

**REGIONAL TRANSPORTATION AUTHORITY**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2015**

REGIONAL TRANSPORTATION AUTHORITY

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# REGIONAL TRANSPORTATION AUTHORITY

## INTRODUCTION

The Regional Transportation Authority (“RTA”) is pleased to present its Annual Financial Report for the year ended June 30, 2015.

### **Responsibility and Controls**

RTA 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.

RTA’s system of internal accounting controls is evaluated on an ongoing basis by RTA’s internal financial staff. Crosslin & Associates, 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 RTA’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 RTA as of June 30, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Audit Assurance**

The unmodified opinion of our independent external auditors, Crosslin & Associates, PLLC, is included in this report.

**REGIONAL TRANSPORTATION AUTHORITY  
AS OF JUNE 30, 2015**

**BOARD MEMBERS**

Rogers Anderson, Williamson County  
Michael Arnold, City of White House  
Howard Bradley, Robertson County  
Paige Brown, City of Gallatin  
Ernest Burgess, Rutherford County  
Billy Paul Carneal, City of Springfield  
Ed Cole, Governor's Appointee  
John Coombs, City of Goodlettsville  
Philip Craighead, City of Lebanon  
Kelly Dannenfels, Governor's Appointee  
Ken Davis, Governor's Appointee  
Karl Dean, Nashville-Metro Davidson County  
Jim Durett, Montgomery County  
Scott England, Governor's Appointee  
Mike Evans, Governor's Appointee  
Scott Foster, City of Hendersonville  
Rick Graham, City of Spring Hill  
Ed Hagerty, City of Mt. Juliet  
Anthony Holt, Sumner County  
James Hunt, City of Belle Meade  
Randall Hutto, Wilson County  
Rick Johnson, Ashland City  
Jerry Kirkman, City of Westmoreland  
Paula Mansfield, Governor's Appointee  
David McCullough, Cheatham County  
Shane McFarland, City of Murfreesboro  
Kim McMillan, City of Clarksville  
Ken Moore, City of Franklin  
Daryl Phillips, Governor's Appointee  
Mary Esther Reed, City of Smyrna  
Bob Rial, Dickson County  
John Schroer, Tennessee Department of Transportation  
Regina Smithson, City of Brentwood  
Dennis Waldron, City of La Vergne  
Don Weiss, Jr., City of Dickson  
Ken Wilber, City of Portland  
Lee Zoller, Governor's Appointee



## Independent Auditor's Report

Board of Directors  
Regional Transportation Authority  
Nashville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the general fund of the Regional Transportation Authority (the "Authority") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 opinions on these financial statements based on our audit. We conducted our audit 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Regional Transportation Authority as of June 30, 2015, and the respective changes in financial position, and the budgetary comparison information for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note E to the financial statements, the enabling legislation under which the Authority operates is scheduled to terminate on June 30, 2016, unless continued by the Tennessee General Assembly. This raises substantial doubt about the Authority's existence as a going concern after June 30, 2016. Management's plans in regard to this matter are also described in Note E. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11 be presented to supplement the basic financial statements. Such information, although not 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority'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 accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State of Tennessee, and are also not a required part of the basic financial statements.

The schedules of expenditures of federal and state 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 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 and state 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 audit 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 January 12, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Crosslin & Associates, PLLC*

Nashville, Tennessee  
January 12, 2016

**REGIONAL TRANSPORTATION AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**

This section of the Regional Transportation Authority’s (“RTA”) annual financial report presents our discussion and analysis of financial performance during the fiscal year ended June 30, 2015, as compared to fiscal year 2014. Please read it in conjunction with the introductory section of this report and RTA’s financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

Fiscal Year 2015:

- RTA saw overall ridership increases in regional bus and rail commuter services of approximately 21,500 additional rides, or 3.2%, compared to last fiscal year.
- RTA implemented several capital projects during the fiscal year that included the new Greensboro North park-n-ride in Gallatin, Tennessee to support our regional bus services; planning and final design for a transit oriented development to construct a new train station and parking lot at Hamilton Springs in Lebanon, Tennessee; the initiation of plans to install our new ticket vending machines for all our train stations; and continuation of our track rehab project to maintain the existing track for the Music City Star commuter rail services.
- RTA continued its northwest corridor feasibility study to analyze the possibility of commuter rail between Nashville and Clarksville, Tennessee as well as our project to develop our first overall strategic business plan. The new strategic plan will lay out how the RTA can become much more proactive in addressing Middle Tennessee’s transit needs, develop and set transit policy and deliver much more effective transit services throughout Middle Tennessee. Both projects are expected to be completed around June 2016.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of five parts: management’s discussion and analysis (this section), the government-wide financial statement presentation, the governmental fund financial statement presentation, the notes to the financial statements and additional information.

The financial statements provide both long-term and short-term information about RTA’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 other information that further explains and supports the information in the financial statements. The section of additional information includes schedules of federal and state awards and the notes thereto as well as a schedule of findings and questioned costs and the responses thereto, if applicable.

RTA’s financial statements are prepared in conformity with U.S. generally accepted accounting principles as applicable to state and local governments. Generally Accepted Accounting Principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (“GASB”). The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.



**REGIONAL TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS OF RTA**

**Net Position**

*Fiscal year 2015 as compared to fiscal year 2014:*

RTA's net position at June 30, 2015 totaled approximately \$20.5 million, a 17.5% increase compared to June 30, 2014 (See Table A-1). Total assets increased 16.3% to approximately \$22.0 million and total liabilities increased approximately 1.4% compared to the prior year.

