METROPOLITAN TRANSIT AUTHORITY
NASHVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2019 AND 2018

METROPOLITAN TRANSIT AUTHORITY

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METROPOLITAN TRANSIT AUTHORITY

INTRODUCTION

The Nashville Metropolitan Transit Authority ("MTA") is pleased to present its Annual Financial Report for the years ended June 30, 2019 and 2018.

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, 2019 and 2018, 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, 2019

BOARD OF DIRECTORS

Gail Carr Williams	Chair
Janet Miller	Vice Chair
Glenn Farner	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. Timm	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, 2019 and 2018, 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, 2019 and 2018, 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 18 and the pension plan and other postemployment benefits schedules on pages 60 to 66, 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 2019 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal, state and local awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MTA's 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 30, 2019

This section of the MTA's annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2019 and 2018 as compared to fiscal years 2018 and 2017, 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 2019

- Operating revenue for 2019 decreased 4.3% from 2018 and totaled approximately $11.2 million for fiscal 2019 compared to $11.7 million in 2018. Contributing factors to the decrease were the result of a small decrease in ridership, an increase in the use of free transfers, and a decrease in advertising revenues.

- Operating expenses increased approximately $1.7 million, or 1.7%, to $103.1 million in fiscal year 2019. This compared to total operating expenses of $101.4 million in fiscal year 2018.

- Net non-operating revenue and capital contributions increased 40.0%, or $35.7 million, to approximately $124.8 million for fiscal year 2019. The primary reason for the increase was an increase in capital contributions in fiscal year 2019 compared to 2018. While both fiscal years included grant funding for capital purchases for additional vehicles, equipment and improvements, the current year capital purchase activity increased approximately 119.3% compared to prior year.

Fiscal Year 2018

- Operating revenue for 2018 decreased 14.2% from 2017 and totaled approximately $11.7 million for fiscal 2018 compared to $13.6 million in 2017. The decrease was primarily the result of a fare structure change that began in August 2017 allowing free transfers for up to two hours after the initial trip for a second bus ride as opposed to the old policy of a requiring payment for each bus ride. The estimated impact of the revenue decrease due to free transfers was subsidized through an increase in our annual subsidy from the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government") totaling approximately $2.7 million.

- Operating expenses increased approximately 2.4% from 2017 and totaled approximately $101.4 million for fiscal 2018.

- Net non-operating revenue and capital contributions increased 16.8%, or $12.8 million, to approximately $89.2 million for fiscal year 2018. The primary reason for the increase was an increase in capital contributions in fiscal year 2018 compared to 2017. While both fiscal years included grant funding for capital purchases for additional vehicles, equipment and improvements, the current year capital purchase activity increased approximately 62.5% compared to prior year. Another contributing factor to our increase was a 15.7% increase, or $6.6 million, in our operating subsidy from Metropolitan Government compared to the prior year. The increases were partially offset due to fiscal year 2017 including the sale of the Clement Landport which resulted in a gain of approximately $6.5 million.

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.

These financial statements also include the impact of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* ("OPEB"), which was adopted during fiscal year 2018. The new Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The Statement requires the calculation of a present liability for future non-pension benefits for employees and retirees at a discount rate based upon a specific external index which is lower than was typically used by actuaries under Statement No. 45. The Statement also requires the total OPEB liability be recognized immediately on the balance sheet as opposed to the gradual recognition allowed under Statement No. 45.

FINANCIAL ANALYSIS OF MTA

Net Position

Fiscal year 2019 as compared to fiscal year 2018:

MTA's net position at June 30, 2019 totaled approximately $89.0 million, a 58.6% increase compared to June 30, 2018 (See Table A-1). Total assets and deferred outflows of resources increased 23.8% to approximately $201.5 million and total liabilities and deferred inflows of resources increased 5.6% to approximately $112.5 million.

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

	2019	**2018**	**Percentage Change 2018-2017**
Current assets	$ 17,688	$ 15,947	10.9%
Restricted cash	1,331	8,688	(84.7%)
Property and equipment, net	172,028	131,441	30.9%
Designated assets held for self insurance	350	350	-
Deferred outflows of resources	10,145	6,305	60.9%
Total assets and deferred outflows of resources	**201,542**	**162,731**	**23.8%**
Current liabilities	17,690	17,615	0.4%
Advance lease receipts	7,967	8,557	(6.9%)
Refundable grants	456	1,132	(59.7%)
Net pension liability	12,995	15,208	(14.6%)
Net other postemployment benefits	69,427	62,759	10.6%
Deferred inflows of resources	3,966	1,307	203.4%
Total liabilities and deferred inflows of resources	**112,501**	**106,578**	**5.6%**
Net position:			
Net investment in capital assets	162,033	119,045	36.1%
Restricted	834	7,407	(88.7%)
Unrestricted	(73,826)	(70,299)	5.0%
Total net position	**$ 89,041**	**$ 56,153**	**58.6%**

The 23.8% increase in total assets and deferred outflow of resources was primarily due to a $40.6 million, or 30.9%, increase in net property and equipment. There were also increases in receivables from federal, state, and local governments of approximately $2.4 million, a $0.4 million increase in regular trade receivables from transit customers and a $3.8 million increase in deferred outflow of resources primarily due to an increase in postemployment benefits related to our pension plan. These increases were partially offset by decreases in cash and cash equivalents of approximately $0.9 million, prepaids and other assets of $0.1 million, as well as a decrease in restricted cash of $7.4 million.

The increase in property and equipment was primarily due to net additions and disposals of approximately $58.4 million being offset by approximately $17.8 million of depreciation expense.

See the discussion of capital additions later in this discussion and analysis section. The changes in cash and cash equivalence, accounts receivable and prepaid expenses were primarily due to the timing of federal and state grant receivables when compared to the prior year and having more prepaid expenses actually paid before year-end compared to last year-end. The change in restricted cash mainly relates to Federal Emergency Management Agency ("FEMA") funding from the 2010 flood and proceeds from the sale of the Clement Landport being utilized during fiscal year 2019 for designated transit bus replacement purchases for buses lost in the flood as well as designated improvements to our Nestor and WeGo Central properties as approved by the Federal Transit Administration ("FTA").

These financial statements also include the required accounting and financial reporting under Governmental Accounting Standards Board ("GASB") Statement No. 68 related to the accounting and financial reporting of pension plan liability. Since MTA guarantees the pension obligations and payments of the pension plan in place for DTO and the Amalgamated Transit Union, the impact of this GASB statement is reflected in the current financial statements. The deferred outflows related to our pension plan represents employer pension contributions made during each fiscal year as well as certain differences between expected and actual results of the pension plan. This item is required to be recorded based upon the implementation of GASB Statement No. 68. See Note J in the notes to the financial statements.

The increase in current liabilities was due primarily to timing differences compared to prior year. Specifically, the increase in notes payable relate to differences in timing of expenditures and related grant reimbursements that are used to pay down notes payable as well as an increase in our reserve for health related expenses and compensated absences related to unused vacation. The decrease in advance lease receipts represents the continued amortization of capital received from the State of Tennessee in 2008 as it relates to contributions made to construct WeGo Central and cash received from Metropolitan 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 $0.5 million in restricted cash from FEMA grants that cannot be recognized until the actual vehicle replacement purchases have taken place. The decrease in refundable grants represents $0.7 million in restricted cash used from those FEMA grants for eligible vehicle replacement purchases that occurred during fiscal year 2019. 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 increased approximately $6.7 million, are recorded based upon the requirements of GASB No. 75 as previously explained.

Fiscal year 2018 as compared to fiscal year 2017:

MTA's net position at June 30, 2018 totaled approximately $56.2 million, a 1.0% decrease compared to June 30, 2017 (See Table A-2). Total assets and deferred outflows of resources increased 1.4% to approximately $162.7 million and total liabilities and deferred inflows of resources increased 2.7% to approximately $106.6 million.

