

**REGIONAL TRANSPORTATION AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**



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**Regional Transportation Authority**  
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**June 30, 2014**

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**Regional Transportation Authority  
Board Members  
June 30, 2014**

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



**REPORT**

## **Independent Auditors' 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, 2014, 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.

## **Auditors' 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 of 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 Authority as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in conformity 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 5.1 through 5.7 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 financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the 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 are also not a required part of the financial statements of the Authority. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 November 26, 2014, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Case, Riggs & Ingram, L.L.C.*

Nashville, Tennessee  
November 26, 2014



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## **REGIONAL TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2014 as compared to fiscal year 2013. Please read it in conjunction with the introductory section of this report and the RTA's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

#### Fiscal Year 2014:

- RTA saw ridership increases in regional bus commuter service of approximately 49,700 additional rides, or 13%, compared to last fiscal year. This was due, in a large part, to increased levels of service implemented in FY 2013 between Davidson County and Rutherford, Sumner and Williamson Counties and a third trip to Montgomery County. Additionally, funding was secured to add a much needed fourth trip to Montgomery County.
- RTA was awarded approximately \$8.8 million in federal capital formula funding in FY 2013 as a result of the federal transportation bill, MAP-21. We used approximately \$1.2 million for some much needed track rehabilitation during FY 2014 and will spend another \$1.8 million on this project in FY 2015. We have implemented several other capital projects including new ticket vending machines for all our train stations and an e-fare system that will be installed on our commuter rail in FY 2015 that will enhance our fare collection systems and allow more flexibility for the future.
- RTA kicked off a northwest corridor feasibility study to analyze the possibility of commuter rail between Nashville and Clarksville as well as a project to develop our first overall master plan. The new master 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 throughout Middle Tennessee.

### **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 required supplementary 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 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 as well as a schedule of findings and questioned costs and the responses thereto.

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 American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). 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 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 Assets

*Fiscal year 2014 as compared to fiscal year 2013:*

RTA's total net assets at June 30, 2014 totaled approximately \$17.5 million, a 2.5% increase compared to June 30, 2013 (See Table A-1). Total assets increased 0.1% to approximately \$18.9 million and total liabilities decreased 22.3% to approximately \$1.4 million.

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

	<b>2014</b>	<b>2013</b>	<b>Percentage Change 2014-2013</b>
Current assets	\$ 3,612	\$ 3,904	(7.5%)
Capital assets, net	15,259	14,952	2.1%
<b>Total assets</b>	<b>18,871</b>	<b>18,856</b>	<b>0.1%</b>
Current liabilities	850	938	(9.4%)
Note Payable – Line of Credit	235	320	(26.6%)
Note Payable – Deferred Track Usage Fee	325	487	(33.3%)
Deferred revenue and Other Reserves	-	70	(100.0%)
<b>Total liabilities</b>	<b>1,410</b>	<b>1,815</b>	<b>(22.3%)</b>

Net Assets:			
Invested in capital assets, net	15,259	14,952	2.1%
Restricted	1,000	1,000	-
Unrestricted	1,203	1,089	10.6%
<b>Total net assets</b>	<b>\$ 17,462</b>	<b>\$ 17,041</b>	<b>2.5%</b>

The 0.1% increase in total assets was primarily due to increases in Capital Assets, net, inventory and restricted cash on hand which were partially offset by decreases in due from federal, state and local governments, due from others and cash on hand. Please read the Capital Asset section of this management discussion and analysis for further explanation for the increase in capital assets. The decrease 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 decrease in current liabilities was due to normal timing differences. We did utilize a portion of our \$1.5 million line of credit for the timing of normal cash flow needs. The line of credit is paid down upon receipt of federal and state grant funding. The line of credit had \$235,000 balance at June 30, 2014 (See Note 7 to the Financial Statements). In October 2011, approximately \$812,700 of the track usage fee that was deferred during the first five years of the operation was converted to a five-year note payable on which we pay approximately \$162,500 annually (See Note 8 to the Financial Statements).

