72,515,987	81,541,369
Total liabilities, deferred inflows of resources and net position	$ 160,506,817	$ 162,653,995

See accompanying notes to financial statements.

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

	Year Ended June 30, 2017	Year Ended June 30, 2016
OPERATING REVENUES		
Passenger fares	$ 9,248,919	$ 9,561,529
Contract revenues	2,497,151	2,470,648
Elderly and disabled passengers	858,159	879,160
Advertising	1,007,651	1,140,723
Total operating revenue	13,611,880	14,052,060
OPERATING EXPENSES		
Bus:		
Labor and fringe benefits	56,576,984	49,020,311
Purchased services	4,559,472	5,162,344
Materials and supplies	9,132,725	10,520,744
Other	3,647,315	3,904,426
Elderly and disabled passengers	8,857,629	8,150,180
Planning	216,614	202,540
Depreciation	16,011,289	16,151,055
Total operating expenses	99,002,028	93,111,600
Operating loss	(85,390,148)	(79,059,540)
NON-OPERATING REVENUES (EXPENSE)		
Operating assistance:		
Local	42,013,600	40,013,600
State	4,653,700	4,585,000
Planning and other assistance	3,594,020	3,194,971
Sub-recipient pass-through	(1,143,407)	(385,315)
Gain (loss) on disposal of property and equipment	6,517,430	(56,469)
Interest expense, net	(35,245)	(38,022)
Other	1,705,835	1,853,673
Total non-operating revenues	57,305,933	49,167,438
DECREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(28,084,215)	(29,892,102)
CAPITAL CONTRIBUTIONS	19,058,833	18,442,390
CHANGE IN NET POSITION	(9,025,382)	(11,449,712)
NET POSITION AT BEGINNING OF YEAR	81,541,369	92,991,081
NET POSITION AT END OF YEAR	$ 72,515,987	$ 81,541,369

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 13,171,496	$ 13,836,525
Cash payments to or on behalf of employees	(49,098,333)	(45,826,804)
Cash payments to suppliers	(26,196,538)	(28,107,885)
Net cash used in operating activities	(62,123,375)	(60,098,164)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Planning assistance and other grant collections	3,882,256	1,585,067
State operating grant collections	4,653,700	4,585,000
Local operating grant collections	42,013,600	40,013,600
Net (repayments) borrowings on revolving credit lines	(162,973)	1,829,123
Interest payments	(36,239)	-
Payments to sub-recipients	(1,143,407)	(385,315)
Net cash provided by non-capital financing activities	49,206,937	47,627,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposal of property and equipment	7,560,201	32,693
Payment of accounts payable for property and equipment	(1,002,297)	(2,340,793)
Cash purchases of property and equipment	(6,306,115)	(7,760,501)
Capital contributions and other capital related collections	17,685,478	20,472,907
Refundable grants	1,435,720	(21,536)
Net (repayments) borrowings on revoling credit lines	(1,487,027)	1,487,027
Net cash provided by capital and related financing activities	17,885,960	11,869,797
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income collected	1,116,825	1,225,650
Net cash provided by investing activities	1,116,825	1,225,650
INCREASE IN CASH AND CASH EQUIVALENTS	6,086,347	624,758
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,582,400	8,957,642
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 15,668,747	$ 9,582,400

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS - Continued

	Year Ended June 30, 2017	Year Ended June 30, 2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (85,390,148)	$ (79,059,540)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	16,011,289	16,151,055
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(440,384)	(215,535)
Materials and supplies, net	(539,322)	183,623
Prepaid expenses and other	(20,565)	(304,971)
Increase (decrease) in:		
Accounts payable	824,200	(245,431)
Accrued salaries, wages, and payroll taxes	140,183	(17,805)
Accrued accident losses	(133,148)	233,690
Accrued compensated absences	92,382	173,201
Accrued medical benefit claims	309,019	(433,636)
Accrued workers compensation	79,681	(103,465)
Accrued other liabilities	86,052	(34,562)
Net other postemployment benefits obligation	5,761,741	4,867,690
Net pension liability and related amounts	1,095,645	(1,292,478)
Net cash used in operating activities	$ (62,123,375)	$ (60,098,164)
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Acquisition of property and equipment	$ 6,878,528	$ 8,762,798
Amounts included in accounts payable at year end	(572,413)	(1,002,297)
Total cash paid for property and equipment	$ 6,306,115	$ 7,760,501

The estimated fair value of fuel hedges was ($223,197) and $523,974 at June 30, 2017 and 2016, respectively. The changes in the fair values of the fuel hedges of $(747,171) for 2017, and $602,117 for 2016, 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, 2017 and 2016, 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 $1,000 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 2017 or 2016.

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, 2017 and 2016.