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

	2018	**2017 (1)**	**Percentage Change 2018-2017**
Current assets	$ 15,947	$ 13,479	18.3%
Restricted cash	8,688	13,314	(34.7%)
Property and equipment, net	131,441	126,728	3.7%
Designated assets held for self insurance	350	350	-
Deferred outflows of resources	6,305	6,636	(5.0%)
Total assets and deferred outflows of resources	**162,731**	**160,507**	**1.4%**
Current liabilities	17,615	12,486	41.1%
Advance lease receipts	8,557	9,148	(6.5%)
Refundable grants	1,132	5,186	(78.2%)
Net pension liability	15,208	16,973	(10.4%)
Net other postemployment benefits	62,759	58,752	6.8%
Deferred inflows of resources	1,307	1,262	3.6%
Total liabilities and deferred inflows of resources	**106,578**	**103,807**	**2.7%**
Net position:			
Net investment in capital assets	119,045	117,008	1.7%
Restricted	7,407	8,128	(8.9%)
Unrestricted	(70,299)	(68,436)	(2.7%)
Total net position	**$ 56,153**	**$ 56,700**	**(1.0%)**

(1) As restated for GASB Statement No. 75

The 1.4% increase in total assets and deferred outflow of resources was primarily due to a $4.7 million increase in net property and equipment. There were also increases in unrestricted cash and cash equivalence of approximately $3.2 million, a $0.1 million increase in receivables from federal, state and local governments and a $0.5 million increase in the effective portion of our fuel hedging program. These increases were partially offset by decreases in restricted cash of approximately $4.6 million, accounts receivable of $0.4 million, materials and supplies of $0.4 million as well as a decrease in deferred outflows related to our pension plan of approximately $0.8 million.

The increase in property and equipment was primarily due to net additions and disposals of approximately $24.1 million being offset by approximately $15.7 million of depreciation expense. The changes in cash and cash equivalence, accounts receivable and prepaid expenses were primarily due to the timing of federal and state grant receivables when compared to the prior year and having more prepaid expenses actually paid before year-end compared to last year. The change in restricted cash mainly relates to FEMA funding from the 2010 flood and proceeds from the sale of the Clement Landport being utilized during fiscal year 2018 for designated transit bus replacement purchases for buses lost in the flood as well as designated improvements to our Nestor and WeGo Central properties as approved by the 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 as well as an increase in our reserve for workers' compensation injuries due to a recent increase in frequency and severity of employee injuries. The decrease in advance lease receipts represents the continued amortization of capital received from the State of Tennessee in 2008 as it relates to contributions made to construct WeGo Central and cash received from Metropolitan 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 $1.1 million in restricted cash from FEMA grants that cannot be recognized until the actual vehicle replacement purchases have taken place. The decrease in refundable grants represents $4.1 million in restricted cash used from those FEMA grants for eligible vehicle replacement purchases that occurred during fiscal year 2018. 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 increased approximately $4.0 million, were recorded based upon the requirements of GASB No. 75 as previously explained. Adoption of the new Statement resulted in a restatement of our OPEB liability for fiscal year 2017 to $58.7 million, a $15.8 million increase. See Note A to the financial statements for changes relating to accounting and financial reporting for other postemployment benefits.

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 2019 as compared to fiscal year 2018:

The excess of revenues and capital contributions over expenses for the year ended June 30, 2019 was approximately $32.9 million compared to an excess of expense over revenues and capital contributions of approximately $0.5 million for the year ended June 30, 2018 (See Table A-3). MTA's total operating revenues decreased $0.5 million to approximately $11.2 million, or 4.3%, from approximately $11.7 million in the prior fiscal year. Total operating expense, including depreciation, increased 1.7% to approximately $103.1 million from approximately $101.4 million in the prior fiscal year.

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

Operating revenue:	**2019**	**2018**	**Percentage Change 2019-2018**
Passenger fares	$ 6,733	$ 7,199	(6.5%)
Contracts and other revenue	4,447	4,484	(0.8%)
Total operating revenue	**11.180**	**11,683**	**(4.3%)**
Operating expense:			
Operating expense	85,362	85,702	(0.4%)
Depreciation	17,778	15,721	13.1%
Total operating expense	**103,140**	**101,423**	**1.7%**
Operating loss	(91,960)	(89,740)	2.5%
Net non-operating revenue and capital contributions	124,848	89,193	40.0%
Increase/(decrease) in net position	**32,888**	**(547)**	6,112.4%
Total net position, beginning of year	56,153	56,700	(1.0%)
Total net position, end of year	**$ 89,041**	**$ 56,153**	**58.6%**

The 4.3% overall decrease in operating revenue was primarily due to increased use of free transfers, a slight decrease in overall bus ridership compared to the prior year and a decrease in advertising revenues related to a reduction in full wraps on our buses due to safety concerns as well as promotion of our rebranding campaign and not allowing advertising on newly branded buses. The free transfers, which were introduced during in August 2017, during fiscal year 2018, allowed one free transfer to another bus for up to two hours after the initial bus trip as opposed to the old policy of a requiring payment for each bus ride. Not only did fiscal year 2019 have one additional month of free transfers compared to the prior year, but our riders also became more accustom to better utilizing the transfer policy during fiscal year 2019. The decrease was partially off-set by an increase in contract revenue as a result of a 3% increase in our operating contracts with the Regional Transportation Authority as well as a slight increase in WeGo Access revenues for services provided to our elderly and persons with disabilities. Net non-operating revenue and capital contributions increased 40.0%, or $35.7 million, to approximately $124.8 million for fiscal year 2019. The primary reason for the increase was a $36.9 million increase in eligible capital grant contributions being spent compared to the prior year for ongoing capital improvements at our Nestor and WeGo Central properties, signal prioritization along our Murfreesboro Road route as well as more buses and WeGo Access vans being replaced. See the discussion of capital additions later in this discussion and analysis section. This increase was partially off-set by a decrease in Congestion Mitigation and Air Quality grant funding compared to the prior year.

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

Bus:	**2019**	**2018**	**Percentage Change 2019-2018**
Labor and fringes	$ 56,777	$ 56,574	0.4%
Purchased services	5,602	5,091	10.0%
Materials and supplies	9,634	10,884	(11.5%)
Other	3,667	3,999	(8.3%)
Depreciation	17,778	15,721	13.1%
Elderly and disabled	9,474	8,945	5.9%
Planning	208	209	(0.5%)
Total operating expense	**$ 103,140**	**$ 101,423**	**1.7%**

Labor and fringe expenses were basically flat in fiscal year 2019 as compared to 2018 due to the average number of open driver and maintenance positions throughout fiscal year 2019 offsetting any wage increases related to contractually negotiated step increases and a 2% overall wage increase.

The 10.0% increase in purchased services was primarily due to an increase in security services and other professional services. The increase in security services involved having a higher presence around WeGo Central transfer facility that was implemented during fiscal year 2018 with the full year impact in fiscal year 2019. We also saw an increase in legal services related to several projects involving operating contracts surrounding maintenance of the cameras on all our revenue vehicles as well as the renewal of our long-term lease with Dunkin Donuts. There were also additional software maintenance support contracts and increases in internal support service fees from Metropolitan Government.

The 11.5% decrease in materials and supplies was primarily due to a decrease in overall tire and parts expense compared to the prior year as a result of the purchase of forty-one replacement buses and nineteen replacement paratransit vans during fiscal year 2019. There were also decreases in service vehicle maintenance, janitorial supplies and printing compared to the prior year. These decreases were partially off-set by higher fuel prices in fiscal year 2019 related to our fuel hedging program.

Other expense decreased 8.3% in fiscal year 2019 compared to the prior year. The decrease was primarily due to a reduction in off-site training and seminars, utilities and advertising media. There was a concerted effort in fiscal year 2019 to take advantage of more in-house training and re-evaluation of off-site seminars which impacted overall training expenses. Utilities were down as a result of savings related to the installation of new lighting throughout all WeGo facilities.

The 13.1% increase in depreciation expense is primarily related to capital additions of approximately $40.2 million during fiscal year 2019 including replacement buses and vans and building improvements at our Nestor and WeGo Central locations. See the discussion of capital additions later in this discussion and analysis section.

Elderly and Disabled expense increased 5.9% primarily as a result of increased costs related to our paratransit taxi overflow services as well as costs associated with our new Access on Demand services both of which serve our eligible elderly and persons with disabilities community. The taxi overflow services are used when the demand for our services exceeds our ability to provide the required rides with our in-house paratransit services. Access on Demand is a premium paratransit service provided by contracted third party transit providers which allows for same day reservations Monday through Friday, but with a premium charge for the service.

Fiscal year 2018 as compared to fiscal year 2017:

The excess of expenses over revenues and capital contributions for the year ended June 30, 2018 was approximately $0.5 million compared to approximately $9.0 million for the year ended June 30, 2017 (See Table A-5). MTA's total operating revenues decreased 14.2% to approximately $11.7 million, or $1.9 million, from approximately $13.6 million in the prior fiscal year. Total operating expense, including depreciation, increased 2.4% to approximately $101.4 million from approximately $99.0 million in the prior fiscal year.