#### **Revenues, Expenses and Changes in Net Assets**

While the Statements of Net Assets 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 2014 as compared to fiscal year 2013:*

The increase in net assets for the year ended June 30, 2014 was approximately \$421,000, or 2.5%, compared to a decrease of approximately \$177,000 for the year ended June 30, 2013 (See Table A-2). RTA's total program revenues increased 12.2% to approximately \$9.5 million from approximately \$8.4 million in the prior fiscal year. Total functional expenses, including depreciation, increased 5.2% to approximately \$9.3 million from approximately \$8.8 million in the prior fiscal year.

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

	2014	2013	Percentage Change 2014-2013
<b>Program Revenue:</b>			
Passenger Fares charged for services	\$ 1,628	\$ 1,547	5.2%
Operating Grants and Contributions	6,593	6,421	2.7%
Capital Grants and Contributions	1,241	466	166.3%
<b>Total program revenue</b>	<b>9,462</b>	<b>8,434</b>	<b>12.2%</b>
General revenues	258	228	13.2%
<b>Total Revenues</b>	<b>9,720</b>	<b>8,662</b>	<b>12.2%</b>
<b>Functional Expenses:</b>			
R&R / Job Access Reverse Commute	4,216	3,796	11.1%
Commuter Rail - operations	5,083	5,043	0.8%
<b>Total functional expenses</b>	<b>9,299</b>	<b>8,839</b>	<b>5.2%</b>
<b>Increase / (Decrease) in Net Assets</b>	<b>421</b>	<b>(177)</b>	<b>237.9%</b>
Total net assets, beginning of year	17,041	17,218	(1.0%)
<b>Total net assets, end of year</b>	<b>\$17,462</b>	<b>\$17,041</b>	<b>2.5%</b>

The increase in passenger fare revenue was primarily due to regional bus fares increasing approximately \$145,000 to approximately \$935,900 for FY 2014 compared to the prior year and a decrease of approximately \$64,600 in Music City Star commuter rail fare revenues to approximately \$691,700 for FY 2014. Fare revenues increased primarily as a result of our regional bus services experiencing increases in ridership of approximately 49,700 new rides, or 13.2%, compared to the prior year. This increase was partially offset by a 0.8% decrease in ridership on our commuter rail operation. The increase in regional bus ridership was primarily due to the increase in ridership from the expansion of service between Nashville and Sumner, Rutherford and Williamson Counties that operated for all of FY 2014 compared to only 9 months in the prior fiscal year. The decrease in commuter rail ridership was primarily due to the impact of the State's shifting of several jobs out of the downtown area during the prior fiscal year. The increase in operating grants and contributions was primarily the result of having a full year of the new grant funding related to the expanded services mentioned. The increase in capital grants and contributions was the result of RTA having more active projects in FY 2014 compared to FY 2013 that utilized the increased grant awards that RTA received through the Transportation Improvement Plan (TIP) process in the past several years.

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

	<b>2014</b>	<b>2013</b>	<b>Percentage Change 2014-2013</b>
Rideshare Function:			
Regional Bus / JARC Function:			
Operational expenses	3,865	3,386	14.1%
Depreciation	351	410	(14.4%)
Commuter Rail Function:			
Operational expenses	4,500	4,328	4.0%
Depreciation	583	715	(18.5%)
<b>Total operating expenses</b>	<b>\$ 9,299</b>	<b>\$ 8,839</b>	<b>5.2%</b>

The 14.1% increase in Regional Bus and JARC operational expenses primarily related to the expansion of regional bus services for Sumner County, Rutherford County and Williamson County added in October 2012 and having a full year of expense for FY 2014.

The 4.0% increase in Commuter Rail operating expenses was primarily as a result of increased insurance expense, fuel costs related to our fuel hedging contract costs as well as an increase in the amount of the management fee from Nashville MTA allocated to our commuter rail operations compared to the prior year. The decrease in overall depreciation related to having several train passenger rail cars become fully depreciated during the year resulting in less depreciation being recorded in FY 2013 compared to last year.