At June 30, 2017 and 2016, 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, differences between actual and projected investment earnings related to the pension plan and, when applicable, changes in assumptions used in the actuarial valuations (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.

Employer accounting for postemployment healthcare benefits other than pension benefits is 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. See Recent Accounting Pronouncements for information regarding implementation of new account standards impacting accounting and financial reporting for postemployment benefit other than pensions.

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 the upcoming period:

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. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

B. CASH AND CASH EQUIVALENTS

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

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

B. CASH AND CASH EQUIVALENTS - Continued

During fiscal years 2017 and 2016, MTA's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2017 and 2016, the carrying amount and corresponding bank balances of deposits were as follows:

2017:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents, including restricted amounts	$16,913,534	$15,668,747

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

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, 2017 and 2016.

C. RECEIVABLES FROM OTHER GOVERNMENTS

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

	2017	2016
Non-capital related grants:		
FTA	$1,442,522	$1,684,085
TDOT	525,129	368,524
Metropolitan Government	11,476	214,754
Capital related grants:		
FTA	958,870	306,409
TDOT	1,498,078	1,409,046
Metropolitan Government	1,192,221	560,359
	$5,628,296	$4,543,177

D. PROPERTY AND EQUIPMENT

A summary of the changes in property and equipment and related accumulated depreciation for the year ended June 30, 2017 is as follows:

	Estimated Economic Lives In Years	Balance at June 30, 2016	Additions
Property and equipment:			
Motor buses	10 - 12	$ 90,024,974	$ 945,615
Electric buses	12	7,796,089	-
Spare parts	5	318,797	8,326
Fare equipment	10 - 20	6,792,578	63,901
Service cars	3 - 10	1,301,176	89,408
Shop and garage equipment	10	1,904,527	70,945
Furniture and office equipment	10	881,547	24,249
Computer equipment	5 - 10	2,924,352	274,869
Miscellaneous equipment	10	11,847,382	134,652
Shelters and benches	10 - 20	7,293,218	171,106
Buildings	10 - 40	38,765,128	214,385
Music City Central	7 - 30	47,091,515	227,939
Landport	20	5,012,325	-
Land	-	15,155,266	-
Construction in-progress (Note L)	-	4,005,886	4,653,133
		241,114,760	6,878,528
Accumulated depreciation:			
Motor buses		49,314,615	6,804,745
Electric buses		378,977	649,674
Spare parts		309,947	9,081
Fare equipment		4,338,503	445,595
Service cars		1,030,076	153,850
Shop and garage equipment		760,457	220,878
Furniture and office equipment		571,131	97,783
Computer equipment		2,388,569	300,079
Miscellaneous equipment		3,406,761	1,590,445
Shelters and benches		4,109,871	777,325
Buildings		20,764,905	3,210,335
Music City Central		12,559,969	1,634,574
Landport		4,277,872	116,925
Land		-	-
Construction in-progress		-	-
		104,211,653	16,011,289
Property and equipment, net		$136,903,107	$(9,132,761)

Disposals	Reclassifications	Balance at June 30, 2017
$ -	$ 3,139	$ 90,973,728
-	-	7,796,089
-	-	327,123
-	-	6,856,479
(9,950)	-	1,380,634
-	-	1,975,472
(6,297)	-	899,499
-	-	3,199,221
-	-	11,982,034
-	73,200	7,537,524
-	2,900	38,982,413
-	39,425	47,358,879
(5,012,325)	-	-
(422,241)	-	14,733,025
-	(118,664)	8,540,355
(5,450,813)	-	242,542,475
-	-	56,119,360
-	-	1,028,651
-	-	319,028
-	-	4,784,098
(9,950)	-	1,173,976
-	-	981,335
(3,295)	-	665,619
-	-	2,688,648
-	-	4,997,206
-	-	4,887,196
-	-	23,975,240
-	-	14,194,543
(4,394,797)	-	-
-	-	-
-	-	-
(4,408,042)	-	115,814,900
$(1,042,771)	$ -	$126,727,575

D. PROPERTY AND EQUIPMENT - Continued

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

Construction in progress at June 30, 2017, is attributable to the following (See Note L):

Signal priority project	$1,721,074
Strategic master plan	812,173
BRT lines	1,308,089
Electric bus charging stations	1,849,655
Building and facilities	975,203
Fare technology upgrades	524,080
Other projects	1,350,081
Total construction in progress	$8,540,355

During fiscal year 2017, projects totaling $118,664 projects were substantially completed transferred to capital assets.

Construction in progress at June 30, 2016, is attributable to the following:

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

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 was approved by the Federal Transit Administration and was finalized in December 2016. Proceeds from the sale totaled $7,560,000, resulting in a gain on sale of the property of $6,520,231. Proceeds from the sale are to be used in accordance with FTA guidelines, and are therefore classified as restricted assets at June 30, 2017 (See Note M).