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

Operating revenue:	**2018**	**2017 (1)**	**Percentage Change 2018-2017**
Passenger fares	$ 7,199	$ 9,249	(22.2%)
Contracts and other revenue	4,484	4,363	2.8%
Total operating revenue	**11,683**	**13,612**	**(14.2%)**
Operating expense:			
Operating expense	85,702	82,991	3.3%
Depreciation	15,721	16,011	(1.8%)
Total operating expense	**101,423**	**99,002**	**2.4%**
Operating loss	(89,740)	(85,390)	5.1%
Net non-operating revenue and capital contributions	89,193	76,365	16.8%
Decrease in net position	**(547)**	**(9,025)**	(93.9%)
Total net position, beginning of year	56,700	65,725	(13.7%)
Total net position, end of year	**$ 56,153**	**$ 56,700**	**(1.0%)**

(1) As restated for GASB Statement No. 75

The 14.2% overall decrease in operating revenue was primarily due to the introduction of free transfers in August 2017 which allowed one free transfer to another bus for up to two hours after the initial bus trip as opposed to the old policy of a requiring payment for each bus ride. The estimated impact for the anticipated revenue decrease due to free transfers was subsidized through an increase in our Metropolitan Government annual subsidy totaling approximately $2.7 million.

The decrease was partially off-set by a 1.7% overall increase in ridership compared to the prior year, a 5.8% increase in advertising revenues as well as a slight increase in contract revenue as a result of a 3.0% increase in our operating contracts with the Regional Transportation Authority. Net non-operating revenue and capital contributions increased 16.8%, or $12.8 million, to approximately $89.2 million for fiscal year 2018. The primary reason for the increase was an $11.9 million increase in eligible capital grant contributions being spent compared to the prior year for ongoing capital improvements at our Nestor and WeGo Central properties as well as more buses being replaced. Additionally, we had an increase of $6.6 million, or 15.7%, in our annual subsidy from the Metropolitan Government. These increases were partially off-set by the fact that the prior year included a one-time gain of approximately $6.5 million on the sale of the Clement Landport.

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

Bus:	**2018**	**2017**	**Percentage Change 2018-2017**
Labor and fringes	$ 56,574	$ 56,577	(-)
Purchased services	5,091	4,559	11.7%
Materials and supplies	10,884	9,133	19.2%
Other	3,999	3,647	9.7%
Depreciation	15,721	16,011	(1.8%)
Elderly and disabled	8,945	8,858	1.0%
Planning	209	217	(3.7%)
Total operating expense	$ **101,423**	$ **99,002**	**2.4%**

Labor and fringes expense was basically flat in fiscal year 2018 as compared to 2017. There were increases due to actuarially calculated health insurance and workers' compensation expenses along with a 2.0% - 2.5% contractually agreed-upon increase in wages including built in wage step increases ranging from 5.0% to 7.0% depending on where employees are in their four-year wage progression. However, these increases were off-set by a decrease in actuarially determined pension and other post-employment benefit expenses compared to 2017.

The 11.7% increase in purchased services was primarily due to an increase in software maintenance services related to our Computer Aided Dispatch and Automatic Vehicle Location software ("CAD/AVL") that was implemented during fiscal year 2017 as well as increased security expenses and certain consulting expenses related to our health and pension plans compared to the prior year. There was also an increase in marketing expenses related to our WeGo Public Transit rebranding effort that was announced in June 2018. These increases were partially off-set by a decrease in other consultant expenses related to a comprehensive operational analysis and maintenance study both of which were performed in the prior year. The increase in security services involved having a full year of a required change in our contract during the latter part of fiscal year 2017 with the Metropolitan Police Department that resulted in higher minimum requirements for the use of off-duty officers as well as an increased security presence around our WeGo Central facility. The comprehensive operational analysis was a study of our existing service and routing that will enable MTA to optimize future operations.

The maintenance study in 2017 related to our effort to implement a more comprehensive and effective maintenance shop plan to keep buses and vans on the street.

The 19.2% increase in materials and supplies was primarily due to higher overall diesel and gasoline prices compared to last year along with increased parts expense related to bus and van repairs along with other materials and supplies expenses.

Other expense increased 9.7% in fiscal year 2018 compared to the prior year. The increase was primarily due to a 2.5% increase in insurance premiums and a 6.2% increase in accident claims paid through the end of fiscal year 2018 as well as an increase in advertising media and training. These increases were partially offset by decreased expenses related to subscriptions, leased equipment and other miscellaneous expenses compared to the prior year.

The 1.8% decrease in depreciation expense is primarily related to the sale of the Clement Landport during fiscal year 2017 resulting in less depreciation being recorded during the current year. There were also some buses and support vehicles that became fully depreciated during fiscal year 2018 resulting in less depreciation being recorded compared to the prior year.

Elderly and Disabled expense increased 1.0% primarily as a result of increased operator labor expenses as well as maintenance expenses for paratransit services as we expand our in-house service compared to the prior fiscal year.

Capital Assets

Fiscal year 2019 as compared to fiscal year 2018:

At the end of fiscal year 2019, MTA had invested approximately $172.0 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)

	2019	**2018**	**Percentage Change 2019-2018**
Land	$ 14,733	$ 14,733	-
Buildings, shelters and benches	100,246	96,496	3.9%
Revenue vehicles	128,151	103,864	23.4%
Equipment and parts	11,109	10,734	3.5%
Work in progress	32,767	14,592	124.6%
Office furniture and equipment	5,053	4,732	6.8%
Miscellaneous other	17,947	15,782	13.7%
Subtotal	310,006	260,933	18.8%
Less accumulated depreciation	(137,978)	(129,492)	6.6%
Net capital assets	**$ 172,028**	**$ 131,441**	**30.9%**

The increases in net capital assets were primarily related to the addition of 41 new replacement buses, 19 replacement paratransit vans, 2 new electric buses, along with building improvements to our Nestor Street and WeGo Central locations. There were also additions to projects from fiscal year 2018 work-in-progress ("WIP") that were still in progress at June 30, 2019. Some of the WIP projects included transit signal priority upgrades along the Murfreesboro Road corridor, continuing preliminary design services and new fare collection equipment for a new fare collection system and some new facility improvements at all MTA properties.

Fiscal year 2018 as compared to fiscal year 2017:

At the end of fiscal year 2018, MTA had invested approximately $131.4 million in a broad range of land, buildings, shelters and benches, revenue vehicles, equipment and ongoing projects as shown in Table A-8.

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

	2018	**2017**	**Percentage Change 2018-2017**
Land	$ 14,733	$ 14,733	-
Buildings, shelters and benches	96,496	93,879	2.8%
Revenue vehicles	103,864	98,770	5.2%
Equipment and parts	10,734	10,540	1.8%
Work in progress	14,592	8,540	70.9%
Office furniture and equipment	4,732	4,099	15.4%
Miscellaneous other	15,782	11,982	31.7%
Subtotal	260,933	242,543	7.6%
Less accumulated depreciation	(129,492)	(115,815)	11.8%
Net capital assets	**$ 131,441**	**$ 126,728**	**3.7%**

The increases in net capital assets were primarily related to projects from fiscal year 2017 work-in-progress ("WIP") that were still in progress at June 30, 2018. Some of the WIP projects included transit signal priority upgrades along the Murfreesboro Road corridor, consulting, vendor awards and preliminary design services for our new fare collection system and facility improvements at all MTA properties. Other additions included 8 replacement buses, the completion of a new charging station near Rosa Parks Boulevard for our electric buses, installation of new shelters along the Charlotte Avenue corridor as well as replacement computer equipment for items that had reached their useful life.

Economic Factors and Next Year's Budget

MTA's Board of Directors and management considered many factors when setting the fiscal year 2020 budget. These factors included changes in costs for existing core services based upon recommended service cuts due to no increase in our annual subsidy from Metropolitan Government as well as shortages in other grant funding, short-term initiatives resulting from recommendations out of our nMotion Plan including continued elimination of payment penalties for transfers, the impact of a fare increase to help off-set anticipated increased costs, the impact on advertising revenue as it relates to the implementation of our new WeGo branding initiative, improvements in access ride paratransit services and continuation of a new access 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, repainting of existing buses and vans to match our WeGo branding initiative and any facility maintenance or rehab needed at our Nestor Street, Myatt Drive and WeGo Central 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 Nashville Metropolitan Transit Authority's Finance Department, 430 Myatt Drive, Nashville, TN 37115.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF NET POSITION

	June 30, 2019	June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,576,832	$ 5,518,908
Receivables from federal, state and local governments	8,099,358	5,742,564
Accounts receivable, less allowances of $6,000 in both years	1,667,674	1,244,568
Materials and supplies, net	2,737,465	2,698,423
Prepaid expenses and other current assets	606,914	742,554
Total current assets	17,688,243	15,947,017
Restricted funds:		
Cash and cash equivalents	1,330,473	8,688,229
Property and equipment, net	172,027,771	131,440,727
Other assets:		
Designated assets - cash and investments held by custodians for self-insurance	350,000	350,000
Total assets	191,396,487	156,425,973
DEFERRED OUTFLOWS OF RESOURCES		
Effective portion of fuel hedge program	524,954	714,440
Pensions	5,259,877	5,590,147
Other postemployment benefits	4,360,605	-
Total deferred outflows of resources	10,145,436	6,304,587
Total assets and deferred outflows of resources	$ 201,541,923	$ 162,730,560