### **Capital Assets**

*Fiscal year 2014 as compared to fiscal year 2013:*

At the end of FY 2013 RTA had invested approximately \$15.5 million in 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>2014</b>	<b>2013</b>	<b>Percentage Change 2014-2013</b>
Land	\$ 2,968	\$ 2,968	-
Commuter Rail Stations	11,289	11,289	-
Rolling Stock	3,126	3,126	-
Vehicles	3,035	3,242	(6.4%)
Construction and rehabilitation in progress	1,381	141	880.1%
Office furniture and equipment	351	351	-
Subtotal	22,150	21,117	4.9%
Less Accumulated Depreciation	(6,891)	(6,165)	11.8%
<b>Net Capital Assets</b>	<b>\$ 15,259</b>	<b>\$ 14,952</b>	<b>2.1%</b>

The increase in net Capital Assets was primarily due to having approximately \$1.2 million in capital additions related to work in progress on a railroad track rehab project to replace rail ties that had reached their useful life. This increase was partially offset by approximately \$934,000 of depreciation recorded. There were also seven fully depreciated vanpool vans that were disposed of during the fiscal year that were beyond their useful life.

### **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 \$421,000 – see page 5.4 for a discussion of the significant changes in revenues and expense. However, the General Fund net fund balance decreased by approximately \$48,000. 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 decrease in the net fund balance was the fact that the net increase in capital assets was approximately \$307,000 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 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.

### **Economic Factors and Next Year's Budget**

RTA's Board of Directors and management considered many factors when setting the fiscal year 2015 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.

### **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.



# FINANCIAL STATEMENTS

**Regional Transportation Authority  
Statement of Net Position**

*June 30,*

**2014**

**ASSETS**

Cash	\$	140,637
Due from other governments		1,605,383
Prepaid expenses		23,222
Inventory		438,701
Restricted cash		1,404,481
Capital assets -		
Capital assets, not being depreciated		4,378,148
Other capital assets, net of depreciation		10,880,704
<b>TOTAL ASSETS</b>		<b>\$ 18,871,276</b>

**LIABILITIES**

Line of credit	\$	235,000
Accounts payable		543,688
Due to related parties, net		306,417
Current portion of note payable		162,538
Notes payable, noncurrent		162,095
<b>TOTAL LIABILITIES</b>		<b>1,409,738</b>

**NET POSITION**

Net investment in capital assets		15,258,852
Restricted net position		1,000,000
Unrestricted net position		1,202,686
<b>TOTAL NET POSITION</b>		<b>17,461,538</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>		<b>\$ 18,871,276</b>

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

## Regional Transportation Authority Statement of Activities

*For the year ended June 30, 2014*

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
Relax and Ride Job Access Reverse Commute	\$ 4,215,637	\$ 935,880	\$ 2,413,134	\$ 138,575	\$ (728,048)
Commuter rail - Operations	5,082,785	691,698	4,180,076	1,101,933	890,922
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,298,422</b>	<b>\$ 1,627,578</b>	<b>\$ 6,593,210</b>	<b>\$ 1,240,508</b>	<b>162,874</b>

**General Revenues:**

Membership dues	162,119
Miscellaneous	95,798
Total general revenues	<u>257,917</u>
Change in net position	420,791
Net position - beginning of year	<u>17,040,747</u>
Net position - end of year	<u>\$ 17,461,538</u>

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

**Regional Transportation Authority  
Balance Sheet – Governmental Fund**

*June 30,* **2014**

**ASSETS**

Cash	\$	140,637
Due from other governments		1,605,383
Prepaid items		23,222
Inventory		438,701
Restricted cash		1,404,481

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TOTAL ASSETS	\$	3,612,424
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**LIABILITIES**

Line of credit	\$	235,000
Accounts payable		543,688
Due to related parties, net		306,417
Notes payable, current portion		162,538

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TOTAL LIABILITIES		1,247,643
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**FUND BALANCE**

Nonspendable		461,923
Restricted		1,000,000
Unassigned		902,858

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TOTAL FUND BALANCE		2,364,781
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TOTAL LIABILITIES AND FUND BALANCE	\$	3,612,424
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*The accompanying notes are an integral part of these financial statements.*