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 $63,000,000 as of June 30, 2017. 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. During fiscal year 2017, $1,536,539 was received and $100,819 was spent for asset replacement; accordingly, refundable grants totaled $5,185,951 at June 30, 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 $1,127,687 and $1,260,835 has been made for all such known losses incurred as of June 30, 2017 and 2016, 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 2017 and 2016 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, 2017 and 2016, MTA owed the Trust $1,294,792 and $985,773, 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, 2017 and 2016 are as follows:

	Balance at Beginning of Year	Net Claims Expenses	Claim Payments	Balance at End of Year
2017	$985,773	$12,556,772	$12,247,753	$1,294,792
2016	1,419,409	11,028,874	11,462,510	985,773

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, 2017 and 2016. 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 2017 and 2016, MTA’s workers’ compensation claims did not exceed the maximum. At June 30, 2017 and 2016, provisions of $1,292,216 and $1,212,535, 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, 2017 and 2016.

G. DEBT

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. In March 2017, the revolving credit line amount was increased to $11,200,000 with a maturity date of March 31, 2018. 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 2.81% and 2.25% at June 30, 2017 and 2016, respectively). 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, 2017 and 2016 is as follows:

2017:

	Balance at Beginning of Year	Borrowings	Repayments	Balance at End of Year
Fifth Third Bank	$4,500,000	$6,000,000	$(7,650,000)	$2,850,000

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

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 for the years ended June 30, 2017 and 2016 are as follows:

Monthly Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
14,000 gallons, gasoline	7/1/14	6/30/16	Pay $2.69 per gallon; Settlement based on Nymex NYH RBOB Gasoline	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 $1.7275 per gallon; Settlement based on Platts USG Ultra Low Sulfur Diesel	Baa1/BBB+
50,700 gallons, diesel	7/1/16	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+
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+

H. FUEL-HEDGING PROGRAM - Continued

33,800 gallons, diesel	7/1/17	6/30/18	Pay $1.6145 per gallon; Settlement based on HO-NYMEX - FUTURES	A1
50,700 gallons, diesel	7/1/17	6/30/18	Pay $1.6093 per gallon; Settlement based on HO-NYMEX - FUTURES	A1
33,800 gallons, diesel	7/1/17	6/30/18	Pay $1.7185 per gallon; Settlement based on USLD-New York Harbor -NYMEX	Baa1
18,250 gallons, gasoline	7/1/17	6/30/18	Pay $1.5660 per gallon; Settlement based on XB-NYMEX - FUTURES	A1
9,125 gallons, gasoline	7/1/17	6/30/18	Pay $1.5616 per gallon; Settlement based on XB-NYMEX - FUTURES	A1
9,125 gallons, gasoline	7/1/17	6/30/18	Pay $1.6490 per gallon; Settlement based on XB-NYMEX - FUTURES	A1

The fair value of the fuel hedging instruments was a liability of ($223,197) and an asset of $523,974 at June 30, 2017 and 2016, 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). 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 $4,224,965 and $4,484,969 at June 30, 2017 and 2016, 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 $4,922,500 and $5,252,500 at June 30, 2017 and 2016, 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, 2016, the Pension Plan covered 208 retirees receiving benefits; 1 terminated vested; and 649 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 7.61% and 8.60% in fiscal years 2017 and 2016, respectively. The Employer's contributions totaled $2,849,136 and $2,979,190, for fiscal years 2017 and 2016, respectively which exceeded the required contribution rates in both years. 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, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of July 1, 2015, with rollfoward procedures to the measurement date.

Actuarial Assumptions

Actuarial methods and assumptions as of July 1, 2015, based on a rollfoward of the entry age normal liabilities to June 30, 2016, 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	Sliding scale based on years of service as determined form the 2016 actuarial experience study. Rates range form 10.00% to 3.25% in the first 5 years of service and are assumed at 3.25% per year thereafter.
Inflation	2.5%
Cost of living adjustments	1.5% through plan year 2018
Remaining amortization period	20 years
Normal retirement age	Various rates of retirement applied to ages 55 through 70. Rate applied to the normal retirement age of 65 is 50%.

J. PENSION PLAN - Continued

Mortality rates	Healthy mortality: RP-2014 base mortality table with blue collar adjustments and generational future mortality improvements based on the Buck Modified MP-2015 improvement scale.
Disabled mortality	RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Buck Modified MP-2015 improvement scale.

During 2016, 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.

- 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.

- 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 on the actuarial accrued liability, normal costs and total contribution percentage.

- 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.

J. PENSION PLAN - Continued

The Committee elected to adopt the study results. The specific impact on the July 1, 2015 valuation and the 2016 measurement results is as follows:

- Adoption of the mortality tables as noted above caused the actuarial accrued liability to increase by approximately $2,000 and the employer contribution to increase by less than 0.01% of payroll.