**Table A-1**  
Regional Transportation Authority's Net Position  
**(in thousands of dollars)**

	<b>2015</b>	<b>2014</b>	<b>Percentage Change 2015-2014</b>
Current assets	\$ 4,342	\$ 3,612	20.2%
Capital assets, net	17,614	15,259	15.4%
<b>Total assets</b>	<b>21,956</b>	<b>18,871</b>	<b>16.3%</b>
Current liabilities	1,268	850	49.2%
Note Payable – Line of Credit	-	235	(100.0%)
Note Payable – Deferred Track Usage Fee	162	325	(50.1%)
<b>Total liabilities</b>	<b>1,430</b>	<b>1,410</b>	<b>1.4%</b>
Net Position:			
Investment in capital assets	17,614	15,259	15.4%
Restricted	1,000	1,000	-
Unrestricted	1,912	1,203	58.9%
<b>Total net position</b>	<b>\$ 20,526</b>	<b>\$ 17,462</b>	<b>17.5%</b>

The 16.3% increase in total assets was primarily due to increases in cash on hand, amounts due from federal, state and local governments, net capital assets, and restricted cash on hand which were partially offset by decreases in inventory on hand. Please read the Capital Asset section of this management discussion and analysis for further explanation for the increase in capital assets.

**REGIONAL TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

The increase in current assets was attributable to the normal course of business for fluctuations in cash, inventory and grant receivables resulting from receipt of grant funding due from federal, state and local governments. The increase in current liabilities was due to normal timing differences. We utilized a portion of our \$1.5 million line of credit in the prior year for the timing of normal cash flow needs. The line of credit had a \$0 balance at June 30, 2015 (See Note G to the Financial Statements). In 2011, approximately \$812,700 of the track usage fee was deferred during the first five years of the operation and converted to a five-year note payable on which RTA still owes the final year payment of \$162,093 (See Note H to the Financial Statements).

**Revenues, Expenses and Changes in Net Position**

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

*Fiscal year 2015 as compared to fiscal year 2014:*

The increase in net position for the year ended June 30, 2015 was approximately \$3.1 million, or 17.5%, compared to an increase of approximately \$421,000 for the year ended June 30, 2014 (See Table A-2). RTA's total program revenues increased 31.0% to approximately \$12.4 million from approximately \$9.5 million in the prior fiscal year. Total functional expenses, including depreciation, increased 4.0% to approximately \$9.7 million from approximately \$9.3 million in the prior fiscal year.

**Table A-2**  
Changes in Regional Transportation Authority's Net Position  
**(in thousands of dollars)**

	<b>2015</b>	<b>2014</b>	<b>Percentage Change 2015 - 2014</b>
<b>Program Revenues:</b>			
Passenger Fares charged for services	\$ 1,694	\$ 1,628	4.1%
Operating Grants and Contributions	7,572	6,593	14.8%
Capital Grants and Contributions	3,169	1,241	155.4%
<b>Total program revenues</b>	<b>12,435</b>	<b>9,462</b>	<b>31.4%</b>
General revenues	297	258	15.1%
<b>Total Revenues</b>	<b>12,732</b>	<b>9,720</b>	<b>31.0%</b>
<b>Functional Expenses:</b>			
R&R / Job Access Reverse Commute	4,302	4,216	2.0%
Commuter Rail - operations	5,366	5,083	5.6%
<b>Total functional expenses</b>	<b>9,668</b>	<b>9,299</b>	<b>4.0%</b>
<b>Increase / (Decrease) in Net Position</b>	<b>3,064</b>	<b>421</b>	<b>627.8%</b>
Total net position, beginning of year	17,462	17,041	2.5%
<b>Total net position, end of year</b>	<b>\$20,526</b>	<b>\$17,462</b>	<b>17.5%</b>

**REGIONAL TRANSPORTATION AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued**

The increase in passenger fare revenue was primarily due to Music City Star commuter rail fares increasing approximately \$94,000 to approximately \$785,000 for FY 2015 compared to the prior year. This increase was partially offset by a decrease of approximately \$28,000 in regional bus fare revenues to approximately \$908,000 for FY 2015. Fare revenues on our commuter rail services increased primarily as a result of increases in ridership of approximately 13,000 new rides, or 5.3%, compared to the prior year. This increase was partially offset by a slight decrease in regional bus ridership compared to the prior year. The decrease in fares collected on our regional bus operation was related to some service reliability issues we experienced during the fiscal year from one of our service providers as well as the cancellation or relocation of some of our regional park-n-ride lots. The increase in operating grants and contributions was primarily the result of new grant funding utilized for our northwest corridor study and strategic plan as well as additional grant funding eligible for relax and ride regional bus services. The increase in capital grants and contributions was the result of RTA having more active projects in FY 2015 compared to FY 2014 that utilized the increased grant awards that RTA received through the Transportation Improvement Plan (“TIP”) process in the past several years. The more notable projects included a new park-n-ride in Gallatin, new ticket vending machines to be installed at our train stations, replacement vans in our vanpool program and additional work in our ongoing track rehabilitation project for the Music City Star.

**Table A-3**  
Regional Transportation Authority’s Functional Expenses  
**(in thousands of dollars)**

	<b>2015</b>	<b>2014</b>	<b>Percentage Change 2015 - 2014</b>
Rideshare Function:			
Regional Bus / JARC Function:			
Operational expenses	\$ 3,993	\$ 3,865	3.3%
Depreciation	309	351	(12.0%)
Commuter Rail Function:			
Operational expenses	4,839	4,500	7.5%
Depreciation	527	583	(9.6%)
<b>Total operating expenses</b>	<b>\$ 9,668</b>	<b>\$ 9,299</b>	<b>4.0%</b>

The 3.3% increase in Regional Bus and JARC operational expenses primarily related to the increases in contractual operating costs from both Gray Line and Nashville MTA, our regional service providers.

**REGIONAL TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

The 7.5% increase in Commuter Rail operating expenses was primarily a result of annual contractual increases in the operation of the Music City Star from our train operator compared to the prior year and expenses paid to our consultants related to our new strategic plan as well as the Northwest Corridor Study. The decrease in overall depreciation related to having several assets becoming fully depreciated during the year resulting in less depreciation being recorded in FY 2015 compared to last year.