**Regional Transportation Authority  
Reconciliation of Total Governmental Fund Balance  
to Net Position of Governmental Activities**

<i>June 30,</i>	<b>2014</b>
Total governmental fund balance	<b>\$ 2,364,781</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities of the funds.	<b>(162,095)</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<b>15,258,852</b>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 17,461,538</b>

*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**

*For the year ended June 30,*

**2014**

<b>REVENUES</b>	
Federal grant revenue	\$ 3,911,774
State grant revenue	996,702
Other local revenue	4,068,628
Miscellaneous revenue	742,109
<b>TOTAL REVENUE</b>	<b>9,719,213</b>
 <b>EXPENDITURES</b>	
Current:	
Relax and Ride and Job Access Reverse Commute	3,864,492
Commuter rail - Operations	4,499,961
Capital outlay:	
Relax and Ride and Job Access Reverse Commute	138,575
Commuter rail - Operations	1,101,933
<b>TOTAL EXPENDITURES BEFORE DEBT SERVICE</b>	<b>9,604,961</b>
 <b>DEBT SERVICE</b>	
Payment on note payable	162,538
<b>NET DECREASE IN FUND BALANCE</b>	<b>(48,286)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>2,413,067</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 2,364,781</b>

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

**Regional Transportation Authority  
Reconciliation of Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Fund to the  
Statement of Activities**

<i>June 30,</i>	<b>2014</b>
Net change in fund balance - total governmental funds	<b>\$ (48,286)</b>
Amounts reported for the governmental activities in the statement of activities are different because:	
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 Assets.	<b>162,538</b>
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. This is the amount by which capital outlays (\$1,240,508) exceeded depreciation (\$933,969) in the current period.	<b>306,539</b>
	<b>\$ 420,791</b>

*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, 2014*

	Budget	Actual	Budget Variance
<b>REVENUES</b>			
Full adult fare - R&R	\$ 791,076	\$ 935,880	\$ 144,804
Full adult fare - Train	779,400	649,831	(129,569)
Special events	29,000	41,867	12,867
Advertising sales	6,000	24,547	18,547
Rent of building and property	10,000	2,000	(8,000)
Non-transportation revenue	10,100	46,749	36,649
Annual membership dues	-	162,119	162,119
Local operating	1,613,425	1,640,276	26,851
Regional operating subsidies	941,438	899,939	(41,499)
State operating	966,298	691,914	(274,384)
JARC	98,329	61,696	(36,633)
CMAQ revenues	1,377,158	1,278,846	(98,312)
Capital operating assistance	2,368,089	2,020,568	(347,521)
<b>TOTAL OPERATIONAL REVENUES</b>	<b>8,990,313</b>	<b>8,456,232</b>	<b>(534,081)</b>

### EXPENSES

Salary-contract admin - R&R	207,900	204,750	3,150
Salary-contract admin - Train	207,900	204,750	3,150
Other fringes - R&R	170,100	173,250	(3,150)
Other fringes - Train	170,100	173,250	(3,150)
Advertising service and fees - R&R	80,000	87,908	(7,908)
Advertising service and fees - Train	80,000	35,837	44,163
Attorney's fees	40,000	45,860	(5,860)
Outside auditing fees	30,000	27,000	3,000
Web management contract	59,850	55,653	4,197
Interest on track usage loan	15,848	12,326	3,522
Interest/extension fees - LOC	35,000	18,043	16,957
Bank service charges	4,000	5,868	(1,868)
Other services - R&R	2,500	2,401	99
Other services - Admin	-	10,419	(10,419)
Other services - Rideshare	-	12,343	(12,343)
Other services - Train	93,300	91,388	1,912
Other services - Admin Train	4,500	-	4,500
Emergency ride home	10,000	1,750	8,250
Contract maintenance - TVM's Train	11,000	6,426	4,574
Contract maintenance - Train Parts/Repairs/Maintenance	250,200	114,549	135,651
Contract maintenance - R&R/MTA	1,452,631	1,451,785	846
Contract maintenance - R&R/Grayline	1,836,974	1,794,921	42,053
Contract maintenance - Train Shuttle/MTA	145,095	148,465	(3,370)
Contract maintenance - Base Train Service/TSG	1,618,146	1,620,115	(1,969)