- Updated retirement rates decreased the actuarial accrued liability by approximately $635,000 and the employer contribution by approximately 0.41% of payroll.

- Withdrawal rate changes decreased the actuarial accrued liability by approximately $86,000 and the employer contribution by approximately 0.70% of payroll.

- Updated disability rates increased the actuarial accrued liability by approximately $7,000 and the employer contribution by approximately 0.02% of payroll.

- Salary increase rates changes decreased the actuarial accrued liability by approximately $991,000 and the employer contribution by approximately 0.56% of payroll.

In total the changes in actuarial assumptions and methods decreased the actuarial accrued liability and total contribution percentage of approximately $1,700,000 and 1.66%, respectively.

In addition to these changes in actuarial assumptions and methods, the Plan changed provisions related to future cost-of-living adjustments for retirees in response to the current collective bargaining agreement with the Union. Monthly benefits were increased by 1.5% on July 1, 2015, 2016, and 2017. This increased the accrued liability by approximately $1,600,000 and the total contribution by 0.52%.

J. PENSION PLAN - Continued

During 2015, 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 $1,700,000 million.

Investment Policy and Rate of Return

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

As of the measurement date, June 30, 2016, the single blended discount rate used to measure the total pension liability was changed to 7.63% from 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 projected future benefit payments of current plan members through fiscal year ending June 30, 2076. The long-term expected rate of return on pension plan investments of 7.75% was applied to projected benefit payments through 2076. Beginning with fiscal year 2077, a rate of 2.71% (a 20-year high grade municipal bond rate as of plan year end) was applied to the unfunded portion. Therefore, a single blended rate of 7.63% results.

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, 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
Changes for the year:			
Service cost	2,274,196	-	2,274,196
Interest	4,161,680	-	4,161,680
Change in benefit terms	1,741,746	-	1,741,746
Difference between expected and actual experience	996,205	-	996,205
Change of assumptions	(1,483,471)	-	(1,483,471)
Contributions-employer	-	2,979,190	(2,979,190)
Contributions-employees	-	1,440,038	(1,440,038)
Net investment income	-	968,227	(968,227)
Benefit payments, including refunds of employee contributions	(3,670,960)	(3,670,960)	-
Administrative expense	-	(173,318)	173,318
Net changes	4,019,396	1,543,177	(2,476,219)
Balance at June 30, 2017 (June 30, 2016 measurement date)	$ 57,245,535	$ 40,272,751	$ 16,972,784

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, 2017 and 2016, calculated using the applicable discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30, 2017:	1% Decrease (6.63%)	Current Discount Rate (7.63%)	1% Increase (8.63%)
Net pension liability	$23,349,507	$16,972,784	$11,564,420

June 30, 2016:	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 and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense

For the years ended June 30, 2017 and 2016, MTA recognized pension expense of $3,923,420 and $1,414,426, respectively.

J. PENSION PLAN - Continued

Deferred outflows of resources and deferred inflows of resources

As of June 30, 2017 and 2016, 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
2017:		
Difference between projected and actual earnings on pension plan investments	$1,106,245	$ -
Difference between expected and actual experience	1,204,612	-
Changes of assumptions	1,252,998	(1,262,057)
Contributions subsequent to the measurement date	2,849,136	-
Total	$6,412,991	$(1,262,057)
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)

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.

J. PENSION PLAN - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017 will be recognized in pension expense as follows:

Year Ended June 30,	
2018	$ 53,658
2019	391,271
2020	994,608
2021	663,872
2022	249,292
2023	(50,903)
	$ 2,301,798

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

Payable to the Pension Plan

At June 30, 2017 and 2016, MTA's payables for the outstanding amount of contributions to the pension plan required were not material.

K. OTHER POSTEMPLOYMENT BENEFITS

Plan Description:

MTA offers, through DTO, postemployment medical, dental, vision, prescription card and life insurance benefits to eligible retirees and dependents through the Davidson Transit Organization Employee Benefit Trust (the "Health Plan"). The Health Plan is a single-employer defined benefit plan. Benefit provisions are established and amended primarily through negotiations between DTO and the Amalgamated Transit Union. As of June 30, 2017, the latest actuarial valuation date, the Health Plan covered 173 retirees receiving benefits and 616 active participants.

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

Plan and Employer Reporting:

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.

The provisions of GASB Statement No. 74, *Financial Reporting for Post Employment Benefit Plans Other Than Pensions*, will be considered for the Health Plan's separate financial report, which can be obtained as noted above. MTA will adopt GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions*, in fiscal year 2018, as further described in Note A.