**CAPITAL ASSETS**

*Fiscal year 2015 as compared to fiscal year 2014:*

At the end of FY 2015, RTA had invested approximately \$17.6 million in net capital assets for a broad range of land, rail stations, revenue vehicles and equipment as shown in Table A-4.

**Table A-4**  
Regional Transportation Authority's Capital Assets  
**(in thousands of dollars)**

	<b>2015</b>	<b>2014</b>	<b>Percentage Change 2015 - 2014</b>
Land	\$ 2,968	\$ 2,968	-
Commuter Rail Stations	11,289	11,289	-
Rolling Stock	3,180	3,126	1.7%
Vehicles	3,199	3,035	5.4%
Construction and rehabilitation in progress	3,707	1,381	168.4%
Equipment	756	351	115.4%
Subtotal	25,099	22,150	13.3%
Less Accumulated Depreciation	(7,485)	(6,891)	8.6%
<b>Net Capital Assets</b>	<b>\$ 17,614</b>	<b>\$ 15,259</b>	<b>15.4%</b>

The increase in net capital assets was primarily due to having approximately \$3.2 million in capital additions related to work in progress on a railroad track rehab project to replace rail ties that had reached useful life, a new park-n-ride lot at Greensboro North in Gallatin, TN, initial planning work for our new train station at Hamilton Springs in Lebanon, TN, new replacement vans in our van pool program and new ticket vending machines to be installed at our commuter rail train stations. This increase was partially offset by approximately \$836,000 of depreciation recorded.

**REGIONAL TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**FUND FINANCIAL ANALYSIS**

As noted on the analysis of revenues, expenses and changes in net position, the RTA experienced an increase in net position on a government-wide basis of approximately \$3.1 million – see page 8 for a discussion of the significant changes in revenues and expense. However, the General Fund fund balance only increased by approximately \$547,000. In accordance with appropriate accounting principles, changes in noncurrent liabilities and capital assets are not included in General Fund financial statements. Consequently, the primary reason for the increase being less in the net fund balance was the fact that the net increase in capital assets was approximately \$2.4 million and payments of long-term debt amounted to approximately \$162,000.

**GENERAL FUND BUDGET VARIANCES**

Differences between our original budget and actual results were primarily related to an over estimation of operating expenses primarily in fuel, repairs, maintenance, track usage fees and expense contingencies that did not materialize. We consequently did not recognize related revenue sources for those expenses in our actual revenue reported. The northwest corridor study and our strategic plan expenses were not included in the original budget, but did have offsetting revenue sources that were recognized as additional operating revenue sources for those expenses.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

RTA's Board of Directors and management considered many factors when setting the fiscal year 2016 budget. These factors include the expected increase in ridership, contract services hourly rates and liability insurance coverage. Also considered were the anticipated capital grant funding for operations and potential capital projects as well as increased operating support from all of our regional partners.

**CONTACTING RTA'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patrons and other interested parties with a general overview of RTA's finances and to demonstrate RTA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Regional Transportation Authority's Finance Department, 430 Myatt Drive, Nashville, TN 37115.

**REGIONAL TRANSPORTATION AUTHORITY**  
**Statement of Net Position**  
**June 30, 2015**

<b>ASSETS</b>	
Cash	\$ 1,208,952
Due from other governments	1,682,035
Prepaid items	26,733
Inventory	423,871
Restricted cash	1,000,000
Capital assets:	
Capital assets, not being depreciated	6,675,236
Other capital assets, net of depreciation	<u>10,939,301</u>
 Total assets	 <u>21,956,128</u>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	1,073,491
Due to related party, net	194,239
Note payable, due within one year	<u>162,093</u>
 Total liabilities	 <u>1,429,823</u>
 <b>NET POSITION</b>	
Investment in capital assets	17,614,537
Restricted net position	1,000,000
Unrestricted net position	<u>1,911,768</u>
 Total net position	 <u><u>\$ 20,526,305</u></u>

The accompanying notes are an integral part of these financial statements.

**REGIONAL TRANSPORTATION AUTHORITY**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
<b>GOVERNMENTAL ACTIVITIES</b>						
Relax and Ride and Job Access Reverse Commute	\$ 4,301,843	\$ 908,083	\$ 3,076,393	\$ 261,038	\$ (56,329)	
Commuter Rail Operations	<u>5,365,865</u>	<u>785,871</u>	<u>4,496,192</u>	<u>2,907,943</u>	<u>2,824,141</u>	
Total governmental activities	<u>\$ 9,667,708</u>	<u>\$ 1,693,954</u>	<u>\$ 7,572,585</u>	<u>\$ 3,168,981</u>	<u>2,767,812</u>	
General revenues:						
Membership dues						162,253
Miscellaneous						<u>134,702</u>
Total general revenues						<u>296,955</u>
Change in net position						3,064,767
Net position, beginning						<u>17,461,538</u>
Net position, ending						<u>\$ 20,526,305</u>

The accompanying notes are an integral part of these financial statements.

**REGIONAL TRANSPORTATION AUTHORITY**  
**Balance Sheet - Governmental Fund**  
**General Fund**  
**June 30, 2015**

**ASSETS**

Cash	\$ 1,208,952
Due from other governments	1,682,035
Prepaid items	26,733
Inventory	423,871
Restricted cash	<u>1,000,000</u>
 Total assets	 <u><u>\$ 4,341,591</u></u>

**LIABILITIES**

Accounts payable and accrued expenses	\$ 1,073,491
Due to related party, net	194,239
Note payable, due within one year	<u>162,093</u>
 Total liabilities	 <u><u>1,429,823</u></u>

**FUND BALANCES**

Nonspendable:	
Inventories	423,871
Prepaid items	26,733
Restricted	1,000,000
Unassigned	<u>1,461,164</u>
 Total fund balance	 <u><u>2,911,768</u></u>
 Total liabilities and fund balance	 <u><u>\$ 4,341,591</u></u>

The accompanying notes are an integral part of these financial statements.