*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, 2014*

	Budget	Actual	Budget Variance
<b>EXPENSES</b>			
Contract maintenance - Special Service Train/TSG	\$ 24,000	\$ 24,416	\$ (416)
Contract maintenance - Track Rent/NERC	54,000	54,726	(726)
Contract maintenance - Special Track Usage/NERC	5,700	9,324	(3,624)
Contract maintenance - Base Track Usage/NERC	633,000	545,248	87,752
Contract maintenance - Train/Train Systems	36,000	12,434	23,566
Equipment/Software Maintenance - Train	162,539	-	162,539
Fuel hedging expense - Train	-	2,154	(2,154)
Diesel fuel - Train	801,000	783,131	17,869
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	-	3,500
M&S Passenger Stations - Train	3,000	1,743	1,257
Printing services - R&R	5,000	3,730	1,270
Printing services - Train Fare Media	35,000	12,763	22,237
Printing services	25,000	9,776	15,224
Office supplies - Rideshare Admin	4,500	1,517	2,983
Janitorial Supplies - Train	2,000	-	2,000
Water/Sewer	-	2,980	(2,980)
Telephones - Train	4,600	4,363	237
Insurance - PPADO	5,000	2,184	2,816
Insurance - CS&A	525,250	530,366	(5,116)
Insurance - Real Property	12,000	21,299	(9,299)
Licensing vehicles	-	125	(125)
Licensing vehicles - Rideshare	500	-	500
Dues and subscriptions - RTA	27,800	28,954	(1,154)
Travel and meetings - RTA	4,000	1,707	2,293
Miscellaneous general	2,000	(381)	2,381
Postage - R&R	1,000	-	1,000
Freight charges	3,250	12,836	(9,586)
Contingency	80,630	-	80,630
<b>TOTAL OPERATIONAL EXPENSES</b>	<b>8,990,313</b>	<b>8,364,452</b>	<b>625,861</b>
<b>OTHER REVENUE/EXPENSES</b>			
Capital purchases revenue	-	1,240,508	1,240,508
Depreciation expense	-	(933,969)	(933,969)
Gain on sale of capital assets	-	22,472	22,472
<b>TOTAL OTHER REVENUE/EXPENSES</b>	<b>-</b>	<b>329,011</b>	<b>329,011</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ -</b>	<b>\$ 420,791</b>	<b>\$ 420,791</b>

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

## Regional Transportation Authority Notes to Financial Statements

### NOTE 1: 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 Regional Transportation 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.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to 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 American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). 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

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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.

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.

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

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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. 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 an expenditure when consumed. Inventory reported in governmental funds is offset by a fund balance reserve, which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets.

## Regional Transportation Authority Notes to Financial Statements

### NOTE 2: 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:

- *Net investment in capital assets* – Amount of capital assets, net of accumulated depreciation and related debt (if any)
- *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, government funds report 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.
- *Committed fund balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Authority's Board – 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.

## Regional Transportation Authority Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Fund equity (Continued)*

- 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 governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- 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 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.

#### *Subsequent Events*

The Authority has evaluated subsequent events through the date these financial statements were available to be issued. No subsequent events were noted that meet the criteria to be recognized or disclosed.

#### *Reclassifications*

Certain amounts in fiscal year 2013 have been reclassified to conform to the fiscal year 2014 presentation.

## Regional Transportation Authority Notes to Financial Statements

### NOTE 3: 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.

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.

### NOTE 4: RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2014, 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 \$63,000 per month. For the year ended June 30, 2014, the total amount charged for all services and contracts was \$2,356,250. As of June 30, 2014, \$365,566 was due to MTA. Further, during the year ended June 30, 2014, MTA credited or remitted \$1,271,040 to the Authority in public transit farebox collections. As of June 30, 2014, \$59,149 was due from MTA.