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, 2017 and 2016 totaled $275,401 and $277,861, 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 2017, 2016 and 2015 are as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$8,096,422	28.84%	$42,936,147
2016	$7,211,331	32.50%	$37,174,406
2015	$7,725,142	30.30%	$32,306,716

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

The following table summarizes the changes in MTA's net OPEB obligation for the years ended June 30, 2017 and 2016:

	2017	2016
Annual OPEB Cost:		
Annual required contribution	$ 8,463,534	$ 7,530,372
Plus: Interest on the net OPEB obligation	2,323,400	2,019,170
Less: Amortization on the net OPEB obligation	(2,690,512)	(2,338,211)
Annual OPEB cost	8,096,422	7,211,331
Contributions made	(2,334,681)	(2,343,641)
Increase in the net OPEB obligation	5,761,741	4,867,690
Net OPEB obligation,		
Beginning of year	37,174,406	32,306,716
End of year	$ 42,936,147	$ 37,174,406

Funded Status and Funding Progress:

The funded status of the Health Plan as of the most recent actuarial valuation date, June 30, 2017, is detailed below:

Actuarial accrued liability (a)	$57,401,400
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	$57,401,400
Funded ratio (b) / (a)	-%
Covered payroll (c)	$30,827,650
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	186.20%

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, 2017 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 2017; reducing to 4.50% in fiscal 2021 and thereafter
Mortality	RP-2014 Total Table with Projection MP-2016 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, 2017 are various projects, as described in Note D. Estimated costs to complete these projects were as follows at June 30, 2017:

Signal priority project	$14,800,000
Electric bus charging stations	2,500,000
BRT lines	3,500,000
Building and facilities	8,400,000
Fare technology upgrades	20,000,000
	$49,200,000

Costs to complete other projects in progress are not expected to be material. 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, 2017, 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, 2017.

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, 2017 and 2016, are as follows:

	2017	2016
Net investment in capital assets:		
Property and equipment, net	$ 126,727,575	$ 136,903,107
Less: Borrowings and other liabilities related to capital assets:		
Portion of note payable relating to capital assets	-	(1,487,027)
Unearned revenues	(9,147,465)	(9,737,469)
Other liabilities relating to capital assets	(572,413)	(1,002,297)
Total net investment in capital assets	117,007,697	124,676,314
Restricted	8,128,077	737,747
Unrestricted	(52,619,787)	(43,872,692)
Total net position	$ 72,515,987	$ 81,541,369

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 fiscal year 2017, MTA received $7,560,000 from the sale of Clement Landport, as described in Note D. These funds must be utilized in accordance with FTA regulations and directives. Accordingly, such funds are included in restricted net position at June 30, 2017.

Also included in restricted net position at June 30, 2017 and 2016 is $568,077 and $737,747, respectively, of funds received relating to other property dispositions, which are restricted under FTA regulations.

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 2017 and 2016 for certain contracted bus services. Revenue from the RTA for all contracted services during fiscal 2017 and 2016 totaled $2,370,340 and $2,446,540, respectively. At June 30, 2017 and 2016, the receivable from the RTA, included in accounts receivable in the accompanying statements of net position, totaled $597,002 and $391,058, 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, 2017		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	$ 11,528,791	$ 1,950,235	$ 13,479,026
Capital assets, net	126,727,575	-	126,727,575
Other assets	13,314,028	350,000	13,664,028
Total assets	151,570,394	2,300,235	153,870,629
Deferred outflows of resources	-	6,636,188	6,636,188
Total assets and deferred outflows of resources	$ 151,570,394	$ 8,936,423	$ 160,506,817
Liabilities			
Current liabilities	$ 7,348,766	$ 5,137,660	$ 12,486,426
Noncurrent liabilities	14,333,416	59,908,931	74,242,347
Total liabilities	21,682,182	65,046,591	86,728,773
Deferred inflows of resources	-	1,262,057	1,262,057
Net position			
Net investment in capital assets	117,007,697	-	117,007,697
Restricted	8,128,077	-	8,128,077
Unrestricted	4,752,438	(57,372,225)	(52,619,787)
Total net position	129,888,212	(57,372,225)	72,515,987
Total liabilities, deferred inflows of resources and net position	$ 151,570,394	$ 8,936,423	$ 160,506,817
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 13,611,880	$ -	$ 13,611,880
Operating expenses	36,632,535	62,369,493	99,002,028
Operating (loss)	(23,020,655)	(62,369,493)	(85,390,148)
Nonoperating revenues (expenses), net	57,305,933	-	57,305,933
Capital contributions	19,058,833	-	19,058,833
Transfers	(54,665,899)	54,665,899	-
Change in net position	(1,321,788)	(7,703,594)	(9,025,382)
Net position - beginning of year	131,210,000	(49,668,631)	81,541,369
Net position - end of year	$ 129,888,212	$ (57,372,225)	$ 72,515,987
Condensed Statements of Cash Flows			
Cash flows from operating activities	$ (6,942,333)	$ (55,181,042)	$ (62,123,375)
Cash flows from noncapital financing activities	49,206,937	-	49,206,937
Cash flows from capital and related financing activities	17,885,960	-	17,885,960
Cash flows from investing activities	1,116,825	-	1,116,825
Transfers	(54,665,899)	54,665,899	-
Change in cash and cash equivalents	6,601,490	(515,143)	6,086,347
Cash and cash equivalents - beginning of year	7,613,671	1,968,729	9,582,400
Cash and cash equivalents - end of year	$ 14,215,161	$ 1,453,586	$ 15,668,747