**REGIONAL TRANSPORTATION AUTHORITY**  
**Reconciliation of the Balance Sheet of the Governmental Fund**  
**to the Net Position of Governmental Activities**  
**June 30, 2015**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total governmental fund balance	\$ 2,911,768
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental fund.	<u>17,614,537</u>
Net position of governmental activities	<u><u>\$ 20,526,305</u></u>

The accompanying notes are an integral part of these financial statements.

**REGIONAL TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Governmental Fund**  
**General Fund**  
**For the Year Ended June 30, 2015**

**REVENUES**

Federal grant revenue	\$ 5,771,258
State grant revenue	1,153,468
Other local revenue	2,593,822
Fare revenue	1,693,954
Miscellaneous revenue	1,519,973
Total operational revenues	12,732,475

**EXPENSES**

Current:	
Relax and Ride and Job Access Reverse Commute	3,992,417
Commuter Rail Operations	4,810,726
Capital outlay:	
Relax and Ride and Job Access Reverse Commute	261,038
Commuter Rail Operations	2,959,212
Total expenditures before debt service	12,023,393

**DEBT SERVICE**

Payment on note payable	162,095
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**NET INCREASE IN FUND BALANCE** 546,987

**FUND BALANCE AT BEGINNING OF YEAR** 2,364,781

**FUND BALANCE AT END OF YEAR** \$ 2,911,768

The accompanying notes are an integral part of these financial statements.

**REGIONAL TRANSPORTATION AUTHORITY**  
**Reconciliation of the Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance of Governmental Fund to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Amounts reported for the governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental fund	\$ 546,987
Governmental funds report the current payment of long-term note payable as debt service expenditures, but payments on debt decrease noncurrent liabilities in the statement of net position	162,095
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Specifically, these items are as follows:	
Capital assets purchased	3,220,250
Net carrying value of capital assets disposed of	(28,537)
Depreciation expense	<u>(836,028)</u>
Change in net position of governmental activities	<u>\$ 3,064,767</u>

The accompanying notes are an integral part of these financial statements.

**REGIONAL TRANSPORTATION AUTHORITY**  
**Statement of Earnings to Budget Comparison**  
**For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
<b>REVENUES</b>			
Full adult fare - R&R	\$ 964,828	\$ 908,083	\$ (56,745)
Full adult fare - Train	738,000	737,187	(813)
Special events	43,270	48,684	5,414
Advertising sales	2,000	418	(1,582)
Rent of building and property	10,000	42,667	32,667
Non-transportation revenue	146,994	84,501	(62,493)
Annual membership dues	-	162,253	162,253
Local operating	1,613,670	1,630,380	16,710
Regional operating subsidies	1,013,245	1,137,018	123,773
State operating	1,166,180	1,079,404	(86,776)
JARC	25,320	52,266	26,946
CMAQ revenues	1,262,371	1,329,296	66,925
Capital operating assistance	2,377,328	2,344,221	(33,107)
Total operational revenues	<u>9,363,206</u>	<u>9,556,378</u>	<u>193,172</u>
<b>EXPENSES</b>			
Salary-contract admin - R&R	214,500	214,500	-
Salary-contract admin - Train	214,500	214,500	-
Other fringes - R&R	175,500	175,500	-
Other fringes - Train	175,500	175,500	-
Advertising service and fees - R&R	80,000	23,483	56,517
Advertising service and fees - Train	80,000	41,001	38,999
Attorney's fees	40,000	45,928	(5,928)
Outside auditing fees	33,000	23,700	9,300
Web management contract	61,075	58,336	2,739
Interest on track usage loan	10,565	7,043	3,522
Interest/extension fees - LOC	34,963	20,145	14,818
Bank service charges	4,000	5,982	(1,982)
Other services - R&R	2,500	195	2,305
Other services - Admin	-	331,995	(331,995)
Other services - Rideshare	-	-	-
Other services - Train	93,300	87,868	5,432
Other services - Admin Train	4,500	-	4,500
Emergency ride home	10,000	3,137	6,863
Contract maintenance - TVM's Train	11,000	908	10,092
Contract maintenance - Train Parts/Repairs/Maintenance	225,200	149,320	75,880
Contract maintenance - R&R/MTA	1,492,958	1,482,042	10,916
Contract maintenance - R&R/Grayline	2,119,089	1,977,849	141,240
Contract maintenance - Train Shuttle/MTA	164,762	154,866	9,896
Contract maintenance - Base Train Service/TSG	1,703,390	1,668,718	34,672
Contract maintenance - Special Service Train/TSG	21,250	27,003	(5,753)

The accompanying notes are an integral part of these financial statements.