### NOTE 5: COMMITMENTS AND CONTINGENCIES

#### ***Enabling legislation***

As a governmental agency established by the State of Tennessee, the Authority is subject to the "Tennessee Governmental Entity Review Law". Under the law, the Authority is scheduled to terminate on June 30, 2016 unless continued through an act of the Tennessee General Assembly.

#### ***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 5, 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 CPI index. The current monthly lease payment is \$4,676.

## Regional Transportation Authority Notes to Financial Statements

### NOTE 5: COMMITMENTS AND CONTINGENCIES (Continued)

#### *Lease commitment (Continued)*

The total of lease payments for the year ended June 30, 2014, was \$54,726. The future minimum rental payments are as follows:

Year ending June 30,	
2015	\$ 56,112
2016	56,112
2017	56,112
2018	56,112
2019	56,112
2020-2024	280,560
2025-2029	280,560
2030-2034	280,560
2035-2036	112,224
	\$ 1,234,464

#### **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 that the Authority operates on in providing the commuter rail service. The original contract was entered into in August of 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 of 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, 2014 the authority has incurred approximately \$1,555,000 in expenditures related to this project. This project is estimated to be completed during fiscal year 2016.

The Authority was 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 March of 2014 and has since been cancelled. The Authority is currently in discussion with other vendors negotiating a new contract for the construction of the facility. The Authority estimates the total project cost to range from \$800,000 to \$1,000,000 and to be completed during fiscal year 2015. The Authority entered into an agreement with the City of Gallatin on June 2, 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.

**Regional Transportation Authority**  
**Notes to Financial Statements**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities -				
Capital assets, not being depreciated -				
Land	\$ 2,968,344	\$ -	\$ -	\$ 2,968,344
Construction in progress	141,136	1,240,508	-	1,381,644
Rolling stock	28,160	-	-	28,160
	<u>3,137,640</u>	<u>1,240,508</u>	<u>-</u>	<u>4,378,148</u>
Capital assets, being depreciated -				
Commuter rail stations	11,288,742	-	-	11,288,742
Rolling stock	3,097,839	-	-	3,097,839
Vehicles	3,241,834	-	207,008	3,034,826
Equipment	350,759	-	-	350,759
	<u>17,979,174</u>	<u>-</u>	<u>207,008</u>	<u>17,772,166</u>
Less accumulated depreciation -				
Commuter rail stations	(1,863,400)	(350,152)	-	(2,213,552)
Rolling stock	(2,011,523)	(210,932)	-	(2,222,455)
Vehicles	(2,118,282)	(334,493)	207,008	(2,245,767)
Equipment	(171,296)	(38,392)	-	(209,688)
	<u>(6,164,501)</u>	<u>(933,969)</u>	<u>207,008</u>	<u>(6,891,462)</u>
Capital assets, being depreciated, net	11,814,673	(933,969)	-	10,880,704
<b>CAPITAL ASSETS, NET</b>	<u>\$ 14,952,313</u>	<u>\$ 306,539</u>	<u>\$ -</u>	<u>\$ 15,258,852</u>

Rolling stock of \$28,160 was not in service at June 30, 2014, and therefore, is not currently being depreciated.

Depreciation was charged to functions as follows:

Commuter Rail	\$ 582,824
Relax and Ride / JARC	351,145
<b>TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE</b>	<u>\$ 933,969</u>

## Regional Transportation Authority Notes to Financial Statements

### NOTE 7: LINE OF CREDIT

On June 26, 2012, the Authority entered into an agreement with SunTrust Bank for a \$1,500,000 revolving line of credit. The maturity date was April 20, 2014. 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.

On June 10, 2014, the Authority entered an agreement with SunTrust Bank to extend the maturity date on the above mentioned line of credit to May 31, 2015. The renewed line of credit continues to carry interest at a rate equal to LIBOR plus 2.5 percent per annum and must be paid down to a zero balance for at least one thirty day consecutive period each 364 day period that the line is available.