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF NET POSITION

	June 30, 2019	June 30, 2018
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,257,520	$ 6,398,421
Notes payable	6,500,000	4,000,000
Accrued expenses:		
Salaries, wages and payroll taxes	964,024	901,188
Accident losses	885,802	995,142
Compensated absences	1,357,956	1,261,849
Medical benefit claims	1,273,997	1,082,291
Workers' compensation	1,747,651	1,858,506
Other current liabilities	703,338	1,117,141
Total current liabilities	17,690,288	17,614,538
Non-current liabilities:		
Advance lease receipts	7,967,457	8,557,462
Refundable grants	455,652	1,131,959
Net pension liability	12,994,684	15,207,913
Net other postemployment benefits obligation	69,427,491	62,759,296
Total non-current liabilities	90,845,284	87,656,630
Total liabilities	108,535,572	105,271,168
DEFERRED INFLOWS OF RESOURCES		
Pensions	2,286,571	1,306,801
Other postemployment benefits	1,679,064	-
Total deferred inflows of resources	3,965,635	1,306,801
NET POSITION		
Net investment in capital assets	162,033,477	119,045,132
Restricted for capital purchases	833,731	7,406,806
Unrestricted	(73,826,492)	(70,299,347)
Total net position	89,040,716	56,152,591
Total liabilities, deferred inflows of resources, and net position	$ 201,541,923	$ 162,730,560

See accompanying notes to financial statements.

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

	Year Ended June 30, 2019	Year Ended June 30, 2018
OPERATING REVENUES		
Passenger fares	$ 6,733,178	$ 7,199,132
Contract revenues	2,651,804	2,565,142
Elderly and disabled passengers	889,472	852,456
Advertising	905,027	1,066,245
Total operating revenues	11,179,481	11,682,975
OPERATING EXPENSES		
Bus:		
Labor and fringe benefits	56,777,156	56,573,606
Purchased services	5,601,988	5,090,702
Materials and supplies	9,634,258	10,884,330
Other	3,666,341	3,999,567
Elderly and disabled passengers	9,474,156	8,945,311
Planning	207,955	209,085
Depreciation	17,777,666	15,720,799
Total operating expenses	103,139,520	101,423,400
Operating loss	(91,960,039)	(89,740,425)
NON-OPERATING REVENUES (EXPENSE)		
Operating assistance:		
Local	48,635,900	48,635,900
State	4,992,655	4,723,500
Planning and other assistance	2,447,913	4,427,750
Sub-recipient pass-through	(917,764)	(1,197,274)
Gain (loss) on disposal of property and equipment	35,831	(24,180)
Interest expense, net	(105,036)	(61,101)
Other	1,869,512	1,726,391
Total non-operating revenues	56,959,011	58,230,986
DECREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(35,001,028)	(31,509,439)
CAPITAL CONTRIBUTIONS	67,889,153	30,962,073
CHANGE IN NET POSITION	32,888,125	(547,366)
NET POSITION AT BEGINNING OF YEAR	56,152,591	56,699,957
NET POSITION AT END OF YEAR	$ 89,040,716	$ 56,152,591

See accompanying notes to financial statements.

METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 10,756,375	$ 12,082,936
Cash payments to or on behalf of employees	(53,453,897)	(52,997,323)
Cash payments to suppliers	(29,150,820)	(28,963,789)
Net cash used in operating activities	(71,848,342)	(69,878,176)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Planning assistance and other grant collections	2,479,435	5,569,550
State operating grant collections	4,992,655	4,723,500
Local operating grant collections	48,635,900	48,635,900
Net borrowings on revolving credit lines	2,500,000	1,150,000
Interest payments	(110,314)	(70,025)
Payments to sub-recipients	(917,764)	(1,197,274)
Net cash provided by non-capital financing activities	57,579,912	58,811,651
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposal of property and equipment	45,913	5,712
Payment of accounts payable for property and equipment	(3,838,136)	(572,413)
Cash purchases of property and equipment	(56,347,955)	(16,625,168)
Capital contributions and other capital related collections	65,500,837	29,706,005
Refundable grants	(676,307)	(4,053,992)
Net cash provided by capital and related financing activities	4,684,352	8,460,144
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income collected	1,284,246	1,144,771
Net cash provided by investing activities	1,284,246	1,144,771
DECREASE IN CASH AND CASH EQUIVALENTS	(8,299,832)	(1,461,610)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,207,137	15,668,747
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,907,305	$ 14,207,137

See accompanying notes to financial statements.

	Year Ended June 30, 2019	Year Ended June 30, 2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (91,960,039)	$ (89,740,425)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	17,777,666	15,720,799
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(423,106)	399,961
Materials and supplies, net	(39,042)	398,224
Prepaid expenses and other	325,665	12,281
Increase (decrease) in:		
Accounts payable	(329,602)	(145,000)
Accrued salaries, wages, and payroll taxes	62,836	137,360
Accrued accident losses	(109,340)	(132,545)
Accrued compensated absences	96,107	(24,704)
Accrued medical benefit claims	191,706	(212,501)
Accrued workers compensation	(110,855)	566,290
Accrued other liabilities	(413,803)	32,248
Net other postemployment benefits obligation and related amounts	3,986,654	4,007,119
Net pension liability and related amounts	(903,189)	(897,283)
Net cash used in operating activities	$ (71,848,342)	$ (69,878,176)
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Acquisition of property and equipment	$ 58,374,792	$ 20,463,304
Amounts included in accounts payable at year end	(2,026,837)	(3,838,136)
Total cash paid for property and equipment	$ 56,347,955	$ 16,625,168

The estimated fair value of fuel hedges were $524,954 and $714,440 at June 30, 2019 and 2018, respectively. The changes in the fair values of the fuel hedges of ($189,486) and ($491,243) for 2019 and 2018, respectively, are included in deferred outflows 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, 2019 and 2018, a valuation allowance of $150,685 and $54,025, respectively, was deemed 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 2019 or 2018.

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, 2019 and 2018.

At June 30, 2019 and 2018, MTA also reports deferred outflows and inflows of resources related to both the pension and other postemployment benefit ("OPEB") plans. Deferred outflows of resources relate 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 projected and actual earnings related to the pension plan investments, and, when applicable, changes in assumptions used in the actuarial valuations (See Notes J and K).

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and display of postemployment healthcare benefits expense and related liabilities, assets, net disclosure, and required supplementary information.

Net Position

MTA's net position classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted - This component consists of net position restricted by grantors, contributors, or laws and regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted - This component consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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.

During fiscal years 2019 and 2018, MTA's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2019 and 2018, the carrying amount and corresponding bank balances of deposits were as follows:

2019:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents, including restricted amounts	$6,442,736	$5,907,305

2018:	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents, including restricted amounts	$15,063,134	$14,207,137

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, 2019 and 2018.

C. RECEIVABLES FROM OTHER GOVERNMENTS

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

	2019	2018
Non-capital related grants:		
FTA	$ 291,593	$ 367,095
TDOT	488,676	390,547
Metropolitan Government	25,536	79,685
Capital related grants:		
FTA	3,618,224	2,416,796
TDOT	2,021,125	1,611,652
Metropolitan Government	1,654,204	876,789
	$8,099,358	$5,742,564

D. PROPERTY AND EQUIPMENT

A summary of the changes in property and equipment and related accumulated depreciation for the year ended June 30, 2019, is as follows:

	Estimated Economic Lives In Years	Balance at June 30, 2018	Additions
Property and equipment:			
Motor buses	10 - 12	$ 96,068,085	$31,694,546
Electric buses	12	7,796,089	1,730,849
Spare parts	5	327,123	-
Fare equipment	10 - 20	6,879,679	229,620
Service cars	3 - 10	1,392,453	172,157
Shop and garage equipment	10	2,135,117	25,011
Furniture and office equipment	10	899,499	4,833
Computer equipment	5 - 10	3,832,073	384,181
Miscellaneous equipment	10	15,782,117	945,257
Shelters and benches	10 - 20	9,390,422	165,258
Buildings	10 - 40	39,401,766	38,710
Music City Central	7 - 30	47,703,918	52,603
Land	-	14,733,025	-
Construction in-progress (Note L)	-	14,591,675	22,931,767
		260,933,041	58,374,792
Accumulated depreciation:			
Motor buses		60,651,494	8,090,070
Electric buses		1,678,325	673,714
Spare parts		321,803	2,775
Fare equipment		5,186,335	386,456
Service cars		1,271,535	99,182
Shop and garage equipment		1,206,382	222,358
Furniture and office equipment		765,277	97,413
Computer equipment		2,884,655	358,274
Miscellaneous equipment		6,804,649	2,014,251
Shelters and benches		5,681,736	877,075
Buildings		27,196,848	3,311,679
Music City Central		15,844,275	1,644,419
		129,492,314	17,777,666
Property and equipment, net		$131,440,727	$40,597,126