**REGIONAL TRANSPORTATION AUTHORITY**  
**Statement of Earnings to Budget Comparison - Continued**  
**For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
<b>EXPENSES</b>			
Contract maintenance - Track Rent/NERC	56,115	57,595	(1,480)
Contract maintenance - Special Track Usage/NERC	6,750	9,325	(2,575)
Contract maintenance - Base Track Usage/NERC	600,000	539,351	60,649
Contract maintenance - Train/Train Systems	25,000	655	24,345
Equipment/software maintenance - Train	162,539	-	162,539
Fuel hedging expense - Train	-	115,826	(115,826)
Diesel fuel - Train	832,000	592,923	239,077
Gasoline - (MCS) Support Vehicle	500	-	500
M&S general - R&R	1,000	-	1,000
M&S general - Train	3,500	-	3,500
Promotional M&S	3,500	3,563	(63)
M&S Passenger Stations - Train	3,000	734	2,266
Printing services - R&R	5,000	5,827	(827)
Printing services - Train Fare Media	35,000	14,218	20,782
Printing services	25,000	329	24,671
Office supplies - Rideshare Admin	4,500	347	4,153
Office supplies - Train	-	62	(62)
Janitorial supplies - Train	2,000	1,133	867
Electric	-	235	(235)
Water/sewer	500	2,980	(2,480)
Telephones - Train	4,600	2,176	2,424
Insurance - PPADO	-	3,113	(3,113)
Insurance - CS&A	565,900	531,126	34,774
Insurance - Real Property	14,700	16,171	(1,471)
Licensing vehicles	-	300	(300)
Licensing vehicles - Rideshare	500	-	500
Dues and subscriptions - RTA	27,800	30,157	(2,357)
Travel and meetings - RTA	6,000	686	5,314
Miscellaneous general	2,000	-	2,000
Postage - R&R	1,000	-	1,000
Freight charges	3,250	9,518	(6,268)
Freight charges - Train	-	3,811	(3,811)
Contingency	-	-	-
Total operational expenses	<u>9,363,206</u>	<u>8,831,680</u>	<u>531,526</u>
<b>OTHER REVENUE/EXPENSES</b>			
Capital purchases revenue	-	3,168,981	3,168,981
Depreciation expense	-	(836,028)	(836,028)
Gain on sale of capital assets	-	7,116	7,116
Total other revenue/expenses	<u>-</u>	<u>2,340,069</u>	<u>2,340,069</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ -</u>	<u>\$ 3,064,767</u>	<u>\$ 3,064,767</u>

The accompanying notes are an integral part of these financial statements.

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

A. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Reporting Entity

Regional Transportation Authority (the “Authority”) was created by an act of the Tennessee General Assembly. The Board of Directors of the Authority is charged with the responsibility of developing and overseeing the implementation of a mass transit plan for middle Tennessee which currently includes Davidson, Sumner, Williamson, Wilson, Robertson, Cheatham, Dickson, Rutherford and Montgomery Counties in Middle Tennessee. Based upon the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity,” the Authority is not a component unit of any other entity due to the judgment that it does not meet the criteria of financial interdependency and other factors that would constitute a component unit. Also, based upon the above criteria, there are no separate organizations which have been determined to be component units of the Authority.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to U. S. generally accepted accounting principles (“GAAP”) as applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (“GASB”). The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the Authority are described below.

Government-Wide Financial Statements

The government-wide financial statements (i. e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities normally are supported by charges for services and intergovernmental revenues. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Amounts reported as program revenues include 1.) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by the given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Fund Financial Statements

The financial transactions of the Authority are recorded in one fund. The fund is accounted for by providing a set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures.

The Authority reports the following major governmental fund:

*General fund* - The general fund is the only operating fund of the Authority. It is used to account for all financial resources of the Authority.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues (other than grants) to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are recognized when the eligible expenditure has been incurred against a fully executed grant agreement, even if the grantor's reimbursement period extends beyond 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Federal, state, and local grants are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

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

Income Taxes

The Authority qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code.

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of purchase.

Capital Assets and Depreciation

Capital assets, which include property, equipment and construction in progress, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The Authority defines capital assets as assets with an individual cost of more than \$500 with a useful life of more than one year. The Authority has no general infrastructure assets.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Capital assets of the Authority are depreciated over the following estimated useful lives:

Equipment and vehicles	4 - 10 years
Rolling stock	5 - 10 years
Commuter rail stations and leasehold improvements	40 years

Under the terms of an agreement between the Authority and the Nashville and Eastern Rail Authority ("NERA"), all new facilities constructed on NERA property immediately fall under the exclusive ownership of NERA. Certain facilities may be designated for the exclusive use of the Authority with the concurrence of the Nashville and Eastern Railroad Corporation ("NERC") and NERA so long as the Authority continues to provide commuter rail service.

Inventory

Inventory is stated at cost on a first-in, first-out basis. The cost of inventory is recorded as expenditure when consumed. Inventory in the governmental fund is reported within nonspendable fund balance, which indicates that it does not constitute "available spendable resources" even though it is a component of current assets.



REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

*Government-Wide Financial Statements*

The difference between the Authority's total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources represents net position, which is classified into three components:

- *Investment in Capital Assets* - Amount of capital assets, net of accumulated depreciation. If the Authority had debt related to the acquisition or construction of capital assets, this net position category would be presented "net" of such related debt. At June 30, 2015, the Authority had no debt directly related to its capital assets.
- *Restricted Net Position* - Amount of net position that is subject to restrictions that are imposed by 1.) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or 2.) law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - Net position that is neither classified as restricted nor as invested in capital assets.

*Fund Financial Statements*

The Authority's financial statements are prepared under the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. In the fund financial statements, the government fund reports aggregate amounts for five classifications of fund balance based on the constraints imposed on the use of these resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- *Restricted Fund Balance* - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- *Committed Fund Balance* - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Authority's Board of Director, which is the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Authority had no committed fund balance at June 30, 2015.
- *Assigned Fund Balance* - This classification reflects amounts constrained by the Authority's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in any governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. The Authority had no assigned fund balance at June 30, 2015.
- *Unassigned Fund Balance* - This amount is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds (if applicable).

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use externally restricted resources first, followed by unrestricted resources- committed, assigned and unassigned- in that order, as needed.

Estimates

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

C. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority manages this risk by obtaining commercial insurance. Settlement of claims during the three most recent fiscal years did not exceed the Authority's insurance coverage.

The Authority is subject to potential litigation, claims or other legal proceedings arising in the normal course of operations. In the opinion of management, in consultation with legal counsel, there are no current matters which may materially effect the financial position of the Authority.