As collateral for any outstanding balance on the line of credit, the Authority has granted the lender a security interest in all assets, including but not limited to, bank accounts, inventory, furniture, fixtures, equipment, general intangibles, instruments, documents and chattel paper, whether now existing or hereafter acquired, and all proceeds and products thereof as more particularly described in a Security Agreement executed by Regional Transportation Authority.

A schedule of changes in short-term debt follows:

	Beginning balance	Increases	Decreases	Ending balance
\$1,500,000 line of credit	\$ 320,000	\$ 1,070,000	\$ 1,155,000	\$ 235,000

For the year ended June 30, 2014, \$18,043 of interest and loan extension fees related to the line of credit has been included in the program expenses of the commuter rail – operations and the relax and ride job access reverse commute programs. Approximately \$9,020 was included in each program.

### NOTE 8: 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 by Amendment 1; 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 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 between May 7, 2003 and the start of revenue service by the Authority and once every five years afterward for the life of the agreement. The CPI adjusted rates charged for the year ended June 30, 2011 were \$8.88, \$6.66, \$4.44, and \$2.22 respectively. Additionally, of the track usage fee schedule

## Regional Transportation Authority Notes to Financial Statements

### NOTE 8: NOTE PAYABLE (Continued)

indicated above, NERA & 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 a maximum of five years and defer the difference in the rate charge and the rate paid.

At the end of five years, the Memorandum called for the total deferred track usage fees to be converted to a five year note and amortized with interest at the prime rate. On November 1, 2011, the Authority entered into a Promissory Note with the NERC for the amount of \$812,247. The agreement calls for equal installments over 60 months. The Authority is making annual principal installments of \$162,538. For the year ended June 30, 2014, \$12,326 of interest on this note has been included in the direct program expenses of the commuter rail – operations program.

Following is a schedule of the debt service on the Authority's note payable:

		<u>Principal</u>		<u>Interest *</u>
2015	\$	162,538	\$	7,484
2016		162,095		2,201
		<u>\$ 324,633</u>		<u>\$ 9,685</u>

\* Interest shown at the current prime rate.

The following changes occurred in the Authority's long-term debt for the year ended June 30, 2014:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>		<u>Ending balance</u>
Note payable	\$ 487,171	\$ -	\$ 162,538	\$	<u>324,633</u>

### NOTE 9: 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.

## Regional Transportation Authority Notes to Financial Statements

### NOTE 10: 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, 2014, 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, 2014, 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.



**SUPPLEMENTARY INFORMATION**

**Regional Transportation Authority  
Schedule of Expenditures of Federal Awards**

*For the year ended June 30, 2014*

Program Name	CFDA Number	Contract/Grant Number	Balance		Cash	Expenditures	Balance June 30, 2014 (Receivable)			
			June 30, 2013 (Receivable)	June 30, 2013 (Receivable)						
<b>U.S. Department of Transportation</b>										
Passed through Tennessee Department of Transportation			\$	(28,500)	\$	73,646	\$	45,146	\$	-
Regional Ridesharing Program	20.205	70091								
ARRA Operations - Eastern Rail Project - FTA	20.507	TN-96-X013		(149,017)	254,244	105,227				
Urbanized Area Formula Program - Capital Cost of Contracting	20.507	TN-90-X330		(8,360)	8,360	-				
Urbanized Area Formula Program - 5307 - PM	20.507	TN-90-X370		(160,627)	160,627	-				
Urbanized Area Formula Program - 5307 - PM	20.507	TN-90-X362		(849,284)	2,242,695	1,494,830				(101,419)
Urbanized Area Formula Program CMAQ	20.507	TN-95-X050		(291,443)	1,128,347	1,170,264				(333,360)
Congestion Mitigation and Air Quality Improvement	20.507	TN-95-X055		(10,664)	18,664	15,779				(7,779)
Urbanized Area Formual Program - 5307 P&R Development	20.507	TN-95-X058		-	-	110,859				(110,859)
Urbanized Area Formula Program - 5307 - PM	20.507	TN-90-X377		-	-	438,822				(438,822)
Urbanized Area Formula Program - 5307 - PM	20.507	TN-95-X059		-	486,837	499,999				(13,162)
Passed through Metropolitan Transit Authority - Job Access - Reverse Commute	20.516	TN-37-X088		(7,892)	35,193	30,848				(3,547)
Metro Planning Organization (FHWA)	20.503	MPO L2681		-	-	-				-
			\$	(1,505,787)	\$	4,408,613	\$	3,911,774	\$	(1,008,948)