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	39,022,801	54,088,799	93,111,600
Operating (loss)	(24,970,741)	(54,088,799)	(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	(8,730,937)	(2,718,775)	(11,449,712)
Net position - beginning of year	139,940,937	(46,949,856)	92,991,081
Net position - end of year	$ 131,210,000	$ (49,668,631)	$ 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

REQUIRED SUPPLEMENTARY INFORMATION

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

PENSION PLAN

	2017 (2016 Measurement)	2016 (2015 Measurement)	2015 (2014 Measurement)
TOTAL PENSION LIABILITY			
Service cost	$ 2,274,196	$ 2,067,568	$ 1,765,386
Interest	4,161,680	3,796,926	3,623,679
Change in benefit terms	1,741,746	-	-
Difference between expected and actual experience	996,205	499,931	-
Change of assumptions	(1,483,471)	1,754,196	-
Benefit payments	(3,670,960)	(3,568,443)	(3,409,727)
Net change in total pension liability	4,019,396	4,550,178	1,979,338
Total pension liability beginning	53,226,139	48,675,961	46,696,623
Total pension liability ending (a)	$ 57,245,535	$ 53,226,139	$ 48,675,961
PLAN FIDUCIARY NET POSITION			
Contributions - employer	$ 2,979,190	$ 3,054,164	$ 2,895,419
Contributions - member	1,440,038	1,265,337	1,199,775
Net investment income	968,227	1,238,070	5,413,466
Benefit payments, including refunds of member contributions	(3,670,960)	(3,568,443)	(3,409,727)
Administration expenses	(173,318)	(141,239)	(143,644)
Other	-	-	-
Net change in plan fiduciary net position	1,543,177	1,847,889	5,955,289
Plan fiduciary net position - beginning	38,729,574	36,881,685	30,926,396
Plan fiduciary net position - ending (b)	$ 40,272,751	$ 38,729,574	$ 36,881,685
Net pension liability (a) - (b)	$ 16,972,784	$ 14,496,565	$ 11,794,276
Plan fiduciary net position as a percentage of total pension liability	70.35%	72.76%	75.77%
Covered - payroll	$31,637,919	$28,118,610	$26,661,317
Net pension liability as a percentage of covered - payroll	53.64%	51.56%	44.24%

See accompanying notes to required supplementary information.

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

PENSION PLAN - Continued

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

Notes to Schedule:

Changes in benefit terms:

2016 Measurement - amounts reported as changes in benefit terms resulted from a cost of living adjustment to retirees of 1.50% through plan year 2018.

Changes in assumptions:

2016 Measurement - amounts reported as changes in assumptions resulted from (i) adjustments to assumed life expectancies for healthy and disabled lives as a result of adopting the RP-2014 Base Mortality Table with Blue Collar Adjustments, or Disabled Adjustments, with generational mortality improvements based on the Buck Modified MP-2015 improvement scale; (ii) change in retirement rates, withdrawal rates, disability rates and salary increase rates based on a 2016 experience study of the Plan; (iii) a change in the discount rate from 7.75% to 7.63%.

2015 Measurement - amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustments with fully generational morality improvement projections using Scale BB.

See accompanying notes to required supplementary information.

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

PENSION PLAN

Fiscal Year Ended	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contributions	Contribution (Excess) Deficiency	Covered Payroll	Contribution as a Percent of Covered Payroll
June 30, 2017	$2,621,332	$2,849,136	$(227,804)	$34,445,884	8.27%
June 30, 2016	2,720,861	2,979,190	(258,329)	31,637,919	9.42%
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, 2017 and 2016, for the Plan were calculated as the result of an actuarial valuation performed on July 1, 2016 and 2015, respectively. The following assumptions were used to determine contribution rates as reported in the Schedule for Employer Contributions:

Assumption	Actuarial Valuations July 1, 2016 and 2015	Actuarial Valuation July 1, 2014
Cost-of-living adjustment	1.5% annually through plan year 2018	None assumed
Projected salary increases	Sliding scale based on years of service as determined from the 2016 actuarial experience study. Rates range from 10.00% to 3.25% in the first 5 years of service and are assumed at 3.25% per year thereafter	4.00% per year including inflation of 2.50%, compounded annually
Normal retirement age	Various rates of retirement applied to age 55 through 70. Rate applied to the normal retirement age of 65 is 50%.	65 years
Form of payment	Single life annuity	Single life annuity
Investment rate of return	7.75% per year net of pension plan investment expenses, compounded annually	7.75% per year net of pension plan investment expenses, compounded annually
Amortization method and period	Level dollar basis over an open period of 20 years	Level dollar basis over an open period of 20 years
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	5 year phase-in of realized and unrealized gains and losses, 20% corridor	5 year phase-in of realized and unrealized gains and losses, 20% corridor
Mortality rates	Healthy mortality: RP-2014 base mortality table with blue collar adjustments and generational future mortality improvements based on the Buck Modified MP-2015 improvement scale Disabled mortality: RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Buck Modified MP-2015 improvement scale	Healthy mortality: RP-2000 Combined Healthy Mortality Table with blue collar adjustments with fully generational mortality improvement projections suing Scale BB Disabled mortality: RP-2000 Disability Retiree Morality Table with blue collar adjustments with full generational mortality improvement projections 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.

PENSION PLAN

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

Information on the Pension Plan's money-weighted investment rate of return can be found in the separately issued Plan financial statements.

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

OTHER POSTEMPLOYMENT BENEFITS PLAN

($ In Millions)		Actuarial Valuation Date June 30, 2017	2016	2015
Actuarial value of assets	(a)	$ -	$ -	$ -
Actuarial accrued liability (AAL)	(b)	$57.4	$51.5	$51.7
Unfunded AAL (UAAL)	(b - a)	$57.4	$51.5	$51.7
Funded ratio	(a) / (b)	-%	-%	-%
Covered payroll	(c)	$30.8	$28.7	$26.9
UAAL as a percentage of covered payroll	((b-a)/c)	186%	179%	192%

ADDITIONAL INFORMATION

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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:			
Formula Grant	20.507 *	TN-90-X376	GG-15-43716
Formula Grant	20.507 *	TN-90-X331	GG-16-47827
Formula Grant	20.507 *	TN-90-X358	GG-14-39342
Formula Grant	20.507 *	TN-90-X367	GG-14-42107
Formula Grant	20.507 *	TN-95-X062	Not Applicable
Formula Grant	20.507 *	TN-90-X386	GG-15-47193
Formula Grant	20.507 *	TN-90-X391	195307-S3-025
Formula Grant	20.507 *	TN-90-X400	GG-17-52313
Formula Grant	20.507 *	TN-95-X091	Pending
Formula Grant	20.507 *	TN-90-X421	Z-16-UAP001
Formula Grant	20.507 *	Pending	Pending
Formula Grant	20.507 *	Pending	Pending
Formula Grant	20.507 *	TN-90-X419	GG-17-54940
			Total CFDA 20.507:
Capital Grant	20.500 *	S3-021	GG-14-41920
Capital Grant	20.526 *	TN-34-0010	Pending
			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-X017	Pending
Elderly and Disabled	20.513	TN-16-X015	Pending
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:
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
			Total Pass-Through Awards:
			Total Federal Awards:

* - Major program in accordance with the Uniform Guidance.

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Accrued Grant Revenue 6/30/16	Federal Receipts	State Receipts	Local Receipts	Federal Expenditures	State Expenditures	Local Expenditures	Accrued Grant Revenue 6/30/17	Federal Passed-through to Subrecipients
$ 4,675	$ 761,817	$ 55,827	$ 77,691	$ 784,066	$ 98,008	$ 98,008	$ 89,422	$ -
14,154	231,537	20,933	28,943	222,357	27,790	27,799	10,687	-
81,380	1,122,316	157,085	140,696	1,306,652	161,322	165,334	294,591	-
34,559	14,968	13,047	6,745	700	5	-	504	-
18,742	138,450	-	38,843	140,260	-	35,065	16,774	140,260
1,953	2,007	251	251	40,444	5,056	5,056	50,000	-
119,555	311,777	108,314	34,123	294,905	141,302	51,110	152,658	192,686
1,110,000	-	1,110,000	-	-	-	-	-	-
1,902,973	1,643,000	-	205,375	120,621	15,078	10,517	200,814	-
-	166,374	-	58,884	181,245	90,624	63,993	110,604	53,259
-	-	-	145,750	1,272,000	159,000	159,000	1,444,250	-
-	-	-	14,244	136,249	17,032	17,032	156,069	-
-	8,960,000	-	1,120,000	9,400,000	1,175,000	1,175,000	1,670,000	-
3,287,991	13,352,246	1,465,457	1,871,545	13,899,499	1,890,217	1,807,914	4,196,373	386,205
327,500	304,451	38,057	42,833	80,670	10,083	10,083	42,995	-
-	-	-	-	8,400	1,050	1,050	10,500	
3,615,491	13,656,697	1,503,514	1,914,378	13,988,569	1,901,350	1,819,047	4,249,868	386,205
435	24,654	-	-	24,219	-	-	-	-
-	-	-	-	108,161	54,080	54,080	216,321	-
-	28,810	-	-	57,620	7,203	-	36,013	57,620
187,748	386,484	109,839	11,437	303,281	74,706	875	58,850	301,531
188,183	439,948	109,839	11,437	493,281	135,989	54,955	311,184	359,151
15,096	827,622	-	75,049	853,314	-	187,427	153,166	-
3,818,770	14,924,267	1,613,353	2,000,864	15,335,164	2,037,339	2,061,429	4,714,218	745,356
(3,750,231)	1,459,712	76,827	-	95,778	5,041	-	(5,185,951)	-
(3,750,231)	1,459,712	76,827	-	95,778	5,041	-	(5,185,951)	-
$ 68,539	$ 16,383,979	$ 1,690,180	$ 2,000,864	$ 15,430,942	$ 2,042,380	$ 2,061,429	$ (471,733)	$ 745,356