Disposals	Reclassifications	Balance at June 30, 2019
$(9,138,339)	$ -	$118,624,292
-	-	9,526,938
-	-	327,123
-	-	7,109,299
(51,748)	-	1,512,862
-	-	2,160,128
(13,830)	41,696	932,198
(88,026)	(7,806)	4,120,422
(9,579)	1,229,202	17,946,997
-	-	9,555,680
-	3,265,806	42,706,282
-	227,879	47,984,400
-	-	14,733,025
-	(4,756,777)	32,766,665
(9,301,522)	-	310,006,311
(9,138,340)	-	59,603,224
-	-	2,352,039
-	-	324,578
-	-	5,572,791
(40,905)	65,661	1,395,473
-	-	1,428,740
(13,830)	-	847,860
(88,786)	-	3,154,143
(9,579)	(65,661)	8,743,660
-	-	6,558,811
-	-	30,508,527
-	-	17,488,694
(9,291,440)	-	137,978,540
$(10,082)	$ -	$172,027,771

D. PROPERTY AND EQUIPMENT - Continued

A summary of the changes in property and equipment and related accumulated depreciation for the year ended June 30, 2018, is as follows:

	Estimated Economic Lives In Years	Balance at June 30, 2017	Additions
Property and equipment:			
Motor buses	10 - 12	$ 90,973,728	$ 7,079,384
Electric buses	12	7,796,089	-
Spare parts	5	327,123	-
Fare equipment	10 - 20	6,856,479	23,200
Service cars	3 - 10	1,380,634	11,819
Shop and garage equipment	10	1,975,472	159,645
Furniture and office equipment	10	899,499	-
Computer equipment	5 - 10	3,199,221	718,308
Miscellaneous equipment	10	11,982,034	756,316
Shelters and benches	10 - 20	7,537,524	93,224
Buildings	10 - 40	38,982,413	419,353
Music City Central	7 - 30	47,358,879	346,327
Land	-	14,733,025	-
Construction in-progress (Note L)	-	8,540,355	10,855,728
		242,542,475	20,463,304
Accumulated depreciation:			
Motor buses		56,119,360	6,489,171
Electric buses		1,028,651	649,674
Spare parts		319,028	2,775
Fare equipment		4,784,098	402,237
Service cars		1,173,976	97,559
Shop and garage equipment		981,335	225,047
Furniture and office equipment		665,619	98,658
Computer equipment		2,688,648	281,463
Miscellaneous equipment		4,997,206	1,808,296
Shelters and benches		4,887,196	794,540
Buildings		23,975,240	3,221,608
Music City Central		14,194,543	1,649,771
		115,814,900	15,720,799
Property and equipment, net		$126,727,575	$ 4,742,505

Disposals	Reclassifications	Balance at June 30, 2018
$(1,985,027)	$ -	$ 96,068,085
-	-	7,796,089
-	-	327,123
-	-	6,879,679
-	-	1,392,453
-	-	2,135,117
-	-	899,499
(85,456)	-	3,832,073
(967)	3,044,734	15,782,117
-	1,759,674	9,390,422
-	-	39,401,766
(1,288)	-	47,703,918
-	-	14,733,025
-	(4,804,408)	14,591,675
(2,072,738)	-	260,933,041
(1,957,037)	-	60,651,494
-	-	1,678,325
-	-	321,803
-	-	5,186,335
-	-	1,271,535
-	-	1,206,382
-	-	764,277
(85,456)	-	2,884,655
(853)	-	6,804,649
-	-	5,681,736
-	-	27,196,848
(39)	-	15,844,275
(2,043,385)	-	129,492,314
$(29,353)	$ -	$131,440,727

D. PROPERTY AND EQUIPMENT - Continued

Construction in progress at June 30, 2019, is attributable to the following (See Note L):

Signal priority project	$12,930,270
BRT lines	979,568
MCC Property	6,778,014
Building and facilities	2,488,506
Fare technology upgrades	8,357,431
Other projects	1,232,876
Total construction in progress	$32,766,665

During fiscal year 2019, the following projects were substantially completed and were transferred to capital assets:

Myatt Drive property	$ 485,003
Nestor Street	2,921,983
Transit asset management	465,284
Other projects	884,507
	$4,756,777

Construction in progress at June 30, 2018, is attributable to the following (See Note L):

Signal priority project	$ 7,306,940
Strategic master plan	314,270
BRT lines	303,905
MCC Property	1,982,910
Building and facilities	2,219,410
Fare technology upgrades	1,377,759
Other projects	1,086,481
Total construction in progress	$14,591,675

During fiscal year 2018, the following projects were substantially completed and were transferred to capital assets:

Electric buses and charging stations	$1,849,656
BRT line	1,212,334
Other projects	1,742,418
	$4,804,408

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 $34,000,000 as of June 30, 2019. 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. During fiscal year 2018, $281,685 was received and $4,335,677 was spent for asset replacement. During fiscal year 2019, $676,307 was spent for asset replacement; accordingly, refundable grants totaled $455,652 at June 30, 2019.

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 $885,802 and $995,142 has been made for all such known losses incurred as of June 30, 2019 and 2018, 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 2019 and 2018 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, 2019 and 2018, MTA owed the Trust $1,273,997 and $1,082,291, 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, 2019 and 2018 are as follows:

	Balance at Beginning of Year	Net Claims Expenses	Claim Payments	Balance at End of Year
2019	$1,082,291	$13,534,248	$13,342,542	$1,273,997
2018	1,294,792	13,565,391	13,777,892	1,082,291

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, 2019 and 2018. 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 2019 and 2018, MTA's workers' compensation claims did not exceed the maximum. At June 30, 2019 and 2018, provisions of $1,747,651 and $1,858,506, 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, 2019 and 2018.

G. DEBT

In March 2017, MTA entered into an $11,200,000 revolving line-of-credit with Fifth Third Bank, to replace the previously outstanding credit line. In April 2019, the revolving credit line amount was increased to $14,000,000 with a maturity date of March 31, 2020. 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 2.10% and 2.04% at June 30, 2019 and 2018, 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, 2019 and 2018 is as follows:

2019:

	Balance at Beginning of Year	Borrowings	Repayments	Balance at End of Year
Fifth Third Bank	$4,000,000	$11,543,904	$(9,043,904)	$6,500,000

2018:

	Balance at Beginning of Year	Borrowings	Repayments	Balance at End of Year
Fifth Third Bank	$2,850,000	$9,020,750	$(7,870,750)	$4,000,000

H. FUEL-HEDGING PROGRAM

MTA participates in the Metropolitan Government's fuel hedging program. MTA's objective is to hedge the changes in cash flows due to market price fluctuations related to a portion of expected purchases of diesel fuel. Details of MTA's participation in the fuel-hedging program for the years ended June 30, 2019 and 2018 are as follows:

Monthly Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
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
84,000 gallons, diesel	7/1/18	6/30/19	Pay $1.756 per gallon; Settlement based on ULSD-New York Harbor-NYMEX	Baal/BBB+

H. FUEL-HEDGING PROGRAM - Continued

84,000 gallons, diesel	7/1/18	6/30/19	Pay $1.828 per gallon; Settlement based on ULSD-New York Harbor-NYMEX	Baal/BBB+
96,825 gallons, diesel	7/1/18	6/30/19	Pay $1.8775 per gallon; Settlement based on ULSD-New York Harbor-NYMEX	Baal/BBB+
84,000 gallons, gasoline	7/1/18	6/30/19	Pay $1.657 per gallon; Settlement based on NYMEX NYH RBOB	Baal/BBB+
42,000 gallons, gasoline	7/1/18	6/30/19	Pay $1.718 per gallon; Settlement based on NYMEX NYH RBOB	Baal/BBB+
38,625 gallons, gasoline	7/1/18	6/30/19	Pay $1.76 per gallon; Settlement based on NYMEX NYH RBOB	Baal/BBB+
18,761 gallons, diesel	7/1/19	6/30/20	Pay $2.20 per gallon; Settlement based on NYMEX HO	A3
37,523 gallons, diesel	7/1/19	6/30/20	Pay $2.24 per gallon; Settlement based on NYMEX HO	Aa2
37,523 gallons, diesel	7/1/19	6/30/20	Pay $2.306 per gallon; Settlement based on NYMEX HO	Aa2