A lawsuit has been filed by two of the nation's largest railroads challenging the legality of the Tennessee taxes on diesel fuel for locomotives. The taxes are used to provide funding for railway rehabilitation projects for short line railroads operating in Tennessee. The Authority currently leases the Music City Star rail line from the Nashville Eastern Rail Authority to operate its daily commuter rail service between Nashville and Lebanon. The eventual outcome of the litigation as well as the impact on the Authority, if any, is unknown at this time.

D. RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2015, the Authority had two contracts with the Metropolitan Transit Authority ("MTA") to provide mass transit services within the Authority's service area and for management services. In the management contract, MTA provided administrative and personnel services for the Authority at a rate of \$65,000 per month. For the year ended June 30, 2015, the total amount charged for all services and contracts was \$2,347,582. As of June 30, 2015, \$387,700 was due to MTA. Further, during the year ended June 30, 2015, MTA credited or remitted \$1,317,236 to the Authority in public transit farebox collections. As of June 30, 2015, \$193,461 was due from MTA.

E. COMMITMENTS AND CONTINGENCIES

Enabling Legislation

As a government created agency established by the State of Tennessee, the Authority is subject to sunset hearings every five years under the "Tennessee Governmental Entity Review Law". The sunset hearings review the mission of the Authority and determine if it should be reauthorized to continue. Under the law, the Authority is scheduled to terminate on June 30, 2016, unless continued through an act of the Tennessee General

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

E. COMMITMENTS AND CONTINGENCIES - Continued

Assembly. Management participated in the sunset hearings with the State’s Commerce, Labor, Transportation and Agriculture Joint Subcommittee of Governmental Operations in October 2015. Based upon those hearings, the Committee plans to recommend that the Authority be renewed another five years and management expects a positive vote by the General Assembly on the renewal of the agency by the second quarter of calendar year 2016. Management fully expects the Authority’s enabling legislation to be renewed; however, renewal cannot be guaranteed. The financial statements do not reflect any adjustments as a result of this uncertainty.

Grantor Agencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

Lease Commitment

During the fiscal year, the Authority made payments pursuant to the terms of a lease agreement with NERC. The lease agreement provides for the use of certain NERC equipment, a maintenance facility, office space, side trackage, and related real property. The lease agreement is effective through September 15, 2036 and currently requires minimum annual payments of approximately \$56,000. The agreement further provides for adjustments to the minimum annual payment every three years to reflect changes in the consumer price index (“CPI”). The current monthly lease payment is \$4,676.

The total of lease payments for the year ended June 30, 2015, was \$57,595. The future minimum rental payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 56,112
2017	56,112
2018	56,112
2019	56,112
2020	56,112
2021 - 2025	280,560
2026 - 2030	280,560
2031 - 2035	280,560
2036	<u>56,112</u>
	<u>\$1,178,352</u>

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

E. COMMITMENTS AND CONTINGENCIES – Continued

Contracts

The Authority is under contract with the Nashville Eastern Railroad Authority (“NERA”) whereby NERA is to perform a track rehabilitation project on the rail lines on which the Authority operates in providing the commuter rail service. The original contract was entered into in August 2013 and calls for NERA to rehabilitate certain rails lines between Nashville, Tennessee and Lebanon, Tennessee for a total contract sum of \$1,279,105, plus certain additional expenses. The contract was amended in September 2014, expanding the scope of the project and increasing the total contract sum by \$1,799,557. Management estimates the total project cost to be approximately \$3,390,000. As of June 30, 2015, the Authority has incurred approximately \$2,635,000 in expenditures related to this project. This project is estimated to be completed during fiscal year 2016.

The Authority is under contract with a third party to construct a park-and-ride facility for the Authority in Gallatin, Tennessee. This contract was entered into in January 2015 for a total contract sum of \$756,373. The Authority estimates the total project cost to be approximately \$930,000, which has been spent through June 30, 2015. No significant additional project costs are anticipated and the project is expected to be completed and placed in service during fiscal year 2016. The Authority entered into an agreement with the City of Gallatin in June 2014 to lease the land for the park-and-ride facility. The lease term is fifty years. The Authority’s consideration under the lease agreement is to construct the facility. In December 2014, the lease agreement was amended to extend the date for completion of the construction of the park-and-ride facility.

The Authority is committed to a contract to purchase operations and maintenance services in connection with the commuter rail operations. Under the contract, the vendor supplies certain labor to operate the trains as well as certain maintenance and repair of rolling stock and facilities. The contract is for a term of five years, expiring in September 2016. The contract states a base monthly payment amount as well as charges for additional services. The Authority incurred \$1,695,721 under the contract in fiscal year 2015. Remaining contractual payments through September 2016 are as follows: \$1,727,866 in fiscal year 2016 and \$434,415 for July 2016 through September 2016.

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

F. CAPITAL ASSETS

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,968,344	\$ -	\$ -	\$ 2,968,344
Construction in progress	<u>1,381,644</u>	<u>2,325,248</u>	<u>-</u>	<u>3,706,892</u>
	<u>4,349,988</u>	<u>2,325,248</u>	<u>-</u>	<u>6,675,236</u>
Capital assets being depreciated:				
Commuter rail stations	11,288,742	-	-	11,288,742
Rolling stock	3,125,999	54,089	-	3,180,088
Vehicles	3,034,826	291,574	( 127,069)	3,199,331
Equipment	<u>350,759</u>	<u>549,339</u>	<u>( 144,211)</u>	<u>755,887</u>
	<u>17,800,326</u>	<u>895,002</u>	<u>( 271,280)</u>	<u>18,424,048</u>
Less accumulated depreciation:				
Commuter rail stations	( 2,213,552)	( 350,152)	-	( 2,563,704)
Rolling stock	( 2,222,455)	( 171,206)	-	( 2,393,661)
Vehicles	( 2,245,767)	( 242,686)	127,069	( 2,361,384)
Equipment	<u>( 209,688)</u>	<u>( 71,984)</u>	<u>115,674</u>	<u>( 165,998)</u>
	<u>( 6,891,462)</u>	<u>( 836,028)</u>	<u>242,743</u>	<u>( 7,484,747)</u>
Capital assets, being depreciated, net	<u>10,908,864</u>	<u>58,974</u>	<u>( 28,537)</u>	<u>10,939,301</u>
Capital assets, net	<u>\$ 15,258,852</u>	<u>\$ 2,384,222</u>	<u>\$( 28,537)</u>	<u>\$ 17,614,537</u>