**Regional Transportation Authority  
Schedule of Expenditures of State Awards**

*For the year ended June 30, 2014*

Program Name	Contract/Grant Number	Balance		Cash		Balance June 30, 2014 (Receivable)
		June 30, 2013 (Receivable)	June 30, 2013	Receipts	Expenditures	
<b>Tennessee Department of Transportation</b>						
Urbanized Area Formula Program - Capital Cost of Contracting	TN-90-X330	\$ (1,044)	\$ -	\$ 1,044	\$ -	\$ -
Passed through Metropolitan Transit Authority - Job Access and Reverse Commute Program	TN-37-X088 70086	(6,014)	-	7,170	15,424	(14,268)
Van Pool Seat Guarantee		-	-	3,006	13,991	(10,985)
Operating Assistance		-	-	569,537	569,537	-
Urbanized Area Formula Program - 5307 - PM	TN-90-X370	(20,078)	-	-	-	(20,078)
Urbanized Area Formula Program CMAQ	TN-95-X050	(22,362)	-	51,345	108,582	(79,599)
Urbanized Area Formula Program - 5307 - PM	TN-90-X362	(106,160)	-	260,608	186,853	(32,405)
Urbanized Area Formula Program - 5307 - PM	TN-90-X377	-	-	-	54,853	(54,853)
Urbanized Area Formula Program (FHWA) - Bus Seat Guarantee	110068 - RS	(5,889)	-	5,889	47,462	(47,462)
		\$ (161,547)	\$ -	\$ 898,599	\$ 996,702	\$ (259,650)



## **Regional Transportation Authority Notes to the Schedule of Expenditures of Federal Awards**

### **Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Regional Transportation Authority.

The receivable balances accrued at June 30, 2014 and 2013 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*.



## **OTHER REPORTS**

**Independent Auditors' 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***

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, 2014, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 26, 2014.

**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.

*Carly Riggs & Ingram, L.L.C.*

Nashville, Tennessee

November 26, 2014

**Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on Each Major Program  
and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

Board of Directors  
Regional Transportation Authority  
Nashville, Tennessee

**Report on Compliance for Each 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 each of the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### ***Opinion on Each 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 each of its major federal programs for the year ended June 30, 2014.

### **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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

*Carly Riggs & Ingram, L.L.C.*

Nashville, Tennessee  
November 26, 2014

## Regional Transportation Authority Schedule of Audit Findings and Questioned Costs

*For the year ended June 30, 2014*

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### A. SUMMARY OF AUDITORS' RESULTS

#### FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified?        yes   x   no  
 Significant deficiency(ies) identified not  
 considered to be material weakness(es)?        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 weakness(es)?        yes   x   none reported

Type of auditors' report issued on compliance  
 for major programs: Unqualified

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(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit - Formula Grants (Urbanized Area Formula) (Relax and Ride, Operations-Eastern Rail Project, ARRA Capital Purchases, East Corridor Commuter Rail Preventive Maintenance, and Regional Van Purchase)

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 Audit Findings and Questioned Costs (Continued)**

*For the year ended June 30, 2014*

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**B. FINDINGS FINANCIAL STATEMENT AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT AND  
NONMAJOR FEDERAL AWARD PROGRAM QUESTIONED COSTS**

NONE



## Regional Transportation Authority Schedule of Prior Year Audit Findings and Questioned Costs

*For the year ended June 30, 2013*

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**A. FINDINGS - FINANCIAL STATEMENT AUDIT**

NONE

**B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT AND  
NONMAJOR FEDERAL AWARD PROGRAM QUESTIONED COSTS**

NONE