H. FUEL-HEDGING PROGRAM - Continued

31,805 gallons, diesel	7/1/19	6/30/20	Pay $2.1125 per gallon; Settlement based on NYMEX HO	Aa2
9,311 gallons, gasoline	7/1/19	6/30/20	Pay $2.04 per gallon; Settlement based on NYMEX MYH RBOB	A3
9,311 gallons, gasoline	7/1/19	6/30/20	Pay $2.046 per gallon; Settlement based on XB-NYMEX-FUTURES	Aa2
9,311 gallons, gasoline	7/1/19	6/30/20	Pay $1.95 per gallon; Settlement based on XB-NYMEX-FUTURES	Aa2
9,201 gallons, gasoline	7/1/19	6/30/20	Pay $1.90 per gallon; Settlement based on XB-NYMEX-FUTURES	Aa2

The fair value of the fuel hedging instruments was an asset of $524,954 and $714,440 at June 30, 2019 and 2018, 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 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 $3,704,957 and $3,964,962 at June 30, 2019 and 2018, 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 $4,262,500 and $4,592,500 at June 30, 2019 and 2018, 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 - Continued

As of the most recent measurement date, June 30, 2018, the Pension Plan covered 228 retirees receiving benefits; 14 terminated vested; and 652 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 guaranteed return of the participant's required contribution. Retirees received a 1.5% cost-of-living adjustment per year, through fiscal year 2018, as contractually agreed upon in the labor union contract between the Employer and the Union. For fiscal years 2019 to 2021, the cost-of-living adjustment was increased to 2%.

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

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

J. PENSION PLAN - Continued

Contributions

The Pension Plan is funded by monthly contributions from both DTO and plan members. Contribution requirements of the plan members and DTO are established in Article VII of the Pension Plan document. Plan members are required to contribute 4.50% of their covered payroll. DTO is required to contribute at an actuarially determined rate of payroll, which was 8.05% and 8.52% in fiscal years 2019 and 2018, respectively. The Employer's contributions totaled \$2,969,440 and \$3,058,880, for fiscal years 2019 and 2018, 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, 2018, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of July 1, 2017, with rollfoward procedures to the measurement date.

Actuarial Assumptions

Actuarial methods and assumptions as of July 1, 2017, based on a rollfoward of the entry age normal liabilities to June 30, 2018, the measurement date, are detailed below:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open; 20 year amortization
Asset valuation method	5-Year phase-in realized and unrealized gains and losses, 20% corridor
Rate of investment return	7.75% per annum, compounded annually, including inflation
Projected salary increases	Sliding scale based on years of service as determined from 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.
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 Conduent Modified MP-2017 improvement scale.
Disabled mortality	RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Conduent Modified MP-2017 improvement scale.

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%

The investment guidelines provide for no single investment to be larger than 10% of total assets. As of June 30, 2018, the measurement date, the Plan was invested in a mutual fund, which represented 17.28% of total investments.

J. PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a simulation of capital markets using the Plan's long-term investment targets. Expected future real rates of return (expected returns, net of pension plan investment expense and inflation) were 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, 2018, the single blended discount rate used to measure the total pension liability was changed from 7.68% to 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.

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, 2017 (June 30, 2016 measurement date)	$ 57,245,535	$ 40,272,751	$ 16,972,784
Changes for the year:			
Service cost	2,300,483	-	2,300,483
Interest	4,403,968	-	4,403,968
Differences between expected and actual experience	235,342	-	235,342
Change of assumptions	(311,269)	-	(311,269)
Contributions-employer	-	2,643,077	(2,643,077)
Contributions-employees	-	1,610,224	(1,610,224)
Net investment income	-	4,340,908	(4,340,908)
Benefit payments, including refunds of employee contributions	(3,722,226)	(3,722,226)	-
Administrative expense	-	(200,814)	200,814
Net changes	2,906,298	4,671,169	(1,764,871)
Balance at June 30, 2018 (June 30, 2017 measurement date)	60,151,833	44,943,920	15,207,913
Changes for the year:			
Service cost	2,321,380	-	2,321,380
Interest	4,651,528	-	4,651,528
Differences between expected and actual experience	291,581	-	291,581
Change of assumptions	(1,464,943)	-	(1,464,943)
Contributions-employer	-	3,025,772	(3,025,772)
Contributions-employees	-	1,604,727	(1,604,727)
Net investment income	-	3,615,391	(3,615,391)
Benefit payments, including refunds of employee contributions	(3,884,742)	(3,884,742)	-
Administrative expense	-	(233,115)	(233,115)
Net changes	1,914,804	4,128,033	(2,213,229)
Balance at June 30, 2019 (June 30, 2018 measurement date)	$ 62,066,637	$ 49,071,953	$ 12,994,684

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, 2019 and 2018, 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, 2019:	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	$19,849,651	$12,994,684	$7,171,017

June 30, 2018:	1% Decrease (6.68%)	Current Discount Rate (7.68%)	1% Increase (8.68%)
Net pension liability	$21,989,281	$15,207,913	$9,460,164

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, 2019 and 2018, MTA recognized pension expense of $2,033,143 and $1,955,537, respectively.

J. PENSION PLAN - Continued

Deferred outflows of resources and deferred inflows of resources

As of June 30, 2019 and 2018, 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
2019:		
Difference between projected and actual earnings on pension plan investments	$ 359,050	$ -
Difference between expected and actual experience	1,179,587	-
Changes of assumptions	751,800	(2,286,571)
Contributions subsequent to the measurement date	2,969,440	-
Total	$5,259,877	$(2,286,571)
2018:		
Difference between projected and actual earnings on pension plan investments	$ 343,128	$ -
Difference between expected and actual experience	1,185,740	-
Changes of assumptions	1,002,399	(1,306,801)
Contributions subsequent to the measurement date	3,058,880	-
Total	$5,590,147	$(1,306,801)

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, 2019 will be recognized in pension expense as follows:

Year Ended June 30,	
2020	$ 548,342
2021	217,606
2022	(196,972)
2023	(257,477)
2024	(185,037)
Thereafter	(122,596)

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, 2019 and 2018, 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, 2019, the latest actuarial valuation date, the Health Plan covered 201 retirees receiving benefits and 608 active participants.

MTA accounts for other post-employment benefits in accordance with GASB No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("OPEB")*. GASB No. 75 establishes standards for recognizing and measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources and OPEB expense for employers who participate in a trusted or non-trusted single-employer, agent multiple-employer or cost-sharing multiple-employer plan.

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.

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, 2019 and 2018 totaled $302,125 and $285,603, respectively.

Experience gains or losses were amortized over the average working lifetime of all participants. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Total OPEB liability as of June 30, 2017	$ 58,752,177	$ -	$ 58,752,177
Changes for the Year:			
Service Cost	4,117,831	-	4,117,831
Interest Cost (including interest on service cost)	2,390,826	-	2,390,826
Change of Benefit Terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Other changes	-	-	-
Contributions - Employer	-	-	-
Net Investment Income	-	-	-
Benefits paid	(2,501,538)	-	(2,501,538)
Administrative expense	-	-	-
Net Change in total OPEB liability	4,007,119	-	4,007,119
Total OPEB liability as of June 30, 2018	62,759,296	-	62,759,296
Changes for the Year:			
Service cost	4,277,603	-	4,277,603
Interest cost (including interest on service cost)	2,373,679	-	2,373,679
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,991,739)	-	(1,991,739)
Changes of assumptions	5,172,636	-	5,172,636
Other changes	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefits paid	(3,163,984)	-	(3,163,984)
Administrative expense	-	-	-
Net change in total OPEB liability	6,668,195	-	6,668,195
Total OPEB liability as of June 30, 2019	$ 69,427,491	$ -	$ 69,427,491

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

Total OPEB expense as of June 30, 2019, includes service cost at July 1, 2018, of $4,277,603 and interest cost (including interest on service cost) of $2,373,679, and the amortized amount of each basis required by GASB 75 of $449,356 totaling $7,150,638.