Depreciation was charged to functions as follows:

Commuter Rail	\$526,602
Relax and Ride/JARC	<u>309,426</u>

Total governmental activities depreciation expense \$836,028

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

F. CAPITAL ASSETS - Continued

Construction in progress at June 30, 2015 consisted of the following:

Greensboro/Gallatin Park-and-Ride	\$ 928,300
Hamilton Springs Station	116,739
Track Rehabilitation	2,634,788
Shelters	<u>27,065</u>
	<u>\$3,706,892</u>

Estimated costs to complete construction in progress totaled approximately \$3,500,000 at June 30, 2015.

G. LINE-OF-CREDIT

In June 2014, the Authority entered into an agreement with SunTrust Bank for a \$1,500,000 revolving line-of-credit, which expired on May 31, 2015. Interest on the outstanding balance was charged at LIBOR plus 2.5 percent per annum. The interest rate was adjusted monthly and was not to exceed any maximum interest rate permitted by applicable law.

In April 2015, the Authority entered into an agreement with Fifth-Third Bank for a \$1,500,000 revolving line-of-credit. The maturity date is April 1, 2016 and the line-of-credit carries interest at a rate equal to 2.0 percent per annum.

As collateral for any outstanding balance on the line-of-credit, the Authority has granted the lender a security interest in substantially all of its assets, as more particularly described in a Security Agreement.

A schedule of changes in the line-of-credit obligation is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
\$1,500,000 line-of-credit	<u>\$235,000</u>	<u>\$1,615,077</u>	<u>\$(1,850,077)</u>	<u>\$ -</u>

For the year ended June 30, 2015, \$20,145 of interest and loan extension fees related to the line-of-credit have been included in the program expenses of the commuter rail-operations and the relax and ride job access reverse commute programs.

REGIONAL TRANSPORTATION AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

H. TRACK USAGE AGREEMENT AND NOTE PAYABLE

Based on the terms of the Memorandum of Agreement with the Nashville and Eastern Railroad Authority (“NERA”) and the Nashville and Eastern Railroad Corporation (“NERC”), as amended, and as it relates to the Authority’s operation of the Music City Star commuter rail, the Authority has agreed to pay NERC for maintenance-of-way services, dispatching services, rail line capacity committed and certain other items. The fee is \$8 per train mile for the first twenty-five thousand train miles, \$6 per train mile for the next twenty-five thousand train miles, \$4 per train mile for train miles in excess of fifty thousand miles, and \$2 per reverse train mile, adjusted for any increases in the CPI every five years for the life of the agreement. The CPI adjusted rates commencing for the year ended June 30, 2011 were \$8.88, \$6.66, \$4.44, and \$2.2, respectively. During fiscal year 2015, the track usage fees totaled \$548,676.

Additionally, of the track usage fee schedule indicated above, NERA and NERC have agreed to accept as payment: \$5.60 for the first twenty-five thousand train miles, \$4.20 for the next twenty-five thousand train miles, \$2.80 for train miles in excess of fifty thousand miles, and \$1.40 for reverse train miles for the first five-years of the agreement, and to defer the difference in the rate charged and the rate paid.

At the end of the first five-years, the Memorandum of Agreement called for the total deferred track usage fees to be converted to a five-year note and amortized with interest at the prime rate. Accordingly, on November 1, 2011, the Authority entered into a Promissory Note with NERC for the amount of \$812,247. The agreement calls for equal installments over 60 months. The remaining balance on the Note was \$162,093 at June 30, 2015. For the year ended June 30, 2015, \$7,043 of interest on this note has been included in the direct program expenses of the commuter rail operations program.

The following changes occurred in the Authority’s long-term debt for the year ended June 30, 2015:

	Beginning Balance	Increase	Decreases	Ending Balance
Note payable	<u>\$324,188</u>	<u>\$ -</u>	<u>\$(162,095)</u>	<u>\$162,093</u>

The following is a schedule of the future debt service on the note payable:

	<u>Principal</u>
2016	<u>\$162,093</u>

In accordance with the Memorandum of Agreement with NERA and NERC, the Authority must maintain a separate cash reserve account of \$1,000,000. Accordingly, this amount has been presented as restricted cash with corresponding restricted net position.



REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

I. ECONOMIC DEPENDENCE

The Authority's ability to provide program services is significantly dependent on annual appropriations and the awarding of operating grants from Federal, State, and local authorities. A failure to secure funding from these sources would necessitate the discontinuance of the Authority's programs.

J. CASH AND INVESTMENTS

State statutes authorize the Authority to invest operating funds in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

*Interest rate risk and concentration of credit risk*

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Authority places no limit on the amount it may invest in any one issuer. During the year ended June 30, 2015, the Authority limited its investment of funds to demand deposits at banking institutions.

*Custodial credit risk - deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At June 30, 2015, total demand deposits for the Authority were insured and/or collateralized by depository insurance or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the "Pool") is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. The Pool also has the ability to make additional assessments on a pro rata basis to the Pool if the value of collateral is inadequate to cover a loss.