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, 2017

	Grant Number	Accrued Grant Revenue 6/30/16	State Receipts	State Expenditures	Accrued Grant Revenue 6/30/17
TENNESSEE DEPARTMENT OF TRANSPORTATION:					
Adopt-a-Stop Litter Grant	Z13SLG006	$ 3,352	$ 4,340	$ 988	$ -
Operating Assistance Grant	19-UROP-S3-018	-	4,653,700	4,653,700	-
		3,352	4,658,040	4,654,688	-
TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION:					
Clean Tennessee Energy Grant Program	4174	212,500	212,500	37,500	37,500
		212,500	212,500	37,500	37,500
Total State Awards		$ 215,852	$ 4,870,540	$ 4,692,188	$ 37,500

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

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF LOCAL AWARDS
YEAR ENDED JUNE 30, 2017

	Accrued Grant Revenue 6/30/16	Local Receipts	Local Expenditures	Accrued Grant Revenue 6/30/17
METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY:				
Operating Assistance	$ -	$ 42,013,600	$ 42,013,600	$ -
Metro Capital - 7840-3011	65,534	65,534	-	-
Metro Capital - 7840-3013	194,724	498,004	303,280	-
Metro Capital - 7840-7013	60,801	654,793	604,264	10,272
Metro Capital - 7840-8013	80,167	347,595	324,212	56,784
Metro Capital - 7840-1014	62,113	192,537	325,950	195,526
Metro Capital - 7840-1015 (1)	266,556	1,836,678	1,630,122	60,000
Metro Capital - 7840-2016 (1)	-	8,381	149,235	140,854
Metro Capital - 7840-2015	1,199	59,634	58,435	-
Metro Capital - 7840-5015	40,880	118,759	77,879	-
Metro Capital - 7840-6015	3,139	3,139	-	-
Metro Capital - 7840-3015	-	278,499	500,082	221,583
Metro Capital - 7840-1017	-	30,360	30,360	-
Metro Capital - 7840-3017	-	75,470	467,882	392,412
Metro Capital - 7840-30174(1)	-	59,579	59,579	-
Public Works (1)	22,229	113,893	222,493	130,829
Total Local Awards	$ 797,342	$ 46,356,455	$ 46,767,373	$ 1,208,260
	(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, 2017, the Metro grants funded $2,061,429 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 65 - 66.

(2) The accrued grant revenue at June 30, 2017 and 2016 included $331,683 and $288,785, respectively in match funds on federal capital grants. These local match funds are also included as accrued grant revenue at June 30, 2017 and 2016, respectively in the Schedule of Expenditures of Federal Awards on pages 65 - 66.

See notes to schedules of expenditures of federal, 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
Federal Transit Formula Grants	20.507	$7,768,168
EMSID	20.513	78,584
		$7,846,752

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 $5,185,951, 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

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Metropolitan Transit Authority
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements, and have issued our report thereon dated October 31, 2017.

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 31, 2017

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each 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 Each Major Federal Program

We have audited the compliance of Metropolitan Transit Authority ("MTA"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MTA's major federal programs for the year ended June 30, 2017. MTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, MTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of MTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 31, 2017

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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 Formula Grants	$13,899,499
20.500	Federal Transit Administration Capital Grants	80,670
20.526	Federal Transit Administration Capital Grants	8,400
	Federal Transit Cluster	13,988,569
20.933	Federal Transit Administration Capital Grant	853,314
		$14,841,883

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, 2017

MTA had no prior year audit findings.