Sensitivity of the Net OPEB Liability to Changes in Discount Rate - The following presents the net OPEB liability of MTA, as well as what MTA net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1% Decrease 2.5%	Current Rate 3.5%	1% Increase 4.5%
Net OPEB Liability	$81,385,886	$69,427,491	$59,894,912

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates – The following presents the net OPEB liability of MTA, as well as, what MTA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% decreasing to 3% over 5 years) or 1-percentage-point higher (7.5% decreasing to 5% over 5 years) than the current healthcare cost trend rates:

	1% Decrease 5.5% decreasing to 3% over 5 years	Current 6.5% decreasing to 4% over 5 years	1% Increase 7.5% decreasing to 5% over 5 years
Net OPEB Liability	$59,900,065	$69,427,491	$81,625,016

Deferred outflows of resources and deferred inflows of resources

As of June 30, 2019, MTA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019:		
Difference between expected and actual experience	$ -	$(1,679,064)
Changes of assumptions	4,360,605	-
Total	$4,360,605	$(1,679,064)

There were no deferred outflows of resources and no deferred inflows of resources related to OPEB as of June 30, 2018.

K. OTHER POSTEMPLOYMENT BENEFITS - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits at June 30, 2019 will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	$ 499,356
2021	499,356
2022	499,356
2023	499,356
2024	499,356
Thereafter	184,761

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

Actuarial Assumptions:

In the June 30, 2019, actuarial valuation, the following significant actuarial methods and assumptions were used:

Actuarial valuation method	Individual entry age normal cost method
Amortization method	Level percentage of projected salary
Discount rate	3.50%
Health care cost trend rate	6.50% in fiscal year 2019; reducing to 4.00% in fiscal 2024. Level 4.00% for age 65 and later
Mortality	RPH-2014 Total Table with Projection MP-2018
Retirement rates	Rates developed from the 2016 Buck Experience Study

The discount rate was based on the Bond Buyer Go Bond 20 Index as of June 30, 2019.

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, 2019 are various projects, as described in Note D. Estimated costs to complete these projects were as follows at June 30, 2019:

Nolensville Shelter Project	$ 3,500,000
Music City Center and Nester	300,000
Fare technology upgrades	8,000,000
	$11,800,000

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. Based on management's analysis as of June 30, 2019, 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, 2019.

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, 2019 and 2018, are as follows:

	2019	2018
Net investment in capital assets:		
Property and equipment, net	$ 172,027,771	$ 131,440,727
Less: Borrowings and other liabilities related to capital assets:		
Portion of note payable relating to capital assets	-	-
Unearned revenues	(7,967,457)	(8,557,462)
Other liabilities relating to capital assets	(2,026,837)	(3,838,133)
Total net investment in capital assets	162,033,477	119,045,132
Restricted	833,731	7,406,806
Unrestricted	(73,826,492)	(70,299,347)
Total net position	$ 89,040,716	$ 56,152,591

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, of which $833,731 and $6,987,178 remained as of June 30, 2019 and 2018, respectively, from the sale of Clement Landport. These funds must be utilized in accordance with FTA regulations and directives. Accordingly, such funds are included in restricted net position at June 30, 2019 and 2018.

Also included in restricted net position at June 30, 2018, is $419,628 of funds received relating to NES proceeds, which are restricted under FTA regulations. These funds were fully expended during fiscal year 2019.

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 2019 and 2018 for certain contracted bus services. Revenue from the RTA for all contracted services during fiscal 2019 and 2018 totaled $2,651,804 and $2,565,142, respectively. At June 30, 2019 and 2018, the receivable from the RTA, included in accounts receivable in the accompanying statements of net position, totaled $430,912 and $420,862, 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

	June 30, 2019		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	$ 15,290,029	$ 2,398,214	$ 17,688,243
Capital assets, net	172,027,771	-	172,027,771
Other assets	1,330,473	350,000	1,680,473
Total assets	188,648,273	2,748,214	191,396,487
Deferred outflows of resources	524,954	9,620,482	10,145,436
Total assets and deferred outflows of resources	$ 189,173,227	$ 12,368,696	$ 201,541,923
Liabilities			
Current liabilities	$ 11,772,764	$ 5,917,524	$ 17,690,288
Noncurrent liabilities	8,423,109	82,422,175	90,845,284
Total liabilities	20,195,873	88,339,699	108,535,572
Deferred inflows of resources	-	3,965,635	3,965,635
Net position			
Net investment in capital assets	162,033,477	-	162,033,477
Restricted	833,731	-	833,731
Unrestricted	6,110,146	(79,936,638)	(73,826,492)
Total net position	168,977,354	(79,936,638)	89,040,716
Total liabilities, deferred inflows of resources and net position	$ 189,173,227	$ 12,368,696	$ 201,541,923
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 11,174,703	$ 4,778	$ 11,179,481
Operating expenses	39,257,970	63,881,550	103,139,520
Operating (loss)	(28,083,267)	(63,876,772)	(91,960,039)
Nonoperating revenues (expenses), net	56,959,011	-	56,959,011
Capital contributions	67,889,153	-	67,889,153
Transfers	(60,979,040)	60,979,040	-
Change in net position	35,785,857	(2,897,732)	32,888,125
Net position - beginning of year	133,191,497	(77,038,906)	56,152,591
Net position - end of year	$ 168,977,354	$ (79,936,638)	$ 89,040,716
Condensed Statements of Cash Flows			
Cash flows from operating activities	$ (10,709,014)	$ (61,139,328)	$ (71,848,342)
Cash flows from noncapital financing activities	57,579,912	-	57,579,912
Cash flows from capital and related financing activities	4,684,352	-	4,684,352
Cash flows from investing activities	1,284,246	-	1,284,246
Transfers	(60,979,040)	60,979,040	-
Change in cash and cash equivalents	(8,139,544)	(160,288)	(8,299,832)
Cash and cash equivalents - beginning of year	12,235,368	1,971,769	14,207,137
Cash and cash equivalents - end of year	$ 4,095,824	$ 1,811,481	$ 5,907,305

CONDENSED FINANCIAL INFORMATION BY ENTITY - Continued

	June 30, 2018		
	Metropolitan Transit Authority	Davidson Transit Organization	Total
Condensed Statements of Net Position			
Assets			
Current assets	$ 13,820,821	$ 2,126,196	$ 15,947,017
Capital assets, net	131,440,727	-	131,440,727
Other assets	8,688,229	350,000	9,038,229
Total assets	153,949,777	2,476,196	156,425,973
Deferred outflows of resources	714,440	5,590,147	6,304,587
Total assets and deferred outflows of resources	$ 154,664,217	$ 8,066,343	$ 162,730,560
Liabilities			
Current liabilities	$ 11,783,299	$ 5,831,239	$ 17,614,538
Noncurrent liabilities	9,689,421	77,967,209	87,656,630
Total liabilities	21,472,720	83,798,448	105,271,168
Deferred inflows of resources	-	1,306,801	1,306,801
Net position			
Net investment in capital assets	119,045,132	-	119,045,132
Restricted	7,406,806	-	7,406,806
Unrestricted	6,739,559	(77,038,906)	(70,299,347)
Total net position	133,191,497	(77,038,906)	56,152,591
Total liabilities, deferred inflows of resources and net position	$ 154,664,217	$ 8,066,343	$ 162,730,560
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 11,675,064	$ 7,911	$ 11,682,975
Operating expenses	37,830,939	63,592,461	101,423,400
Operating (loss)	(26,155,875)	(63,584,550)	(89,740,425)
Nonoperating revenues (expenses), net	58,230,986	-	58,230,986
Capital contributions	30,962,073	-	30,962,073
Transfers	(59,733,899)	59,733,899	-
Change in net position	3,303,285	(3,850,651)	(547,366)
Net position - beginning of year	129,888,212	(73,188,255)	56,699,957
Net position - end of year	$ 133,191,497	$ (77,038,906)	$ 56,152,591
Condensed Statements of Cash Flows			
Cash flows from operating activities	$ (10,662,460)	$ (59,215,716)	$ (69,878,176)
Cash flows from noncapital financing activities	58,811,651	-	58,811,651
Cash flows from capital and related financing activities	8,460,144	-	8,460,144
Cash flows from investing activities	1,144,771	-	1,144,771
Transfers	(59,733,899)	59,733,899	-
Change in cash and cash equivalents	(1,979,793)	518,183	(1,461,610)
Cash and cash equivalents - beginning of year	14,215,161	1,453,586	15,668,747
Cash and cash equivalents - end of year	$ 12,235,368	$ 1,971,769	$ 14,207,137