## **ADDITIONAL INFORMATION**

**REGIONAL TRANSPORTATION AUTHORITY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

Program Name	CFDA Number	Contract Grant Number	Balance June 30, 2014 (Receivable)	Cash Receipts	Expenditures	Balance June 30, 2015 (Receivable)
<b>U.S. Department of Transportation:</b>						
Urbanized Area Formula Program - Capital Cost of Contracting	20.507 *	TN-90-X330	\$ -	\$ 220	\$ 220	\$ -
Urbanized Area Formula Program - 5307 - PM	20.507 *	TN-90-X370	-	43,651	46,482	(2,831)
Urbanized Area Formula Program - 5307 - PM	20.507 *	TN-90-X362	(101,419)	2,197,589	2,497,776	(401,606)
Urbanized Area Formula Program CMAQ	20.507 *	TN-95-X050	(333,360)	1,127,203	1,205,056	(411,213)
Congestion Mitigation and Air Quality Improvement	20.507 *	TN-95-X055	(7,779)	51,042	43,263	-
Urbanized Area Formula Program - 5307 P&R Development	20.507 *	TN-95-X058	(110,859)	504,645	445,541	(51,755)
Urbanized Area Formula Program - 5307 - PM	20.507 *	TN-90-X377	(438,822)	1,552,819	1,218,916	(104,919)
Urbanized Area Formula Program - 5307 - PM	20.507 *	TN-95-X059	(13,162)	13,162	-	-
Urbanized Area Formula Program - 5307 - HS Station	20.507 *	TN-95-X068	-	47,550	93,392	(45,842)
			<u>(1,005,401)</u>	<u>5,537,881</u>	<u>5,550,646</u>	<u>(1,018,166)</u>
Passed through Tennessee Department of Transportation:						
Urbanized Area Formula Program - 5309 - Captial Assistance	20.500 *	985309-S3-090	-	11,160	11,160	-
Van Pool Seat Guarantee						
Urbanized Area Formula Program (FHWA) - Bus Seat Guarantee	20.205	070086	(10,985)	10,985	-	-
Regional Ridesharing Program	20.205	110068-RS	(47,462)	194,166	158,303	(11,599)
	20.205	070091	-	-	33,185	(33,185)
			<u>(58,447)</u>	<u>205,151</u>	<u>191,488</u>	<u>(44,784)</u>
Passed through Metropolitan Transit Authority:						
Job Access Reverse Commute	20.516	TN-37-X088	(3,547)	21,511	17,964	-
Total expenditures of federal awards			<u>\$ (1,067,395)</u>	<u>\$ 5,775,703</u>	<u>\$ 5,771,258</u>	<u>\$ (1,062,950)</u>

\*Federal Transit Cluster; major program under OMB Circular A-133

See accompanying notes to schedules of expenditures of federal and state awards  
and independent auditor's report.

**REGIONAL TRANSPORTATION AUTHORITY**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended June 30, 2015**

Program Name	Contract Grant Number	Balance June 30, 2014 (Receivable)	Cash Receipts	Expenditures	Balance June 30, 2015 (Receivable)
<b>Tennessee Department of Transportation:</b>					
Urbanized Area Formula Program - Capital Cost of Contracting Passed through Metropolitan Transit Authority	TN-90-X330	\$ -	\$ 28	\$ 28	\$ -
Job Access Reverse Commute	TN-37-X088	(14,268)	23,250	8,982	-
Operating Assistance		-	569,500	569,500	-
Urbanized Area Formula Program - 5307 - PM	TN-90-X370	(20,078)	25,487	5,810	(401)
Urbanized Area Formula Program CMAQ	TN-95-X050	(79,599)	159,850	111,863	(31,612)
Urbanized Area Formula Program - 5307 - PM	TN-90-X362	(32,405)	32,405	312,223	(312,223)
Urbanized Area Formula Program - 5307 - PM	TN-90-X377	(54,853)	185,405	143,667	(13,115)
Urbanized Area Formula Program - 5309 - Capital Assistance	985309-S3-090	-	1,395	1,395	-
		<u>-</u>	<u>1,395</u>	<u>1,395</u>	<u>-</u>
Total expenditures of state awards		<u>\$ (201,203)</u>	<u>\$ 997,320</u>	<u>\$ 1,153,468</u>	<u>\$ (357,351)</u>

See accompanying notes to schedules of expenditures of federal and state awards  
and independent auditor's report.

REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2015

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include respective federal and state grant activity of the Regional Transportation Authority.

The receivable balances accrued at June 30, 2015 and 2014, represent grant revenue earned that was not received from the grantor agency during the period.

Cash receipts represent the actual cash received from the grantor agency during the current period. Federal expenditures represent the current period expenses charged to the grant as recorded on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

B. 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 RTA. 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.

## **OTHER REPORTS**



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

Board of Directors  
Regional Transportation 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 the governmental activities and the general fund of the Regional Transportation Authority (the "Authority") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 12, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Crosslin & Associates, PLLC*

Nashville, Tennessee  
January 12, 2016



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

Board of Directors  
Regional Transportation Authority  
Nashville, Tennessee

**Report on Compliance for the Major Federal Program**

We have audited the Regional Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2015. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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



### ***Opinion on the Major Federal Program***

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Authority, 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 the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

*Crosslin & Associates, PLLC*  
Nashville, Tennessee  
January 12, 2016

REGIONAL TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?      yes   x   no

Significant deficiency(ies) identified not considered to be material weaknesses?      yes   x   none reported

Noncompliance material to financial statements noted?      yes   x   no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?      yes   x   no

Significant deficiency(ies) identified not considered to be material weaknesses?      yes   x   none reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
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Federal Transit Cluster:

20.500/20.507	Federal Transit - Formula Grants (Urbanized Area Formula)
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   x   yes      no

REGIONAL TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2015

**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 reported.

REGIONAL TRANSPORTATION AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015

The Authority had no prior year findings.