REQUIRED SUPPLEMENTARY INFORMATION

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

	2019 (2018 Measurement)	2018 (2017 Measurement)	2017 (2016 Measurement)	2016 (2015 Measurement)	2015 (2014 Measurement)
TOTAL PENSION LIABILITY					
Service cost	$ 2,321,380	$ 2,300,483	$ 2,274,196	$ 2,067,568	$ 1,765,386
Interest	4,651,528	4,403,968	4,161,680	3,796,926	3,623,679
Change in benefit terms	-	-	1,741,746	-	-
Difference between expected and actual experience	291,581	235,342	996,205	499,931	-
Change of assumptions	(1,464,943)	(311,269)	(1,483,471)	1,754,196	-
Benefit payments	(3,884,742)	(3,722,226)	(3,670,960)	(3,568,443)	(3,409,727)
Net change in total pension liability	1,914,804	2,906,298	4,019,396	4,550,178	1,979,338
Total pension liability Beginning	60,151,833	57,245,535	53,226,139	48,675,961	46,696,623
Total pension liability ending (a)	$ 62,066,637	$ 60,151,833	$ 57,245,535	$ 53,226,139	$ 48,675,961
PLAN FIDUCIARY NET POSITION					
Contributions - employer	$ 3,025,772	$ 2,643,077	$ 2,979,190	$ 3,054,164	$ 2,895,419
Contributions - member	1,604,727	1,610,224	1,440,038	1,265,337	1,199,775
Net investment income	3,615,391	4,340,908	968,227	1,238,070	5,413,466
Benefit payments, including refunds of member contributions	(3,884,742)	(3,722,226)	(3,670,960)	(3,568,443)	(3,409,727)
Administration expenses	(233,115)	(200,814)	(173,318)	(141,239)	(143,644)
Net change in plan fiduciary net position	4,128,033	4,671,169	1,543,177	1,847,889	5,955,289
Plan fiduciary net position - beginning	44,943,920	40,272,751	38,729,574	36,881,685	30,926,396
Plan fiduciary net position - ending (b)	$ 49,071,953	$ 44,943,920	$ 40,272,751	$ 38,729,574	$ 36,881,685
Net pension liability (a) - (b)	$ 12,994,864	$ 15,207,913	$ 16,972,784	$ 14,496,565	$ 11,794,276
Plan fiduciary net position as a percentage of total pension liability	79.06%	74.72%	70.35%	72.76%	75.77%
Covered - payroll	$35,660,600	$34,102,965	$31,637,919	$28,118,610	$26,661,317
Net pension liability as a percentage of covered - payroll	36.44%	44.59%	53.64%	51.56%	44.24%

See accompanying notes to required supplementary information.

PENSION PLAN - Continued

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

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:

2018 Measurement - amounts reported as changes in assumptions resulted from (i) the mortality improvement scale applied to healthy and disabled lives was updated from the Conduent Modified MP-2015 improvement scale to the Conduent Modified MP-2017 improvement scale; (ii) a change in the discount rate from 7.68% to 7.75%.

2017 Measurement - the discount rate was changed from 7.63% to 7.68%.

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 Conduent 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.

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, 2019	$2,428,487	$2,969,440	$(540,953)	$37,433,965	7.93%
June 30, 2018	2,536,066	3,052,772	(516,706)	35,660,600	8.32%
June 30, 2017	2,621,332	2,643,077	(21,745)	34,102,965	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)	26,661,317	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, 2019 and 2018, for the Plan were calculated as the result of an actuarial valuation performed on July 1, 2018 and 2017, respectively. The following assumptions were used to determine contribution rates as reported in the Schedule for Employer Contributions:

Assumption	Actuarial Valuations July 1, 2018 and 2017
Cost-of-living adjustment	1.5% annually through plan year 2018
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
Normal retirement age	Various rates of retirement applied to age 55 through 70. Rate applied to the normal retirement age of 65 is 50%.
Form of payment	Single life annuity
Investment rate of return	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
Actuarial cost method	Entry age normal
Asset valuation method	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 Conduent Modified MP-2017 improvement scale Disabled mortality: RP-2014 Disabled Retiree Mortality with generational future mortality improvements based on the Conduent Modified MP-2017 improvement scale

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
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OPEB PLAN
(Unaudited)

	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
Total OPEB liability		
Service cost	$ 4,277,603	$ 4,117,831
Interest	2,373,679	2,390,826
Changes of benefit items	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(3,163,984)	(2,501,538)
Net change in total OPEB liability	3,487,298	4,007,119
Total OPEB liability-beginning	62,759,296	58,752,177
Total OPEB liability-ending (a)	$ 66,246,594	$ 62,759,296
Plan fiduciary net position		
Contributions-employer	$ 3,163,984	$ 2,501,538
Contributions-employee	-	-
Net investment income	-	-
Benefit payments, including refunds of employee contributions	(3,163,984)	(2,501,538)
Administrative expenses	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position-beginning	-	-
Plan fiduciary net position-ending (b)	$ -	$ -
Net OPEB liability -ending (a) - (b)	$ 66,246,594	$ 62,759,296
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered payroll	$ 33,214,258	$ 33,100,534
Net OPEB liability as a percentage of covered payroll	199.45%	189.60%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

METROPOLITAN TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
OPEB PLAN
(Unaudited)

	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
Actuarially determined contribution	$ 3,163,984	$ 2,501,538
Contributions in relation to the actuarially determined contribution	-	-
Contribution deficiency (excess)	$ 3,163,984	$ 2,501,538
Covered payroll	$ 33,214,258	$ 33,100,534
Contributions as a percentage of covered payroll	9.53%	7.56%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2018 were calculated based on the June 30,2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial valuation method	Individual entry age normal cost method
Amortization method	Level percentage of projected salary
Discount rate	3.50%
Health care cost trend rate	6.50% in fiscal year 2019, reducing to 4.00% in fiscal 2024. Level 4.00% for age 65 and later
Mortality	RPH-2014 Total Table with Projection MP-2018
Retirement rates	Rates developed from the 2016 Buck Experience Study

The discount rate was based on the Bond Buyer Go Bond 20 Index as of June 30, 2019.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ADDITIONAL INFORMATION

METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor	CFDA Number	FAIN/Contract Number	Expenditures	Federal Passed-through to Subrecipients
Federal Awards				
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-90-X-376	$ 1,108,583	$ -
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2017-030-01	52,933	52,933
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2018-014-0	678,691	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2018-028-01	683,107	193,481
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2017-019-01	296,948	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2017-019-02	44,952	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2018-025-00	448,000	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-90-X358	8,519	-
U.S. DEPARTMENT OF TRANSPORTATION	20.507	TN-2019-009-01	12,597,540	-
Total Program 20.507			15,919,273	246,414
U.S. DEPARTMENT OF TRANSPORTATION	20.526	TN-2017-044-00	620,042	-
U.S. DEPARTMENT OF TRANSPORTATION	20.526	TN-2016-021-06	1,855,979	-
U.S. DEPARTMENT OF TRANSPORTATION	20.526	TN-2018-008-00	500,000	-
Total Program 20.526			2,976,021	-
Total Federal Transit Cluster*			18,895,294	246,414
U.S. DEPARTMENT OF TRANSPORTATION	20.513	TN-2017-041-02	260,989	260,989
U.S. DEPARTMENT OF TRANSPORTATION	20.513	TN-2018-027-02	182,370	146,934
Total Program 20.513			443,359	407,923
U.S. DEPARTMENT OF TRANSPORTATION	20.933	TN-79-0001	4,179,942	-
Total Program 20.933			4,179,942	-
U.S. DEPARTMENT OF TRANSPORTATION			23,518,595	654,337
U.S. DEPARTMENT OF HOMELAND SECURITY - Federal Emergency Management Agency; Passed-through Tennessee Department of Military/Tennessee Emergency Management Agency	97.036	Not Applicable	867,771	-
Total Program 97.036			867,771	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			867,771	-
TOTAL FEDERAL AWARDS			**$ 24,386,366**	**$ 654,337**
State Financial Assistance				
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-17-53233-01	$ 231,997	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-18-BBFP-01	77,506	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Pending	17,722	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Pending	244,812	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-18-57689-00	42,737	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-18-56835	1,064	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-19-59673-00	138,572	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-19-59671-00	84,398	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	PENDING	1,574,693	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-18-58759-00	1,662,128	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	GG-19-61432-00	88,355	
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	Z-19-UROP01-00	4,904,300	
TOTAL STATE FINANCIAL ASSISTANCE			**9,068,284**	
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			**$ 33,454,650**	

*Denotes a major program.

See independent auditor's report.

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	$9,509,346
EMSID	20.513	35,436
		$9,544,782

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 $455,652, 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, 2019, and the related notes to the financial statements, which collectively comprise MTA's basic financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
October 30, 2019

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, 2019. 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, 2019.

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 30, 2019

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	$15,919,273
20.526	Federal Transit Administration Capital Grants	2,976,021
	Federal Transit Cluster	$18,895,294

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.

MTA had no prior year audit findings.